



CELEBRATING LITHUANIAN-AMERICAN PARTNERSHIP

*This publication was prepared by the
USAID/Lithuania Mission Staff in
collaboration with our implementing
organizations.*

*USAID wishes to express its sincerest
appreciation to all those who worked
with USAID during this assistance
program, both our counterparts and
our implementers. Thank you for your
cooperation and efforts that helped us
achieve our common goals for
Lithuania's transition to a market
economy and a democratic society.*

Page **TABLE OF CONTENTS**

6	I. INTRODUCTION
8	II. THE EVOLUTION OF THE LITHUANIAN-AMERICAN PARTNERSHIP
10	III. FISCAL POLICY REFORM
14	IV. BANKING, FINANCE AND CAPITAL MARKETS
18	V. SMALL AND MEDIUM ENTERPRISE DEVELOPMENT
22	VI. ENERGY SAFETY AND POLICY REFORM
26	VII. ENVIRONMENTAL PROTECTION
28	VII. DEMOCRACY, RULE OF LAW, AND NON-GOVERNMENTAL ORGANIZATIONS
32	IX. TRAINING IN SUPPORT OF TRANSITION
36	X. CONCLUSION
38	LIST OF IMPLEMENTING PARTNERS/PROJECTS
40	USAID MISSION STAFF LIST



Lietuvos Respublikos Prezidentas

Lithuania has accomplished much since the early days of independence, moving from a centralized command economy to an open with opportunities for all. The United States Agency for International Development has played a supporting role in these achievements. Together, we have made significant contributions to legal reform, improved human rights, privatization, energy pricing, financial controls, a viable NGO sector and an enhanced natural environment. We have been able to modernize the old economic system and replace it with one based on imagination, initiative and creativity. The Lithuanian-U.S. partnership is working and achieving results and will continue to do so.

We are pleased to know that although the USAID official Mission is closing this year some of its important work will continue through the US Embassy for some time. The Baltic American Partnership Fund will further provide support for NGO development and strengthening of civil society and the building of a stronger and more effective partnership between non-governmental and governmental institutions. Through the Baltic American Enterprise Fund, loans to businesses will continue for another few years. Several regional environmental programs will continue to improve our environmental sector and important support for our energy sector. Fiscal reforms, including continued improvements in the effective operation of the Treasury and improved tax structure will be bolstered by additional technical support to the Ministry of Finance. We are hopeful that the Ministry of Finance Training Center will be sustainable and continue providing world-class fiscal training to its employees and other interested parties. Activities to continue reforms to reduce the barriers to enterprise development and investment, both domestic and foreign direct, and several critical health programs should continue for at least the next few years until we are able to fund them domestically, perhaps through the encouragement of individual and corporate philanthropy.

On the occasion of the closing of the USAID office in Lithuania, I would like for us to view this as an important leap forward for us. I would like to take this opportunity to publicly thank the representatives of the United States for their generosity in working with us in meeting our development challenges these past eight years. Although there are new challenges ahead facing us already, I believe that we will confront them with greater assurance, confidence and understanding because of United States Agency for International Development, its programs which were started there.

Respectfully,

A handwritten signature in black ink, appearing to read 'Valdas Adamkus', with a large, sweeping flourish extending to the right.

Valdas Adamkus



THE WHITE HOUSE
WASHINGTON

May 9, 2000

Dear President Adamkus:

Nearly 10 years ago, after a long struggle, freedom triumphed in Lithuania. As we take our first steps into the new century, I salute the Lithuanian people for the courage, the perseverance, and the discipline that made independence possible again.

From our own experience, Americans know that while the first taste of freedom may be the sweetest, the real work of building a democratic society and free market economy comes in the years that follow. The United States is proud to have helped Lithuania regain its freedom and make that transition. The closing of the U.S. Agency for International Development mission in Vilnius is a demonstration of American confidence that Lithuania's economic and democratic course is irreversible. Today, Lithuania is again a country in which free people shape their own destiny.

Americans have stood united with Lithuanians for 60 years, and the Lithuanian flag continued to fly in Washington during some of the darkest times of the 20th century. In the years to come, the United States looks forward to working with the people of Lithuania as they take their rightful place among the free nations of the world.

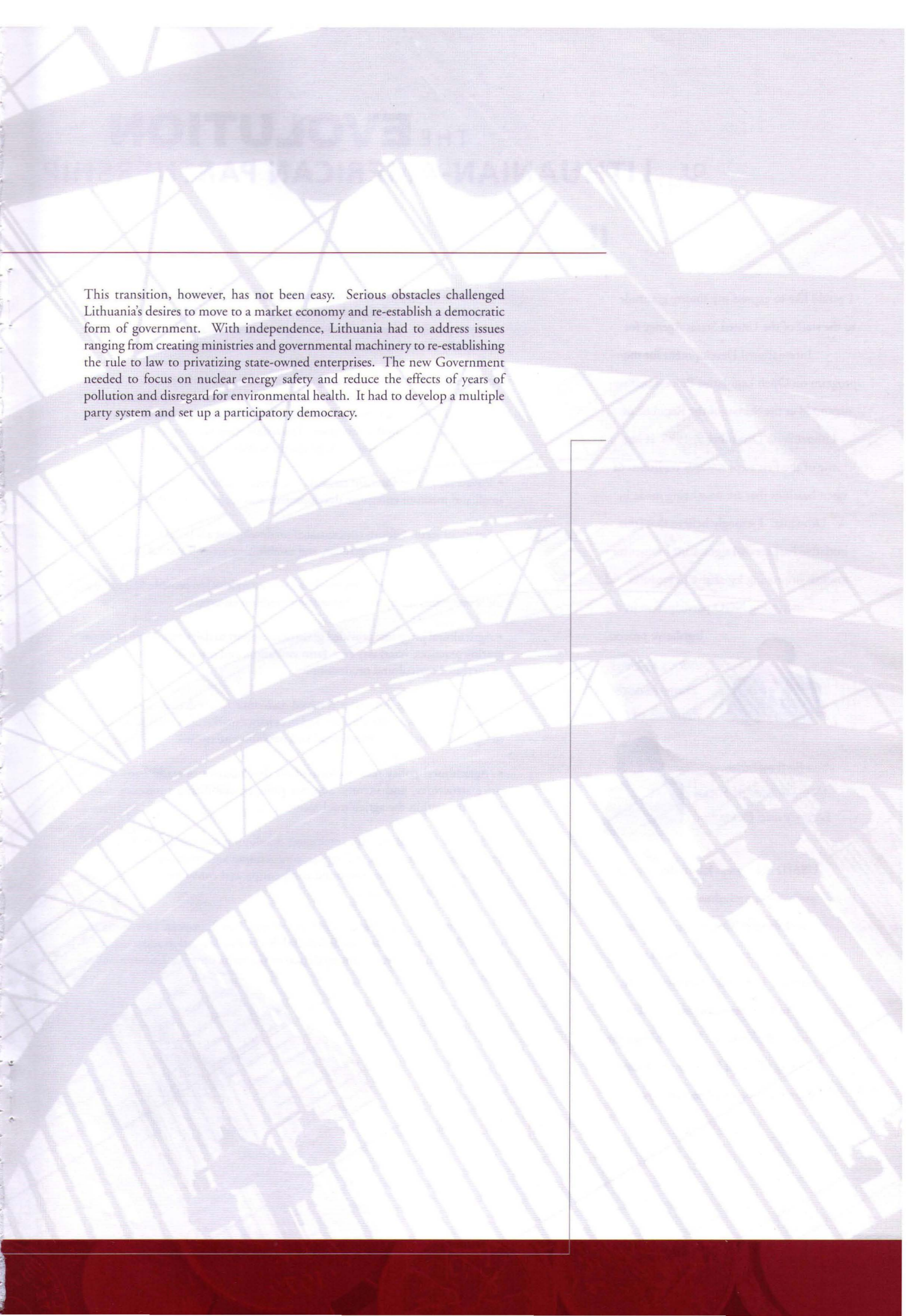
Sincerely,

His Excellency
Valdas Adamkus
President of the Republic
of Lithuania
Vilnius

INTRODUCTION

As the Berlin Wall began to crumble in 1989, the United States Congress passed the Support for East European Democracy (SEED) Act. The Act was designed to contribute to the development of democratic institutions and political pluralism, and a free market economic system in Central and Eastern Europe. In the political realm, SEED was to support the transition to democratic society, which recognized fundamental human rights and civil liberties. In the economic realm, SEED was to promote free market economies within the region. The country-specific assistance strategies varied in focus but were built on common, region-wide strategic goals: economic restructuring, democratic transition, and social stabilization.

Lithuania's historic revolution in 1990 captured worldwide attention and inspired people everywhere. To support this revolution, the U.S. Government mobilized SEED resources to assist Lithuania's transition to a democratic society and market-oriented economy. Today, the people of Lithuania and the United States are partners in building Lithuania's free-market economy and developing a democratic society prepared to meet the challenges of the 21st century.



This transition, however, has not been easy. Serious obstacles challenged Lithuania's desires to move to a market economy and re-establish a democratic form of government. With independence, Lithuania had to address issues ranging from creating ministries and governmental machinery to re-establishing the rule of law to privatizing state-owned enterprises. The new Government needed to focus on nuclear energy safety and reduce the effects of years of pollution and disregard for environmental health. It had to develop a multiple party system and set up a participatory democracy.

THE EVOLUTION OF THE LITHUANIAN-AMERICAN PARTNERSHIP

II.

I would like to express my sincere gratitude to the staff of the United States Agency for International Development for the program on Open Legislative Process that was organized at the Seimas of the Republic of Lithuania on December 9, 1998. It was one of the first steps towards traditions of open hearings that are now being made in Lithuania. I strongly believe that [this initiative has] created significant momentum towards improving legislative procedures and increasing NGO participation in the legislative process.



*Andrius Kubilius
Prime Minister of the
Republic of Lithuania*

*Vilija Blinkevičiūtė
Vice-Minister of Social
Security and Labor*



USAID did a great job in developing and reforming Lithuania's economy and society. I am pleased that the USAID program involved social security matters. It helped Lithuania to take its first steps towards a market-oriented economy. Also, it helped the Ministry of Social Security and Labor in creating the social security system.

The USAID program started in Lithuania in 1992. Initially, the program was a broad-based effort designed to reach as many segments of the transforming society as possible. Key activities were begun in nearly all sectors. These activities successfully showed U.S. support for reform throughout the country.

Responding directly to issues arising from Lithuanian independence, USAID initiated a program targeted at: developing the private sector, stabilizing the energy sector, protecting the environment, strengthening democratic institutions, and providing training opportunities. The results attest to the success of USAID's early strategy. Some examples of programs between 1992 and 1995 include:

- Private sector development targeted four specific areas: financial sector reform, small and medium enterprise development, and agricultural and legal reform.
- Financial sector reforms concentrated on developing a sound banking system, strengthening fiscal management, and establishing a viable capital market.
- The Baltic American Enterprise Fund was established to provide \$50 million for investments in support of small and medium enterprises.
- Agricultural programs provided grassroots support to dairy farmers to improve grazing practices, veterinary care, farm sanitation, and raw milk quality resulting in increased agricultural production.
- Food processing industries received assistance to modernize facilities and processes, to improve distribution, and to enhance marketing structures resulting in significant growth in these small and medium enterprises.
- Agricultural policy reforms focused on development of trade associations, price structures, and income support policies, stabilizing production and marketing within the agricultural sector.
- Support for legal reform, including developing commercial law, revising competition policy, laws, and regulations; refining anti-trust and privatization legislation; and carrying out sound competition and consumer protection law enforcement and advocacy.
- The American Bar Association Central and East European Law Initiative provided a series of resident specialists and short-term advisors to address specific legal topics and analyze draft legislation at the request of the Government of Lithuania.

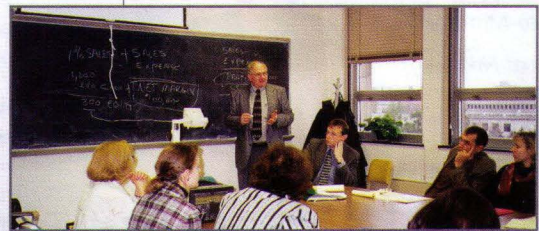
REFORM

- Seminars on trade unionism, democracy and the transition to a market economy; worker safety, health, labor law enforcement, privatization, and the payment of social insurance benefits.
- A Public Administration program increased the capacity of local governments to govern in a more transparent, participatory manner.
- Assistance in building strong and independent parliamentary institutions functioning in a multi-party democratic environment.

In 1996, USAID reviewed the progress achieved and decided to sharpen the focus of its program. In partnership with the Lithuanian Government, Parliament, representatives of the business sector, and non-governmental leaders, USAID prepared a four-tiered strategy to: 1) strengthen fiscal management, 2) forge a more stable financial environment, 3) improve safety and policy in the energy sector, and 4) promote the development of civil society and non-governmental organizations. USAID also supported enterprise development and improved regional cooperation in environmental monitoring. One cross cutting component of USAID's program was an intensive training program that has benefited more than 1,500 people in all sectors.

Between 1992 and 2000, the United States Government has provided over \$90 million in technical assistance, training, equipment, and investments to the Republic of Lithuania in support of this partnership.

- A Land O'Lakes expert provides training on key dairy business practices
- Participants learn about small business development visiting a Hy-Vee Food and Drug store
- Agricultural programs introduce new technology and testing techniques to milk producers
- Training in the U.S. and on-sight consultations result in higher milk quality and increased production



FISCAL POLICY REFORM



USAID advisors on taxes were extremely useful, and I only regret that the time of our cooperation is coming to an end. The advice and information that the Ministry received through USAID improved our professionalism and was highly beneficial.



Violeta Latvienė
Vice-Minister
of Finance

Dalia Grybauskaitė
Vice-Minister
of Finance



USAID was one of the first donor organizations that came to Lithuania. I had the honor to witness this process, and our cooperation has strengthened through the years. The Agency has provided essential support for the development of democracy, business, finance, and other vital areas. I am happy that USAID has accomplished its mission in Lithuania, and I would like to thank USAID for all the assistance and support we received during this difficult transitional period.

Independence brought rapid and immense changes to Lithuania's public finance system. Fiscal management appropriate to a market environment was introduced. Tax reform completely reshaped the composition of budget revenues. Expenditure structures have been gradually transformed as fiscal responsibilities between the government and enterprises have been redefined. Debt management has emerged as a new discipline in public finances.

Tax reform has been driven by two basic policy objectives: to stimulate formation of a market economy and to prepare for European Union (EU) accession. In the beginning of the transition process, government revenues fell as a greater share of economic activity shifted to the (untaxed) private sector and to the "hidden" economy. To reverse these tendencies, budget revenues were restructured by replacing direct and indirect taxes. This included the introduction of a general turnover tax, followed by the introduction of VAT and a small set of excise taxes. Direct taxes were also reformed.

By some estimates, the shadow economy reached 40 percent of total economic activity during the 1990s. This created an urgent need to improve the tax administration system and to widen the tax base. In 1995, the Central Tax office was established in accordance with EU requirements. This was perhaps the most important step in separating tax policy and tax administration. The State Tax Inspectorate and Customs Department then implemented a number of management reforms aimed at reducing the number of local offices, to simplify operations.

At the time of independence there was one unified state budget for all governmental units in Lithuania. The new Constitution defined the content of both state and municipal budgets. However, it did not limit the overall role of the Government regarding the state and municipal budget. The lack of a legal limit on fiscal activity contributed to rapid growth of extra-budgetary funds. By 1998, extra-budgetary accounts increased from 4 to 30. Those funds were not subject to regular parliamentary scrutiny, and the resources devoted to the funds reduce fiscal flexibility. A decision was taken in 1999 to consolidate the accounts of all extra-budgetary funds into one account, to improve budget transparency and over-sight.

In 1999, the Government approved a budget reform strategy and prepared a new Budget Law. The new process includes a three-year budget planning cycle, adoption of performance and program based budgeting methodology, and better expenditure analysis and control. All these measures should make expenditures more efficient and more accountable to the public.

In 1994, 65 percent of the central government debt was financed by issuing domestic Treasury bills. As Lithuania became more creditworthy on the international capital markets, the Government shifted its debt management strategy to rely more on foreign borrowing. A total of \$60 million was borrowed through private Eurobond placements in 1995, \$200 million in 1997, and \$182 million in 1999. Domestic financing for the Government continues to be constrained by Lithuania's low savings rate and consequently the limited capacity of the domestic financial market.

At the end of 1998, the Government approved a medium-term borrowing policy, which required that short-term debt not exceed 25 percent of total state debt, and that state foreign debt not exceed 85 percent of total debt. The policy also requires that state expenditures for interest on state debt not exceed 15 percent of all budget revenue. By ensuring that state borrowing is not excessive, debt limits help establish Lithuania's credibility on the international financial markets.

■ *Public debt management seminar,
August 1999*

■ *Director of the Ministry of Finance Fiscal
Policy Department Rimantas
Vaicenavičius and Head of Planning and
Analysis Division Dzintra Sakevičienė
discuss fiscal policy issues*

Discrete USAID assistance activities within the Fiscal Sector have included:

- **Tax System:** Since 1994, USAID has supported programs in the fiscal sector to rationalize the tax system and broaden the tax base. USAID helped prepare new laws on personal income and enterprise income taxation, which were approved in 1996. Those laws created a clearer definition of income, reduced the number of exemptions, and unified the rates for corporate and personal income tax. This resulted in greater tax equity.
- **Tax Policy:** Complementary efforts to support a more comprehensive restructuring of the tax system were implemented by the Harvard Institute for International Development (HIID) under a new tax policy project begun in 1997. The project focused on simplifying tax laws, making them more coherent, broadening the tax base, lowering and simplifying tax rates, encouraging fairness and neutrality in taxation, and informing tax policy decision-makers about measures adopted in Western countries. In addition, it strengthened the Ministry of Finance's capacity to analyze and assess alternative tax policies, using economic modeling techniques. Assistance to the Ministry of Finance resulted in simplifying and lowering rates and broadening the base of the personal income tax. It also ensured that the revised VAT laws were in harmony with EU standards, that new tax legislation covered real property, and that the framework for a unified Tax Code was laid.
- **Tax modeling:** Tax modeling assistance for the Ministry of Finance advanced its capabilities to craft tax policies and more accurately estimate the effects of these changes on Government revenues. HIID experts helped integrate a microeconomic model for measuring the projected impact on revenues of proposed changes in the personal income tax. This personal income tax model is a micro-simulation of the effects of changes in tax policy on revenues. The model was used to assess the impact of various changes in direct taxation, to ensure that such changes would have a positive effect on distribution, while not exacerbating macroeconomic imbalances. The model was also used to assess the impact of modifying the national pension legislation by introducing a multi-tier pension system. The Ministry has been shown how to update the model so that the accomplishments under this project are sustainable. The Ministry staff is developing a variety of similar models for other taxes.
- **Fiscal Policy:** Assistance to the Ministry of Finance was also provided in the fiscal policy area. USAID helped develop short term forecasting models, a policy simulation model, and a medium-term (3 year) macroeconomic model. Also, a series of policy notes on a wide range of fiscal and macroeconomic challenges formed the core for several of the major reforms that were adopted to combat fiscal stress. In addition, USAID provided assistance on macroeconomic reporting and analysis. Jointly building and utilizing the models with the Ministry of Finance staff has ensured that the models can be operated appropriately and will be maintained and improved over time. This allows the Government to more accurately forecast the effects of macroeconomic and revenue policy changes on fiscal and economic performance. USAID financed training opportunities for the Ministry of Finance staff to analyze linkages between fiscal policy, structural policy, and macroeconomic vulnerability, enabling the Ministry to better predict and respond effectively to fiscal sector developments. A modern set of revenue and expenditure instruments have been introduced; debt management capabilities have evolved and, most importantly, fiscal stability has been achieved.



USAID provided methodological support to create and develop the treasury, consulted on budget management and reform, fiscal management, debt management and other areas. Through the USAID program, the Ministry staff not only improved their qualifications, but also received support in developing training capacity within the Ministry. Another important activity was the assistance of USAID advisors in drafting legislation in the aforesaid areas. The Ministry of Finance is grateful for the professional support, good will and flexibility extended by the USAID program management,



staff and experts.
Edmundas Žilevičius
Vice-Minister
of Finance

Rimantas Vaicenavičius
Director of Fiscal Policy
Department at the Ministry
of Finance of the Republic
of Lithuania



Effectively targeted at institution building, USAID assistance comprised nearly half of total help that Lithuania received over a decade of transition in the most difficult areas of economic and financial management.

Aimed at strategic economic issues, the USAID assistance filled in the gaps of transition in establishing the country's important economic strategies.

- **Tax Administration:** A concerted effort has also been made to improve tax compliance. The U.S. Treasury's tax administration project focused on increasing tax collectors' skills, through a series of seminars on tax collection techniques, indirect methods of audit, criminal investigation, taxpayer services, and other topics. Another activity, the "train-the-trainers" program, aimed at developing human resources following completion of the U.S. Treasury program. A notable accomplishment was the reorganization of the tax inspectorates along functional lines. A second major accomplishment was the realization by the Government that the system, which rewarded tax collectors with a share of tax fines and penalties, distorted incentives and rewarded corruption. A new tax administration bill was passed which eliminates the collection-incentive payments.

- **Treasury:** USAID technical assistance helped to establish the core of a treasury operation within the Ministry of Finance, which helped consolidate funding control. A cash management system has been established, linking short-term cash availability with public sector treasury bill operations. After the revenue shocks in 1996, the cash management system helped the Government avoid the buildup of wage, pension and other public expenditure arrears which have badly undermined confidence in fiscal policy in other Eastern European countries. Due to these efforts, Lithuania has also been able to secure a near-investment grade credit rating from two international rating services. This has helped the country improve access to international capital markets. Also recommendations to the Ministry of Finance on expenditure management priorities during the revenue collapse in early 1996, alleviated what could have developed into a financial panic.

USAID helped establish a market in treasury securities and assisted in building confidence in the domestic securities market. Weekly cash projections were established. This was a major improvement since until two years ago there was no cash forecasting.

- **Budget Policy:** Our program initiated reforms to: 1) strengthen the legal framework for public expenditures, 2) redesign budget planning and development procedures, 3) eliminate off-budget funding and expenditures, and 4) improve budget monitoring and evaluation. With USAID assistance, the Government adopted program and performance-based budgeting as the country's official policy in 1999. The program also helped the Ministry of Finance in its efforts to consolidate the budget and phase out off-budget expenditures. In addition, a new program and performance-based budget manual, called "Preparation, Submission, Analysis and Evaluation of the National Budget," was designed which helped ensure standardization of the process throughout all the Ministries.

- **Policy Studies:** Three special studies have been prepared to assist in fiscal policy formulation at the Ministry of Finance. Those studies have helped to build strong links between the Ministry of Finance and local Lithuanian research institutions. Also, the studies have helped the Ministry of Finance to analyze issues that are fundamental to fiscal policy decision making. The first study was "Determinants to Economic Growth", the second "Effectiveness and Efficiency of Public Expenditures in the Education Sector" and the third "New Spending Priorities in Education Sector". The study on growth determinants

revealed that almost all of Lithuania's economic rebound originated from the small and medium enterprise sector. The study pointed out that Government's fiscal policy had imposed a rather heavy burden on that sector, while providing support to large companies (both public and private) that were contributing little to growth. It advocated a number of changes in tax, public expenditure and regulatory policies to enhance the business environment for small and medium enterprises. Education is the single largest category of public expenditure. The study on the education sector revealed a host of regional and topical imbalances in education spending and performance. A special study on business and computer education undertaken as a follow-up measure to the first policy study helped define a roadmap to increasing the relevance of the education system to needs of the market economy.

- **Institution Building:** USAID assistance helped augment the Ministry's capacity to manage its own affairs. The combination of on-the-job training and development of an in-service training program for the Ministry made a significant contribution to its human resource capacity. After several years of concentrating on overseas training for Ministry of Finance staff, USAID shifted to in-country training to deepen staff development. Starting in 1999, USAID training resources were focused on the creation of a routine in-service training capacity in public finance, fiscal policy, debt and treasury management, and budget policy.

- **"Lithuania: From Transition to Convergence" Conference:** In September 1999, USAID hosted a conference titled, "Lithuania: From Transition to Convergence," that examined the progress made in economic and democratic reform and helped define the challenges and strategies for the Government to follow in the next decade. The conference inspired an improved and better-informed policy making process, as the Government contends with the challenges posed by economic transition and convergence (i.e., membership in the EU). This was accomplished by generating high-quality analysis and debate on Lithuania's achievements during the economic and democratic transition, future challenges to convergence, and policy reform options. Also, the conference helped to open-up the process of economic policy reform and development strategy debate by inviting researchers and other specialists from a range of government and non-governmental institutions to share their analysis and conclusions with Lithuania's national leaders. Finally, the conference helped to enrich the domestic policy debate by providing opportunities for a mix of international experts to share the results of their research on matters likely to affect Lithuania.

For Lithuania, fiscal policy is the single most important instrument that the Government has at its disposal for influencing economic development. During the transition, the Government has not yet been able to forge a solid link between fiscal policy and a national development strategy, because of the need to transform the economy into a market-based system while stabilizing financial system. With USAID assistance, the Ministry of Finance has been able to play a more active role in ensuring that economic policies are appropriate, that the fiscal strategy is linked to clear development objectives, and that the Government's external and domestic borrowing strategy is sustainable and serves to encourage private investment.

- *The Conference "Lithuania: From Transition to Convergence", September 1999*

- *Fiscal Policy Workshop for Ministry of Finance officials in Druskininkai, March 2000*

- *A Lithuanian delegation visits the Cash Room at the U.S. Treasury in Washington, D.C.*



BANKING, FINANCE AND CAPITAL MARKETS

IV.

The Bank of Lithuania started receiving USAID assistance in 1993. USAID assistance was highly beneficial in developing practical and theoretical knowledge of a wide range of specialties at the Bank. Over the years of cooperation, USAID advisors helped the Bank design and implement its concept of open market operations, and the principles and operations of international banking.

This assistance program helped the Bank of Lithuania to become a modern Central Bank.



Reinoldijus Šarkinas
Chairman of the Board of
the Bank of Lithuania



Artūras Keleras
President of Central
Securities Depository of
Lithuania

Thanks to USAID assistance, the Central Securities Depository of Lithuania acquired know-how and experience in implementing new financial instruments (such as, repo), developing custody functions, drawing up a Disaster Recovery Plan, as well as carrying out numerous other projects.

The absence of an adequate legal framework governing loan recovery, foreign branch banking, and depository insurance has constrained the expansion of market-based banking activities during the 1990s. The USAID program of assistance in the banking and finance sector was broadly designed to facilitate the shift from a command to a free-market economy. The 1995-6 banking crisis was a symptom of broader imbalances in the real economy. The causes included inadequate enforcement of bank regulations and poor bank corporate governance. To help remedy these issues, the USAID program focused on developing and strengthening two key elements of market-driven systems - banking and capital markets.

Before 1992, individuals and institutional investors in Lithuania had few alternatives to traditional banks as depositories for accumulated savings. New enterprises or companies requiring capital for expansion were also forced to rely almost entirely on banks, which only provided debt financing. To stimulate the economy through market-based reforms, the Government passed a series of resolutions between 1992 and 1995 to create an institutional framework for a capital market.

USAID maintained its focus on establishing capital markets as a viable alternative to the banking system, with a particular emphasis on strengthening the Lithuanian Securities Commission. Later, it increased its support for additional advisory assistance to capital market development, to introduce a trading system that could cope with growing market activity, to fill gaps in the regulatory environment, and to improve market surveillance and disclosure mechanisms.

Since 1996, USAID has assisted the Bank of Lithuania (BOL) to help accelerate banking sector reforms. These reforms included monetary policy issues, such as forecasting bank reserves and liquidity in the market. In addition, the program provided expert advisors to the Ministry of Finance on corporate governance.

With critical, well-targeted USAID assistance, the Government has made significant progress in creating a well-regulated and relatively efficient capital market. Key working counterparts have been the National Stock Exchange of Lithuania, the Central Securities Depository of Lithuania, the National Association of Finance Brokers, and the Lithuanian Securities Commission. Passage of additional legislation, specifically the Law on Public Trading of Securities, set the stage for building a system of rules, regulations, and procedures to govern the new entities, thus encouraging efficiency in capital market operations.

■ *The fifth anniversary of the National Stock Exchange, September 1998*

■ *Opening ceremony at the Lithuanian Banking, Insurance and Finance Institute, 1997*

■ *Seminar on Preventing Money Laundering at the LBIFI, 1996*

Discrete USAID assistance activities within the Banking and Finance Sectors include:

- **Monetary Policy:** With the assistance of USAID-financed advisers, the BOL has taken important steps to institutionalize and regularize its role in formulation of monetary policy. These include the establishment of the Committee on Money Market Questions to analyze data and recommend BOL actions, and the initiation of money market liquidity smoothing operations, using repossession agreements and the auction of BOL deposits. The BOL also established a fully collateralized Lombard discount facility. USAID has also worked closely with the BOL Governor on such issues as risks of devaluation, the BOL's relations with state-owned banks, and foreign branch banking. These are issues which the BOL must have the capacity to resolve to function effectively as the nation's Central Bank. As a result of USAID's activities, the BOL is better prepared to correctly time and manage the phase-out of the currency board and litas revision, both of which will facilitate Lithuania's accession into the EU.

- **Credit Institution Supervision:** The BOL has made substantial progress in developing an effective supervisory framework. Manuals outlining uniform inspection procedures for banks and credit unions are now in use, inspectors have been trained in standard bank rating methodologies, and the BOL's newly created Problem Bank Division has developed mechanisms to deal with poorly performing banks. All banks are now required to publish annual audited financial statements, prepared in accordance with International Accounting Standards. A training institute for bankers, the Lithuanian Banking, Insurance and Finance Institute, was set up with USAID support. USAID also played an active role in the passage of a law outlawing money laundering, and in discussions leading to the decision to allow foreign branch banks to operate in Lithuania. With the help of the World Council of Credit Unions (WOCCU), the National Credit Union Association is now in place and the BOL's Bank Supervision Department inspectors have received training specific to credit union operations. With USAID assistance, the Policy Division of BOL's Credit Institutions Supervision Division amended key regulations affecting capital, general reserves, and liquidity, to tighten controls over Russian-related assets and liabilities.

Capital Market Development: In October 1995, USAID, working first through Price Waterhouse and later Pragma, launched a comprehensive program of technical assistance and training to strengthen the four capital market institutions. USAID's involvement in capital market development ensured that reforms were systematic and appropriately timed. The Deposit Insurance Fund is now established. Local professionals were also given a more prominent role in the implementation of the capital markets program through the training of new leadership in the highly technical and complex business of running capital markets. Activity on the stock exchange, a key indicator of successful intervention, has increased significantly since 1995, both in terms of capitalization and turnover.



Working with professional USAID consultants under the Lithuanian Capital Market Development Project, the Exchange improved its level of competence and gained international experience in dealing with both strategic and daily tasks. The most complicated part of the project dealt with the development of a new stock trading system at the Exchange, and implementation of new technologies. Yet it was extremely successful, like all cooperation with USAID.



*Rimantas Busila
President of National
Stock Exchange of
Lithuania*



*Vytas Latinis
WOCCU Project
manager*

In partnership with USAID, the World Council of Credit Unions has been assisting credit union development in Lithuania since 1994. Nowadays, credit unions throughout Lithuania provide a wide range of high quality loan and savings products to their members. USAID support enabled WOCCU to develop a network of democratic, sound and safe financial institutions that promote self-help, freedom of choice and serve as a platform for bringing people together.

Based on USAID recommendations, the GOL established a code of ethical conduct for brokerage firms and rules to protect minority shareholders and punish insider trading. In response to a specific request from the Seimas, USAID advisers worked with key counterparts to draft modifications of laws governing companies, securities, and mutual funds, that were generally enacted. The Lithuanian Securities Commission passed a regulation on capital requirements for brokerage firms in November 1997. Then in January 1998, the Commission approved new trading rules for the Exchange. Finally, USAID has helped to prepare new regulations and amendments to existing laws pertaining to both investment companies and brokerage firms.

- **Banking Legislation:** In the fall of 1996, USAID launched an initiative (with the Central and East European Law Initiative) to provide advisers to assist Lithuania's parliament draft new laws on collateral, bankruptcy, competition, and leasing. On the issue of foreign branch banking, USAID worked with the BOL and the Ministry of Finance and successfully encouraged the Government to amend provisions of the commercial bank law which had discouraged the presence of foreign bank branches in Lithuania.
- **Credit Union Development:** The World Council of Credit Unions (WOCCU) project has led to the establishment of a number of financially sound credit unions. USAID provided services and training to support development of credit unions, including: management, membership services, financial monitoring, cash flow management, business planning, reporting, and improving the legislative framework. The legal foundation for the operation of credit unions was established, and by 2000, a total of 33 credit unions were operating. The Bank of Lithuania has drafted a new law that recognized and regulates credit unions, insurance companies and other non-bank institutions.

Kazimieras Ramonas
Director of the Credit
Institutions Supervision
Department of the Bank of Lithuania



- **Corporate Governance:** During the banking crisis, USAID financed assistance leading to the privatization of the state-owned banks. Accordingly, USAID assisted the Ministry to focus primarily on privatization of the four state owned banks, establishing a bad loan work out bank (Turto Bankas), and creating an oversight agency for the new Deposit Insurance Fund. USAID also helped the Ministry prepare for country ratings from three international rating agencies, and assisted the Seimas money laundering working group. The Deposit Insurance Agency is performing well, the new country rating has gained Lithuania access to international capital markets, and passage of laws prohibiting money laundering has contributed to enhanced confidence in the banking system.

- **Commercial Bank Training:** USAID, in consultation with the Lithuanian Banking, Insurance & Finance Institute Training Center, organized a training program for Lithuanian commercial bankers. This included a "training of trainers" course held in the U.S. as well as specialized courses offered in Lithuania in such areas as credit analysis and asset and liability management. During 1995-1998, the Training Center has provided educational services for approximately 400 people, including bankers, financial specialists of credit union representatives, and decision-makers from Government authorities.

- **Commercial Bank Assistance:** A commercial bank assistance program was specifically geared to increasing the eligibility of banks to receive credit from the World Bank under its Enterprise and Financial Sector Assistance Project. The program was complementary to an on-going USAID effort to improve bank operations through assistance to the BOL's Bank Supervision Division. USAID tapped into an existing relationship with the International Executive Service Corps to help resolve the banking crisis by providing short-term advisers to Litimpeks Bank in credit management, auditing, and strategic planning/training and to Siauliai Bank in marketing, strategic planning, and auditing. The goals, which have been essentially achieved, have been to support the development of a safe and sound banking system that operates according to market principles, to develop a more stable financial environment, and to increase public confidence in the banking system.

The consultations provided by USAID advisors have significantly contributed to the quality of supervisory practices and procedures at the Credit Institutions Supervision Department of the Bank of Lithuania. Constructive cooperation with resident advisors gave positive results in developing a sound supervisory system, and strengthened such areas as on-site bank inspections, off-site monitoring, dealing with problematic credit institutions, etc.

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT

V.

I find it difficult to imagine what my tenure to date would have been like without the support of the USAID mission in Vilnius.

Not only did the Mission staff play an essential role in effectuating an amendment to the Company Law, which allowed the Fund to resume its commercial lending activities, but they were also continually able to provide me with invaluable insight into Lithuanian political,

macroeconomic
and social issues.



Jeff Gawley
*Director of the Baltic
American Enterprise Fund*

Aleksandras Targamadžė
*Vice-Rector of the Kaunas
Technological University*



The work with USAID on the establishment of the Management Training Center in Panevezys will remain in my memory as an example of great cooperation that brought benefits to both the partnership between the two countries and the development of science and technologies. I am certain that this training center will fruitfully serve the Lithuanian people.

Prior to the mid-1980's, private small and medium enterprises did not exist in Lithuania. The number has been growing swiftly since then. In 1992-1994, Lithuania experienced one of the sharpest economic downturns among the Former Soviet Republics, as its large public sector enterprises languished through the loss of traditional markets, while trying to implement market-based production, distribution and sales. But these years also saw the beginnings of the development of small and medium enterprises and of investor interest in Lithuania, which propelled a revival starting in 1995. The growth of the sector enabled a wider distribution of ownership, minimizing the concentration of economic power.

Strengthening small and medium enterprises is an important part of Lithuania's overall economic development effort. USAID has been involved with such enterprises since the inception of the program. For the first four years, program efforts were responsive to critical needs. In 1996, with the articulation of a more focused strategy, sector assistance and goals increasingly became better targeted and coordinated.

While initially there were several short-term activities directed at launching the development of small and medium enterprises, the key implementing partners for further assistance included the International Executive Service Corps, World Learning, World Environmental Council, Land O' Lakes, MBA Enterprise Corps, Volunteers of Cooperative Agriculture, Kaunas Technical University/Panevezys Management Training Center and Peace Corps. In addition to the above groups, the Lithuanian Free Market Institute (a local economic think tank) played an important role in drawing attention to key reform issues, engaging diverse opinions to be vetted publicly and fostering creative thinking during the transition period.

USAID has supported a number of key activities to strengthen this sector. These include:

- **Baltic-American Enterprise Fund:** The Baltic American Enterprise Fund (BalAEF) was established to promote private sector business by providing assistance on behalf of the U.S. Government. Through the infusion of new capital resources, BalAEF assists in the development of the small and medium enterprise sector in Estonia, Latvia, and Lithuania. The Fund was endowed by USAID with \$50 million. Since beginning operations in 1995, the Fund has been a financial partner for growth-oriented companies, entrepreneurs, and new homeowner families throughout the Baltic States. In total, BalAEF has disbursed \$34.9 million. Disbursements have generated \$13.7 million in returns of principal and interest. This new capital is used to finance market expansion,

product development, and state-of-the-art manufacturing capabilities. One successful BalAEF client is Lietpak, a leading manufacturer of printed plastic wrappings. Founded in 1989, Lietpak has quadrupled its earnings and doubled its workforce over the last three years. This firm's current success is tied to loans it received from the BalAEF in 1997 and 1998. BalAEF has made equity investments and commercial loans to 40 separate Lithuanian enterprises. Additionally, BalAEF set up a landmark program that has introduced residential mortgage loans to nearly 400 individuals and families in Lithuania. These loans indirectly support small and medium enterprises that provide building materials and construction services for these new residences.

- Management Training Center at Kaunas Technical University/Panevezys was established to: 1) strengthen the business skills of entrepreneurs, NGOs and local government authorities; 2) enhance the educational programs of Kaunas Technical University Panevezys and improve the skills of its regular faculty and instructors; and 3) to serve as an agent for change through training programs and service activities. Due to support from USAID, the Management Training Center now offers modern business management theories, stimulating the introduction of new management practices. Since 1995, the Center has served over 7000 people in Panevezys and throughout Lithuania. Several hundred jobs have been created or saved. The knowledge gained opened the doors to numerous opportunities for small and medium enterprises, and contributed to the expansion of their businesses.

- Land O' Lakes implemented a major part of USAID's early support of small and medium enterprise development. Overall assistance was provided to restructure agricultural enterprises, strengthen the production/distribution chain, refine marketing practices, and enhance efficiency and quality control. Land O' Lakes focused the dairy strengthening activities on the two most northern districts of Lithuania, Panevezys and Telsiai. Approximately 65 percent of the milk in Lithuania is processed within these two districts. The activities began with improved pasturing techniques to increase milk production rates and increased veterinarian care to improve raw milk quality. Improved techniques introduced at district veterinary stations has reduced milk testing times from five days to two and has substantially reduced test costs. At dairy processing plants, USAID improved plant sanitation, utilized new processing techniques, and introduced new product lines to increase production rates, reduce operating costs, and improve milk quality. Birzai Dairy, which as a result has become one of the best quality milk processors in the country, reduced operating costs by \$25,000 per day. For distribution and marketing, USAID assisted improvements in sales techniques, distribution and order systems, and customer support. USAID also supported development of trade associations, regulations for the dairy industry, and dairy policies. By strengthening the capacity of the industry as a whole, USAID set in motion a sustainable process of modernization.

- IESC experts with participants of the Total Quality Management Seminar, 1995

- VOCA volunteer shares U.S. experience with Lithuanian meat processors

- The Nematekas meat processor benefit from VOCA guidance on sanitation, product development and marketing



USAID has built up by far the most distinct and dynamic activities in Lithuania. Over the years, it has demonstrated timely response to Lithuania's policy needs that called for special attention. For LFMI, cooperation with USAID was valuable in many respects, as a stimulus for focusing on issues requiring free market solutions, and for institutional development in Lithuania.



*Elena Leontjeva
President of the Lithuanian
Free Market Institute*

*Dr. Eugenija Martinaitytė
Director of Lithuanian
Banking, Insurance and
Finance Institute*



The decision of USAID together with other donors to establish a professional training body for the financial sector, and USAID's continuing efforts to help it develop into a sustainable institution, was the beginning of a success story for the Lithuanian Banking, Insurance and Finance Institute.

- Volunteers for Overseas Cooperative Assistance (VOCA) provided technical assistance to leading agricultural processing companies and cooperative farms. Between 1992 and 1997, a total of 139 agricultural organizations received assistance. Initially, training was provided to farmers and managers of cooperative farms. Through new veterinary techniques and improved feed regimes introduced by USAID, hog and poultry producers improved weight gains and dramatically increased revenues. USAID assisted previously state-owned farms to more successfully organize into cooperatives and private companies. Over 40 percent of the fastest growing cooperative farms have participated in this training program. Within the meat processing industry, USAID improved the operations of newly established small-scale plants whose business was developing rapidly. Assistance was provided to improve production techniques, enhance sanitation, and establish new products. The VOCA program was coordinated with the USAID U.S.-based training program, with an emphasis on the dairy and meat processing industries. By carefully focusing on the problems faced by agricultural producers and processors, and offering technical assistance from volunteer experts that was carefully designed to meet these problems, USAID helped import modern management systems, improve productivity and product quality, introduce new technology, and reduce production costs. The total economic impact of VOCA programs has been estimated at \$11 million; and over twenty thousand jobs were either created or saved. In 1993, USAID used VOCA to help institutionalize the Lithuanian Agricultural Advisory Service, to provide local training and information programs for farmers and agricultural processing enterprises.

- International Business Network: The International Executive Service Corps (IESC) project was one of the first small business oriented USAID programs started in Lithuania. Over the years the local office developed an excellent staff, with outstanding knowledge of both the Lithuanian economy and the U.S. way of doing business, and maintained an extensive contact list in both countries. These resources provided the basis for a unique consulting firm. The local IESC director and staff incorporated as a new Lithuanian company, International Business Network (IBN). They negotiated an agreement with IESC to be their representative to provide volunteers for Lithuania consultations. IBN created a network of former IESC volunteers, who in turn identified potential investors for Lithuania and prepared a list of sectors where foreign investment would be most welcome. IBN is viewed as an important step in the effort to create linkages between the US and Lithuania which is supportive of Lithuanian development, while making maximum use of Lithuanian skills and resources.

■ *The Panevėžys Management Training Center stall at the Business Fair, 1999*

■ *Training for Business Leaders at the Panevėžys Management Training Center, 1999*

- Kaunas Regional Association of Small and Medium Enterprise (KRASME) promotes citizen participation in the decision-making process, by defending the rights of small and medium enterprises, representing their interests before state institutions, fighting corruption, initiating amendments to legislation, drafting laws, and maintaining relationships with international institutions. There are over 250 members in the organization, with representatives in the Business Committee at the Ministry of Economy and the Council of NGO's. The chairman of the board serves as state consultant for Prime Minister's office and advisor to the Business Committee of the National Parliament. Using these channels, they have achieved excellent results through advocacy for new regulations to produce a better environment for small and medium business.

- Lithuanian Free Market Institute conducts research and disseminates ideas, facilitates debate on issues, and educates authorities and the public at large on their positions. The Institute does this through seminars and conferences, publication of a newsletter, and by participating in public debates. The Institute is one of the most prominent "think tanks" in Lithuania, and has played a major role in legislative reform and the creation of a more supportive environment for business activities. Their recent activities have included advocacy for private pension systems and legal reforms in the areas of privatization, company law, and leasing law.

- Lithuanian Banking, Insurance & Finance Institute works to provide training courses, to develop and maintain a library of reference materials, to train Lithuanian trainers, and to develop training materials. During the last four years the Institute has presented a variety of courses and seminars and has published 11 textbooks for its Distance Learning program. Based on published textbooks and distance learning studies, the Institute has decided to develop a Masters Degree program for bankers and financial specialists.

- Kaliningrad and Belarus Training: In early 1998, USAID identified several opportunities for having a positive impact on the development of small and medium enterprises in Lithuania. A program was designed to teach the art of market economies to entrepreneurs from Belarus and Kaliningrad region. The expected outcomes of training were closer economic ties among Lithuanian, Belarus and Kaliningrad businesses and profitable small entrepreneurs. This is to be achieved through effective application of market practices in Belarus and Kaliningrad based on enterprise experience in Lithuania. This is the first attempt to use the experience of Lithuanian entrepreneurs and training providers to facilitate non-Lithuanian (i.e., Belarus and Kaliningrad) business development. To date, program participants have found the training program to be more useful and applicable to their business situations than similar training programs in West European countries. Belarus, Kaliningrad and Lithuanian entrepreneurs are beneficiaries of this comprehensive program. It is expected that many more valuable contacts will be established.



ENERGY SAFETY AND POLICY REFORM

VI.

I would like to emphasize that the establishment of the USAID Vilnius office was a very useful step.

Close contacts have been maintained between it and the energy institutions.

Whenever we needed information or advice or assistance we contacted

USAID staff and they never failed to help us.



*Vidmantas Jankauskas
Chairman of the Energy
Pricing Commission*

*Viktoras Valentukevičius
Ex-Vice-Minister of
Economy*



The assistance that the U.S. Government provided to Lithuania during the transition period in working out the legal and economic prerequisites for restructuring the energy sector and the fundamentals of future activities has been extremely useful. I believe that together we have traveled a very important part of the road, and the results achieved to date prove it.

Independence for Lithuania in 1990 set the stage for the country's transformation into a full market economy. However, the energy sector was faced with vast and politically sensitive problems. The energy sector was based on a planned economy and was plagued by excess power generation capacity, high transmission losses, and tariffs set far below actual operating costs. In addition, Lithuania continues to be almost totally dependent on a sole source, Russia, for its imported oil, gas, and nuclear fuel. Further, Lithuania assumed ownership of the Ignalina Nuclear Power Plant, with Soviet style RBMK type reactors, an inherently unsafe plant design. At that time, Lithuania did not have any nuclear safety regulatory capabilities to address serious safety concerns at Ignalina.

USAID assisted the Government of Lithuania with its reform of the energy sector, with activities to improve and update energy policy and nuclear safety. With USAID assistance, Lithuania established the Energy Regulatory Institution and began developing market-oriented energy pricing methodologies. USAID programs also assisted the three Baltic power companies in developing a regional planning approach for addressing energy issues. The Lithuanian Power Company participated in the USAID Utility Partnership Program to improve its accounting, management, customer service, and energy efficiency work. In coordination with other donors, USAID supported implementation of the nuclear safety program. All these activities resulted in a stronger, more progressive energy sector in Lithuania.

■ *The Ignalina Nuclear Power Plant*

■ *USAID/Lithuania Energy counterparts and implementers at the Energy Seminar, April 2000*

Discrete energy sector activities included:

- **Energy Pricing Reform:** The Government is fostering reforms in the energy sector to create a regulatory environment with incentives for private investment and to provide a low cost, reliable energy supply for its citizens. Price reform and an independent energy regulatory structure are critical elements of this process. Therefore, USAID financed Bechtel International to implement a technical assistance program to support the establishment of the Energy Pricing Commission. Since 1995, USAID has provided direct assistance to strengthen the Commission by focusing on establishing a comprehensive energy policy, implementing transparent energy pricing methodologies, and institutionalizing public participation in the process. Bechtel International provided direct technical advisory services, seminars, study tours, and policy studies.

Under this program, the Commission has developed into a major regulatory institution. It has made considerable progress in rationalizing energy pricing, removing subsidies, bringing prices closer to actual costs, and developing a service-orientation. Its success is further illustrated by the addition of other industries under its administrative regulatory review process. Currently, the Commission is one of the most advanced new regulatory institutions in Central and Eastern Europe. This USAID effort directly supports energy sector privatization initiatives, as well as compliance with EU energy liberalization directives.

- **Regional Cooperation and Planning:** Regional investment planning is critical for the Baltic countries to help defray the costs of power sector investments and to operate their power generation and distribution systems in a coordinated and more efficient manner, maximizing economies of scale. Regional cooperation is also essential to facilitate a joint approach on major issues, such as eventual closure of the Ignalina Nuclear Power Plant and environmental emissions from the Estonian oil shale power plants.



It would be difficult to say which of the numerous USAID energy projects has been the most important one, but I am positive that the assistance provided has allowed us to reassess the role of energy, its importance from the viewpoint of macro-economy, and the necessity for natural monopolies in the market economy.



Saulius Kutas
Head of the State Nuclear
Safety Inspectorate (VATESI)

Vladas Paškevičius
Deputy Director General of
Lietuvos Energija Power Utility
Company



The experience that our company gained through the USAID energy program helped us to form a new policy of public relations, including internal information dissemination for employees and electronic communication facilities for providing information to the public.

In 1995, the three Baltic States requested USAID to assist their power utilities to develop a least-cost energy investment planning capability. In response, USAID established the Baltic Regional Energy Development Program. USAID funded Electrotek to provide training in developing these planning capabilities and to demonstrate the advantages of cooperation in power system development. As a result, the Baltic countries established a permanent regional planning group, developed a regional cooperation plan, and developed a program to establish power pooling for the Baltic region. It is anticipated that this plan will not only strengthen the economic viability of the region, but will also attract foreign investment to the power sector.

- **Utility Partnership:** From 1994 through 1998, there were dramatic changes within the electric power sector. USAID funded the U.S. Energy Association to implement the Utility Partnership Program throughout Central and Eastern Europe. In Lithuania, Lietuvos Energija (the Lithuanian electric utility company) formed a partnership with Alabama Power Company (an electric utility from the U.S.). Through exchange visits and seminars, over 100 managers from Lietuvos Energija gained new skills and perspectives related to electric power utility operations. These managers were key individuals in the transition to a market-oriented economy. One notable result was that Lietuvos Energija established a Customer Service and Sales Department. In addition, Lietuvos Energija created Telecommunications, Economics, and Finance Departments - all key elements leading to the privatization of the power sector. USAID also assisted Lietuvos Energija in developing internationally accepted accounting procedures, which helped improve the financial performance of the company.

- **Energy Efficiency:** USAID funded implementation of the energy efficiency project that brought together a customer with serious arrearage problems, the Santariskiu hospital, with an energy provider, Lietuvos Energija. This project demonstrated how the power company can work to enhance customer service and help customers find innovative ways to reduce their arrearages. This project also assisted the hospital to reduce its energy costs while improving health care. Widespread implementation of energy efficiency measures has been limited by low tariff structures. As pricing increases during the coming decade, Lietuvos Energija will be poised to move forward with additional energy efficiency programs based on its experience under this USAID program. Project was implemented by Electrotek.

- **Nuclear Safety:** With independence, Lithuania assumed ownership of the world's largest nuclear power plant. Typical of all Soviet-designed facilities, Ignalina does not meet international design, construction, or operating standards. The poor safety standards, and the resulting risk to the region, prompted the Government of Lithuania to request assistance from the international community. USAID contributed to the Nuclear Safety Account, administered by European Bank for Reconstruction and Development (EBRD), to address immediate operational and technical safety improvements for Soviet-designed reactors. In 1998, a thorough safety analysis of the plant was completed, which identified essential safety improvements. The Nuclear Safety Account funded many of these improvements. The U.S. Government directly funded some operational safety improvements through the U.S. Department of Energy.

In parallel with hardware improvements at Ignalina, USAID funded the U.S. Nuclear Regulatory Commission's technical assistance to its newly created Lithuanian Nuclear Safety Inspectorate, VATESI. This support focused on helping VATESI become a nuclear regulatory body that makes decisions based on international nuclear safety standards. This assistance was a key part of the international effort to support VATESI as it reviewed the license application of Ignalina to continue the operation of Unit 1 beyond 1999.

Ignalina is now the most studied and probably safest RBMK reactor in the world. Although it still does not meet international safety standards and it continues to present a risk to the region, the improvements made to date are significant and clearly demonstrate Lithuania's commitment to the future. During 1999, the Government approved a new National Energy Strategy, which included closure of Ignalina Unit 1 by 2005, with a commitment to identify the Unit 2 closure date by 2004, when the next National Energy Strategy is to be developed. These steps have kept Lithuania on a path leading to membership in the EU.

■ *International Nuclear Safety Advisors Meeting at VATESI*

■ *Signing Ceremony for the Utility Partnership Program bringing together the Alabama Power Company and the Lithuanian Power Company*

■ *Implementing partners of the USAID Energy Regulatory Assistance Program: the Energy Pricing Commission and Bechtel*



ENVIRONMENTAL PROTECTION

VII.

A number of donors provided assistance to Lithuania for environmental protection activities during our transitional period.

However, the assistance received from USAID was unique because each USAID project resulted in the establishment of effective environmental protection institutions. These include the Environmental Protection Policy Center, Pollution Prevention Center, and Environmental Protection Fund. These institutions continue vital environmental policy work started by the USAID programs.



*Arūnas Kundrotas
Environmental
Protection Policy Center*

The Soviet legacy of pollution has left an ugly mark in the Baltic States. However, much progress has been made in environmental protection during the years since independence. This is especially true in the areas of pollution reduction, environmental management, environmental policy and legislation. An environmental protection program was one of the first USAID activities in Lithuania. It helped the country strengthen its environmental management and institutional capacity.

Some discrete environment sector activities included:

- **Industrial Waste Minimization:** To support the reduction of industrial pollution in Lithuania, USAID funded the Industrial Waste Minimization Program of the World Environment Center. The Center completed 13 waste minimization activities that demonstrated the economic benefits of environmentally motivated low-cost waste minimization and cleaner production measures. These included projects to reduce wastewater discharges and fuel consumption at a textile plant, to reduce emissions of gases from plastic melting operations, and to reduce fuel consumption at a cement plant.

Chemonics also implemented a USAID financed demonstration waste minimization project at the Vilkas tannery in Kaunas to install wastewater treatment equipment. This project lowered the chemical contamination of the waste stream enough to be treated by a newly constructed municipal wastewater facility.

To “institutionalize” waste minimization activities in Lithuania, USAID supported the establishment of the Pollution Prevention Center at Kaunas Technical University. The Pollution Prevention Center now has an excellent team of specialists. The Center recently opened one of the most modern environmental laboratories in the Baltic region. The Center helps Lithuanian industry reduce pollution, improve manufacturing efficiencies, and become more competitive in the global economy.

- **U.S. Environmental Protection Agency Program:** Funded by USAID, the U.S. Environmental Protection Agency (EPA) implemented a program to improve the operation of the Siauliai municipal drinking water treatment system. This program helped the city meet safe drinking water quality standards and serves as a model for other municipalities on groundwater protection.

The EPA also helped Lithuania and the other Baltic countries review environmental monitoring needs and define optimum approaches for gathering, processing and analyzing environmental information. Over 50 environmental managers from Lithuania received training, which resulted in their developing new environmental laws, regulations, and monitoring methodologies. A special achievement in the program was completion of "Internet Connectivity" that allows Baltic specialists to communicate efficiently, to reach the public, and to transfer and exchange information on environmental programs and their results. The EPA also helped strengthen the Ministry of Environment by supporting institutional changes recommended under a management audit of the Ministry. The Ministry formed working groups to implement the resulting recommendations. These changes have been instrumental in improved management of the country's environmental programs and have reduced barriers to EU accession by Lithuania.

- **Environmental Policy:** USAID funded the Harvard Institute for International Development to assist the Ministry of Environment develop and implement a National Environmental Strategy. Harvard also helped to develop a standard methodology for assessing pollution levels and undertook a valuation study of water pollution damages. Under this program the Center for Environmental Policy was established to oversee implementation of environmental regulations in Lithuania. In just one year, the Center has successfully transitioned from a USAID-supported organization to a fully independent institution. Currently, the Center advises the Ministry on environmental policy issues and acts as a focal point for gathering and networking of advisors on a large number of environmental projects in Lithuania.

- **Sustainable Partnership - the Lithuanian Environmental Investment Fund:** USAID joined with EU Phare and the Ministry of Environment to establish the Lithuanian Environmental Investment Fund. The Fund provides concessionary loans to both private and public sector entities, as a source of funding for environmental projects. Many environmentally sound projects did not meet commercial lending criteria and languished. The purpose of the Fund is to identify and to help finance meritorious environmental projects. USAID provided technical assistance for the establishment and development of the Fund, and EU Phare capitalized the Fund. With USAID funding, Chemonics prepared an operational manual and application forms, provided training sessions and seminars for staff development, and assisted in marketing activities for the Fund. USAID also funded a financial advisor to help the Fund establish procedures for its lending operations. In May 1999, the Fund financed its first environmental project, which demonstrated that environmental improvements in Lithuania can be successfully financed. The Fund also serves as an excellent example of donor cooperation.

- U.S. expert demonstrates equipment used in ground-water sampling

- U.S. advisors inspect air quality monitoring equipment

- Director of the LEIF, Žilvinas Martinkus, giving presentation at the environmental finance seminar, for Lithuanian industrial and municipal officials



DEMOCRACY, RULE OF LAW, AND NON-GOVERNMENTAL ORGANIZATIONS

VIII.

USAID/Lithuania has made a significant difference in the activities and effectiveness of Non-Governmental organizations. USAID projects and officers helped solve important issues and initiated processes of cooperative debate.



Vaidotas Ilgius
Director of NGO
Information and Support
Center

Jolanta Taruškienė
US Baltic Foundation



It is with the greatest pleasure and pride that USBF Lithuania refers to its 3 years of cooperation with the supportive and professional USAID team in implementing the Democracy Network Program in Lithuania. The remarkable success of this Program and the good work that the participants continue to do are evidence that USAID successfully nurtured the awaking democracy in the country and provided Lithuanian NGOs with key resources and consultations.

Since 1990, Lithuania has developed into a full-fledged parliamentary democracy. The unicameral Parliament and President are elected directly by the people, and Lithuania has established a solid pattern of free and fair elections. The Constitution, which was overwhelmingly approved by a popular referendum in 1992, establishes the separation of powers, rule of law, and guarantees fundamental human rights. It is backed by a respected Constitutional Court, whose decisions are binding. The judiciary has been reformed to create appellate jurisdiction and increase the number and professional qualifications of judges. Judges have a fair degree of independence in their work, even though lower courts fall under the responsibility of the Ministry of Justice. The press and electronic media are free and lively, and consistently rank among the most trusted institutions in the country. Human rights are respected, as exemplified by the granting of citizenship to all residents of the country, including non-Lithuanian minorities. As a result of these achievements, Lithuania is continuing to be a welcome and active member of a wide variety of European, transatlantic, and international institutions.

Independence has also led to increasing civic activism in all areas of political, economic, and social life. Several thousand non-governmental organizations (NGOs) play an increasingly prominent role in strengthening civil society. They improve the lives of citizens through social programs, create opportunities for fruitful mutual association, and engage in advocacy before governmental institutions. The legal framework for NGOs is slowly improving, and a new generation of activists is learning the necessary management and public relations skills. While legal, financial, and organizational challenges remain, by any measure the level of progress since the Soviet period is impressive.

USAID has been a key supporter of many of these democratic processes. Shortly after independence, USAID began work in the most crucial areas, providing technical assistance in the drafting of the new Lithuanian Constitution, supporting the newly formed Parliament, and strengthening the administrations of several Ministries. Strengthening the rule of law (i.e., legal system, judiciary, and legal profession) was a major priority as early as 1993. In the mid-nineties, systematic efforts to improve public administration, particularly at the local level, and support the development of modern and professional political parties commenced.

After 1996, USAID focused on activities to stabilize democracy and market orientation, through increased and better-informed citizen participation in political and economic decision-making processes. The main activity was fostering NGO development, through the CEE Regional Democracy Network Program, and more recently, through a 10-year endowment, the Baltic American Partnership Fund. These activities were to help: 1) create a clearer and more supportive legal and regulatory environment for NGOs; 2) generate a critical mass of active, well-managed NGOs; 3) increase philanthropy, NGO membership, and volunteer activity; 4) augment public support for NGOs; and 5) increase and professionalize public advocacy on the part of leading NGOs.

USAID and its implementing partners developed a network of local counterparts devoted to building and strengthening Lithuania's new democratic institutions. Technical assistance, seminars, training events, study visits, networking activities, information dissemination, demonstration projects, and other modalities have been employed. It is important to note that under Soviet rule, there was little democratic infrastructure, hence, many institutions had to be built from scratch, and individuals to guide them had to be identified, trained and prepared for new leadership roles.

- *The NGO Fair – an exiting and innovative way to spread the news about NGOs and their work*
- *The USAID-supported Judicial Training Center offers the only specialized legal education for judges in Lithuania.*

USAID support for democratization and the development of civil society in Lithuania has included the following projects:

- **Rule of Law:** From 1993 to 1999, the American Bar Association-Central and East European Law Initiative promoted legal reform and helped Lithuania's new democratic institutions develop. Emphasis was placed on the judiciary, the legal profession, and the legal education system. Assistance with draft legislation was also provided. Under a joint program of the Department of Justice and the Central and East European Law Initiative, work has continued on reform of the criminal laws and the criminal justice system. During the mid-1990's, numerous legal reform initiatives and training programs were carried out by the Federal Trade Commission (competition and antitrust law), the Department of Commerce-Commercial Law Development Program (trade/export laws and World Trade Organization accession), and the International Development Law Institute (commercial transactions). These efforts have strengthened the legal system and enhanced the qualifications of legal professionals.

- **Governance/Public Administration Reform:** From 1995 to 1998, the National Democratic Institute and Development Associates worked to increase the efficiency, transparency, and openness of local governments. A major goal was improving communications between the authorities and citizens, and opening the way for greater citizen participation, in large measure through civic organizations and NGOs. Locally placed advisors provided technical assistance, set up interactive seminars/events, distributed information, and built channels of communication in a series of pilot municipalities. As a result, citizens now play a more active and direct role in municipal governance.

- **Political Party Reform:** From 1994 to 1997, the International Republican Institute helped Lithuania's political parties become more professional, issue-oriented, and responsive to their constituencies. The Institute provided informational resources, consultations, and an extensive series of practical training sessions that were held throughout Lithuania. This assistance helped to modernize the organizational structures and operational procedures of the political parties, and changed their relationships with each other and the electorate. The Institute made a direct and widely acknowledged contribution to Lithuania's impressive record of consecutive free and fair elections leading to the peaceful transfer of power. No other donor provided such assistance.

- **Civil Society Development:** From 1995-1998, under the Democracy Network Program (DemNet), the U.S. Baltic Foundation provided information, training, consultations, technical assistance, and institutional support to a wide range of Lithuanian NGOs. Following an assessment in 1997, Phase 2 of the program focused on improving the advocacy skills of ten prominent NGOs, each of which selected a major public policy objective. Total assistance amounted to \$2.6 Million. The US Baltic Foundation also received funding for the institutional development of its in-country offices in all three Baltic States. Under the regional component of the Democracy Network, Freedom House/National Forum Foundation continues to facilitate NGO networking, volunteer placements, information sharing, and international linkages for Lithuania from its office in Budapest. As a result, NGOs are more professionally managed, more engaged in policy development and advocacy, and better able to serve their constituents.

- *USAID project officer discussing Democracy sector reform with Member of Parliament Vilija Aleknaitė Abramikienė*



We highly appreciate USAID's contribution to the development of social policy in Lithuania. The Social Innovation Fund would like to specifically mention the support of USAID in organizing the conference "Women and Unemployment in Lithuania" as well as all the help and assistance that the Fund has received during the years of cooperation.



Liuda Mecajeva
Director of Social Innovation Fund



Asta Buitkutė
Director of the Lithuanian Judicial Training Center

In 1998, USAID provided funds for a new computer class at the Lithuanian Judicial Training Center. Its affiliate in Moletai established a modern classroom that can accommodate up to ten students. USAID assistance enabled Lithuanian judges and court personnel to acquire computer skills that are essential in their daily work.

- **NGO Legal Reform:** Since 1995, USAID has worked to improve the enabling environment for NGOs, especially the legal framework that governs their activities. Much of this work was carried out by the International Center for Not-for-Profit Law, under the regional component of the Democracy Network Program. Comments and recommendations were provided on draft laws, information on best practices was supplied, training events were held, and a clinical program offering free legal advice to NGOs was established.

- **Democracy Commission:** Since 1994, USAID has funded the Democracy Commission in Lithuania. In cooperation with the U.S. Ambassador and Embassy, and the United States Information Service, the Commission has awarded small grants to a wide range of NGOs involved in human rights, civic education, NGO development, and independent journalism/media. To date, \$500,000 has been provided to 79 NGOs.

- **Judicial Reform:** Since it was founded in 1996, the Lithuanian Judicial Training Center has been supported by USAID through the American Bar Association - Central and East European Law Initiative. The Center, which is an NGO, offers the only organized continuing legal education for new and sitting judges in Lithuania. In 1998, USAID provided funds for computers and the establishment of a computer-training center/program for judges. This has helped judges develop crucial skills for the information age.

- **Program on Open Legislative Process:** This was a major initiative during the fall of 1998, carried out by USAID and its training provider, World Learning. A plenary session at the Parliament covered the benefits of and procedures for open hearings, and technical assistance facilitated an actual open Committee hearing on draft revisions to the Law on Charity and Sponsorship for NGOs. Experts and NGO leaders testified in front of live cameras and one hundred officials and spectators. Afterwards, the Parliamentary Statutes were amended to include provisions on open hearings. Participatory events where NGO representatives and independent experts comment on proposed legislation now occur on a regular basis.

■ *U.S. Ambassador Keith C. Smith introduces the Baltic American Partnership Fund to the NGO community*

■ *Women acquire skills for new work at the Women's Employment and Information Center, under the Democracy Network program*

■ *Open Hearing in the Seimas of the Republic of Lithuania, December 1998*

- **NGO-Coalition Building Project:** In 1999, USAID funded a grant to the NGO Information and Support Center in Vilnius to build a national coalition that is now working to improve the legal and general climate for philanthropy. Increasing the number of sectoral initiatives like coalitions is an important component of the USAID strategy, and improved philanthropy is crucial for the future sustainable development of the entire NGO sector in Lithuania. In 1998, USAID sponsored the only public opinion survey on NGOs, and an analysis of prominent Lithuanian NGOs, carried out by the NGO Center and the Social Information Center. This generated crucial information that has been widely used.

- **HIV/AIDS Prevention Project:** Also in 1999, USAID funded a grant to the NGO Information Center in Klaipeda to create a network of NGOs that is providing information and prevent the spread of HIV/AIDS in this particularly vulnerable part of the country. This is being accomplished via education, media campaigns, outreach to youth, minimizing drug abuse, etc. USAID has also supported several international events on this subject, and is undertaking a regional project on HIV/AIDS prevention.

- **Support for NGOs in Visaginas:** Visaginas is a community whose economy is totally based on operation of the nearby Ignalina Nuclear Power Plant. In 1998-99, USAID undertook a series of consultations, held a donor roundtable, and supported two training events, to initiate assistance to NGOs in this strategically located Russian-speaking town. The Democracy Commission provided a grant to the Coordinating Council of NGO leaders to set up an NGO support facility, which is helping integrate Visaginas NGOs into the fabric of Lithuanian civil society.

- **Baltic American Partnership Fund:** The Fund began work in 1999, and is USAID's main democracy legacy program in Lithuania. It is a non-profit New York State public charity in the form of a sinking endowment. It is expected to last ten years, with an endowment of \$15 million, provided equally by USAID and the Open Society Institute/three Baltic National Open Society Foundations (Soros Organizations). The Fund has four main goals in Lithuania: (1) to increase understanding of NGOs through public events and work with the media, (2) to reform laws to strengthen NGO operations, and educate NGOs concerning legal issues, (3) to develop NGO capacity via institution building grants, networking, and training regarding management, strategic planning, public relations, advocacy, member services, financial accounting, etc. and (4) to enhance NGO sustainability and promote philanthropy, via information sharing and joint projects involving NGOs and local government.



TRAINING

IN SUPPORT OF TRANSITION

IX.

USAID-funded training courses for the staff of the Ministry of Finance are an example of the most successful assistance to Lithuania. Those courses, prepared by experts from Lithuania and the U.S., are unique both in their content and design. They have taken place during an exceptionally important period, while Lithuania is

implementing public administration reforms.



Eugenijus Chlivickas
Director of the Ministry of Finance Training Center

Prior to independence, there was very limited knowledge and expertise concerning managing a market-oriented economy in Lithuania. USAID realized that building institutions and the legal framework is only the first step. An efficient and effective use of knowledgeable human resources, “the people ingredient”, is key to a successful economic and social transition. Training of individuals in new concepts and techniques enables this human resources element.

The USAID training program, which supported all sectors, was implemented by World Learning. In the early years of the USAID program, the training relied on entirely on short-term U.S. visits. In 1996, the revised strategy expanded the program to include in-country training and training of trainers. These training opportunities were closely coordinated with various USAID implementing partners in the various sectors. Within the program administered by World Learning, over 1,500 specialists and Government officials have benefited from the training.

U.S.-BASED TRAINING: The initial goal of the training program in Lithuania was to create opportunities for Lithuanian specialists to see how their sectors function in a market-oriented economy and a democratic society. Lacking even the simplest experience with entrepreneurial techniques, small and medium enterprise owners and operators were eager to learn. Every visit by an entrepreneur provided greater insights into concepts such as product diversity and quality, market-driven demand, advertising, warranties, product liability, etc. Within the Government, basic institutions had to be created and even the simplest operating procedure and regulation had to be formulated. Every visit by a Government official provided opportunities to observe how policies and regulations are developed and implemented. The results from providing U.S.-based training to over 300 carefully selected Lithuanians can be witnessed today in all sectors of the Lithuanian economy: Agriculture, Banking, Energy, Small and Medium Enterprise Development, Environment, Finance, Fiscal, Civil Society, and Public Administration. From a gender perspective, results include major legislative changes promoting the equality of women, improved job assistance for women re-entering the workplace, and increased female entrepreneurship.

■ *EMED enables Eidra Foods to improve production through better management*

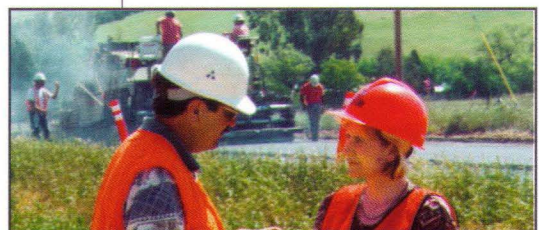
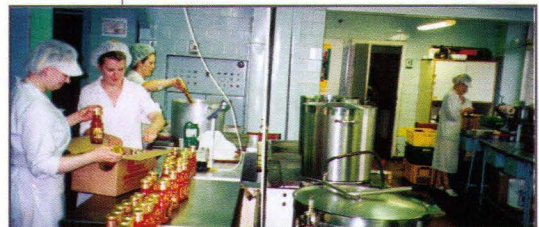
■ *An EMED participant (on right) receives training to strengthen her road and house building company*

■ *USAID and U.S. Embassy representatives with EMED program graduates*

• Entrepreneurial Management and Executive Development (EMED) provided entrepreneurs with U.S.-based training, which complemented the in-country technical advisors from organizations like Land O' Lakes, IESC and VOCA. A total of 107 entrepreneurs participated in these study tours. They returned from the U.S. with newly established contacts; new ideas about products that could be produced and sold; new ideas on how to improve their production techniques and product qualities; and a new perspective on how to operate their businesses. In many cases, these entrepreneurs returned with U.S. equipment and technologies to infuse their enterprises in new ideas and capabilities. In most cases, each visit was coordinated with other USAID implementing partners (IESC, Land O' Lakes, VOCA, etc) to enhance results. These coordinated efforts provided the total package of technical assistance needed for success, a package far better than either Land O' Lakes, IESC, or EMED could have done alone.

The visits lasted about a month and often took participants to several cities or U.S. firms. Generally, the entrepreneurs would meet with executives to discuss specific issues such as operations, personnel planning, marketing, or the know-how to produce a new product. Some of the U.S. executives were Lithuanian-Americans. A number of personal relationships developed during these programs that have led to ongoing business contacts between the training participants and their hosts. Many of the EMED participants were able to join American trade organizations, thus increasing the opportunity for on-going contacts. Invariably, the entrepreneurs returned with unexpected observations and new ideas. The visits fostered an enthusiasm for growth and achievement.

The entrepreneurs selected under EMED were highly qualified, and a number of them transformed their industries when they returned. For example, one participant is now the leading producer of wholesale salads for the food industry, another has started a chain of pizza shops, and a third owns the largest cosmetic manufacturer in Lithuania. The measurable impact of the EMED training visits was the increased profitability of participant companies. Within two years of the visits, 45 percent reported that their assets had increased, more than 63 percent increased their profits and sales, and over 50 percent reported hiring new employees. In total, this training program had a significant and observable impact on small and medium enterprises.



It was a great pleasure to cooperate with USAID in implementing its Lithuanian banking sector program, to coordinate this program with other assistance, and to consult with the USAID resident advisors. Also, with a group of Lithuanian banking sector specialists, I received four weeks of training in the U.S. It helped us gain an in-depth knowledge about the U.S. financial markets and apply it to our daily work. Especially after the problems the sector experienced in 1996, the expertise, qualified advice and training provided under the USAID program significantly helped to strengthen the Lithuanian banking sector.



*Stasys Kropas
Director of the International
Relations Department,
Member of the Bank of
Lithuania board*

- Sector-focused training: With the sharper program focus beginning in 1996, USAID more directly integrated training into specific assistance activities, and concentrated training efforts on key Government implementers and collaborators. Participant candidates were identified by various USAID implementing partners, approved by the USAID Mission, and provided with training organized by World Learning. For each governmental function covered by the training, a spectrum of Lithuanian officials was exposed to democratic society and market-oriented economy policies and procedures. The range of officials varied with each visit, but included Ministerial officials, members of parliament, and Lithuanian regulatory organization staff, all those required to implement the policies and procedures. Examples are varied and plentiful. Ministry of Finance staff and members of parliament learning about tax and budget policies, tax administration, and other fiscal issues. Bank of Lithuania and private banking officials learned about monetary policy, financial instruments, and banking policies, contributing to a successful recovery of the banking sector after its collapse in 1995-1996. Key staff of the National Control Commission for Energy Pricing and Energy Activities learned how U.S. energy regulatory policies, pricing methodologies, and public service commissions operate. In other instances, Elektrenai Power Plant operating staff from the Lithuanian power company, Lietuvos Energija, received training about how to use lower-cost fuels. Support for democracy, rule of law, and non-governmental organizations was provided to develop a network of local counterparts devoted to building and strengthening Lithuania's democratic institutions.

- The Lithuanian American Business Initiative was formed in 1997 by a group of entrepreneurs who had just returned from their U.S. visit. With assistance from World Learning, they joined with the common goal of seeking more U.S. experience and contacts for Lithuanian businesses. Quarterly seminars, weekend retreats on preferred subjects, and networking with other organizations keep this self-sustaining NGO growing. Its members value the networking that is provided.

RESULTS

■ *Open Hearing in the Seimas of the Republic of Lithuania, December 1998*

■ *Public Finance Course in Birstonas for Ministry of Finance officials, June 1999*

■ *Training of Trainers in the Finance sector, 1996*

IN-COUNTRY TRAINING PROGRAM: In 1996, in-country training became an increasingly important element of the program to expand the reach of the program. The majority of the in-country training involved the democracy and fiscal policy sectors. Several very successful in-country training programs were developed and implemented:

- The Program on Open Legislative Process assisted the Seimas of the Republic of Lithuania to institutionalize participatory parliamentary procedures. Training and consultations facilitated an open committee hearing that enabled experts and NGO representatives to comment on draft legislation.
- The Economic Restructuring Seminars for the Seimas provided sophisticated updates to parliamentarians concerning analytical techniques and solutions to economic issues in banking, energy, budgeting, debt management, and investment. As a result, information exchanges between local experts, Government officials, and Members of Parliament increased significantly.
- The Ministry of Finance Training Center Capacity Building Project is enabling the Ministry to set up its own facility for in-service training for employees. The combination of on-the-job training and an in-service program made a significant contribution to the Ministry of Finance's staff capacity. While the initial focus was on U.S.-based programs, starting in 1999, it shifted to in-country training. As a result of this program, four courses are available to all Ministry of Finance employees, and over 30 trainers have learned how to deliver courses in fiscal policy, treasury and debt management, orientation to the Ministry of Finance, and budget management.
- The Lithuanian Banking, Insurance and Finance Institute received USAID assistance to provide training of trainers to establish courses for banking and financial sector officials. Based on U.S. experience, but structured to meet the Lithuanian situational needs, this program provided a greater opportunity for banking and financial sector officials to become familiar with international policies and procedures at a significantly lower cost than a U.S. visit.



CONCLUSION

X.

The Lithuanian Capital Market Development Project that USAID implemented in 1996-1999 was a great success. Among other similar projects, it stands out as an example of absolute consideration for the interests of the recipient, the National Securities Commission of Lithuania. Flexibility and client-orientation are the main reasons for its success.



Virgilijus Poderys
Chairman of the National Securities Commission of Lithuania

Lithuania has made irreversible progress towards the establishment of a democratic society and market-oriented economy. Economic reform has taken place within a democratic framework that inspires good governance, strengthens the rule of law, and encourages active participation by civil society. Progress in economic and political reform will facilitate Lithuania's accession to membership in the EU.

Lithuania's future is bright. The long-term challenge for Lithuania is to sustain a pattern of growth and development that will allow its people to achieve their dreams and provide for greater opportunities. Foreign private investments are increasing, and many of the basic laws, policies, and institutions necessary for future economic growth are in place. However, the transition is not complete. Lithuania needs to implement important economic and democratic reforms so as to preserve the gains made and to ensure a positive direction for the future.

The goal of USAID is to have U.S. relations with Lithuania evolve from one of donor/recipient to one of a long-term sustainable partnership at all levels - among individuals, institutions, and leaders. To achieve the goal of a truly sustainable partnership, there is still work to be done, building on the successes and lessons learned over the past nine years.

To help cement this sustainable partnership, USAID will continue to work with Lithuania in several areas. USAID has several "legacy mechanisms" - programs that will sustain the American-Lithuanian partnership. In addition, completion of several on-going programs will occur within the next year.

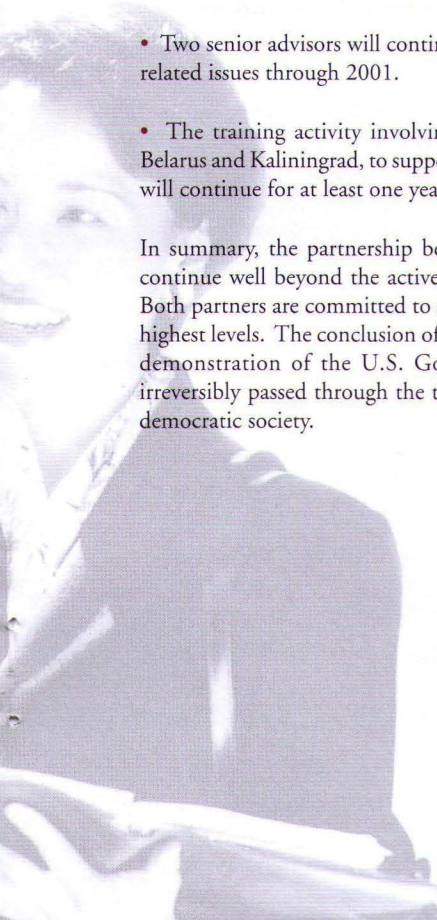
Some of the sustainable legacy partnership programs include:

- The Baltic American Enterprise Fund will continue to provide critical financing for the small business sector.
- The Baltic American Partnership Fund will continue providing grants and technical assistance to Lithuanian non-governmental and professional organizations.
- The Democracy Commission, under its Small Grants Program, will continue to provide support to NGOs that deepen democratic processes and enhance citizen participation in matters of public policy.
- The Lithuanian Environmental Investment Fund will continue to finance viable environmental projects.

Continuing program assistance activities include:

- Nuclear Safety support to VATESI and the Ignalina Nuclear Power Plant will continue through 2002.
- The Baltic Regional Energy Development Project will continue to support regional planning and coordination on energy issues within the three Baltic countries.
- Two senior advisors will continue to support the Ministry of Finance on tax related issues through 2001.
- The training activity involving Lithuanian entrepreneurs and those from Belarus and Kaliningrad, to support small and medium enterprise development, will continue for at least one year.

In summary, the partnership between Lithuania and the United States will continue well beyond the active presence of the USAID office in Lithuania. Both partners are committed to supporting this continuing relationship at the highest levels. The conclusion of the U.S. bilateral assistance program is a clear demonstration of the U.S. Government's confidence that Lithuania has irreversibly passed through the threshold leading to a market-economy and a democratic society.



List of Implementing Partners/Projects

<i>Project title (sector/subsector)</i>	<i>Implementing Organization</i>	<i>Dates</i>
Democracy		
Democracy Network/Civil Society Development	International Center for Not-for-Profit Law	1994-1999
Democracy Network/Civil Society Development	Freedom house/National Forum Foundation	1994-2000
Democracy Network/Civil Society Development	US-Baltic Foundation	1995-1999
Democracy	Democracy Commission	1995-2000
Support for Civil Society and NGO Development	Baltic American Partnership Fund	1998-2008
Prevention of HIV/AIDS and Drug Use in Klaipeda	Klaipeda NGO Information Center	1999-2000
NGO Networking for Philanthropy	NGO Information and Support Center	1999-2000
Legal		
Commercial Law Development	US Department of Commerce	1993-1997
Legal Reform	Center for Law and Democracy	1993-2000
Promotion of Rule of Law	American Bar Association CEELI	1994-1999
Legislative Reform	Frost Task Force	1994-1995
Legal Reform	Federal Trade Commission and Dept. of Justice	1994-1996
Political Party Reform	International Republican Institute	1994-1997
Public Administration Reform	Development Associates	1995-1998
Public Administration Reform	National Democratic Institute	1996-1998
Legal Reform	Dept. of Justice/Central and East European Law Initiative (DOJ/CEELI)	1997-2000
Legal Reform	Lithuanian Judicial Training Center	1998-1999
Legislative Reform/Open Legislative Process	World Learning	1998
Training		
Training of Lithuanian Decision Makers	World Learning	1993-2000
Entrepreneurial Management and Executive Development	World Learning	1994-1997
Management & Business Training	Kaunas Technological University/ Panevezys Management Training Center	1995-2000
Fiscal		
Tax Administration	U.S. Treasury Department	1993-1999
Tax and Trade Policy	Harvard Institute for International Development	1996-2000
Budget Policy	U.S. Treasury Department	1997-2000
Fiscal Management	Economic Management Services Intl	1997-1999
Determinants of Economic Growth, policy study	Lithuanian National Securities Depository	1998-1999
Expenditures in the Education Sector	Economic Research Center	1998-1999
Treasury and Debt Management	Senior Advisor (Diane Dogan Hilliard)	1999-2000
New Spending Priorities in the Education Sector	Ekonomines Konsultacijos ir Tyrimai	1999-2000
Transition to Convergence, conference	Economic Research Center	1999-2000

Financial Sector

Assistance to Small and Medium Enterprises	International Executive Service Corps	1992-1998
Business development	Peace Corps of the United States	1992-2000
Small and Medium Business Development	MBA Enterprise Corps	1994-1997
Bank Supervision	International Business & Technical Consultants, Inc (IBTCI)	1994-1999
Credit Union Development	World Council of Credit Unions	1994-2000
SME support through loans & equity investments	Baltic American Enterprise Fund	1995-2005
Capital Markets Development	Pragma Corporation	1995-2000
Capital Market Systems and Training	Financial Services Volunteer Corps	1995-1998
Corporate Governance & Bank Privatization	US Treasury	1996-2000
Free Market for Lithuania's Prosperity	Lithuanian Free Market Institute	1996-2000
Loan Guarantee Program	USAID-Global Bureau	1996-2000
Monetary Policy	US Treasury	1997-2000
Capital Market Policy Studies	MAS Consult	1998-1999
Assistance to Small and Medium Enterprises	International Business Network	1998-2000
Administrative Barriers to Investment, study	Foreign Investment Advisory Service	1999-1999
Small and Medium Business Development	Kaunas Association of SMEs	1999-2000

Energy

Nuclear Regulatory Assistance	Nuclear Regulatory Commission	1992-2000
Nuclear Safety	US Dept. of Energy	1992-2001
Utility Partnership	US Energy Association	1994-1998
Baltic Regional Energy Development	Electrotek Concepts	1994-2001
Energy Efficiency	Electrotek Concepts	1995-1999
Regulatory Reform and Energy Sector Restructuring Assistance	Bechtel International	1995-2000

Environment

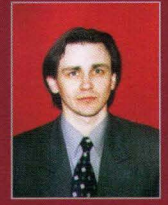
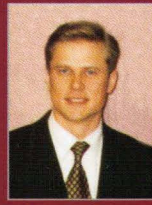
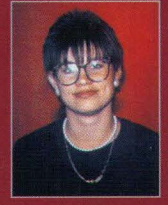
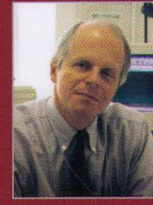
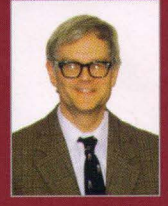
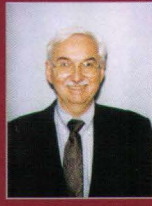
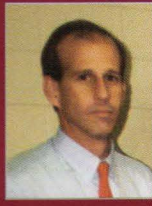
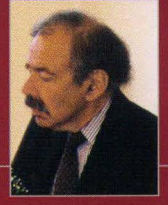
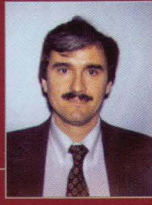
Environmental Initiatives	Environmental Protection Agency	1992-1999
Waste Minimization	World Environmental Center	1993-1998
Environmental Policy Reform & Environmental	Harvard Institute for International Development	
	Economics & Management	1993-1998
Environmental Action Program Support	Chemonics International	1995-1998

Agriculture and Agribusiness

Agricultural enterprise Assistance	Volunteer for Overseas Cooperative Assistance	1994-1997
Dairy Industry Restructuring and Policy Reform	Land O'Lakes, Inc.	1994-1998

USAID Mission Staff

Name	Position	Years Served
Gary Imhoff	Acting Mission Director	2000
Christine Sheckler	Country Liaison Officer	1998-2000
Ronald Greenberg	Mission Director	1995-1999
John Cloutier	Mission Director	1992-1995
Genevieve Abel	Program Assistant	1994-1997
Reda Bagušinskienė	Project Management Specialist	1993-1996
Eugenijus Baltrušaitis	Financial Assistant	1994-1997
Vytautas Baukus	Driver	1994-2000
Ramune Biekšienė	Project Manager	1999-2000
David Burgess	Editor/Writer	1996-1998
Rasa Cicėnienė	Project Manager	1995-2000
Diana Černiauskaitė	Administrative Manager	1992-1993
Diane Dogan-Hilliard	Senior Advisor	1999-2000
Jonas Grincius	Administrative Manager	1994-1997
Giedra Gurevičiūtė	Project Manager	1995-2000
Leopoldas Jagminas	General Services Officer	1992-2000
Nicholas Jenks	General Development Officer	1994-1996
Edmundas Kačkus	Program Assistant	1992-1994
Irena Karmazinienė	Project Manager	1995-1999
Lina Kaulakytė	Financial Specialist	1997-2000
Irena Kibickaja	Project Manager	1996-1999
Aldas Kriaučiūnas	Project Manager	1993-1999
Jolanta Kudabaitė	Secretary	1993-1996
Mark Levinson	Project Manager	1997-1999
Dave Lockhart	Executive Officer	1998-2000
Randolph McCourt	Management Specialist	1994-1996
Virginija Medešienė	Program Assistant	1997-2000
John Morgan	Program and Energy Advisor	1999-2000
Leonas Račiūnas	Driver	1992
Stanislovas Riautas	Driver	1997-1999
Mark Segal	Project Manager	1998-2000
Raymond Sidrys	Project Manager	1995-1997
Jonathan Sperling	Senior Advisor	1998-1999
Tomas Staškus	Administrative assistant	1996-2000
Veslav Stecevič	Project Specialist	1994-1997
Nicholas Studzinski	General Development Officer	1996-1998
Norman Wolfe	Program Assistant	1993-1994
Maria Zerr	Program Assistant	1993



United States Agency for International Development
Bureau for Europe and Eurasia
Office of European Country Affairs
Washington, DC 20523
