

R4

USAID/LITHUANIA

Results Review and
Resource Request (R4)

27 MARCH 2000

Please Note:

The attached FY 2002 Results Review and Resource Request ("R4") was assembled and analyzed by the country or USAID operating unit identified on this cover page.

The R4 is a "pre-decisional" USAID document and does not reflect results stemming from formal USAID review(s) of this document.

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ISSUES FOR FY2000

1. The overall Strategic Objective 1.2 will not be achieved in one of the Intermediate Result's (IR's) in fiscal policy reform by graduation: The majority of the IRs will be achieved by graduation, however, the primary barriers to achieving tax policy reform will not yet be met. Although there is some political will to continue reforms, progress has been limited due to inadequate political commitment to reform at the highest levels of government. Significant but not sufficient progress has been made in building institutional capacity at the Ministry of Finance (MoF) and the Seimas Budget and Finance Committee to implement tax policy reforms when the political climate changes. **Therefore, it is recommended that two technical advisors for the MoF be extended for one more year. The preferred approach would be as individual PSCs, however overall management of these functions may suggest that an institutional contractor approach would be best.**

2. The overall Strategic Objective 1.5 will not be achieved in energy pricing and nuclear safety by graduation: The Mission had set a realistic target of achieving a sound re-licensing decision on the Ignalina Nuclear Power Plant (INPP). That target was met in July 1999. This process required documentation, plans and renovations had not been completed by the scheduled May 17 date. As a result, the Lithuanian Nuclear Regulatory agency, VATESI, issued a shutdown order for Unit 1. VATESI remained resolute on its regulatory responsibilities even in the face of much political pressure to continue operation of Unit 1. Their action ensured that the licensing process was completed essentially in accordance with international standards. This process clearly demonstrated that international technical assistance (of which USAID played a critical role) had achieved a major, yet tentative, target in Lithuanian development. More institutional development is required to ensure the sustainability of their actions. The next crucial element of energy sector reform lies with the restructuring of the power sector. The energy regulatory process is firmly in place as a result of institutional sustainability provided by several years of technical assistance provided under the USAID program. What remains is Government of Lithuania (GoL) action to further facilitate sector privatization. That has been initiated. A tender has been announced that leads to selection of a firm to seek proposals for privatization of Lietuvos Energija (LE), the Lithuanian electric power utility company. Ongoing regional energy sector programs will support this initial progress.

However, an extensive longer-term program is needed to ensure that Unit 1 of the INPP can be closed when it is deemed unsafe by international experts. Although the GoL has agreed with the European Union (EU) that Unit 1 will not be operated beyond 2005, the terms of international grant agreements signed by the GoL require closure of Unit 1 when certain safety related events occur within the plant. At present, many technical experts expect that this could occur as early as 2001-2. Additionally, technical design specifications are needed, financing must be mobilized for a least cost alternative to continuing the operation of Unit 1 of the INPP, a safety culture needs to be established at INPP, and VATESI will continue to need technical assistance. It is crucial for the U.S. to remain engaged as an honest broker and to provide an objective and technically competent contribution, regarding safety issues, closeout, mobilizing resources to provide cost effective alternatives to the INPP, and to balance the role played by the EU. **It is strongly recommended that the Ambassador's request for a post-presence program be**

developed by the Embassy and the State Department (in cooperation with the Nuclear Regulatory Commission, the Department of Energy, Lithuanian officials, the EU, EBRD, and World Bank), to address key issues related to the closure of the INPP, including the provision of affordable alternative forms of energy to Lithuania.

3. Program and operation management, post-USAID presence in Lithuania (October 1, 2000 through September 30, 2001): The Mission's Administrative Operational Close Out Plan has been approved which includes an FSN position, USAID Post Presence Activity Manager FSN. Arrangements need to be clarified regarding the oversight role of the U.S. Embassy and the program and administrative supervisory roles of RSC/Budapest and/or E&E Bureau. **The Mission recommends the following: 1.) The U.S. Embassy Political and Economics Office provide the daily supervisory functions; 2.) the Embassy Administrative Officer handle payroll and travel authorizations (within the funding and authority of the USAID FSNPSC contract); 3.) that RSC/Budapest provide contract management for the PSC position; and that E&E Bureau provide technical guidance for performance of the FSN's monitoring responsibilities.**

4. E&E support: Based on the current closeout/graduation plan there will be requests for overall post-presence project management as outlined in this document. As noted above, E&E technical guidance will be required during the post presence period. **Within the scope of these post presence activities, E&E Bureau is requested to assign technical staff contacts that will provide such support.**

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Glossary

ABA	American Bar Association
AEPS	Audit, Evaluation and Project Support
BalAEF	Baltic American Enterprise Fund
BAPF	Baltic American Partnership Fund
BoL	Bank of Lithuania
BREDP	Baltic Regional Energy Development Program
CBC	Capacity Building package
CEE	Central and Eastern Europe
CEELI	Central and Eastern Europe Law Initiative
CY	Calendar year
DC Baltica	Baltic power dispatch company
DemNet	Democracy Network Program
DOE	United States Department of Energy
EBRD	European Bank for Reconstruction and Development
EcoLinks	USAID legacy program providing environmental support to projects
EPA	United States Environmental Protection Agency
EPC	Energy Pricing Commission (Lithuanian)
EU	European Union
EU-Phare	European Union assistance program
FSN	Foreign Service National
FY	Fiscal Year
G-7	Group of the seven most industrialized countries
GDP	Gross Domestic Product
GoL	Government of Lithuania
IBN	Lithuanian International Business Network
IBTCI	International Business and Technical Consultants Inc.
ICNL	International Center for Not-for-Profit Law
IMF	International Monetary Fund
INPP	Ignalina Nuclear Power Plant
IR	Intermediate Results
LCS	Least Cost Study
LE	Lietuvos Energija (the Lithuanian electric power utility)
LFMI	Lithuanian Free Market Institute
LSC	Lithuanian Securities Commission
MEP	Lithuanian Ministry of Environmental Protection
MoF	Ministry of Finance (Lithuania)
MPP	Mission Performance Plan
NATO	North Atlantic Treaty Organization
NEI	Northern European Initiative
NGO	Non-governmental organization
NPCS	Non-presence countries
NRC	United States Nuclear Regulatory Commission
NSA	Nuclear Safety Account
OE	Operating Expense

PSC	Personal Services Contractor
RBMK	Chernobyl-style nuclear reactor power plant
REM	Regional Environmental Monitoring
RLR	Regulatory Licensing Review
RSSC	Regional Service Center.
SEED	Support for Eastern European Democracy
SEIMAS	Lithuanian Parliament
SO	Strategic Objective
SODRA	Lithuanian social insurance program, similar to U.S. Social Security
U.S.	United States
UNDP	United Nations Development Program
USBF	U.S. Baltic Foundation
USD	United States Dollar
VATESI	Lithuanian nuclear regulatory agency
WB	World Bank
WOCCU	World Council of Credit Unions
WTO	World Trade Organization

R4 Part I: Overview/Factors Affecting Program Performance

R4 Part I: Overview/Factors Affecting Program Performance

Overview:

Lithuania has remained committed to the development of a democratic and free market-oriented economy despite difficulties in 1999. Growth for 1999, originally forecast at 4 percent, ended at minus 3 percent. Growth for 2000 is expected to reach only 2 percent. Inflation for 1999 was less than 2 percent, and despite some pressure the currency remains stable. General macroeconomic indicators, such as growth and unemployment, are negative, and the high current account deficit, reflect the generally weak state of the Lithuanian economy.

Due primarily to the lingering effects of the Russian financial crisis and poor government spending decisions, 1999 proved to be a difficult year for Lithuania. Lithuania's trade with Russia, formerly her largest trading partner, fell by over 60 percent in 1999. Although Germany replaced Russia as Lithuania's major trading partner, the loss of the Russian market was not completely replaced by trade with Western Europe. This dramatic market reorientation resulted in numerous small import-export company failures, with resultant loss of employment. Official unemployment for the year topped 13 percent, with unofficial estimates of over 20 percent in some of the most effected regions

The large drop in trade, combined with the large number of insolvencies and the high level of unemployment, placed terrific strain on the Lithuanian financial system. Government revenues declined precipitously as the revenue base contracted, while government expenditures increased as unemployment levels demanded more government social support. Additionally, the government continued several costly popular social programs, most notably the ruble savings restitution program, that further depleted government resources at a time when it could least afford it. Finally, the government was obligated to provide significant loans and guarantees as part of the state oil company privatization, which placed the already weak financial system on the verge of collapse.

The economic situation began to improve with the formation of the current government, led by Prime Minister Kubilius, in October 1999. Austerity measures were implemented immediately, measures which enabled Lithuania to meet its international obligations and avoid insolvency. A 2000 budget was drafted and approved which slashed the deficit to manageable levels. Long delayed reforms in the civil service and government began to move forward, as did measures to improve customs and the business climate. The government's efforts were rewarded in late 1999 by the announcement of a tentative International Monetary Fund (IMF) standby agreement and World Bank structural adjustment loan, both of which will give Lithuania flexibility in dealing with the continuing effects of the crisis in 2000.

Lithuania's economy will remain under pressure in 2000, primarily due to the Spring municipal and Fall national elections. The government will come under increasing pressure as the elections come near to increase spending to satisfy various constituencies. The economy, despite the IMF and World Bank supports, will remain extremely vulnerable to external shocks, primarily due to

the high current account deficit, which is now 24 percent of GDP. The future of the Lithuanian economy will likely be determined by the success of the government in staying the course of structural, economic, and financial reforms prior to the general elections.

Political Developments: Since re-establishing independence in 1990, after more than forty-five years of Soviet occupation, Lithuania has created a parliamentary and representative democracy that respects the rule of law. The constitution, approved by popular referendum in 1992, and upheld by a widely respected Constitutional Court, guarantees the separation of powers, free media, and fundamental human rights. The political system is characterized by free and fair elections, and power has alternated between different political parties, which are increasingly professional. The judiciary, which has been modernized and reorganized to provide appellate jurisdiction, is formally independent, although the Ministry of Justice retains a great deal of influence. Law enforcement institutions are increasingly sophisticated, although resources are limited, and organized crime and corruption present challenges. Lithuania is beginning to come to terms with its past, as indicated by the establishment of a Presidential Commission to look into the legacies of the Nazi and Soviet occupations. Finally, Lithuania has made considerable progress towards membership in key international, European, and Trans-Atlantic institutions.

In spite of the above overall progress, 1999 has been a challenging year for the Lithuanian polity. Political difficulties were caused by three factors. First was an economic and budgetary crisis, partly due to events in Russia and the failure to predict their consequences for Lithuania, which has necessitated widespread and unpopular budget cuts. Second was sale of the Lithuanian Mazeikiiai Oil refinery to the American company Williams International, under terms and conditions seen as controversial to many Lithuanians. Third was the decision to close the first reactor of the Ignalina Nuclear Power Plant by 2005, largely in response to international political pressure. Since general elections will take place later this year, the political climate is heated. While the governing coalition has met many of its electoral commitments, the prospects for significant reform at this time are limited.

Key Achievements in FY99 and Prospects for Progress by Closeout (September 2000):

Fiscal: As noted previously, Lithuania continues in a fiscal and economic crisis brought about in part by the Russian financial crisis. Tax revenues are down and the deficit is a significant problem. These problems were exacerbated by two changes of Government during 1999. One notable achievement was the government action to abandon a plan to eliminate the corporate income tax. USAID advisors provided key fiscal policy advice, which greatly influenced the fiscal actions of the GoL and in turn lessened the impact of the Russian crisis. The majority of the Intermediate Results (IRs) will be achieved by graduation; however, the primary barriers to achieving tax policy reform will not yet be met. Although significant reforms have been achieved, total policy reform has been limited due to a historically inadequate political commitment. Significant but not sufficient progress has been made in building institutional capacity at the Ministry of Finance and the Seimas Budget and Finance Committee to implement tax policy reforms.

Financial: The banking system remains stable and with some positive growth signals. Share prices at the Vilnius stock exchange fell and have not yet recovered. Although progress has been commendable, shallowness in the financial sector makes it vulnerable to internal and external shocks, which could erase recent achievements. This is less worrisome than in earlier years, due to the stability and increase in depth achieved; however, it remains an issue. The limited impact from the 1998 Russian financial crisis indicates that Lithuania has systems in place to deal with some external shocks; however, it is unclear how the country would deal with an even more severe shock. Most activities were completed by the end of 1999. The focus of remaining assistance in this sector will be to complete banking and capital markets work.

Energy/Environment: The most significant achievement in the energy sector was successful re-licensing review and approval for Ignalina Nuclear Power Plant Unit 1 in accordance with acceptable international nuclear safety guidelines and in compliance with the EBRD/G-7 NSA grant agreement terms signed by Lithuania. During the review process, the power plant staff failed to submit sufficient documentation and failed to develop acceptable implementation plans for necessary safety improvements before the May expiration date of the Nuclear Safety Account grant agreement terms. As a result, the Lithuanian nuclear regulatory body (VATESI) ordered the plant shut down until the licensing review process could be completed. This is the first time that any RBMK power plant has been shut down by a regulatory body. Formal licensing review efforts continued, and the license was finally approved in July 1999. The resolute actions by VATESI illustrates its institutional growth and capabilities. Additional efforts for further safety reviews for future safety improvements and for determination of the final operational date for Unit 1 remains. Post-presence U.S. technical advisory services (outside USAID funding) have been requested by the Ambassador and are endorsed by the Mission.

Democracy: The most significant achievement has been the establishment of two new movements in civil society, as a result of the final USAID projects being implemented under Strategic Objective 2.1. The continuing results of USAID work to promote transparency and citizen participation in the legislative process have also been noteworthy. The country factor that most facilitated progress was greater receptivity to non-government organization (NGO) activism on the part of local and national authorities, as demonstrated by increased contacts/cooperation with NGOs, and establishment of the Prime Minister's Advisory Council of NGO representatives. The prospects for closeout are good, since the USAID and Open Society Institute funded Baltic American Partnership Fund is now in full swing. However, the prospects for progress are measured, due to slow progress towards improving the legal framework governing NGOs, limited philanthropy, and the current economic crisis (which has drastically reduced the resources available to civil society from the government and the people).

Prospects for Progress Post-Closeout 2000: By 2000, USAID will have contributed significantly to the pursuit of democracy and an open market, however, key policy goals will remain unfulfilled. Predictions are that the financial sector will remain thin, the central bank will operate similar to an "extended" currency peg, the capital market will continue function as "pre-emerging," energy will be sold at costs below that required to promote consumer conservation and below that required to finance system upgrades/additions, the gray economy will remain large, the tax system will be biased against wage incomes; fiscal transparency will be

inconsistent and off-budget financing to meet many government objectives will continue to be in use.

U.S. National Goals: Linkage of USAID Programs to the Mission Performance Plan (MPP)

The MPP's primary national objective for Lithuania is to have the country play a positive and stabilizing role in an integrated Europe and participate fully in the emerging regional political, economic and security structures. USAID address two of the three supporting elements: integration of a prosperous and democratic Lithuania into transatlantic institutions (e.g., NATO, EU and WTO) and complete transition to an open market economy. The US-Baltic Charter, signed by President Clinton in January 1998, is the basis of the MPP and identifies the fundamental objectives of our bilateral relationship, where USAID plays an important role: shared values, respect for human rights and the rule of law, and free markets. USAID supports key MPP goals: Open Markets, Economic Development, Democracy, Energy/Environment and Health (HIV/AIDS), through activities in fiscal and financial reform (including the Baltic American Enterprise Fund), civil society/NGO development (including the Baltic American Partnership Fund), energy/environment initiatives, and the initiation of two Northern European Initiatives (NEI), (Lithuania/Kaliningrad USAID-UNDP HIV/AIDS program and the Belarus/Kaliningrad business and public administration training in Lithuania).

R4 Part II Results Review by SO

Text for SO a

Country/Organization: USAID Lithuania

Objective ID: 163-012-01

Objective Name: Strengthened fiscal management

Self Assessment: On Track

Self Assessment Narrative:

Primary Link to Strategic Agency Framework: 1.1 Private Markets
(please select only one)

Secondary Link to Strategic Agency Framework:
(select as many as you require)

- | | |
|---|--|
| <input checked="" type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Ag Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Ed/Girl's Education |
| <input type="checkbox"/> 3.2 Higher Ed/Sustainable Development | <input type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input type="checkbox"/> 4.4 HIV/AIDS | <input type="checkbox"/> 4.5 Infectious Diseases Reduced |
| <input type="checkbox"/> 5.1 Global Climate Change | <input type="checkbox"/> 5.2 Biological Diversity |
| <input type="checkbox"/> 5.3 Sustainable Urbanization/Pollution | <input type="checkbox"/> 5.4 Environmentally Sound Energy |
| <input type="checkbox"/> 5.5 Natural Resource Management | <input type="checkbox"/> 6.1 Impact of Crises Reduced |
| <input type="checkbox"/> 6.2 Urgent Needs in Time of Crisis Met | <input type="checkbox"/> 6.3 Security/Basic Institutions Reestablished |
| <input type="checkbox"/> 7.1 Responsive Assist Mechanisms Developed | <input type="checkbox"/> 7.2 Program Effectiveness Improved |
| <input type="checkbox"/> 7.3 Commit Sustainable Development Assured | <input type="checkbox"/> 7.4 Technical/Managerial Capacity Expand |

Link to U.S. National Interests: National Security

Primary Link to MPP Goals: Regional Stability

Secondary Link to MPP Goals (optional): No Secondary Linkage

Summary of the SO:

Strengthening fiscal Management began in 1996 to assist the Government of Lithuania (GoL) in identifying and overcoming major obstacles to economic stability and business growth. The

focus is tax and budget reform and debt and fiscal management. The Strategic Objective (SO) strives to improve fiscal management, as measured by tax revenue as a percentage of Gross Domestic Product (GDP). The direct beneficiaries are the Ministry of Finance (MoF), the Government and the Parliament.

Key Results:

The four intermediate results (IRs) supporting this SO target primary MoF functions are: 1) strengthened fiscal management, measured by tax revenue as a percentage of official GDP, 2) implementation of tax policy reforms, measured by gray market activity, 3) improved public debt management, measured by sustainable accumulation of external debt, and 4) improved budget process used by the Ministry of Finance, measured by performance targets defined for main spending ministries.

Performance and Prospects:

Performance over the past year partially met expectations. In 1999, the MoF had to deal with severe consequences of the Russian crisis and the former Government's overspending. The primary area of concern remains the low level of tax revenue as a percentage of official GDP, hindering the Government's ability to meet fiscal obligations on time. This concern was further aggravated by two Government changes (in May and October 1999).

The MoF continued to emphasize all areas of the SO in 1999, although progress was not achieved in all areas. The GoL continued to publicly proclaim its commitment to principles such as fairness, neutrality, and clarity in taxation matters, as well as its intention to (1) stimulate savings and reinvestment of earnings; (2) eliminate inefficient tax benefits and reduce unnecessary costs of administration; (3) harmonize Lithuanian taxes with European Union principles; (4) resolve contradictions in the existing tax laws and regulations; and (5) prepare a unified, coherent Tax Code.

One notable achievement has been the shelving of a GoL proposal to eliminate the business income tax. Despite practically overwhelming political pressure to eliminate taxation of businesses, the GoL has ceded to arguments against such a drastic measure. In a large part, this decision is based on the fact that tax revenues are falling far behind expectations and needs. The elimination of the business income tax would have significantly aggravated this problem, not only by causing the loss of corporate income tax revenues, but also by opening a vast and dangerous loophole -- all individual taxpayers could form one-person corporations and otherwise organize their affairs to completely avoid income taxation. The GoL was also motivated by the arguments that placing the entire burden of income taxation on individuals, in addition to their indirect tax burden, would result in an unacceptably inequitable situation. USAID advisors participated very actively to this debate and were instrumental in changing the direction of the Government's tax policy.

The tax policy indicator of reduced gray market indicates that an increasing number of companies are entering the official economy. USAID assistance was directed at simplifying the tax laws, broadening the tax base, simplifying the tax rates, strongly encouraging fairness and neutrality in taxation, fighting against overly burdensome administrative requirements, encouraging simplified taxation of small businesses, and educating tax policy makers about approaches adopted in Western countries.

In addition, the tax analysis work helped significantly to strengthen the MoF's capacity to analyze and assess alternative policies, using economic modeling techniques. Several workshops were organized during which information was shared among various government agencies overseeing different aspects of the regulation and taxation of corporations and unincorporated businesses, and during which agency representatives worked together to create databases for the modeling as well as monitoring income taxation of such entities.

Assistance to the MoF was also provided in fiscal policy area. One USAID advisor has helped to develop short term forecasting models, a policy simulation model and a medium-term (3 year) macroeconomic model. He also has provided assistance on macroeconomic reporting and analysis. Jointly building and utilizing the models has ensured that the models can be operated appropriately and will be maintained and improved over time. Also, with the USAID advisor's assistance, a work program was developed to "link" the medium term macroeconomic model with the "time-series" models that are used for revenue forecasting. When this is fully functioning, this will allow the GoL to more accurately forecast the effects of macroeconomic and revenue policy changes on fiscal and economic performance. The advisor assisted and trained the MoF staff to analyze linkages between fiscal policy, structural policy and macroeconomic vulnerability, thus enabling the MoF to better predict and respond effectively to fiscal sector developments.

In terms of improving the accountability public expenditures, another USAID advisor continued to help the MoF develop the core of a treasury operation within the Ministry. A cash management system has been set-up that links short-term cash availability with public sector Treasury bill operations. The USAID advisor has helped to establish a market in treasury securities and assisted in building confidence in the domestic securities market. With the advisor's assistance, weekly balances started to be kept, which was a major improvement over the past, since until two years ago, there was no cash forecasting at all. The current system still does not include all cash flows. SODRA (the Lithuanian social and health insurance program), health fund and capital budgets are not part of the current system. Thus, at the present time, debt monitoring is still not possible.

The U.S. Treasury 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 the systems of budget monitoring and evaluation. With U.S. Treasury assistance, the GoL has adopted program and performance budgeting in FY99 as the country's official policy. U.S. Treasury has also helped the MoF in its efforts to consolidate the budget and phase out off-budget expenditures. U.S. Treasury organized and implemented an intensive training program on performance base budgeting, which ensured its correct introduction throughout the GoL. In addition, U.S. Treasury moved forward on drafting a new program and performance based budget manual called "Preparation, Submission, Analysis and Evaluation of the National Budget" which has helped to ensure standardization of the process throughout all the Ministries.

A series of special studies have been prepared to assist in fiscal policy formulation of the MoF. First, those studies have helped to build strong links between the MoF and local Lithuanian

research institutions. Secondly, the studies have helped the MoF to analyze issues that are fundamental to fiscal policy decision making. The first study was a review of the determinants of economic growth. The second study was an assessment of opportunities for public expenditure reform in Lithuania's education sub-sector.

In September 1999, as part of overall graduation process, USAID supported a high level conference "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 decade to come. The conference helped to inspire improved and informed policy making by the GoL as they contend with the challenges posed by economic transition and convergence. This was accomplished by generating high-quality analysis, debate and discussion on Lithuania's economic transition achievements, future convergence challenges and policy reform options. Also, the conference helped to "open" the process of economic policy reform and development strategy debate by inviting researchers and other specialists from a range of government and non-government institutions to share their analysis and conclusions with Lithuania's national leaders. Finally, the conference helped to enrich 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.

USAID advisors have helped the MoF to make some of the right choices in fiscal policy development during last year. But more importantly, USAID assistance efforts have helped augment the Ministry's own capacity to manage its own affairs. This objective was mainly satisfied through a variety of on and off-the job training efforts. After several years of organizing overseas training for the MoF staff, USAID started to deepen MoF skills through more effective and regular in-country training. Last year, USAID training resources has been focused on the creation of routine in-service training capacity in public finance, fiscal policy, debt and treasury management, and budget policy.

Possible Adjustments to Plans:

The Mission will provide assistance to the MoF in four IRs through graduation, with the goal of developing capacity at the MoF to conduct effective policy without outside consultants. This will be accomplished through technical assistance, and by implementing self-sustained-service training for all of the MoF employees.

Additional efforts will be needed to work with and encourage the Government and the Parliament to adopt economically sound tax policy reforms. To this end, the Mission is proposing to extend two MoF advisors for one additional year beyond graduation as part of post presence activities.

Other Donor Programs:

Assistance in the fiscal sector is closely coordinated with other donors. Work on tax policy is coordinated with EU-Phare. Work on budget policy reform is closely coordinated with Canadian Public Administration Reform Project and EU-Phare.

Work on Treasury and debt management is coordinated with EU/Danish Government Project, IMF and EU-Phare.

Major Contractors and Grantees:

The main implementers in the SO 1.2 are Harvard Institute for International Development (HIID) and U.S. Treasury.

Performance Data Table

Objective Name: Strengthened fiscal management			
Objective ID: 163-012-01			
Approved: 1996		Country/Organization: USAID Lithuania	
Result Name: Strengthened fiscal management			
Indicator: Tax revenue as a percentage of official GDP			
Unit of Measure: Percent	Year	Planned	Actual
Source: Ministry of Finance	1995(B)	NA	24%
Indicator/Description: Reported government tax revenue divided by GDP	1996	24%	21%
	1997	26%	21%
	1998	29%	21%
	1999	31%	20%
Comments: Government policy aims both to raise the share of revenues in the reported GDP and to eliminate hidden economy activity (and so equating reporting and actual GDP)			

Performance Data Table

Objective Name: Strengthened fiscal management			
Objective ID: 163-012-01			
Approved: 1996		Country/Organization: USAID Lithuania	
Result Name: Tax policy reforms are implemented			
Indicator: Level of gray market activity			
Unit of Measure: Percent	Year	Planned	Actual
Source: Ministry of Finance	1995(B)	NA	50%
Indicator/Description: Percent of the economy that is not accounted for in official government statistics	1996	48%	45%
	1997	40%	40%
	1998	33%	25%
Comments: During transformation period due to unfavorable conditions more than half of business activities were driven underground. A lot of government efforts are concentrated to eliminate hidden economy activity.	1999	29%	25%

Performance Data Table

Objective Name: Strengthened fiscal management			
Objective ID: 163-012-01			
Approved: 1996		Country/Organization: USAID Lithuania	
Result Name: Improved public debt management			
Indicator: Sustainable accumulation of external debt			
Unit of Measure: Percent	Year	Planned	Actual
Source: Ministry of Finance	1995(B)	NA	15%
Indicator/Description: Official debt to GDP	1996	25%	25%
	1997	28%	21%
	1998	32%	24%
	1999	35%	23%
Comments: Government has tightened its domestic and external borrowing policy. This is commendable, especially considering the rapid rate at which public debt was accumulating and the rather limited development impact of past borrowing.			

Performance Data Table

Objective Name: Strengthened fiscal management			
Objective ID: 163-012-01			
Approved:		Country/Organization: USAID Lithuania	
Result Name: Improved budget process used by the Ministry of Finance			
Indicator: Performance targets defined for main spending ministries			
Unit of Measure: Number of ministries	Year	Planned	Actual
Source:	1995(B)	NA	0
Indicator/Description: Performance targets are what the ministries will accomplish with the resources they are provided	1996	New indicator	0
	1997	2	0
Comments:	1998	4	14
	1999	6	14

Text for SO b

Country/Organization: USAID Lithuania

Objective ID: 163-014-01

Objective Name: A more stable financial environment

Self Assessment: On Track

Self Assessment Narrative:

Primary Link to Strategic Agency Framework: 1.1 Private Markets
(please select only one)

Secondary Link to Strategic Agency Framework:
(select as many as you require)

- | | |
|---|--|
| <input checked="" type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Agricultural Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Education/Girl's Education |
| <input type="checkbox"/> 3.2 Higher Education/Sustainable Development | <input type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input type="checkbox"/> 4.4 HIV/AIDS | <input type="checkbox"/> 4.5 Infectious Diseases Reduced |
| <input type="checkbox"/> 5.1 Global Climate Change | <input type="checkbox"/> 5.2 Biological Diversity |
| <input type="checkbox"/> 5.3 Sustainable Urbanization/Pollution | <input type="checkbox"/> 5.4 Environmentally Sound Energy |
| <input type="checkbox"/> 5.5 Natural Resource Management | <input type="checkbox"/> 6.1 Impact of Crises Reduced |
| <input type="checkbox"/> 6.2 Urgent Needs in Time of Crisis Met | <input type="checkbox"/> 6.3 Security/Basic Institutions Reestablished |
| <input type="checkbox"/> 7.1 Responsive Assist Mechanisms Developed | <input type="checkbox"/> 7.2 Program Effectiveness Improved |
| <input type="checkbox"/> 7.3 Commit Sustainable Development Assured | <input type="checkbox"/> 7.4 Technical/Managerial Capacity Expand |

Link to U.S. National Interests: National Security

Primary Link to MPP Goals: Regional Stability

Secondary Link to MPP Goals (optional): No Secondary Linkage

Summary of the SO:

Developing a more stable financial sector was given priority following the 1995 banking crisis and the identified need to develop a sound financial market. The Mission's objective is to achieve stability and confidence in the financial sector as measured by depth of the sector, lower real interest rates, and decreased long-term commercial debt. The primary institutional clients

over the past year have been the Bank of Lithuania (BoL, i.e., the Central Bank), the Lithuanian Securities Commission (LSC), the National Stock Exchange of Lithuania, the Ministry of Finance (MoF), the Lithuanian Parliament, and credit unions.

Key Results:

Two key intermediate results supporting this objective are: (1) increased confidence in the banking system, as measured by the real level of deposits, the level of long-term time deposits, and registered bank share capital; and, (2) establishment of capital markets as a viable alternative to the banking sector, as measured by volume (both number of shares and value) and number of blue-chip companies.

Performance and Prospects:

Performance over the past year has met expectations, with seven of nine targets met or exceeded. Stability and growth have been achieved across the banking and capital markets sectors. Concern remains with regard to the shallowness of the financial sector, since the money supply to Gross Domestic Product (GDP) percentage is only 21.4 percent. Although improved from last year, this shallowness increases Lithuania's vulnerability to financial shocks. Also, the number of top-tier investment stocks has not increased, thereby dampening investor interest to some extent.

The BoL continues to emphasize the need for an orderly departure from the Currency Board and to develop ways of formulating and implementing appropriate monetary policy, however, the Governor of the Central bank has stated that the exchange rate for the Litas will remain fixed in terms of the U.S. dollar at least through the first half of 2000. After that time, a repegging of the Litas to the Euro, if appropriate, will begin. It is unclear how the general public will react when repegging occurs. The delay from earlier plans of departure in 1999 is due to the world currency market instability and the desire to see how the Euro performs. The commercial banking sector continued to see changes in 1998. Assets in the two state-owned banks make up 46 percent of total banking assets and continue to require attention from the Government, the MoF and the BoL. Attempts to privatize the State Agricultural Bank in August 1998 failed due to the Russian crisis and general delays on the Government's side. A new tender is planned for Spring 2000, with privatization expected to be completed by September. In contrast to earlier policy, the Government recently raised the idea of privatizing the Savings Bank at the same time as the Agricultural Bank. The private banking sector continues to improve, despite the global economic problems. Total banking sector assets grew 37 percent during 1999. Foreign investors continue to show interest in banks and have a majority share in several private banks. The largest private bank has requested permission to purchase a majority share in the second-largest private bank. It was decided to reorganize the banks by merging Bank Hermis and Vilniaus Bank, which would continue its activity after the reorganization. The combination of the two would represent 42 percent of banking sector assets, with the remaining six private banks totaling 12 percent of the total banking sector assets. Private banks continue to seek and receive large lines of credit from large foreign banks in order to fund loans. Two foreign banks operate branch offices and four foreign banks have representative offices in Lithuania.

Based on two indicators tracked by the Mission, the commercial banking system and the Central Bank have improved greatly since the banking crisis of late 1995. From 1996 through 1998,

bank share capital has increased every year both in total and on a bank average basis. In three years, the total bank capital increased 235 percent, reaching \$221 million and decreased in 1999 because of closeout of one of the commercial Bank. Based on a survey of banking advisors familiar with the Central Bank, the rating of the Central Bank (1 = poor, 5 = excellent) has improved annually, beginning with 1.8 in 1996, then 3.0 in 1997, 3.6 in 1998, and 3.7 in 1999. Multi-laterals (IMF and WB) have recognized a continuous increase in the quality of the BoL and have commended the Central Bank's performance.

The capital markets were hurt mid-year by the Asian/Russian financial crises. Share prices fell and have not yet recovered. In addition, the GoL passed a capital gains tax of 15 percent mid-year, which along with increased paperwork/filings with the MoF, further dampened investor interest. In the regulatory area, the Securities Commission amended the Law on Investment Companies to create a more favorable condition for the development of local mutual funds in Lithuania, since none are currently functioning. Minimum requirements for capital adequacy were incrementally increased per a 1997 plan, resulting in nine brokerages reducing their scope of operation to deal with risk limitations and two brokerages closed due to their inability to comply with the requirements. Several mergers also took place. The shares trading volume of the Exchange decreased from 227 million in 1998 to 185 million in 1999, indicating the less demand of shares, although the total value increased from \$223 million to \$309 million. This increase is related to the general increase in equity prices. The Exchange's system is approaching its maximum capacity, which should be improved with the introduction of the new trading system in early 2000. In other financial sector developments, the Central Bank drafted a new law on non-bank financial institutions to cover credit unions, insurance companies and other non-bank institutions. Passage may occur in 2000. A new law on private pension funds was approved by the Parliament. The number of credit unions increased from 28 to 33, with total assets increasing 35.5 percent to almost \$2.5 million.

All three indicators (deposit levels, length of time deposits and bank capital levels) under the banking IR achieved their targets, indicating that progress is meeting expectations. At the Central Bank, assistance resulted in better money flow forecasts in the economy that allows the Central Bank to more accurately estimate liquidity needs. The resident U.S. Treasury advisor focused assistance on domestic and foreign public relations and public information guidance and also worked to deal with potential crises linked to the Russian ruble devaluation. In bank supervision, improvements were made to evaluating capital requirements, risk-modeling techniques, and improving regulations related to financial derivatives. This will allow for better risk evaluation and management. Other USAID advisors improved the Central Bank's ability to examine commercial bank information technology systems including Year 2000 compliance reviews and drafted changes to deposit insurance regulation. At the Ministry of Finance, a U.S. Treasury advisor trained staff on bank privatization and assisted in moving forward privatization of the State Agricultural Bank. Although the privatization did not succeed, the Government plans to redo the tender and is much better prepared for this task than last year.

The two capital markets volume indicators met their targets for 1999, but the number of blue-chip companies registered fell short of expectations. Interest in the market continues, but more top-tier equity investments are needed. In 1999, USAID advisors helped the LSC further develop the capital markets legal and regulatory framework. In market regulation, as a result

USAID technical assistance, the LSC adopted: the Rule on Discretionary Accounts, the Rule on Licensing Investment Management and Consulting Firms, the Rule on Acceptance and Execution of Clients' Orders, and the Rule on Agreements between Financial Brokerage Firms and their Clients. These rules systematize and clarify the requirements for brokers working with their clients to protect the interests of the latter and eliminate potential violations in the execution of orders. Two sets of accounting documents were prepared on reporting requirements and forms of financial statements for brokerage firms and mutual funds. As a result, brokerage firms' and investment companies' financial statements will better reflect the special reporting needs of financial companies and enable brokerages to disclose their financial status and performance more comprehensively according to international standards. This will help attract more capital from abroad, and improve the LSC ability to better understand and analyze the specific operations of financial brokerages. The work of the Lithuanian Free Market Institute (LFMI) was instrumental in having draft pension fund legislation introduced in Parliament. A new law approved in 1999 will allow private pensions to start operating in the country.

Possible Adjustments to Plans:

Although progress has been commendable, shallowness in the financial sector makes it vulnerable to internal and external shocks, which could erase recent achievements. This is less worrisome than in earlier years, due to the stability and increase in depth achieved; however, it remains an issue. The limited impact from the 1998 Russian financial crisis indicates that Lithuania has systems in place to deal with some external shocks, however, it is unclear how the country would deal with an even more severe shock. Progress on the SO indicates that most activities have been completed by the end of CY 1999. The focus of remaining assistance will be to complete banking and capital markets work. This includes supporting improvements in the stock exchange trading system, and capital markets regulatory work.

Other Donor Programs:

Where work is linked to World Bank, IMF, and EU-Phare, coordination is solid and useful. Coordination on bank privatization with EU-Phare has been successful. Work in all but bank privatization and capital markets regulation will be sufficiently completed by closeout, such that transfer to another donor will not be required. In both remaining areas, EU-Phare will provide continued assistance.

Major Contractors and Grantees:

There are seven activities with six different implementers. The primary implementers are: the U.S. Treasury, working on monetary policy and bank privatization; International Business and Technical Consultants, Inc. (IBTCI) working on bank supervision; Pragma Corporation, assisting capital markets strengthening; and the Lithuanian Free Market Institute (LFMI), working on financial legal reform.

Performance Data Table

Objective Name: A more stable financial environment			
Objective ID: 163-014-01			
Approved:		Country/Organization: USAID Lithuania	
Result Name: A more stable financial environment			
Indicator: Money supply as a percent of GDP			
Unit of Measure: Percent	Year	Planned	Actual
Source: Bank of Lithuania	1995(B)	NA	18%
Indicator/Description: Money supply will be measured by M2. Measurements done at year end.	1996	18%	14.8%
	1997	22%	17.3%
	1998	27%	19.7%
Comments: Financial Data for banking and government revenue is collected for end of calendar year, and is only available no earlier than May 1 of the following calendar year. Capital markets information is typically available earlier.	1999	35%	21.4%
	2000	40%	NA

Performance Data Table

Objective Name: A more stable financial environment			
Objective ID: 163-014-01			
Approved:		Country/Organization: USAID Lithuania	
Result Name: A more stable financial environment			
Indicator: Long-term commercial debt as a percent of total debt			
Unit of Measure: Percent	Year	Planned	Actual
Source: Bank of Lithuania Monthly Bulletin, December 1999	1995(B)	NA	15.2%
	1996	17%	15.3%
Indicator/Description: The value of loans granted to residents for more than one year as a percent of all loans outstanding. (average for end of each quarter)	1997	19%	33.4%
	1998	22%	34.7%
	1999	25%	57.1%
	2000	25%	NA
Comments: Financial Data for banking and government revenue is collected for end of calendar year, and is only available no earlier than May 1 of the following calendar year. Capital markets information is typically available earlier.			

Performance Data Table

Objective Name: A more stable financial environment			
Objective ID: 163-014-01			
Approved: 1996		Country/Organization: USAID Lithuania	
Result Name: Increased confidence in the banking sector			
Indicator: Registered share capital			
Unit of Measure: USD	Year	Planned	Actual
Source: Bank of Lithuania Monthly Bulletin, December 1999	1995(B)	NA	94 Million
	1996	138 Million	190 Million
Indicator/Description: Share capital registered with the Central Bank	1997	163 Million	207 Million
	1998	175 Million	221 Million
	1999	187 Million	182 Million
Comments: The main reason of the decrease of the share capital was the close out of one of the commercial banks.			

Performance Data Table

Objective Name: A more stable financial environment			
Objective ID: 163-014-01			
Approved:		Country/Organization: USAID Lithuania	
Result Name: Capital markets established as a viable alternative to the banking sector			
Indicator: Volume			
Unit of Measure: Number of shares	Year	Planned	Actual
Source: National Stock Exchange of Lithuania, 4th Quarter Bulletin for 1999	1995(B)	NA	78.3 Million
	1996	New indicator	57.4 Million
Indicator/Description: Annual turnover of shares	1997	100 Million	251.3 Million
	1998	200 Million	227 Million
Comments: Financial Data for banking and government revenue is collected for end of calendar year, and is only available no earlier than May 1 of the following calendar year. Capital markets information is typically available earlier.	1999	350 Million	185 Million
	2000	500 Million	NA

Text for SO c

Country/Organization: USAID Lithuania

Objective ID: 163-015-01

Objective Name: Improved safety and policy of the energy sector

Self Assessment: On Track

Self Assessment Narrative:

Primary Link to Strategic Agency Framework: 1.1 Private Markets
(please select only one)

Secondary Link to Strategic Agency Framework:
(select as many as you require)

- | | |
|---|--|
| <input type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Agricultural Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Education/Girl's Education |
| <input type="checkbox"/> 3.2 Higher Education/Sustainable Development | <input type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input type="checkbox"/> 4.4 HIV/AIDS | <input type="checkbox"/> 4.5 Infectious Diseases Reduced |
| <input type="checkbox"/> 5.1 Global Climate Change | <input type="checkbox"/> 5.2 Biological Diversity |
| <input type="checkbox"/> 5.3 Sustainable Urbanization/Pollution | <input checked="" type="checkbox"/> 5.4 Environmentally Sound Energy |
| <input type="checkbox"/> 5.5 Natural Resource Management | <input type="checkbox"/> 6.1 Impact of Crises Reduced |
| <input type="checkbox"/> 6.2 Urgent Needs in Time of Crisis Met | <input type="checkbox"/> 6.3 Security/Basic Institutions Reestablished |
| <input type="checkbox"/> 7.1 Responsive Assist Mechanisms Developed | <input type="checkbox"/> 7.2 Program Effectiveness Improved |
| <input type="checkbox"/> 7.3 Commit Sustainable Development Assured | <input type="checkbox"/> 7.4 Technical/Managerial Capacity Expand |

Link to U.S. National Interests: National Security

Primary Link to MPP Goals: Regional Stability

Secondary Link to MPP Goals (optional): No Secondary Linkage

Summary of the SO:

The purpose of this Strategic Objective is to assist the Government of Lithuania (GoL) in strengthening energy policy and safety, and addressing issues resulting from the eventual closure of the Ignalina Nuclear Power Plant (INPP). The direct beneficiaries of achievement of this SO

are the INPP, the Nuclear Regulatory Institution, the Energy Pricing Commission and the Baltic power companies. The indirect beneficiaries are the people of the country who need a stable, economically viable, and safe energy supply.

Key Results:

Three key Intermediate Results (IR) identified to achieve this SO are: (1) a sound decision made regarding the re-licensing of the INPP; (2) energy sector restructured, energy regulatory and price reform implemented so that privatization can occur within the energy sector; and (3) Baltic energy cooperation enhanced with a regional least-cost energy plan developed in the Baltic Republics.

Performance and Prospects:

Over the past year, two of the three IRs under this SO were achieved. The second IR was not completed in 1999, partially because essential energy legislation was not passed. The U.S. Nuclear Regulatory Commission (NRC) continued to provide assistance to the Lithuanian nuclear regulatory body (VATESI) in preparation of the licensing decision. VATESI issued the license for INPP Unit 1 in July 1999 (an IR for the SO), and the INPP became the first RBMK type reactor to receive a western-style License. The NRC played a major role at consultative meetings of the Licensing Assistance Program's Steering Group, and this assistance ensured that the re-licensing review was carried out in accordance with international safety standards. Significant improvements have also been made in INPP safety culture, information systems and management practices with assistance from the U.S. Department of Energy. All these measures should help maintain safer and more efficient production at the INPP until an alternative power source is adopted.

To strengthen Baltic regional cooperation, USAID continued assisting the three Baltic power companies and the regional dispatch center in the development of their long term planning and system operations. The three Baltic utilities and DC Baltija (the regional power dispatch company) carried out the study with analytical tools provided by USAID. The final regional plan was prepared in 1999 and is a comprehensive look at the costs and impacts of alternative INPP closure scenarios. Such information is critical in determining regional least cost alternatives to INPP supplied power.

The Lithuanian Energy Pricing Commission (EPC) is currently considered as one of the most advanced regulatory bodies in the Central and Eastern Europe. Energy prices are basically on track to full cost-recovery levels. In 1999, the EPC increased natural gas sales and transmission tariffs, tariffs for the sale of electricity from the INPP, and Lietuvos Energija (LE) sales tariffs. These are the major tariff increases in the gas and electricity sectors since 1995. U.S. experts continued assisting the EPC in economics and finance, data management systems, strategic planning, incentive or market mechanisms, and mastering the administrative burdens associated with the decentralization of the district heating industry and other areas. In 1999 the responsibilities of the EPC were expanded to include pricing in transport and water sectors. The EPC is also increasingly participating in the government deliberations regarding the privatization of LE and its role in a regional energy market.

Drafts of new Electricity Restructuring, Heat and Gas laws were developed in 1999 and currently are under discussion within the Government. Although new laws were not passed, many important energy sector policy decisions were made during 1999 and early 2000. The Parliament passed the Energy Strategy committing to close the Unit One of the INPP by 2005 and to address the future of Unit Two in the next National Energy Strategy, which will be developed and approved in 2004. The GoL and LE defined a separation of LE's distribution, generation and transmission functions, an important initiative leading to further privatization. In January 2000, the Ministry of Economy has announced a tender process for a financial advisory firm to assist with privatization of LE. Williams International (an U.S. oil company) purchased a 33 percent stake in combined petroleum refining and transport companies. The GoL has signed preliminary agreements with a consortium of Western power companies, which are expected to lead to construction of a high transmission power line to Poland.

Possible Adjustments to Plans:

Mission expects that the new energy legislation will be passed in 2000 what is one of the last steps towards achieving the overall SO. The EPC will continue participate in the regional USAID program "Association of Energy Regulators".

Although VATESI made a licensing decision, continuing U.S. support is considered essential in maintaining an adequate level of safety at INPP until closure of Unit 1. While other donors have some assistance in these areas, NRC work carries a less biased perception because of the European Union push on early closure of INPP. In addition, the NRC technical advisors have been the most vocal representatives speaking for decisions in accordance with international nuclear safety standards. The absence of NRC would significantly reduce international oversight and could potentially lead to Lithuanian decisions that are counter to current U.S. policy on Soviet-designed nuclear reactor safety issues.

This Baltic regional cooperation project is on-going, and part of USAID's currently approved postpresence regional activities in Lithuania. Its technical assistance will focus on the implementation of a Common Baltic Electricity Market under the Baltic Council of Ministers.

Other Donor Programs:

U.S. nuclear safety assistance is closely coordinated with other donors and the Nuclear Safety Account, to which USAID is a contributor. Work in the energy regulatory field is coordinated with the EU-Phare program assisting Lithuanians in the development of a new energy legal framework. The EBRD will be supporting the EPC in the legislative review process when USAID program is completed. Baltic regional energy planning work is coordinated with the World Bank and EBRD who will be supporting the establishment of the Common Baltic Electricity market.

Major Contractors and Grantees:

U.S. nuclear safety assistance is implemented under the Interagency Agreement with the NRC and directly by the Department of Energy under a direct appropriations. Energy regulatory assistance is provided under a contract with Bechtel. Regional energy planning assistance is provided under a contract with Electrotek.

Performance Data Table

Objective Name: Improved safety and policy of the energy sector			
Objective ID: 163-015-01			
Approved: 1998		Country/Organization: USAID Lithuania	
Result Name: Decision to relicense Ignalina made in accordance with safety guidelines			
Indicator: GoL decision made using proper research			
Unit of Measure: Progress made towards document completion	Year	Planned	Actual
Source: VATESI, NRC	1996(B)	NA	1st LCS document prepared
Indicator/Description: Regulatory Licensing Review (RLR) and Least Cost Study (LCS) documents prepared prior to decision	1997	50% of the documents completed	LCS is updated, 45% of the RLR completed
Comments: The target date of May 17, 1999 for review and licensing of INPP Unit 1 was not met. VATESI issued orders to shut down Unit 1 pending completion of the licensing process. The license was subsequently issued in July 1999. Critical issues still remaining are licensing decisions on the Diverse Shutdown System, licensing for Unit 2, and the determination of the exact closure date for Unit 1.	1998	Documents completed and decision made	LCS is finalized, 80% of the RLR completed
	1999		Documents completed, license issued 7/1999

Performance Data Table

Objective Name: Improved safety and policy of the energy sector			
Objective ID: 163-015-01			
Approved:	Country/Organization: USAID Lithuania		
Result Name: Energy pricing, regulatory reform and restructuring completed			
Indicator: New legislation and regulations for energy sector adopted			
Unit of Measure: Yes/No	Year	Planned	Actual
Source: Ministry of Economy	1996(B)	NA	Old law in effect
Indicator/Description: Energy law passed to facilitate sector restructuring.	1997	New law drafted	Yes
Comments: The National Energy Strategy, which identifies restructuring as a priority, was adopted by Seimas. No formal legislation passed. Ministry of Economy has begun the process of selecting a consulting firm to assist with privatization of Lietuvos Energija.	1998	Law passed	Re-draft of energy regulatory law developed
	1999	Law passed	Draft sectoral laws developed

Performance Data Table

Objective Name: Improved safety and policy of the energy sector			
Objective ID: 163-015-01			
Approved: 1998	Country/Organization: USAID Lithuania		
Result Name: Enhanced Baltic energy cooperation			
Indicator: Regional energy project development completed			
Unit of Measure: Yes/No (includes milestones)	Year	Planned	Actual
Source: Lithuanian Power Company, Lithuanian Energy Institute, Ministry of Economy	1996(B)	NA	Training started
	1997	Draft regional electricity plan developed	Draft plan done
Indicator/Description: Regional agreement on project reached			
Comments: Regional agreement on the project was not reached because of delays in preparation of the final regional plan.	1998	Final regional plan developed	Final regional draft developed
	1999	Regional plan developed	Regional plan finalized

Text for SO d

Country/Organization: USAID Lithuania

Objective ID: 163-021-01

Objective Name: Stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making

Self Assessment: On Track

Self Assessment Narrative:

Primary Link to Strategic Agency Framework: 2.1 Rule of Law/Human Rights
(please select only one)

Secondary Link to Strategic Agency Framework:
(select as many as you require)

- | | |
|---|--|
| <input type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Ag Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input checked="" type="checkbox"/> 2.3 Politically Active Civil Society |
| <input type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Ed/Girl's Education |
| <input type="checkbox"/> 3.2 Higher Ed/Sustainable Development | <input type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input type="checkbox"/> 4.4 HIV/AIDS | <input type="checkbox"/> 4.5 Infectious Diseases Reduced |
| <input type="checkbox"/> 5.1 Global Climate Change | <input type="checkbox"/> 5.2 Biological Diversity |
| <input type="checkbox"/> 5.3 Sustainable Urbanization/Pollution | <input type="checkbox"/> 5.4 Environmentally Sound Energy |
| <input type="checkbox"/> 5.5 Natural Resource Management | <input type="checkbox"/> 6.1 Impact of Crises Reduced |
| <input type="checkbox"/> 6.2 Urgent Needs in Time of Crisis Met | <input type="checkbox"/> 6.3 Security/Basic Institutions Reestablished |
| <input type="checkbox"/> 7.1 Responsive Assist Mechanisms Developed | <input type="checkbox"/> 7.2 Program Effectiveness Improved |
| <input type="checkbox"/> 7.3 Commit Sustainable Development Assured | <input type="checkbox"/> 7.4 Technical/Managerial Capacity Expand |

Link to U.S. National Interests: National Security

Primary Link to MPP Goals: Regional Stability

Secondary Link to MPP Goals (optional): No Secondary Linkage

Summary of the SO:

USAID/Lithuania has been working to stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making. This has been accomplished primarily through strengthening civil society and the non-

governmental organization (NGO) sector. USAID has identified four main constraints facing the NGO sector in Lithuania: (a) laws and regulations (particularly concerning taxation, philanthropy, and commercial activities) are weak and conflicting; (b) civic participation rates and public-private partnerships, while increasing, are still limited; (c) NGO organizational, managerial, technical, and advocacy skills, while improving, are still not at the level necessary for the sector to be self-sustainable; (d) funding is inadequately diversified and traditions of philanthropy are not fully developed. Thus, NGOs do not receive sufficient support from citizens or authorities, and do not participate fully in public life. Paradoxically, Lithuania's impressive progress towards democracy and respect for human rights may deflect attention from civil society development, towards economic development.

Key Results:

In response to this situation, USAID has helped to: 1) make the legal and regulatory environment for NGOs clearer and more supportive, 2) strengthen dialogue between the authorities and NGOs, 3) increase the number of well-managed NGOs engaged in public advocacy, and 4) enhance philanthropy, volunteer activity, and public support for NGOs. By improving the enabling environment, and helping NGOs play a more active role in solving social problems in cooperation with governmental authorities, work under SO 2.1 has benefited Lithuanian society as a whole.

Performance and Prospects:

USAID directed initiatives under SO 2.1 formally ended with the completion of funding in FY 1998. Files pertaining to activities implemented under the Democracy Network Program by the U.S. Baltic Foundation, Freedom House/National Forum Foundation, and the International Center for not-for-Profit Law, and by the International Republican Institute, National Democratic Institute, ABA-Central and East European Law Initiative, and Development Associates have been officially closed. Two grants have been issued, to a group of NGOs fighting HIV/AIDS and Drug Abuse in Lithuania's port city Klaipeda, and to the NGO-Information and Support Center in Vilnius, to build a national coalition to stimulate philanthropy to NGOs. These two grants will be completed by July 2000. Aside from assistance to the Democracy Commission, and informal support for NGO counterparts, all work under SO 2.1 is now being carried out under USAID's main post-presence initiative in this area, namely the Baltic American Partnership Fund. Accordingly, USAID did not monitor the statistics formally collected by its implementers, and will not present updated information in Performance Data Tables and IRs. USAID worked with BAPF to prepare the 1999 NGO Sustainability Index, which is the most current source of accurate information on the state of the NGO sector. USAID also encouraged BAPF to initiate monitoring indicators similar to those developed by USAID.

Possible Adjustments to Plans:

No adjustments needed as activities are completed.

Other Donor Programs:

Civil society development has benefited from excellent cooperation and coordination amongst key donors (the Open Society Institute, UNDP, and EU-Phare). With the termination of its Democracy activities, USAID is looking towards its Legacy for civil society development in the three Baltic States. The key initiative is the regional Baltic American Partnership Fund (BAPF).

This 501(c)(3) New York public charity is a \$15 million, 10-year, sinking endowment, jointly financed by USAID and the Open Society Institute. It is an important part of the Baltic Charter signed in Washington on January 16, 1998. The first year of activities is complete. The main goals are to strengthen the enabling and legal environment for NGOs, help NGOs build capacity and financial sustainability, and continue improving NGO advocacy. There is also a small grants component.

Major Contractors and Grantees:

I.R. 2.1.1 was furthered by the work of the U.S. Baltic Foundation, Freedom House/National Forum Foundation (regional NGO networking), Development Associates, and the Democracy Commission Small Grants Program (administered by USIS via a 632a transfer, which supports NGOs promoting democratization, human rights, civil society, ethnic integration, civic education). Implementing partners in the legal reform effort include the International Center for Not-for Profit Law (under DemNet), the USAID supported NGO-Information and Support Center, the Volunteer Center (working to eliminate legal restrictions on voluntary activity), the ABA/CEELI Program, and the DemNet II NGOs. World Learning is the training provider.

R4 Part III: Resource Request

1. PROGRAM BUDGET:

The FY 99, FY 98 Carry Over, and re-obligation funds have been reviewed and revised to meet the last year's close out requirements of achieving success in the four strategic objectives. The revised budget reflects the following key considerations:

Fiscal policy will achieve major results, but is hindered by political decision-making. Consequently, the Mission will focus on the sustainability of capacity building in fiscal policy rather than all of the specific policy objectives. Funds are recommended for post presence technical assistance to the Ministry of Finance (MoF) by two PSCs currently serving as advisors. Un-programmed funds, funds from SO 1.2, and funding from AEPS will provide the total amount required.

Funding is set aside to document program results, lessons learned, and the graduation close out activities under the AEPS budget.

Concurrent with review and approval of the post-presence plan as presented in this document, the Mission will review all existing obligations for potential de-obligation actions. This review will result in identification of additional resources that will be made available to augment the currently available funds (under SO 1.1) to provide full and direct financing of the two PSC advisors for the MoF. These review and de-ob actions (together with any required Congressional notifications) must be completed before negotiation and award of the required contracts for these advisory services.

2. OPERATING EXPENSES: OE NARRATIVE AND BUDGET

OE related issues identified in last year's R4 were pursued as follows: (a) the proposal to change from program funds to OE funding for the Country Liaison Officer after the departure of the Mission Director in July 1999 was not approved; (b) plans to receive USAID/Latvia's vehicles and trade them (along with one from USAID/Lithuania) for a new vehicle, which would then be available for redistribution in FY2000, were cancelled; and (c) closing off the third floor of the office building due to reduced space requirements in FY2000 and renegotiating the lease for the remaining space to save OE were investigated thoroughly, but determined to be not cost effective.

As planned in last year's R4, the Mission reduced the staff by four employees in the third and fourth quarters of FY1999. The contract for one program-funded FSN was completed in the third quarter. One program-funded local hire USPSC and one OE-funded FSN departed in the fourth quarter. The Mission Director departed post in July and the program-funded Country Program Officer became the Country Liaison Officer. While not changing the Mission staffing level, an FSN program specialist departed and a replacement staff member was hired in the fourth quarter.

For FY2000: (a) one intermittent U.S. National hire contractor was terminated and an international hire USPSC contract expired in the first quarter; (b) a local hire US Media Specialist was hired for a short period in the first quarter; (c) an Acting Mission Director was assigned from the E&E Bureau for the period February until July to assist in the close out; and (d) the remaining staff will be phased out in the fourth quarter.

Staff phase out plans are as follows: Four of the five remaining program-funded employees (3 FSNs and 1 local hire USPSC) will depart in July. Two OE-funded FSN employees will depart in August and the remaining three OE-funded FSN employees are required until late September for final administrative close-out activities. The program-funded Country Program Officer is scheduled to become the Country Liaison Officer again in July 2000, after the departure of the Acting Mission Director and will remain at post until the end of September. The contract for the remaining intermittent international hire USPSC Senior Energy/Program Advisor will be completed in mid-fourth quarter. The Regional Executive Officer for Lithuania and Slovakia will be in Vilnius a major part of the time between March and September and will close the mission on September 29, 2000. The timetable for the above and actions related thereto are detailed in the Administrative Operational Close-Out Plan, which has been approved by M/AS/OMS.

OE requirements have been adjusted, since the FY2000 budget request was last reviewed in July 1999, to meet the \$300,000 allowance limit. Negotiations were completed to reduce the funds required for restoration of the office building upon lease termination in September. The Embassy has agreed to take the remaining short-term leased residence, (occupied by the Country Program Officer), the residential furniture; and most of the office furniture. There is no FSN wage increase anticipated. The budget line items for FSN salaries, benefits and severance have been carefully recalculated to insure sufficient funds for regular and close out related payments, such as step increases, social security (SODRA), overtime, a portion of the required 13th month payments, incentive bonus, lump sum leave and severance pay. These along with other line item modifications have permitted enough budget adjustments to stay within the \$300,000 allowance and still cover increased telephone costs, additional travel requirements and the cost of an Outplacement Services Contract to provide job search training and one-on-one job search assistance for the FSN staff. The only significant OE funding handicap is the \$1,000 limit for representational funds. This has been addressed directly with E&E/OM.

With the mission closing on September 30, no FY2001 OE funds are required. The proposed post presence USAID-funded FSN would be program funded with the Embassy responsible for administrative support and administrative support costs.

Program, Workforce and OE

(in a separate folder named Country02R2b_data; enter data and print separately)

Workforce Tables

Org USAID/Lithuania End of year On-Board FY 2000 Estimate	SO 1	SO 2	SO 3	SO 4	SO 5	Sp01	Sp02	Total SO/SpO	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs	0.2		0.7				0.1	1							0	1
Subtotal	0.2	0	0.7	0	0	0.1	0	1	0	0	0	0	0	0	0	1
Total Direct Workforce	0.2	0	0.7	0	0	0.1	0	1	0	0	0	0	0	0	0	1
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0.2	0	0.7	0	0	0.1	0	1	0	0	0	0	0	0	0	1

Workforce Tables

Org USAID/Lithuania End of year On-Board								Total	Org.	Fin.	Admin.	Con-	All	Total	Total	
FY 2001 Target	SO 1	SO 2	SO 3	SO 4	SO 5	Sp01	Sp02	SO/SpO	Mgmt.	Mgmt	Mgmt	tract	Legal	Other	Mgmt.	Staff
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

1/ Excludes TAACS, Fellows, and IDIs

Workforce Tables

Org USAID/Lithuania End of year On-Board FY 2002 Target	SO 1	SO 2	SO 3	SO 4	SO 5	SpO1	SpO2	Total SO/SpO Staff	Org. Mgmt.	Fin. Mgmt	Admin. Mgmt	Con- tract	Legal	All Other	Total Mgmt.	Total Staff
OE Funded: 1/																
U.S. Direct Hire								0							0	0
Other U.S. Citizens								0							0	0
FSN/TCN Direct Hire								0							0	0
Other FSN/TCN								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Program Funded 1/																
U.S. Citizens								0							0	0
FSNs/TCNs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Direct Workforce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TAACS								0							0	0
Fellows								0							0	0
IDIs								0							0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL WORKFORCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

OPERATING EXPENSES

Org. Title: Org. No: OC	Overseas Mission Budgets								
	FY 2000 Estimate			FY 2001 Target			FY 2002 Target		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
11.1 Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1 Base Pay & pymt. for annual leave balances - FNDH			0			0			0
Subtotal OC 11.1	0	0	0	0	0	0	0	0	0
11.3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3 Base Pay & pymt. for annual leave balances - FNDH			0			0			0
Subtotal OC 11.3	0	0	0	0	0	0	0	0	0
11.5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5 USDH			0			0			0
11.5 FNDH			0			0			0
Subtotal OC 11.5	0	0	0	0	0	0	0	0	0
11.8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8 USPSC Salaries			0			0			0
11.8 FN PSC Salaries			49			0			0
11.8 IPA/Details-In/PASAs/RSSAs Salaries			0			0			0
Subtotal OC 11.8	0	0	49	0	0	0	0	0	0
12.1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Educational Allowances			0			0			0
12.1 Cost of Living Allowances			0			0			0
12.1 Home Service Transfer Allowances			0			0			0
12.1 Quarters Allowances			0			0			0
12.1 Other Misc. USDH Benefits			0			0			0
12.1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 ** Payments to FSN Voluntary Separation Fund - FNDH			0			0			0
12.1 Other FNDH Benefits			0			0			0
12.1 US PSC Benefits			0			0			0
12.1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 ** Payments to the FSN Voluntary Separation Fund - FN PSC			0			0			0
12.1 Other FN PSC Benefits			17			0			0
12.1 IPA/Detail-In/PASA/RSSA Benefits			0			0			0
Subtotal OC 12.1	0	0	17	0	0	0	0	0	0

OPERATING EXPENSES

Org. Title: _____ Org. No: _____ OC		Overseas Mission Budgets											
		FY 2000 Estimate			FY 2001 Target			FY 2002 Target					
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total			
13.0	Benefits for former personnel				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
13.0	FNDH				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
13.0	Severance Payments for FNDH			0				0				0	
13.0	Other Benefits for Former Personnel - FNDH			0				0				0	
13.0	FN PSCs				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
13.0	Severance Payments for FN PSCs			53				0				0	
13.0	Other Benefits for Former Personnel - FN PSCs			1.5				0				0	
	Subtotal OC 13.0	0	0	54.5	0	0	0	0	0	0	0	0	0
21.0	Travel and transportation of persons				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
21.0	Training Travel			3.8				0				0	
21.0	Mandatory/Statutory Travel				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
21.0	Post Assignment Travel - to field			0				0				0	
21.0	Assignment to Washington Travel			0				0				0	
21.0	Home Leave Travel			0				0				0	
21.0	R & R Travel			0				0				0	
21.0	Education Travel			0				0				0	
21.0	Evacuation Travel			0				0				0	
21.0	Retirement Travel			0				0				0	
21.0	Pre-Employment Invitational Travel			0				0				0	
21.0	Other Mandatory/Statutory Travel			0				0				0	
21.0	Operational Travel				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
21.0	Site Visits - Headquarters Personnel			9.6				0				0	
21.0	Site Visits - Mission Personnel			6				0				0	
21.0	Conferences/Seminars/Meetings/Retreats			6				0				0	
21.0	Assessment Travel			0				0				0	
21.0	Impact Evaluation Travel			0				0				0	
21.0	Disaster Travel (to respond to specific disasters)			0				0				0	
21.0	Recruitment Travel			0				0				0	
21.0	Other Operational Travel			3				0				0	
	Subtotal OC 21.0	0	0	28.4	0	0	0	0	0	0	0	0	0
22.0	Transportation of things				Do not enter data on this line				Do not enter data on this line				Do not enter data on this line
22.0	Post assignment freight			0				0				0	
22.0	Home Leave Freight			0				0				0	
22.0	Retirement Freight			0				0				0	
22.0	Transportation/Freight for Office Furniture/Equip.			0				0				0	

OPERATING EXPENSES

Org. Title: Org. No: OC		Overseas Mission Budgets								
		FY 2000 Estimate			FY 2001 Target			FY 2002 Target		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
22.0	Transportation/Freight for Res. Furniture/Equip.			0			0			0
	Subtotal OC 22.0	0	0	0	0	0	0	0	0	0
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space			26.5			0			0
23.2	Rental Payments to Others - Warehouse Space			0			0			0
23.2	Rental Payments to Others - Residences			0			0			0
	Subtotal OC 23.2	0	0	26.5	0	0	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities			5.7			0			0
23.3	Residential Utilities			0			0			0
23.3	Telephone Costs			30			0			0
23.3	ADP Software Leases			0			0			0
23.3	ADP Hardware Lease			0			0			0
23.3	Commercial Time Sharing			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0
23.3	Other Mail Service Costs			0			0			0
23.3	Courier Services			1.5			0			0
	Subtotal OC 23.3	0	0	37.2	0	0	0	0	0	0
24.0	Printing and Reproduction			0.5			0			0
	Subtotal OC 24.0	0	0	0.5	0	0	0	0	0	0
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations			0			0			0
25.1	Management & Professional Support Services			0			0			0
25.1	Engineering & Technical Services			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards			8.5			0			0
25.2	Residential Security Guard Services			0			0			0
25.2	Official Residential Expenses			0			0			0
25.2	Representation Allowances			1			0			0
25.2	Non-Federal Audits			0			0			0

OPERATING EXPENSES

Org. Title: _____ Org. No: _____ OC		Overseas Mission Budgets										
		FY 2000 Estimate			FY 2001 Target			FY 2002 Target				
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total		
25.2	Grievances/Investigations			0			0			0		
25.2	Insurance and Vehicle Registration Fees			0			0			0		
25.2	Vehicle Rental			0			0			0		
25.2	Manpower Contracts			2.5			0			0		
25.2	Records Declassification & Other Records Services			0.5			0			0		
25.2	Recruiting activities			0			0			0		
25.2	Penalty Interest Payments			0			0			0		
25.2	Other Miscellaneous Services			20			0			0		
25.2	Staff training contracts			0			0			0		
25.2	ADP related contracts			0			0			0		
	Subtotal OC 25.2			0	0	32.5	0	0	0	0		
25.3	Purchase of goods and services from Government accounts			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS					29			0	0		
25.3	All Other Services from Other Gov't. accounts					0			0	0		
	Subtotal OC 25.3			0	0	29	0	0	0	0		
25.4	Operation and maintenance of facilities			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance					13.4			0	0		
25.4	Residential Building Maintenance					0			0	0		
	Subtotal OC 25.4			0	0	13.4	0	0	0	0		
25.6	Medical Care											
	Subtotal OC 25.6			0	0	0	0	0	0	0		
25.7	Operation/maintenance of equipment & storage of goods			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs					2			0	0		
25.7	Storage Services					0			0	0		
25.7	Office Furniture/Equip. Repair and Maintenance					0.5			0	0		
25.7	Vehicle Repair and Maintenance					5			0	0		
25.7	Residential Furniture/Equip. Repair and Maintenance					0			0	0		
	Subtotal OC 25.7			0	0	7.5	0	0	0	0		
25.8	Subsistence & spt. of persons (by contract or Gov't.)					0			0	0		
	Subtotal OC 25.8			0	0	0	0	0	0	0		

OPERATING EXPENSES

Org. Title: Org. No: OC	Overseas Mission Budgets									
	FY 2000 Estimate			FY 2001 Target			FY 2002 Target			
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	
26.0	Supplies and materials					0			0	
	Subtotal OC 26.0	0	0	4.5	0	0	0	0	0	
31.0	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0	Purchase of Residential Furniture/Equip.			0		0			0	
31.0	Purchase of Office Furniture/Equip.			0		0			0	
31.0	Purchase of Vehicles			0		0			0	
31.0	Purchase of Printing/Graphics Equipment			0		0			0	
31.0	ADP Hardware purchases			0		0			0	
31.0	ADP Software purchases			0		0			0	
	Subtotal OC 31.0	0	0	0	0	0	0	0	0	
32.0	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0	Purchase of Land & Buildings (& bldg. construction)			0		0			0	
32.0	Purchase of fixed equipment for buildings			0		0			0	
32.0	Building Renovations/Alterations - Office			0		0			0	
32.0	Building Renovations/Alterations - Residential			0		0			0	
	Subtotal OC 32.0	0	0	0	0	0	0	0	0	
42.0	Claims and indemnities			0		0			0	
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	
TOTAL BUDGET				0	0	300	0	0	0	

Additional Mandatory Information

Dollars Used for Local Currency Purchases _____

Exchange Rate Used in Computations _____

** If data is shown on either of these lines, you MUST submit the form showing deposits to and withdrawals from the FSN Voluntary Separation Fund.
On that form, OE funded deposits must equal: 0 0 0

Supplemental Information Annexes

Environmental Impact

Information Annex Topic: Environmental Impact

The issues of environmental policy and compliance remain the same as defined in the 1996 Strategic Plan. The major environmental issues facing Lithuania are related to the energy sector and nuclear safety. The Mission increased efforts to improve energy price reform that will result in market pressure on industries to be more energy efficient. Discussions are still ongoing regarding decisions related to the closing date of the Ignalina Nuclear Power Plant, based on the EBRD G-7 safety assessment.

USAID's environmental activities were completed in 1998. Mission is preparing a sector impact report covering all environmental activities funded in Lithuania. Regional post-presence environmental activities funded under NEI and managed by EPA will continue.

No specific efforts are planned to address biological diversity, as was noted in the FY96 Strategic Plan. The biodiversity assessment for Lithuania was completed in 1996 and submitted as part of the 1996 Strategic Plan.

Updated Framework Annex

Information Annex Topic: Updated Results Framework

SO 1.2 Strengthened fiscal management

- IR 1.2.1 Tax Policy Reforms Implemented
- IR 1.2.2 Improved Tax Administration
- IR 1.2.3 Improved Public Debt System
- IR 1.2.4 Financial Management System Implemented
- IR 1.2.5 Budget Process Used by the Ministry of Finance Improved

SO 1.4: A more stable financial environment

- IR 1.4.1 Increased confidence in the banking system
- IR 1.4.2 Capital markets established as a viable alternative to the banking sector

SO 1.5: Improved safety and policy of the energy sector

- IR 1.5.1 Decision to re-license Ignalina made in accordance with safety guidelines
- IR 1.5.2 Energy pricing regulatory reform and restructuring completed
- IR 1.5.3 Enhanced Baltic energy sector cooperation

SO 2.1 Stabilize democracy and market orientation through increased and better informed citizen participation in political and economic decision making

- IR 2.1.1 Increased NGO activism.
 - IR 2.1.1.1 Legislation enabling the organization and operation of NGOs established.
- IR 2.1.2 Increased effectiveness of NGO management.

Information annex topic: Success stories

Another significant step towards open legislative process in Lithuania

On March 17, 1999, the Committee on Budget and Finance of the Parliament of the Republic of Lithuania conducted an Open Hearing on the Law on Mandatory Insurance for Vehicle Owners and Drivers. The Hearing was supervised by the legislative drafting group and several Members of Parliament. More than two-dozen representatives of non-government organizations (NGOs) and independent institutions presented testimony and engaged in a lively exchange of ideas concerning the strengths and weaknesses of the draft law, and how it would affect everyone from agricultural workers to pensioners to insurance companies. The format and procedures were similar to the first Open Hearing on the Law on Charity and Sponsorship for NGOs (December 1998), which was part of the Seimas-USAID Program on Open Legislative Process. However, this Hearing, and several others currently planned, are purely Lithuanian initiatives. These developments show how theoretical knowledge and practical experience gained from the USAID sponsored Program have contributed to significant and lasting moves towards opening the legislative process in Lithuania.

Judicial Training Center

On September 22, 1999, the USAID-supported computer training facility for Lithuanian judges was officially opened in the courthouse in Moletai, some sixty kilometers from Vilnius. The facility, which is part of the Lithuanian Judicial Training Center, was made possible by a \$25,000 Grant from USAID. It will be used both to increase the computer skills of sitting judges, and for more comprehensive training of candidate judges. Teaching judges how to use computers, and increasing their access to information (such as on-line legal services), have been identified as crucial steps towards improving the operations of the third branch of government in Lithuania, and solidifying the rule of law. At the present time, only a small fraction of the 500 judges in Lithuania are computer literate. The computer training facility is expected to remedy this situation within a few years.

Regional Power Sector Sets Foundation For Cooperation And Mutual Assistance

In 1995 in response to a request from the three Baltic states to help their power utilities develop a least-cost energy investment planning capability, the USAID established the Baltic Regional Energy Development Program (BREDP). Regional investment planning is critical for these countries in order to help defray the costs of power investments, operate their systems in a coordinated and more efficient manner, and to facilitate a joint approach on major issues such as the future of the Ignalina nuclear power plant and environmental emissions from the Estonian oil shale power plants. The BREDP Steering Committee is comprised of the three Baltic power companies, DC Baltija (the Baltic power dispatch center), USAID, the World Bank, and EBRD. Under contract from USAID, Electrotek Concepts, a U.S. consulting firm, has provided training

and assistance in developing these planning capabilities, while the World Bank and EBRD have continued to participate in the process as potential project lenders.

The program has been so successful in demonstrating the advantages of cooperation in power system development that the BREDP Steering Committee is considering a request to make the Working Group a permanent body to carry out least-cost planning for the region. The planning capabilities developed under USAID funding are therefore likely to be integral to coordination of the Baltic power systems long after USAID funding for the effort has ended. The second phase of USAID's support for the BREDP effort included the development of financial expertise to help the utilities prepare regional projects for financing as well as training in regional operational planning in order to allow the power systems to be operated in a more coordinated and competitive fashion.

NGO-Coalition Building Project

With remaining Democracy Funds, USAID issued a \$50,000 grant to the NGO Information and Support Center in Vilnius to facilitate the creation of a national Coalition of NGOs working together to improve the legal and general climate for philanthropy. At the formal launching of this initiative, nearly 100 NGO representatives agreed to the coalition documents and most formally ratified them. The Coalition representatives have already begun successful work with government officials to support passage of draft amendments to the Law on Charity and Sponsorship for NGOs, and tax provisions that enable citizens to contribute a small portion of their taxes to NGOs of their choice. The Coalition is also engaged in local networking, information dissemination, research and publication, and media outreach. 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.

Credit Union Development-World Council of Credit Unions (WOCCU)

The WOCCU project has facilitated the establishment of nine financially sound and professionally managed credit unions in Lithuania. Areas covered through services and training include the formation of credit unions, management, membership services, financial monitoring, cash flow management, business planning, reporting, and improving the legislative framework. The goal has been to introduce a new form of democratic economic institution in Lithuania, that can generate savings and enable citizens to participate more effectively in the management of their financial affairs. These new institutions also serve as models for other economic entities, and concretely demonstrate the advantages of economic empowerment.

VATESI Regulatory Decision on Nuclear Plant

Lithuania has made great strides related to improvement of safety at the Ignalina Nuclear Power Plant (INPP). In fact, INPP is generally considered the safest of all the RBMK style nuclear power plants in the world due to the level of improvements that have been accomplished by Lithuania. Still, INPP remains unsafe by western safety standards. As part of a grant agreement signed with the EBRD, the Government of Lithuania agreed to shutdown the plant if Lithuanian nuclear regulatory agency (VATESI) had not conducted a license review for Unit 1 before May 17, 1999. This licensing effort was underway for many months. Continued operation of INPP is considered a political imperative by most Lithuanians, and pressure by the European Union to set a shutdown date for Unit 1 has increased public sentiments for continued operation of INPP. Facing the realities of political and general public opinions, VATESI ordered the shutdown of Unit 1 in May 1999 when it was apparent that a license could not be granted under reasonable western safety standards. This shutdown was the first shutdown ever ordered for a Soviet-designed reactor by a nuclear regulatory body in Central and Eastern Europe. This decision reflects on the institutional capabilities of VATESI and on the success of USAID and other donor technical assistance to support institutional development by VATESI.

Baltic American Enterprise Fund (BalAEF) Success

One of the companies that has received a major investment from the BalAEF is the Nematekas Meat Processing Factory, located in Lithuania's second largest city, Kaunas. It produces a full range of meat products that are distributed throughout the country. Despite the difficult situation in Lithuanian agriculture, Nematekas posted sales growth of 36 percent in 1997, 34 percent in 1998, and 30 percent during 1999. Employment has grown from twelve in 1994 to 170 today, and there are three shifts at the plant. The growth in the value of the enterprise since it received support from the Enterprise Fund is estimated at 634 percent. All of this has been made possible by investments/loans from the Enterprise Fund.

E&E R4 Detailed Budget Information

<u>Strategic Objective</u>	<u>Project Number</u>	<u>Activity Title</u>	<u>Carryover Funding</u>
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SO 1.2 Increased Soundness of Fiscal Policies and Fiscal Management Practices

14.05	Lithuania policy support	\$67,989
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SO 1.5 A More Economically Sustainable and Environmentally Sound Energy Sector

30.01	Policy support	36,710
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SO 4.2 Crosscutting

45.01	World Learning Training	130,000
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249.02	Project Support Field & General	293,581
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Information annex topic: E&E R4 Detailed Budget Information

Supplemental Annex

SPECIAL INITIATIVES

1. Regional Environmental Monitoring (REM): The REM program was designed to encourage compatible environmental data systems in the Baltic Region and to assist the Lithuanian Ministry of Environmental Protection (MEP) to strengthen its capacity to manage environmental monitoring. This program was implemented by the U.S Environmental Protection Agency (EPA) and was the first attempt to review Baltic States monitoring systems in regards to European Union (EU) directives. About 90 percent of recommendations provided under this program have been already implemented with support from EPA, EU-Phare and other donor organizations.

Equipment and training was provided to support air and water monitoring, Baltic region forest health monitoring systems, ground water, hazardous waste and information management programs. As a result, quality assurance and quality control capabilities of the Central Laboratory at the MEP were significantly improved to meet international standards in performing air and water quality monitoring.

The upgraded Lithuanian ground water monitoring system enables the collection of reliable and compatible data. The MEP's information management capabilities were significantly improved through the establishment of Local Area Networks. This activity was coordinated with other Baltic countries enabling the exchange and standardize of environmental data. In collaboration with EU experts a Lithuanian State Air Pollution Monitoring Strategy was completed.

In 1999, the EPA conducted a management audit of the MEP. The audit recommendations are critical to improve management of the Lithuanian environmental program and to reduce barriers to EU accession. The recommendations are currently being implemented.

2. Baltic-American Enterprise Fund (BalAEF): The BalAEF began work in 1995, to provide equity investments, loans and other forms of support to small and medium-size enterprises in all three Baltic States. By the end of 1999, BalAEF had invested nearly \$6 million in over forty Lithuanian enterprises. The extremely successful pilot project in residential mortgages was expanded, so that nearly 400 individuals and families have received loans totaling \$7.3 million. In the process, this initiative has encouraged regular banks to finally commence their own mortgage lending programs. Efforts are now underway to attract additional investors to share in and add to the portfolio.

3. Credit Union Development - World Council of Credit Unions (WOCCU): The WOCCU project has led to the establishment of a number of financially sound credit unions in Lithuania. Areas covered through services and training include the formation of credit unions, management, membership services, financial monitoring, cash flow management, business planning, reporting,

and improving the legislative framework. Since the project began in 1994 through completion in March 2000, total funding has amounted to \$1.7 million.

4. Capital Market Development (Pragma Corporation): The goal was to improve the operation of Lithuania's capital markets, including the Stock Exchange, the Securities Commission, the Capital Securities Depository, and the Broker's Association. The project began in 1995 and ended in February 2000. The final activity was the procurement of computer hardware to improve the trading system at the Stock Exchange. The project has managed to strengthen market regulation through the Securities Commission, and enhance the amount and quality of trading at the Stock Exchange. As a result, there is both greater transparency and more market information available to investors.

5. Strengthening the Free Market - Lithuanian Free Market Institute (LFMI): LFMI 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. Under the Free Market for Lithuania's Prosperity Project, which ended in March 2000, LFMI has received \$400,000. The final areas of work included setting up a private pension system, including creating the required legislative framework. Legal reform was also achieved in the areas of privatization, company law, and leasing law.

6. Training (World Learning) – Global Bureau Transit-Europe Program: A total of 53 training programs were designed and implemented resulting in 530 participants trained for the reporting period. The majority of the participants trained (52 percent) were female, maintaining the past year's record.

The areas of training programs and participants supported all the USAID SO areas: SO 1.2 (Fiscal) – 30 programs, 266 participants (15 of which were Capacity Building Component with 190 participants); SO1.4 (Financial) – 8 programs with 100 participants; SO 1.5 (Energy) 4 individualized U.S training programs; SO 2.1 – 5 programs for 8 participants. Four programs were organized for the Seimas to increase the knowledge of economics of these critical decision-makers.

In 1999, the focus of the training plan was the Institutional Capacity Building Component (CBC) Project within the Ministry of Finance (MoF) and the MoF's Training Center. By the end of this project, the organizational, management and technical capability of the MoF will be created to provide core fiscal training courses on a self sustaining basis. All training activities will be completed by June 30, 2000.

Highlights of the CBC include:

- 1) Formulation of a Fiscal Policy course curriculum and materials; and
- 2) Creation of a webpage at the MoF training center which houses the first internet course for the MoF in Lithuania. This use of technology with local expertise is already available to all employees, helps to save time for them allowing them to focus on the newest world developments in a presented seminar rather than the theoretical aspect,

which they can focus on in their own time via internet. Ultimately this will help to strengthen fiscal management by improving knowledge, skills and attitudes of employees and future employees on the subject. Discussions are ongoing how to provide this material to university students interested in working in the government fiscal sector.

7. Improved Enterprise Capacity: During 1999, USAID increased focus on legacy and sustainable partnerships. The remaining activities in the special initiative are support to small and medium enterprises through the International Business Network (IBN), Peace Corps, Kaunas Regional Association of Small and Medium Enterprises (KRASME) and training through the Management Training Center (MTC) in Panevezys.

The International Business Network was established as a legacy of successful International Executive Service Corps (IESC) Technical Assistance (TA) and Business Development Service (BDS) program in Lithuania, and from mid-1992 until September 1998 the IESC office completed nearly 300 TA and BDS activities. The new company not only has its prior links to IESC, but it also has expanded its business development and business services offerings, and access to IESC skills bank. As an additional instrument for BDS activity the IBN has a network of Regional Representatives in the U.S., which were initiated as the long-term Lithuanian American Business Network (LABNET) project with direct access to selected IESC experts, who previously successfully completed TA/BDS projects in Lithuania. Since 1999, IBN has been a business-oriented institution, which has about 10 different projects this year. Some of them were started in 1999, such as industry companies Klaipedos Nafta, Silvos Trikotazas, and Lithuanian Prezident's Office. IBN has further expanded its consulting and BDS activities and the development of management of internal operations.

KRASME promotes citizen participation in the decision-making process, defending the rights of small and medium enterprises and representing their interests in state institutions. This association now represents approximately 300 business people throughout Lithuania. During 1999, the association worked very closely with municipalities and the Parliament of Lithuania through committees and direct relationships. Through these relationships KRASME identified laws and regulations that promote corruption and crime and suggested alternative structures. Examples of changes due to KRASME's lobbying efforts include: entrepreneurs may now loan or invest their own money into their business; the proposed amendment to the tax administration law has led to a reduction in fines and penalties against SMEs; state small and medium-sized business development program was accepted - association was a member of the group that created and lobbied for this program, etc. They organize training and seminars regarding audits, legal issues, labor inspections, banking/loan procedures and other issues of members concern. The association publishes a Newsletter and sponsors association members' attendance at fairs and conferences, e.g. Swedish/Baltic Women's Fair in Riga, Latvia. Also they have taken part in 14 TV shows and Radio programs and have published over 149 articles on various subjects related to SMEs in the state newspapers and magazines.

The Management Training Center consistently fulfills its mission - to satisfy the needs of business community, to contribute to social and economic advancement through the spread of foreign expertise and new technologies, and to encourage the development of civic society and free market economy. Since 1995, MTC served over 7000 people in Panevezys, the province

and Lithuania. Several hundred jobs have been created or saved. The knowledge gained opened the window of inexhaustible opportunities for numerous SME's, contributed to the expansion of their businesses. The MTC provided English language courses for 30 people from Panevezys city Municipality in 1999. This improvement of staff qualifications reflects in the improved image of Municipality itself and its employees. The successful participation of MTC in international projects to train Belarus and Kaliningrad region business managers in Panevezys was not only useful to the businessman itself, but also forms a positive image, attracting intellectual and financial investments.

SPECIAL REPORTING SITUATIONS: SEPTEMBER 2000 GRADUATION

Project Closeout Schedule

During the past three Fiscal Years (1998-2000), a total of twenty-two major activities have been completed. During the remainder of FY2000, another thirteen activities remain active. Projected completion dates are provided below. A limited number of activities are proposed as post presence activities as detailed in the attached Closeout Management Memo.

Brief schedule of Project/Activity termination during FY2000:

FY2000

10/1999	Judicial Training Center Grant
11/1999	DemNet/U.S. Baltic Foundation, Bank supervision
12/1999	EPA
02/2000	Capital Markets (Pragma)
03/2000	WOCCU, Free Market for Lithuania's Prosperity (LFMI), HIID tax policy, Kaunas SME Association Grant
06/2000	Bechtel/Energy Sector Restructuring support, Bank privatization (Treasury), Bank monetary policy (Treasury), Management Training Center (KTU), World Learning, Peace Corps
07/2000	Lithuanian Treasury (USPSC), NGO Coalition Building (NISC), HIV/AIDS (NGO Information Center, Klaipeda)
09/2000	Nuclear Regulatory Commission, Business Development (IESC/IBN), Debt Management, Budget Policy (Treasury)

It is also important to note that a number of activities were completed during FY98 and FY99, including:

FY 1998

08/1998	Land of Lakes
09/1998	Utility Partners (US Energy Assoc.), Global/HIID Environment Policy
12/1998	Environmental Action Program Support (Chemonics)

FY 1999

06/1999	Tax Administration (Treasury)
07/1999	Development Associates
09/1999	ABA/CEELI, EMSI/Tabor economic assessments, International Republican Institute, National Democratic Institute, UNDP-AIDS Conference Grant, Energy Efficiency (Electrotek), WEC/PPC (World Environment Center/Pollution Prevention Center)

Memorandum

To: John Tennant, DAA/E&E

From: Gary Imhoff, Acting Mission Director, USAID/Lithuania

Subject: Approval of Post Presence activities and closeout planning for Lithuania

Date: March 27, 2000

The purpose of this memorandum is to identify USAID post presence activities and overall closeout implementation guidance of USAID/Lithuania for your approval. As a note of progress, during the past three Fiscal Years (1998-2000), a total of twenty-two major activities have been completed and during the remainder of FY2000, another thirteen are scheduled for completion.

Closeout Overview:

Economic progress has been good. GDP has increased to about the 1990 levels. Lithuania's credit ratings have improved. Inflation is low and there is important, though not total, political will to continue reforms. In the key areas of the USAID assistance program (fiscal, financial, and energy pricing and safety reform), continued progress is predicted over the next few years. Democratic reforms are notable but the weak non-government organization sector inhibits full popular participation.

The areas that warrant attention are tax policy reform, the growth in the current account deficit, progress the economic and political debate about the closing of the Ignalina Nuclear Power Plant, and a possible vulnerability to a currency crisis. Economic growth in 1999 decreased about 5 percent as a continuing consequence of the Russian economic crisis, which reduced export trade for Lithuanian companies and further reduced tax revenues.

In spite of the spillover from the Russian economic crisis, USAID/Lithuania believes the rate of economic and reform process is approximately on target. In the last year of the program, USAID will work to ensure that the reform measures remain on track and that the policy and institutional changes proceed and become self-sustaining. Based on economic progress and the level of democratic reform, USAID/Lithuania does not propose to extend the graduation date. However, some activities are recommended as post presence programs.

Post Presence Activity List:

As identified in the draft E&E Bureau Strategy for post presence activities, the Legacy Programs operating within Lithuania after Mission closing include: BalAEF, BAPF, Ecolinks, Baltic Regional Energy Development Program (BREDP), CEE Regional Electricity Management Development Institute, and the Regional Energy Regulatory Network. Although these programs

were identified as Legacy Programs, we understand that we must submit the relevant justifications for your approval as post presence activities for Lithuania. Some of the current USAID assistance efforts are now expected to extend beyond September 2000 and will require monitoring as wrap-up project activities. The Mission has identified some global programs will be continuing, which may provide direct assistance in Lithuania during the post presence period. In addition, an EPA program is funded under NEI for the region.

A complete list of all these Post Presence Activities is provided in Attachment 1. These were recently discussed with you in my consultations in early March 2000. Since that consultation, Mission staff have refined the activity descriptions and worked with E&E staff to establish the justifications required for their ultimate approval as Post Presence Activities. This attachment also includes the criteria for your approval.

Management of Proposed Activity Extensions:

The total project management responsibility for all program/project activities that continue past graduation of Lithuania from the USAID assistance program will remain within the implementing office (RSC/Budapest and AID/Washington - both E&E and Global). However, the limited in-country management role will fall under the responsibility of the Post Presence Activity Manager FSN, who will be located at the U.S. Embassy/Vilnius. This FSN will provide routine in-country monitoring services for the entities responsible for overall activity management until September 2001. The full scope of these services are included in the FSN's position description.

Financial Management Responsibilities:

Financial management responsibilities for each post presence project will remain with the cognizant Controller's office. With the closure of the Controller's Office in Warsaw, the Controller in Budapest is expected to assume those financial management responsibilities, unless the E&E Bureau determines otherwise. The U.S. Embassy/Vilnius will maintain responsibilities for providing financial management support to the USAID Post Presence Activity Manager FSN, located at the U.S. Embassy.

Field Monitoring Support from US Embassy/Vilnius:

The Post Presence Activity Manager FSN will be based in U.S. Embassy/Vilnius. This FSN will be required to have a US PSC or US Direct Hire AID person to report to in addition to the day-to-day reporting to an United States Foreign Service Officer within the U.S. Embassy. This day-to-day reporting is currently expected to be to the Embassy Political/Economics Officer. Official supervision of the Post Presence FSN by the RSC/Budapest is recommended. There are disadvantages to reporting to USAID/Washington due to the complex relationship between having a USAID FSN at the Embassy working under a USAID contract managed by AID/E&E/Washington.

Post Presence Activity Approval Request:

Mission request E&E review and approval of all the Post Presence Activities listed in Attachment 1. Any further guidance with regard to overall management and monitoring of these activities is also requested.

Post Presence Activities

Legacy Programs:*

Baltic American Enterprise Fund
Baltic American Partnership Fund
EcoLinks
Baltic Regional Energy Development Project
CEE Regional Electricity Management Development Institute
Regional Energy Regulatory Network

Wrap-up Activities:*

Nuclear Safety Monitoring and Support (NRC)
HIV/AIDS Project for Klaipeda-Kaliningrad
Belarus/Kaliningrad Training in Lithuania

Proposed Activity Extensions:

Technical Advisors for Ministry of Finance

Global Programs Operating the Lithuania:

Loan Portfolio Guarantee (LPG) Program
Polio Eradication

NEI Funded Activities:

Great Lakes/Baltic Sea Partnership
Suicide Prevention, Education, and Outreach

* As defined in the draft E&E Strategy for Post Presence Activities dated December 1999.

Baltic American Enterprise Fund (BalAEF):

The Baltic American Enterprise Fund (BalAEF) began operations in 1995 to provide loans to small and medium enterprises. In recent years, the BAEF expanded its pilot mortgage program and has expanded into limited business lending. Changes in the banking laws of Lithuania have allowed the BalAEF to engage in business lending as a donor-supported organization.

Relevance: The Baltic American Enterprise Fund is active in all three Baltic States, and is meeting a crucial need to fund private sector development, that is not being met by other donors. It has been operating for five years now, and has paved the way for a stronger and more active Small and Medium Size Enterprise sector, and an improved business climate. The need for foreign stimulus to develop free market players was created by 45 years of state domination of the economy, which eliminated all opportunities for and understanding of entrepreneurial activity, and destroyed all of the institutions necessary for a functioning free market. As in other countries in the region, Lithuania has benefited greatly from the investments provided by the Enterprise Fund, and the example it has set for other lending institutions. While direct foreign and domestic investment is the long-term goal, an example has to be set, and it is the Enterprise Fund that is doing so. This will solidify the considerable assistance that USAID has already provided to Lithuania's economic development.

Results: The main results of the Enterprise Fund in Lithuania are, and will continue to be, economic development. One particular example that stands out is the establishment of a program of mortgage lending to homeowners and purchasers. This is necessary to create a stable housing market, and build the middle class.

Accountability: Because the Enterprise Fund is independently managed, the oversight responsibilities on the part of USAID are minimal. It has been fully funded, and has demonstrated over the past five years that it can successfully operate in the local climate.

Endpoint: It is anticipated that by the time the Enterprise Fund ceases operations in about five years, Lithuania's economic development in the areas receiving assistance will reach a sustainable level, as evidenced by full integration into the world economy.

Funding gap: The BalAEF is fully funded. Efforts to attract additional investors can only multiply the benefits that have already been realized.

Sustainability: The BalAEF is helping to lay the groundwork for sustainable economic development in Lithuania. A perfect example is the residential mortgage program it trailblazed. Local banks are now following this path, to the great benefit of Lithuania. Thus, not only has direct benefit been provided, an example has been set, one that is likely to lead to sustainable progress.

Priority: Having a well-developed private sector is crucial for Lithuania's development, and its integration into the world economy and Western political institutions. It directly benefits the United States, which is currently one of the largest investors in Lithuania. The United States is especially equipped to provide leadership in this area, and very few other donors are doing so.

Baltic American Partnership Fund (BAPF):

The BAPF is a joint creation of the Open Society Institute and USAID and is an independent 501(c)(3) organization, registered in New York State. The BAPF will exist for a total of ten years, ultimately spending down its investments over that period. The BAPF provides resources to insure the future vitality of Lithuanian NGOs and to provide a lasting legacy of Lithuania's democratic development.

Relevance: The Baltic American Partnership Fund is the main post presence legacy of USAID in all three Baltic States, designed to continue the unfinished work in rebuilding civil society. In all three countries, for several years, it has been noted and reported that the objectives in the area of civil society development would not be met prior to closeout. This is not surprising. The Soviet Union used death sentences and deportations to eliminate civil society, and then a totalitarian system to suppress civil society, over a period of more than 45 years (including the first occupation during World War II). While progress towards democracy and establishing the rule of law has been incredible and commendable, it will take more than ten years to develop a fully vibrant NGO sector that can enable the citizens to participate fully in public life. Having a developed third sector and vibrant civil society has been identified as a key factor in sustainable progress towards free market reforms and truly democratic institutions in Lithuania. It is crucial for Lithuania's full integration into Western political institutions, and its relationship to the United States. In fact, civil society has a role to play in virtually every aspect of the transition process, from legislative reform to small business development to integration into the European Union and NATO.

Results: The results of the Baltic American Partnership Fund will be a more supportive enabling environment for civil society, an improved legislative framework, greater institutional strength for NGOs, greater philanthropy, better skills, more active advocacy, and an improved public image for NGOs.

Accountability: Because BAPF is a duly registered charitable organization, with its own Board, and is being implemented by the Open Society Organizations in Estonia, Latvia, and Lithuania, USAID oversight and management responsibilities in the field are virtually nonexistent. Further, all funding has already been provided. While liaising between the Embassy and the local implementer is expected, all major responsibilities lie with AID/W.

Endpoint: The BAPF is expected to operate for a total of ten years, thus ending by 2010.

Funding gap: Obtaining matching funds from the Open Society Institute substantially increased the impact and viability of this initiative. Unfortunately, many donors are giving less emphasis to the Baltic States, and some major donors are not focusing on civil society development. USAID is filling a major need, and a gap in transitional assistance, which is important for Lithuania's long-term progress towards truly sustainable democracy.

Sustainability: The goals outlined above are all necessary for this sector to reach a point of internal sustainability. They are also necessary to consolidate and continue the work that USAID

has already performed in Lithuania. It is anticipated that these goals can be substantially reached by the time that the BAPF ceases operations, in ten years.

Priority: Having a well-developed NGO sector is crucial for Lithuania's social and political development and Lithuania's integration into the world economy and Western political institutions. The BAPF is the primary source of support to this sector that contributes so much to the democratic growth of Lithuania.

EcoLinks Program:

EcoLinks Partnership Grants support cross-border partnerships between businesses, local governments and relevant associations to solve urban and industrial environmental problems in Central and Eastern Europe and the New Independent States. The grants must be jointly managed by partners from the US and CEE/NIS, or within the CEE/NIS region itself. The Institute of International Education is managing EcoLinks Partnership Grants, under a cooperative agreement with USAID, and has subcontracted certain activities in Central Europe to the Regional Environmental Center for Central and Eastern Europe (REC), based in Hungary.

Relevance: This program provides direct support to linkages between U.S. firms and local businesses that seek to address key urban and industrial environmental problems. Implemented on a regional basis, Lithuanian businesses are eligible for future grants under this program.

Results: Business linkages between U.S. and Lithuanian firms will result in introduction of U.S. environmental technology solutions to the Lithuanian marketplace. U.S. business and investment opportunities will be enhanced. Two grants have been awarded to date, which will benefit from in-country monitoring and reporting.

Accountability: Total management responsibilities for this effort are with the Regional Environmental Center (Hungary). The USAID Post Presence FSN, located at Embassy/Vilnius will provide the principle local monitoring and field support through FY2001.

Endpoint: Approved as post presence activity through September 2002.

Funding gap: Funding for the U.S.- Eurasia Environmental Partnership Program is \$23 million. No additional USAID funding is required for the activities possible within Lithuania.

Sustainability: Successful business deals will by definition meet sustainability and economic transition criteria. These initiatives are likely to result in continued business relationships.

Priority: This is a wrap-up activity and is necessary to ensure sustainability of previous USAID investments within the region and specifically in Lithuania.

Energy Sector Post Presence Activities:

Three activities will continue operation within the region following graduation of Lithuania from the USAID economic assistance program. These activities are:

Baltic Regional Energy Development Project (BREDP): Baltic Regional Energy Development Program supports restructuring the power sector within the Baltic countries. This project supports improved regional cooperation within the power sector. An early result was the preparation of an extensive study to plan power system expansion requirements on a regional basis. It is closely related to the Baltic Regional Electricity Market initiative with the Committee of Energy of the Baltic Council of Ministers.

CEE Regional Electricity Management Development Institute: CEE Regional Electricity Management Development Institute: All three Baltic countries participate in this legacy mechanism from the Utility Partnership Program. The Institute supports regional cooperation for restructuring the power sector and improved coordination of power sector issues.

Regional Energy Regulatory Network: This is a cooperative agreement with NARUC to support the growth and institutional capabilities of energy regulatory organizations in Central and Eastern Europe and the Former Soviet Union.

Relevance: A principle objective of energy sector assistance throughout Central and Eastern Europe has been to restructure the power utilities. Successful restructuring will bring private investments into this capital intensive industry, removing the financing burden from the cash limited national economies. The stage is now set to continue towards effective restructuring in Lithuania. However, the final achievement needs additional institutional support to continue the progress obtained to date. These three energy sector programs provide that institutional support on a regional basis as rational regional planning is being implemented. Failure to obtain final restructuring will further hamper economic growth in Lithuania as valuable government financial resources would be required to provide replacement facilities when the Ignalina Nuclear Power Plant is shutdown.

Results: To date, legislation has been passed which sets the stage for further privatization. Regional cooperation has been established under these programs.

Accountability: These activities will be directly managed by E&E/EEEST as part of their regional energy sector programs. E&E/EEEST will be responsible for reporting achievements and implementation progress for E&E bureau monitoring.

Endpoint: These program activities are expected to be continued under E&E/EEEST management and funding through December 2002.

Funding gap: No other donor has been active in the development of regulatory institutions in Central and Eastern Europe. Most other donor support will focus on decommissioning costs associated with the ultimate shutdown of the Soviet-designed Ignalina Nuclear Power Plant.

Sustainability: At the end of these support activities, the regional planning and regulatory institutions will have sufficient institutional capability to continue functioning without international technical assistance. Comprehensive implementation of the role of the regulatory and regional planning institutions are essential elements for any private investments in the energy sector.

Priority: The continuation of these activities as post presence initiatives is necessary to sustain the previous investments made in regional and Lithuania specific energy sector programs.

Nuclear Safety Monitoring and Support:

This activity supports US policy interests in achieving early closure of Soviet-designed nuclear power plants. The largest RBMK plant in the world is located in Lithuania, Ignalina Nuclear Power Plant (INPP). The US DOE has provided \$12 million for safety upgrades at INPP and NRC has provided technical assistance to the Lithuanian Nuclear Regulatory Agency, VATESI. Currently, NRC has suggested that this effort will be completed by September 2000. However, the Mission appraisal of the effort indicates that funds and accomplishments of this technical assistance may not be completed by that date. Thus, some limited NRC technical assistance may be provided during early FY2001 from current obligations. This conclusion is based on recent slow progress by VATESI and INPP related to evaluation of the Diverse Shutdown System preliminary design. That progress has prevented effective utilization of resources and provision of technical assistance.

Relevance: A primary goal of U.S. foreign policy in the energy sector is early closure of unsafe Soviet-designed nuclear power plants and prior to their closure, operation in the safest possible modes. The NRC program of technical assistance to VATESI has been directed towards developing its institutional capability so that VATESI makes regulatory decisions in accordance with accepted international standards. The NRC role is a key element to the successes obtained to date in this regard. This activity is a wrap-up activity as defined in the E&E Bureau draft strategy for post presence initiatives.

Results: Completion of on-going NRC technical assistance will ensure that the initial review of a critical safety system for INPP will be done in full consideration of U.S. safety concerns. In addition, the remaining funding for NRC is not expected to be expended prior to September 2000. Completion of current tasks have been delayed due to slower than anticipated preliminary design work by INPP and delayed review by EU technical experts.

Accountability: Overall management and financial review of these activities will be conducted by E&E/EEST as part of their regional energy sector oversight responsibilities. In-country monitoring and coordination will be accomplished by the Post Presence FSN located at the Embassy/Vilnius.

Endpoint: This activity will be completed by the second quarter of FY2001.

Funding gap: Other donors are planning to finance a continuation of this effort through their own technical advisors. However, this funding will not be available in sufficient time to take over funding prior to the second quarter of FY2001.

Sustainability: Recent regulatory decisions by VATESI (notably the shutdown of INPP Unit 1 last May) illustrates its institutional capability. However, the current design activities will require additional technical capabilities not currently available to VATESI.

Priority: The continuation of these activities as post presence initiatives is necessary to sustain the previous investments made in nuclear safety programs to date.

HIV/AIDS Project for Klaipeda-Kaliningrad:

A regional initiative to fight HIV/AIDS in the Baltic Region, including Kaliningrad and St. Petersburg, is being organized and funded by Global HPN. It will follow the FY2000 Mission grant to Klaipeda NGOs involved in HIV/AIDS prevention. Current grant funded for \$40,000. Global is allocating \$150,000 to develop a regional strategy and for follow-on activities.

Relevance: HIV/AIDS is a serious public health and social issue, which is on the verge of becoming an epidemic in the region. It could set back the process of development, and severely exacerbate the social problems resulting from transition. A window of opportunity to address the problem currently exists, one which Lithuania must take prompt advantage of.

Results: Increased understanding of the problems of HIV/AIDS and Drug Abuse among the general population, reduced transmission of HIV/AIDS among vulnerable groups, better programs to help infected persons and prevent transmission, enhanced involvement of civil society in these issues, and improved social programs and responses from government.

Accountability: The program is managed by Global HPN. The USAID FSN will have minimal oversight and backstopping responsibility.

Endpoint: Undetermined, but probably 2002 for the initial phase.

Funding Gap: Sufficient resources do not currently exist to confront this problem. The current budget difficulties in Lithuania and shortages of funding for NGOs exacerbate the problem. Foreign assistance is necessary, and in the interests of the international community.

Sustainability: Strengthening the ability of civil society to confront the problem of HIV/AIDS is a sound long-term strategy. Local parties are committed to solving the problem, but lack resources in the short-term. Sustainability will be promoted by bridging the initial gaps, and getting the process moving, until local capacity is strengthened.

Priority: HIV/AIDS is on the verge of exploding in the region. This would cause possibly irreversible long-term damage to Lithuania's development efforts. It could also have regional implications. Kaliningrad is a focus of HIV/AIDS, and endangers Lithuania's main port city of Klaipeda. An opportunity exists now to prevent an epidemic, but as is always the case, the window of opportunity will not stay open for long.

Belarus/Kaliningrad Training in Lithuania:

Economic transformation has progressed more quickly in Lithuania than in some of its neighboring countries. One of the reasons for this has been the introduction of training for public administration officials and business people in an affective and applied manner. In addition, there is a desire on the part of Lithuanians to ensure cooperation with neighboring countries, which can be accomplished through common activities and sharing experiences. The Government of Lithuania is taking the first step in advancing this process by conducting short but focused training programs in Lithuania for professionals from Belarus and Kaliningrad. Lithuania has sufficient capacity to train public administrators and business entrepreneurs and is prepared to make these facilities available to citizens of neighboring countries. Such training works as a result to increase cross-border commerce and improve government service to the benefit of all participants.

Relevance: Such training was already conducted in Lithuania in the last year. Program participants evaluated the training program in Lithuania as more useful with respect to its applicability to their business situation and general richness of themes covered than similar training programs that they participated in the West European countries. At the end of training session, trainee(s) will be able to 1) better understand marketing and human resources management principles; 2) develop new ideas for developing or expanding business of their companies; 3) establish contacts and working relations for further cooperation with Lithuania businesses and investment institutions; and 4) effectively use positive and negative experiences of Lithuania business practices.

Results: The results would be close economic ties with the neighboring countries and strengthened skills of citizens that can better serve their communities. The proposal being considered is to provide 100-120 scholarships during the next year. The training will support Belarus and Kaliningrad private sector entrepreneurs committed to development of their region under market economy conditions. Training themes will include the application of theoretical knowledge to human resources management, marketing, logistics, customer service, crisis management, as well as to explore real experiences of transition from trade business to service and to manufacturing ones. The program also included vivid examples of rapid and very successful expansion and diversification of businesses. It provided a real demonstration how education and training can positively transform lives of businesspeople by opening them a wider window of business ideas and opportunities.

Accountability: Management of this activity will be handled by the Post Presence FSN with technical backstopping from E&E/EEST. Financial management responsibilities will reside with the Controller located at RSC/Budapest.

Endpoint: The program will end in September 2001.

Funding: Initial funding of \$200,000 is required, \$100,000 is committed by the SEED Coordinator's Office from SEED/NEI funds and \$50,000 will be required from USAID/Moscow and Kiev/Minsk.

Sustainability: The training held indicate not only interest and capacity for such work, but also that there exist ties with both regions that can be expanded in implementing this program.

Priority: The Kaliningrad region has been cut off from Russia by Lithuania and Belarus. Further, it is surrounded by countries that are looking towards European and transatlantic economic and business structures. Kaliningrad in its political, economic, social and cultural development is lagging behind the general growth of the Baltic region, and specifically behind its neighbors, Lithuania and Poland. There are many problems facing the region: the unstable legal environment and an unattractive investment climate; debts and the inability to pay them; the slow and tortuous privatization process; corruption, crime and particularly smuggling; unemployment, etc. Local leaders understand that they cannot longer count on subsidies and that they need to apply measures themselves to revitalize economy. This cross-country program will strengthen relations between Baltic countries in order to create more stable region in the Baltic area.

Ministry of Finance Technical Assistance:

The Ministry of Finance (MoF) has requested USAID/Lithuania to extend the services of two advisors on an intermittent basis for one additional year. One advisor would provide crucial TA to support instituting financial controls and financial management through a U.S.-style Treasury. This supports all systems that maintain the government's financial stability, which is particularly important as the government has applied for an IMF stand-by arrangement and is financially troubled. The second advisor would provide critical technical assistance to assist in establishing a viable tax system to provide the revenues necessary to support basic government services - which is urgently required because the government has reached its credit limit. This extension will require approximately \$135,000 for two intermittent advisors supporting the MoF. Potential funding sources: Mission residual funds in SO 1.2 plus other sources such as Partnership for Financial Sustainability (PFS) funds. Proposed as post presence activity through September 2001. Management responsibilities for this program will be with RSC/Budapest. The USAID Post Presence FSN located at the Embassy will provide in-country training monitoring through FY2001.

Relevance: The E&E Bureau's Office of Market Transition's Institutional and Legal Environment Division (E&E/MT/ILE) which provides advice and assistance in fiscal reform, has reviewed the draft scopes of work for the services of two intermittent technical advisors to assist the Lithuanian MoF for one year beginning September 2000. Appreciating the need to continue the work achieved to date in tax policy reform and budget management, E&E/MT/ILE believes that the requested services are appropriate and do address the needs of the Lithuanian government to provide a more stable financial environment.

Results: This activity provides direct support to the MoF to address fiscal reform and budget management issues that are critical to the financing of the Lithuanian government operations.

Accountability: Total management responsibility for this effort will reside with the Regional Service Center/Budapest. The USAID Post Presence FSN, located at Embassy/Vilnius will provide the principle local monitoring and field support through FY 2001

Endpoint: Approved as a post presence activity through September 2001

Funding gap: Funding of approximately \$135,000 is required, which will be financed through the use of unprogrammed funds and/or deobligations identified from the HIID contract.

Sustainability: An equitable taxation regime and a functioning Treasury system with financial adequate controls will allow the Lithuanian government to set priorities, plan and implement projects in a professional manner without fear of waste, fraud and misuse of public funds. It will also allow businesses to plan and project and individuals to be treated fairly and honestly.

Priority: This is a proposed activity extension and is necessary to ensure that proposed financial reforms are implemented and institutionalized.

Global Bureau Activities Implemented in Lithuania:

Several activities managed by the Global Bureau are implemented on a regional basis that will result in activities being implemented in Lithuania after graduation. Designed to address broader issues than most activities, these are actively managed in Washington, but will benefit from monitoring by the Post Presence FSN. The Global Bureau program activities, which will continue beyond Mission closure, are:

Loan Portfolio Guarantee (LPG) Program: This program started in 1996 in Lithuania. The LPG Program serves to facilitate the flow of credit to the SME sector by providing participating banks with the access to a 50 percent - risk sharing arrangement. The goal was to increase the lending to small and medium sized enterprises by providing a loan guarantee that covers 50 percent of the principal of the loan. Vilnius Bank has participated in the LPG Program and has authorized a facility in the amount of \$3 million, of which the USAID guaranteed portion would be 50 percent or \$1.5 million.

Polio Eradication Effort: Polio eradication is a high priority for the U.S. Government and the world. Working with the World Health Organization, Global Bureau initiated a program structured towards supporting WHO and U.S. efforts to eradicate polio. For Lithuania this program will include surveillance and testing to monitor local status of this infectious disease.

Relevance: The programs outlined above cover two significant areas of USAID assistance. The Loan Guarantee and Polio activities were initiated before graduation of Lithuania and have made some progress in implementation. Both of these efforts meet a key need for development in Lithuania that goes beyond the elements considered in reaching the graduation decision. Both contribute directly to improved economic and/or social conditions in Lithuania. The loan guarantee program is a wrap-up activity and cannot be eliminated due to graduation, as legal commitments have been made by USAID for these guarantees. The polio eradication effort is a key element of monitoring disease levels to determine total effectiveness of other USAID programs.

Results: Expected results for the loan guarantee is a more viable banking sector in Lithuania. The polio effort will provide essential data to evaluate worldwide USAID efforts to eradicate polio as an infectious disease.

Accountability: Accountability for achievements under this program is in the Global Bureau as defined in relevant project approval documentation. During FY2001, field monitoring by the Post Presence FSN will support project implementation.

Endpoint: The current loan guarantee will expire on September 1, 2001. The polio effort will end by 2005.

Funding gap: There are no E&E Bureau funding considerations regarding this project. All Global funds are coordinated with other donor organizations as required and as documented in relevant project approval documentation prepared by the Global Bureau.

Sustainability: For the Loan Guarantee Program, this is the last guarantee to be granted under this program. It is essential that USAID continue their guarantee for the duration of the loan. The polio eradication effort will become sustainable when monitoring demonstrates a polio free status for three continuous years.

Priority: The continuation of these activities as post presence initiatives is necessary to sustain the previous investments and to support full implementation of other worldwide programs managed under the Global Bureau.

Great Lakes/Baltic Sea Partnership:

The environmental objective of the Great Lakes/Baltic Sea Partnership is to improve the water quality of the Great Lakes and the Baltic Sea by sharing information, expertise, and management approaches.

Relevance: The close environmental similarity between the Great Lakes and Baltic Sea regions provide the synergism for this program. This program continues the EPA working relationship with Lithuania under the NEI program. This program was approved as an NEI effort extending beyond graduation, and is being implemented under a 632(a) arrangement.

Results: The primary expected result is improved water quality of the two regions, and closer international cooperation on water quality issues within the region and between the region and the U.S.

Accountability: EPA manages this project under a 632(a) agreement. The Embassy Economics Officer will perform monitoring of in-country activities. Acting under Embassy requests, the USAID Post Presence FSN is expected to provide technical review of various elements of the program. This scope of responsibilities is described within the FSN position description.

Endpoint: This EPA is expected to be completed by the end of FY2001.

Funding gap: This partnership is funded under NEI. No USAID funding is required.

Sustainability: In-country partners are essential to the program and provide the facility for sustainability past graduation and NEI funded periods.

Priority: This is a wrap-up activity as defined in the draft E&E Post Presence Strategy. It is essential to ensure sustainability of previous USAID and NEI investments.

Suicide Prevention, Education, and Outreach:

Lithuania has the highest suicide rate in Europe, and perhaps the world. Currently, there are no significant comprehensive programs to deal with this issue in Lithuania and the neighboring countries, whose suicide rates approximate those of Lithuania. Embassy/Vilnius is proposing an activity through a USAID/Global project that strengthens ties between US-international academic institutions. The proposed activity would address suicide prevention, education and outreach. It would be the first significant and comprehensive regional initiative to tackle this gruesome reality.

Relevance: The impact of such a high rate of suicide in the region is costly in terms of the overall stability of the social fabric and the smooth transition to a democratic and open market. Currently, there are no significant comprehensive regional initiatives to tackle this critical social ill. Through Global Bureau funding, ties between U.S., Lithuanian, and other Baltic universities will be strengthened to address suicide prevention, education and outreach. Global Bureau funding is expected to total \$100,000. The implementing U.S. educational institution, Georgia State, will provide approximately \$83,000. Participating NGOs in Lithuania will also contribute to the activity in terms of staff, space and administrative support.

Results: The key results of this effort would be: 1) to establish a new or to strengthen an existing NGO(s), which deals with suicide prevention, education and outreach. 2) to establish an US-Lithuanian NGO suicide/crisis intervention partnership, 3) to operate a website where current relevant information would be shared and exchanged, and 4) to establish a Regional Advisory Board to coordinate, monitor and improve the regional suicide prevention efforts.

Accountability: The project will be managed by Global Bureau. Specific in-country monitoring for USAID would be accomplished by the Post Presence FSN located at the Embassy through September 2001.

Endpoint: The project would be completed by 2002.

Funding gap: It is likely that USAID/Global will fund a regional suicide prevention, education and outreach project for \$100,000 for two years. Embassy staff is coordinating with UNDP and other Nordic and EU programs to determine availability of additional funds.

Sustainability: This effort will achieve sustainability through its linkage with local NGOs and the Regional Advisory Board. These linkages will ensure a continuation of this critical type of social assistance.

Priority: This activity will utilize Global Bureau funding to address this critical regional social problem.