

# STRATEGY FOR LITHUANIA

## SUMMARY

1994-95

### SYNOPSIS

The EBRD's principal operational objectives in Lithuania are as follows:

- **private enterprise sector development**, particularly aiming at supporting the needs of the emerging private sector and SMEs;
- **strengthening of the financial sector**, with a view to establishing a few sound banks as core players in the financial system and assisting SMEs in particular;
- **rationalisation of energy use**, security of supply and nuclear safety;
- **targeted improvements of critical infrastructure**, particularly aimed at strengthening private sector development, commercialisation and trade, and **environmental rehabilitation**.

In addition, the EBRD will give particular emphasis to:

- helping mobilise additional sources of financing;
- effective coordination of external assistance.

*This document is based on the EBRD's Strategy for Lithuania, approved on 9 May 1994, which is for official use only.*

## **STRATEGY**

### **1 PROMOTION OF THE PRIVATE SECTOR**

The EBRD will strengthen its support for the post-privatisation process and the development of the private sector in general, through: (i) a proactive role in the preparation of a few carefully selected enterprises for privatisation or post-privatisation investment by strategic investors; (ii) a series of initiatives addressing a wide range of requirements, namely through the Special Restructuring Programme (SRP), venture capital funds, the TurnAround Management Programme (TAM), business advisory services, and support to financial intermediaries, with particular emphasis on SMEs; (iii) provision of financial support to individual private sector projects with a view to lending or equity participation, to the extent that opportunities are brought to its attention or as a result of its proactive role at the level of selected enterprises; and (iv) as soon as the legislative and institutional frameworks are sufficiently improved, privatisation and post-privatisation assistance to a broader spectrum of enterprises.

### **2 SUPPORT OF THE FINANCIAL SECTOR**

The EBRD's action in this sector will aim at establishing a few sound banks as core players in the financial system and support of SMEs. An equity investment in the Lithuanian Development Bank has been signed. Equity and/or credit lines together with institutional support will also be provided to selected private commercial banks.

### **3 SUPPORT OF CRITICAL INFRASTRUCTURE**

#### **3.1 Energy**

The EBRD's strategy is to assist Lithuania in: (i) introducing greater efficiency in the sector through energy efficiency measures in supply and demand and technical cooperation to reorient the sector along more commercial lines; (ii) developing Lithuania's known indigenous energy resources; (iii) establishing diversification routes of energy imports and ensuring security of supply; (iv) development of markets for Lithuania's excess oil processing facilities as a source for hard currency revenues; and (v) improved safety (through assistance provided under the Nuclear Safety Account) and reduced reliance on Lithuania's nuclear reactors for electricity generation due to concerns over their safety. The EBRD will also encourage regional cooperation among the Baltic States in the energy sector.

#### **3.2 Transport**

EBRD projects will aim at assisting Lithuania with urgent maintenance and key investments related to East-West trade, including optimisation of interfaces between the port of Klaipėda and other transportation modes. Improvements to the Via Baltica will be considered in the context of a regional approach. Priority will also be given to private ventures in the transport sector, commercialisation of transport services, and institutional restructuring measures to equip the administrations of the respective transport modes to operate in a competitive, market-based environment.

### 3.3 Telecommunications

The EBRD's objective is to assist Lithuania in the establishment of an effective, well-functioning telecommunications system, which is essential for the development of a modern economy, particularly an efficient enterprise sector.

## 4 OTHER INITIATIVES

### 4.1 Environment and municipal development

EBRD strategy has been to pursue projects in line with the priorities of the Baltic Sea Environmental Action Programme. In the industrial sector, environmental issues will be addressed in the process of restructuring and privatising specific industrial plants and the EBRD's involvement in financing priority investments of these plants. In the environmental infrastructure sector, the Bank's strategy is to pursue financing of cost-effective water and environmental priority investments in selected cities. The restructuring and corporatisation of utility enterprises into self-managed and self-financed enterprises will be an essential part of projects financed by the Bank. The EBRD is also actively working with Western donor countries under the "Lucerne initiative"<sup>1</sup> to link grant co-financing to projects financed by the Bank.

### 4.2 Agribusiness

While the EBRD will not seek to be active in the agriculture production area, support to agribusiness or the wood processing industry would be considered under a transaction-oriented approach through operations financed directly by the Bank or through local financial intermediaries.

## COOPERATION WITH OTHER IFIs

The EBRD plans to give particular emphasis to cooperation with other international financial institutions and multilateral/bilateral donors. This will be achieved through:

- Active participation in selected international meetings dealing with external assistance to Lithuania and the other Baltic states: G-24 meetings, World Bank-led meetings to review public investment programmes, Baltic Sea Environment Programme meetings, specialised meetings of the Baltic Sea Council, and various meetings convened for sectors such as the enterprise/financial sector, energy and transport.

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<sup>1</sup> At their meeting in Lucerne on 28-30 April 1993, the Ministers of Environment of most of the European countries, USA, Canada, Japan and Australia endorsed an environmental action programme for central and eastern Europe. In the wake of the "Lucerne initiative" the donor countries have allocated grant funds, which can be used in connection with EBRD projects.

- Strengthened local presence through its Regional Resident Office in Riga and sub-office in Vilnius, with a view to closer coordination in the field.
- Bilateral contacts directly with other organisations, particularly the World Bank, and through joint missions where appropriate.
- Co-financing arrangements.

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