

Current Situation Analysis

Developing International Partnerships for Sustainable Development

November 26, 2024



Lithuania as a Development Partner

After Lithuania's independence in 1990, it received millions of Euros in development assistance mainly from the European Union, United States and other nations eager to help the country rebuild after roughly 50 years of Soviet occupation. In 2004, when Lithuania became a member of the European Union in its own right, it continued to receive development assistance until 2005¹, when it changed from a development assistance receiver to a development assistance provider.

Since becoming an assistance provider, Lithuania has become a stalwart provider of assistance, implementing development projects in over 45 countries and providing assistance to thousands of people. ² Lithuania focuses now on developing, improving, and, in the case of Ukraine, rebuilding educational facilities and installing shelters, believing that it is “essential to ensure that Ukrainian children can physically return to schools and study safely”.³ In addition to the focus on education, projects also focus on sustainability. Even though Lithuania has prioritized Eastern Partnership countries (Ukraine, Moldova, and the Caucasus), projects have been funded and implemented throughout the world.

Lithuania is a member of two major development assistance groups: the European Union and, more specifically, the Development Assistance Committee (DAC) of the OECD. Because the country has recently joined the Development Assistance Committee, it is expected to allocate 0.33% of its GNI to development assistance. Once it has become more established within the DAC, the expectation will be raised to 0.7% of GNI. Having allocated 0.36% of GNI to development assistance in 2023, Lithuania exceeds the expected allocation⁴. Recently, providing aid to Ukrainians in the aftermath of the Russian invasion of Ukraine has caused a major increase in Lithuania's contribution to development assistance. Aligning with most other aid providing countries, Lithuania provides aid intended to rebuild Ukraine in the “build back better” principle, meaning, in this case, a focus on technology and sustainability. This focus on sustainability is more generally reflected throughout development projects and was noted as a priority in Lithuania's Strategic Directions for Development Document.⁵

Joining the Development Assistance Committee of the OECD (DAC) in 2022, was a major accomplishment for the Lithuanian development ecosystem. Of the 32 members, 30 are ranked within the 60 highest GDPs per capita in the world.⁶ Membership in this prestigious group is a

¹ <https://ltaid.urm.lt/en/projects/projects-map/182>

² <https://ltaid.urm.lt/en/projects/projects-map/182>

³ <https://ltaid.urm.lt/en/news/news/39/ireland-contributes-to-the-reconstruction-of-ukraine-via-lithuanias-fund-for-development-cooperation-and-humanitarian-aid:447>, <https://ltaid.urm.lt/en/news/news/39/taiwan-allocates-5-million-for-ukraine-reconstruction-projects-led-by-lithuania:446>

⁴ https://www.oecd.org/en/publications/2023/06/development-co-operation-profiles_17afa013/full-report/component-34.html#chapter-d1e27809-169e3f801b

⁵ <https://ltaid.urm.lt/en/doclib/wzul6ssdrk9j49dd6gpbx1rggnft8nu8>

⁶ <https://www.cia.gov/the-world-factbook/field/real-gdp-per-capita/country-comparison/>

strong achievement for Lithuania, considering that comparatively, it is a country which only recently developed its own development program. The former First Deputy Chancellor of the Government, Rolandas Kriščiūnas, Lithuania's representative said of this accomplishment, "We are delighted that Lithuania became a member of the Development Assistance Committee. This shows that our development cooperation activities are intensifying. Lithuania is also becoming a more mature donor country. We are ready to share our knowledge, the lessons of our own transition experience and advanced solutions. At the same time, we will have the opportunity to use the expertise of other countries to improve our development cooperation system."⁷

Additionally, the European Union also provides millions of Euros in development assistance. The European Union, of which Lithuania is a contributing member, is the largest donor of development aid and the biggest contributor to climate finance in the world⁸. The EU prides itself on its support of sustainable development⁹, a cause in which Lithuania aligns with. Lithuania's membership in the European Union means that Lithuania not only has access to development projects that align with its priorities but can design and lead their own projects.

Lithuania's successes and desirability as an international development partner have become noticed. Within the past year, Ireland and Taiwan have each donated EUR 3 million and EUR 5 million, respectively, to LT Aid¹⁰, the team within the foreign ministry that focuses on development assistance. These donations, earmarked for the reconstruction of Ukraine, signal that the rest of the world is starting to take notice of Lithuania's strong and effective development program.

The European Development Ecosystem

The European development ecosystem is a large and complex system that provides hundreds of millions of Euros to developing countries around the world. Multinational agencies, development banks, institutions, NGOs, and country-level development agencies all work together to design and implement projects. Projects are competitive, impactful, and successful.

Most of the development initiatives, and the solutions that go in them, are awarded by large countries with long and storied histories of development aid. Most notably, Germany takes a large share of the development solutions that go into projects. This occurs for a few reasons, two being that they are well known within the ecosystem and that they produce a large variety of sustainable development solutions. Project leaders (development banks, institutions, etc.) tend to want to

⁷ <https://www.urm.lt/en/news/928/lithuania-becomes-a-member-of-the-oecd-development-assistance-committee:35131>

⁸ https://economy-finance.ec.europa.eu/international-economic-relations/international-development-aid_en

⁹ https://economy-finance.ec.europa.eu/international-economic-relations/international-development-aid_en

¹⁰ <https://ltaid.urm.lt/en/news/news/39/ireland-contributes-to-the-reconstruction-of-ukraine-via-lithuanias-fund-for-development-cooperation-and-humanitarian-aid:447>, <https://ltaid.urm.lt/en/news/news/39/taiwan-allocates-5-million-for-ukraine-reconstruction-projects-led-by-lithuania:446>

work with partners they know before and trust. This adds an additional layer of difficulty to smaller, newer countries in the development ecosystem.

A different aspect of the development ecosystem, the European Union's Global Gateway initiative, started in 2021 by European Commission President Ursula von der Leyen, contributes significantly to development. Designed as a development project that would counter the Chinese Belt and Road Initiative, Global Gateway invests in infrastructure projects worldwide, with a focus on developing countries. These infrastructure projects, which typically connect to Europe in some way (green energy corridors for example), are required to have aspects of sustainability in the design, production, and future operation of the projects. While still in its infancy and typically seen as both a foreign policy and development initiative, the Global Gateway will undoubtedly benefit the development ecosystem and provide platforms for sustainable development solutions for years to come.

Difficulties Connecting Lithuanian Private Sector Solutions to Development Projects

Throughout interviews with Lithuanian companies working in the sector, a few key difficulties in joining large aid initiatives were identified. First of all, these relatively small Lithuanian companies have to compete with larger companies within larger country-level development ecosystems that have more resources to help them. Additionally, because Lithuania is a relative newcomer to the high-level development assistance ecosystem, companies find that they tend to be overlooked by decisionmakers for more experienced companies from countries more well known in the ecosystem.

Competition within the development assistance ecosystem is fierce. Lithuanian companies working in this field have reported difficulties competing against larger foreign companies that have more resources to help them win project tenders. In addition, other countries tend to have larger official development assistance agencies that can both assist businesses with project applications and provide project specific financing and funding solutions to reduce the financial burden on companies that engage in development assistance. While Lithuania and the European Union have mechanisms that help alleviate this at the country level, they are not used to the same extent as other countries, such as Finland, Denmark, or Sweden, and are not used by the private sector.

Because Lithuania is a relative newcomer to the multilateral development assistance ecosystem, some companies have reported that they are overlooked because of their relative size and lack of experience. Additionally, Lithuania has to compete against with countries that have ties to decisionmakers solidified over many years. To paraphrase an interviewee, "development banks want to work with people they trust, and they don't trust someone they don't know". Compared to other countries in the development assistance groups that Lithuania is in, the country is new. While it has performed incredibly well for its age, it still takes years to develop the trust and experience that other countries have.

Additionally, Lithuania's geographic coverage is small, relative to other countries in the ecosystem. To maximize its resources, Lithuania focuses on Ukraine, Moldova, and Eastern Partnership countries. This means that its geographic coverage is small, compared to other countries in the DAC. This limited coverage size also contributes to the fact that Lithuania does not

have deep ties to development banks, especially those that operate outside of regions that Lithuania has developmental ties to. When designing a solution, ways to increase the development of trust and ties to development banks and other decision makers must be taken into account.

Recent Solutions and Recommendations

To solve some of the problems outlined above, previous Create Lithuania participants, most recently Aušra Raulušonytė, have worked on similar projects with the goal of increasing Lithuania's participation and effectiveness in green development projects. A major product to come out of Aušra's project was the development of Lithuania's first ever Green Solutions Catalogue. This catalogue, designed and produced with the Ministry of Foreign Affairs, was intended to make identifying and interacting with Lithuania's green solutions as easy as possible. The catalogue was designed to allow people to promote individual solutions, providing easy access and distribution of individual solutions. A secondary benefit is that it started to compile all of Lithuania's green solutions in one place, a task that had not yet been done. The first edition of this catalogue, containing information about the size, scale, and offerings of Lithuanian businesses that are eligible for international development initiatives, was presented by the Ministry of Foreign Affairs on September 19, 2024.

In its first few months, the Green Solutions Catalogue has been successful in that it has started to change the narrative that businesses are not interested in development cooperation. Since it was introduced, new businesses have requested to be included. In fact, at the time of writing, the catalogue has expanded from 13 original solutions to roughly 17 Lithuanian green solutions. While increasingly popular within the Lithuanian sustainable business community, the fact that it was just recently published means that the catalogue has not yet been used effectively for its intended purpose: getting Lithuanian green solutions into international development projects. There is a need for a comprehensive project focused on utilizing this catalogue effectively.

The first step in successfully promoting the Green Solutions Catalogue worldwide is to develop a Foreign Best Practices Analysis. Other countries, notably Nordic countries, have successfully promoted their own green solutions and Lithuania can learn from their experiences. Additionally, countries outside of Lithuania's immediate neighborhood might contribute effective examples and experience. For example, South Korea and Taiwan might also be willing to share experiences that they have found to be most effective. Knowing how other countries have promoted their own green solutions will be invaluable knowledge when designing a plan to develop Lithuania's sustainable development solutions.

Additionally, by using preexisting relationships in priority regions through its network of economic attaches, Lithuania can continue to promote its sustainable development solutions to both development partners and developing countries. Lithuanian commercial attachés are knowledgeable about the required and desired support in the countries that they focus on. For example, if a commercial attaché based in a development donor country sees that the country needs a solution found in the catalogue, they can relay that information to the Ministry of Foreign Affairs, who can promote the solution directly. Similarly, if a commercial attaché in a developing country sees that the country needs a particular solution found in the catalogue, they can help the country request it. By using their preexisting relationships and knowledge of the countries in which they work, commercial attaché can promote Lithuania's sustainable development solutions.

Should this project effectively promote the Green Solutions Catalogue, Lithuania's role in global sustainable development will increase. In addition to increasing the amount of Lithuanian green solutions in development projects, Lithuania's sustainable sector will grow. Upon seeing that there is an increasing market for their sustainable solutions and growth in the sector overall, businesses will be more likely to shift their production to products that fit in the catalogue. This, in turn, grows the catalogue.