

## FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "**THE COMMUNITY**"

on the one part, and

The Government of the Republic of Lithuania, hereinafter referred to as "**THE RECIPIENT**"

on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of November 1991 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

### ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

<u>Programme number:</u>	2003/004.341.01.01- 2003/004.341.08.02
<u>Title:</u>	<b>2003 National Programme for Lithuania</b>
<u>Duration:</u>	<b>Until 30.11.2005</b>

### ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of €52.090.750 hereinafter referred to as "**THE EC GRANT**".

### ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until **30/11/2005** subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is **30.11.2006**. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.



ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

**for the COMMUNITY:**

Mr. Michael GRAHAM  
 Delegation of the European Commission to Lithuania  
 Naugarduko g. 10  
 2001 Vilnius  
 Lithuania  
 Tel: (+370) 52 31 31 91  
 Fax: (+370) 52 31 31 92

**for THE RECIPIENT:**

Ministry of Finance  
 J.Tumo-Vaizganto g. 8a/2  
 2600 Vilnius  
 Lithuania  
 Tel: (+370) 52 61 85 37  
 Fax: (+370) 52 62 07 52

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at Vilnius  
 Date 19.06.2003

for THE RECIPIENT

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 .....  
 .....

Done at Vilnius  
 Date 19.06.2003

for THE COMMUNITY

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 .....  
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Encl.

1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)

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## FRAMEWORK AGREEMENT

The Commission of the European Communities, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Economic Community, hereinafter referred to as "the Community"

of the one part, and

The Government of Lithuania,

of the other part,

and together, jointly referred to as "the Contracting Parties"

Whereas until 31.12.1991 Lithuania is eligible to be a recipient under the Community's programme of Technical assistance to the USSR as provided for in Council Regulation (EEC, EURATOM) n° 2157/91 of 15 July 1991,

Whereas from 1.1.1992 Lithuania will be eligible to be a recipient under the Community's aid programme PHARE as provided for in Council Regulation No 3906/89 of 18 December 1989 as last amended by Regulation No

Whereas it is fitting that the technical, legal and administrative framework within which MEASURES financed in Lithuania under the Community's aid programme shall be executed, should be laid down.

HAVE AGREED AS FOLLOWS :

### ARTICLE 1

In order to promote cooperation between the Contracting Parties with a view to supporting the process of economic and social reform in Lithuania, the Contracting Parties agree to implement MEASURES in the field of financial, technical, and other forms of cooperation as specified in the said


Regulation, which shall be financed and implemented within the technical, legal and administrative framework laid down in this Agreement. The specific details of each MEASURE (or set of MEASURES) shall be set out in a memorandum to be agreed between the Contracting Parties (hereinafter referred to as "the financing memorandum"), a model of which is provided in annex C.

Lithuania takes all necessary steps in order to ensure the proper execution of all measures.

### ARTICLE 2

Each MEASURE which is financed within the framework of this Agreement shall be implemented in accordance with the General Conditions set out in Annex A hereto, which shall be deemed to be incorporated in each financing memorandum.

The financing memorandum may vary or supplement the General Conditions as may be necessary for the implementation of the MEASURE in question.



ARTICLE 3

For matters relating to the MEASURES financed within the framework of this Agreement, the COMMISSION shall be represented in Lithuania by its Delegation in Vilnius once it is established which shall ensure, on behalf of the COMMISSION, that the MEASURE is executed in accordance with sound financial and technical practices.

ARTICLE 4

When the Contracting Parties so agree, the COMMISSION may delegate all or part of its responsibility for implementation of a MEASURE to a third party.

In that event the terms and conditions of such delegation shall be set forth in an agreement to be concluded between the COMMISSION and the third party, subject to the consent of the Government of Lithuania.

ARTICLE 5

Any dispute relating to this Agreement which cannot be resolved by consultation shall be settled according to the arbitration procedure referred to in Annex B.

ARTICLE 6

This Agreement is drawn up in the English language in two original copies.

ARTICLE 7

This Agreement shall enter into force on the day the Contracting Parties inform each other of its approval in accordance with the existing internal legislation or procedure of each of the Parties. The Agreement shall continue to be in force for an indefinite period unless terminated upon written notification by one of the Contracting Parties to the other.

On termination of this Agreement any MEASURE still in the course of execution shall be carried out to its completion in accordance with the terms of the financing memorandum relating thereto, and of the General Conditions set out herein.

ARTICLE 8

The provisions of this Agreement shall also apply to technical cooperation and other operations convened between the Contracting Parties which by their nature are not covered by a specific memorandum financed under the PHARE aid programme at the request of the Government of Lithuania.



The Annexes shall be deemed an integral part of this Agreement.

Done at Vilnius on the ..... day of November in the year  
one thousand nine hundred and ninety one.

*November 1991*

THE GOVERNMENT OF LITHUANIA

*I - the Government  
of the Republic of  
Lithuania  
Vtėst*

THE COMMUNITY

A handwritten signature consisting of a series of connected loops and a long horizontal stroke at the end.A stylized handwritten signature, possibly starting with a large 'S'.A handwritten signature, possibly reading 'FWR'.

ANNEX A  
GENERAL CONDITIONS RELATING TO FINANCING MEMORANDA

In these General Conditions the term "THE RECIPIENT" shall be understood as referring to the Government of the Republic of Lithuania.

TITLE I - FINANCING OF PROJECTS

ARTICLE 1 - COMMITMENT OF THE COMMUNITY

The commitment of the Community, hereinafter referred to as "the EEC Grant", the amount of which is laid down in the financing memorandum, shall determine the limit within which commitment and execution of payments shall be carried out through duly approved contracts and estimates.

Any expenditure over and above the EEC Grant shall be borne by THE RECIPIENT.

ARTICLE 2 - AVAILABILITY OF THE EEC GRANT

Where the execution of a MEASURE depends on financial commitments from THE RECIPIENT'S own resources or from other sources of funds, the EEC Grant shall become available at such time as the financial commitments of THE RECIPIENT and/or the other sources of funds, as set out in the financing memorandum, themselves become available.

ARTICLE 3 - DISBURSEMENT

Contracts are eligible for disbursements under this financing memorandum only if they are concluded before the expiry date of the Financing Memorandum. Disbursements on such contracts may take place during a maximum period of 12 months after the expiry date of the Financing Memorandum. Any exceptional extension of this period must be approved by the Commission.

Within the limit set on the EEC Grant, requests for funds in the form of a work programme shall be presented to the Commission Delegation by the RECIPIENT in accordance with the schedule set out in the financing memorandum. Documentary evidence relating to payments made in respect of THE MEASURE shall be made available in support of the request for funds, where the Commission so requires.

However, certain contracts covered by THE MEASURE may provide for direct payment by THE COMMISSION to the contractors. Each contract shall lay down the rate and the time of such payments, together with the documentary evidence to be produced.

For the part of the programme implemented by the Recipient, the Implementing Authority shall submit in a Work Programme and not later than 9 months before the expiry date of the Financing Memorandum, for approval by the Commission the contracts that still have to be concluded for the implementation of the programme. The Work Programme should include proposals for the utilisation of the net interests accrued on the accounts opened in the implementation of the programme, under the condition that the whole of the EC grant will be previously committed.

As regards MEASURES executed on the basis of prepared estimates, a first payment instalment which, save where the financing memorandum otherwise provides, shall not exceed 20% of the amount of the estimate approved by THE COMMISSION, may be made in favour of THE



RECIPIENT in order to facilitate the launching of THE MEASURE. Other payment instalments shall be made available, at the request of THE RECIPIENT, subject to the same conditions set out in the paragraph 2 above.

## TITLE II - PROCUREMENT

### ARTICLE 4 - GENERAL

The procedure to be followed for the conclusion of works, supplies, and technical cooperation contracts, shall be laid down in the financing memorandum following the principles set out below.

### ARTICLE 5 - CONDITIONS OF PARTICIPATION

1. Save under the conditions of art.6 THE COMMISSION and THE RECIPIENT take the MEASURES necessary to ensure equality of conditions for participation in such contracts, in particular by publication, in due time of invitations to tender. Such publication is to be made for the Community at least in the Official Journal of the European Communities and for the beneficiary states in the appropriate official journal.
2. General conditions of contracts shall be drawn up in conformity with the models in international use, such as the general regulations and conditions for supply contracts financed from PHARE funds.

### ARTICLE 6 - DEROGATION FROM STANDARD PROCEDURES

Where the urgency of the situation is recognized or where justified on account of the nature, minor importance, or particular characteristics of certain MEASURES, (for example two stage financing operations, multi-phased operations, particular technical specifications, etc.), and related contracts, THE RECIPIENT may, in agreement with THE COMMISSION, exceptionally authorize :

- the placing of contracts after restricted invitations to tender;
- the conclusion of contracts by direct agreement;
- the performance of contracts through public works departments.

Such derogation shall be laid down in the financing memorandum.

### ARTICLE 7 - AWARD OF WORKS AND SUPPLIES CONTRACTS

THE COMMISSION and THE RECIPIENT shall ensure that for every operation, the offer selected is economically the most advantageous, particularly in view of the qualifications and guarantees offered by the tenderers, the cost and quality of the services, the nature and conditions for execution of the works or supplies, their cost of utilization and technical value.

Results of the invitations to tender shall be published in the Official Journal of the European Communities as quickly as possible.

### ARTICLE 8 - TECHNICAL COOPERATION CONTRACTS

1. Technical Cooperation contracts, which may take the form of studies, supervision of works or technical assistance contracts, shall be concluded after direct negotiation with the consultant or when technical, economic or financial reasons so justify, following invitation to tender.
2. Contracts shall be drawn up, negotiated and concluded either by THE RECIPIENT or by THE COMMISSION when the financing memorandum so provides.




3. Where contracts are to be drawn up, negotiated and concluded by THE RECIPIENT, THE COMMISSION shall put forward a short list of one or more candidates on the basis of criteria guaranteeing their qualifications, experience and independence and taking into account their availability for the project in question.

4. When there is to be a direct negotiation procedure and THE COMMISSION has proposed several candidates, THE RECIPIENT may freely choose the candidate with which it intends to conclude the contract from among those put forward.

5. When there is recourse to a tendering procedure, the contract shall be awarded to the candidate which has submitted the offer which is acknowledged by THE RECIPIENT and THE COMMISSION to be economically the most advantageous.





### TITLE III - GRANT OF FACILITIES

#### ARTICLE 9 - GENERAL PRIVILEGES

Personnel taking part in Community financed MEASURES and members of their immediate family may be accorded no less favourable benefits, privileges and exemptions than those usually accorded to other expatriates employed in the state of THE RECIPIENT under any other bilateral or multinational agreement or arrangements for economic assistance and technical cooperation programmes.

#### ARTICLE 10 - ESTABLISHMENT, INSTALLATION, ENTRY AND RESIDENCE FACILITIES.

In the case of works, supply or service contracts, natural or legal persons eligible to participate in tendering procedures shall be entitled to temporary installation and residence where the importance of the contract so warrants. This right shall be acquired only after the invitation to tender has been issued and shall be enjoyed by the technical staff needed to carry out studies preparatory to the drawing up of tenders; it shall elapse one month after the contractor is designated.

THE RECIPIENT shall permit personnel taking part in works, supplies or services contracts financed by the Community, and members of their immediate family, to enter the state of THE RECIPIENT, to establish themselves in the State, to work there and to leave the said State, as the nature of the contract so justifies.

#### ARTICLE 11 - IMPORT AND RE-EXPORT OF EQUIPMENT

THE RECIPIENT shall grant the permits necessary for the importation of professional equipment required to execute THE MEASURE, subject to existing laws, rules and regulations of THE RECIPIENT.

THE RECIPIENT shall further grant natural and legal persons who have executed works, supplies or services contracts the permits required to re-export the said equipment.

#### ARTICLE 12 - IMPORTS AND EXCHANGE CONTROL

For the execution of MEASURES, THE RECIPIENT undertakes to grant import authorizations and authorizations for the acquisition of the foreign exchange, and to apply national exchange control regulations without discrimination between Member States of the Community, Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and the Former Yugoslav Republic of Macedonia.

THE RECIPIENT shall grant the permits necessary to repatriate funds received in respect of THE MEASURE, in accordance with the foreign exchange control regulations in force in the state of THE RECIPIENT.

#### ARTICLE 13 - TAXATION AND CUSTOMS

1. Taxes, customs and import duties shall not be financed out the EEC Grant.

2. Imports under supply contracts concluded by the authorities of THE RECIPIENT and financed out of the EEC Grant shall be allowed to enter the state of THE RECIPIENT without being subject to customs duties, import duties, taxes or fiscal charges having equivalent effect.

- THE RECIPIENT shall ensure that the imports concerned will be released from the point of entry for delivery to the contractor as required by the provisions of the contract and for immediate use as required



for the normal implementation of the contract, without regard to any delays or disputes over the settlement of the above-mentioned duties, taxes or charges.

3. Contracts for supplies or services provided by the Republic of Lithuania or external firms, financed out of the EC Grant shall not be subject in the state of THE RECIPIENT to value added tax, documentary stamp or registration duties or fiscal charges having equivalent effect, whether such charges exist or are to be instituted.

4. Natural and legal persons, including expatriate staff, from the Member States of the European Community executing technical cooperation contracts financed out of the EEC Grant shall be exempted from business and income tax in the state of THE RECIPIENT.

5. Personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, engaged in carrying out tasks defined in technical cooperation contracts shall be exempt from customs duties, import duties, taxes and other fiscal charges having equivalent effect, the said personal and household effects being either re-exported or disposed of in the state in accordance with the regulations in force in the state of THE RECIPIENT after termination of the contract.

6. Natural and legal persons importing professional equipment, as provided for in Article 11, shall, if they so request, benefit from the system of temporary admission as defined by the national legislation of THE RECIPIENT in respect of the said equipment.

#### TITLE IV - EXECUTION OF CONTRACTS

##### ARTICLE 14 - ORIGIN OF SUPPLIES

THE RECIPIENT agrees that, save when otherwise authorized by THE COMMISSION, materials and supplies required for execution of contracts must originate in the Community, Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and the Former Yugoslav Republic of Macedonia.

##### ARTICLE 15 - PAYMENT PROCEDURES

1. For contracts financed out of the EEC Grant, tenders shall be drawn up and payments made, either in European Currency Units (ECU), or in accordance with the foreign exchange laws and regulations of the RECIPIENT in the currency of THE RECIPIENT, or in the currency of the state where the tenderer has his registered place of business, or in the currency of the state where the supplies were produced.

2. When tenders are drawn up in ECU, payments relating thereto shall be made, as appropriate, in the currency named in the contract, on the basis of the equivalent value of the ECU on the day preceding payment.

3. THE RECIPIENT and THE COMMISSION shall take all measures necessary to ensure execution of payments within the shortest possible time.



## TITLE V - COLLABORATION BETWEEN THE COMMISSION AND THE RECIPIENT

### ARTICLE 16 - INSPECTION AND AUDIT

1. THE COMMISSION shall have the right to send its own agents or duly authorised representatives to carry out any technical or financial mission or audit that it considers necessary to follow the execution of THE MEASURE. However, THE COMMISSION shall give the authorities of THE RECIPIENT advance notice of such missions.

THE RECIPIENT shall supply all information and documents which shall be requested of it, and take all suitable measures to facilitate the work of persons instructed to carry out audits or inspections.

2. THE RECIPIENT shall :

- (a) maintain records and accounts adequate to identify the works, supplies or services financed under the financing memorandum in accordance with sound accounting procedures;
- (b) ensure that the aforementioned agents or representatives of THE COMMISSION have the right to inspect all relevant documentation and accounts pertaining to items financed under the financing memorandum, and assist the Court of Auditors of the European Communities to carry out audits relating to the utilization of the EEC Grant.

The Commission may also carry out an ex-post evaluation and a final audit of the programme. The ex-post evaluation will assess the achievement of the objectives/targets of the programmes as well as the impact on the development and restructuring of the sector concerned.

The final audit will review the local financial data of the programme, providing an independent opinion on the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum. The audit will establish the balance of uncommitted and/or undisbursed funds which shall be reimbursed to the Commission.

### ARTICLE 17 - FOLLOW-UP OF MEASURES

In following the execution of THE MEASURE, THE COMMISSION may request any explanation and, where necessary, may agree with THE RECIPIENT on a new orientation for THE MEASURE which is deemed to be better adapted to the objectives in view.

THE RECIPIENT shall make reports to THE COMMISSION following the time-schedule laid down in the financing memorandum, throughout the period of execution of THE MEASURE and after completion thereof.

The Commission will in the light of the reports and where appropriate of the ex-post evaluation, proceed to the official closure of the programme and will inform the recipient country of the date of official closure of the programme.

## TITLE VI - GENERAL AND FINAL PROVISIONS

### ARTICLE 18 - CONSULTATION - DISPUTES

1. Any question relating to execution or interpretation of the financing memorandum or these General Conditions shall be the subject of consultation between THE RECIPIENT and THE COMMISSION, leading, where necessary, to an amendment of the financing memorandum.

2. Where there is a failure to carry out an obligation set out in the financing memorandum and these General Conditions, which has not been the subject of remedial measures taken in due time, THE COMMISSION may suspend the financing of the MEASURE, after consultation with THE RECIPIENT.




3. THE RECIPIENT may renounce in whole or in part the execution of THE MEASURE. The Contracting Parties shall set out the details of the said renunciation in an exchange of letters.

#### ARTICLE 19 - NOTICE - ADDRESSES

Any notice and any agreement between the parties provided for herein must be the subject of a written communication referring explicitly to the number and title of THE MEASURE. Such notices or agreements shall be made by letter sent to the party authorized to receive the same; and sent to the address notified by the said party. In case of urgency, telefax, telegraphic or telex communications shall be permitted and deemed to have been validity served, provided that they are confirmed immediately by letter. The addresses are set out in the financing memorandum.



ANNEX B

ANNEX B - ARBITRATION

Any dispute between the Contracting Parties, arising out the Framework Agreement or a financing memorandum, which is not settled by applying the procedures laid down in Article 18 of the general conditions relating to financing memorandum, shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

The parties to such arbitration shall be THE RECIPIENT on the one side and THE COMMISSION on the other side.

The Arbitral Tribunal shall consist of three arbitrators appointed as follows :

- one arbitrator shall be appointed by THE RECIPIENT
- a second arbitrator shall be appointed by THE COMMISSION
- the third arbitrator (hereinafter sometimes called "THE UMPIRE") shall be appointed by agreement of the parties or, if they shall not agree, by the Secretary-General of the United Nations.

If either side fail to appoint an arbitrator, such arbitrator shall be appointed by THE UMPIRE.

Should any arbitrator appointed in accordance with this provision resign, die or become unable to act, another arbitrator shall be appointed in the same manner as the arbitrator whose place he takes : such successor shall have all the powers and duties of the original arbitrator.



**PHARE 2003/004.341.01.01 --- 2003/004.341.08.02****1. OBJECTIVES AND DESCRIPTION**

The 2003 National Phare programme focuses on the outstanding actions in the Action Plan for strengthening administrative and judiciary capacity, and the points noted in the 2002 Regular Report as requiring further improvement. This institution building effort will need to continue after accession. A limited number of Economic and Social Cohesion projects have also been included to help prepare for the implementation of Structural Funds assistance on accession.

The Planning Document that was discussed and agreed by the Phare Management Committee in November 2002 provides a concise strategic outline of how Phare support should be deployed in a coherent manner in 2003. The present Financing Proposal fully corresponds to the approach set out in the Planning Document.

As indicated in the Planning Document, in comparison to earlier annual programmes, this programme represents far more of a gap-filling exercise, and consists therefore of a wider range of activities and sectors, including in many cases smaller budgets.

The revised National Development Plan submitted by the Lithuanian authorities in January 2002 has also been taken into account in the programming exercise. The adoption and updating of relevant legislation, the availability of coherent policy strategies for particular sectors, adequate implementation and staffing capacity, and project maturity are further important considerations which have influenced the selection of projects.

**Objective 1: Administration and Public Institutions****Project no:2003/004-341.01.01 - Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and the Establishment of Taxpayer Call Centre**

The objective of this institution building and investment project is to improve the tax revenue collection capacity and efficiency of the Lithuanian State Tax Inspectorate in order to effectively implement the tax acquis. It consists of two sub-projects, which respectively deal with the implementation of the Computerised Audit System and the establishment of the Taxpayer Call Centre.

**Sub-project 1: Computerised Audit System:**

Implementation of IT-based comprehensive intelligence and information system to support the effective use of risk analysis and taxpayer selection as well as computer audit techniques.

**Sub-project 2: Taxpayer Call Centre:**

Establishment of effective information methods and tools in order to improve taxpayer service and harmonise interpretation of the tax laws throughout the country.



**Project no: 2003/004-341.01.02 - Implementation of trader based risk assessment and control**

The objective of this institution building project is to enhance risk management and control systems of the Lithuanian Customs Department. To assist the Customs Department to further align its practices with EU customs standards and practices. To deploy and implement a computerised system capable of automatically performing a risk analysis of all types of customs 'traders', engaged in the operation of the whole range of Customs regimes by means of an analysis of their transaction data, in order to:

- Select traders for audit or investigation; and,
- Develop selection parameters for the transaction processing systems.

**Project no: 2003/004-341.01.03 - Strengthening Functional Capacities of Public External Audit Aimed at Practical Implementation of Acquis**

The objectives of this IB project are to assist the National Audit Office of Lithuania to operate efficiently and effectively in the modern public audit environment. The project will seek to achieve this aim by strengthening the methodological basis of the National Audit Office of Lithuania through development of national public auditing standards, audit manuals and methodologies, audit working papers, other relevant documents and procedures and applying the developed methods and tools when conducting financial and performance audit in new fields, in particular audit of EU pre- and post-accession funds, thus ensuring the protection of the financial interests of the Community;

Improving audit quality by training auditors to apply modern audit methods and tools (including computer-assisted audit techniques) in order to meet INTOSAI and EUROSAI audit quality requirements;

The establishment of modern audit infrastructure, close to that in the EU Member States, based on the latest developments in the field of IT, relevant audit methods, tools and techniques. Information technologies should be available to support every auditor during the audit process (documentation, using computer-assisted audit techniques, extracting data from databases, analysing data, etc.).

**Objective 2: Agriculture**

**Project no: 2003/004-341.02.01 - Strengthening of Control on Infectious Animal Diseases in Lithuania**

The objective of this project is to protect public health from the risks of transmission of rabies and other infectious animal diseases via an efficiently functioning control system operating in accordance with the EU *acquis*. In order to ensure a high standard of epidemiological surveillance and associated action on rabies and other infectious animal diseases, the project purposes are as follows:

- To strengthen administrative and technical capacities of Infectious Disease Control Centres and veterinary laboratories via their proper equipment and training of staff in accordance with relevant EC *acquis* on infectious animal diseases;
- To minimise the number of rabies cases among domestic and wild animals and thereby reduce the possibilities of human infection.

**Project no: 2003/004-341.02.02 - Upgrading of the Integrated Administration and Control System**

The objective of this investment project is to enable Lithuania to upgrade the Integrated Administration and Control System. Ensuring the reliability of the Integrated Administration and Control System (IACS) through improvements to the Land Parcel Identification System (LPIS) component and remote sensing control (EU Regulations 3508/92, 1593/00, 3887/92, 2419/01).

**Project no: 2003/004-341.02.03 - Strengthening of food safety control, food control laboratories in Lithuania**

The objective of this project is to strengthen the food control system in the Republic of Lithuania. The project purposes are as follows:

- To strengthen administrative, technical, and scientific capacities and skills of food inspectors and laboratory staff;
- To develop and implement the system for control of foodstuffs via development of necessary documents and computer programs

**Project no: 2003/004-341.02.04 - Strengthening the implementation of policies and procedures on plant protection and plant variety identification**

The objective of this institution building and investment project is the completion of the implementation of the Lithuanian phytosanitary inspection and control system in accordance with the *Acquis*, development of a fresh fruit and vegetables quality standards checking system and plant variety identification.

1. Plant protection: strengthen the implementation of policies and procedures;
2. Effective functioning of control systems:
  - overall phytosanitary inspection and control at place of production and at the border,
  - legal basis for post-registration control of plant protection products (PPPs),
  - verify mandatory quality standards for fruits and vegetables.
3. Quality assurance: introduce a Quality Assurance System at the Phytosanitary Research Laboratory (PRL) of State Plant Protection Service (SPPS) and field inspection functioning according to accreditation standards;
4. Capacity on plant variety: strengthen the administrative capacity of the Lithuanian State Plant Varieties Testing Centre (LSPVTC).

**Objective 3: Education, Training and Research**

**Project no: 2003/004-341.03.01 - Rural IT Access Points (RIAPs)**

The objective of this project is to support the even development of a knowledge and information society; to stimulate economic growth and human resource development. It is also intended to improve the access of the rural public & SMEs to Internet and IT by establishing a network of rural IT access points. Other key aims include promotion of re-training in rural areas where level of unemployment is high, and provision of improved access to training programmes for the rural population and SMEs





**Project no: 2003/004-341.03.02 - Developing reliable infrastructure in the fields of measurements in chemistry in Lithuania according to the best EU practices.**

The objective of this project is to align the traceability, quality and fitness of chemical analytical measurements (metrology in chemistry) in Lithuania with the relevant *Acquis* requirements and corresponding best EU practices.

The project will aim to complete the process of legal approximation by providing support to the preparation of secondary legislation and enforcement guidelines covering Sectoral Approach Directives (i.e. 80/181/EEC on units of measurement, 98/83/EC on drinking water etc.) as regards metrology in chemistry, and will seek to promote co-operation between public and private actors.

**Project no: 2003/004-341.03.03 - Improving measurement infrastructure in mass, length and temperature fields in Lithuania with regard to the EU requirements and preparation for the smooth transposition of the forthcoming EU legislation in legal metrology field**

In parallel with the project above, this project aims to transpose and implement existing EU legislation and improve measurement infrastructure in Lithuania.

Completion of the process of legal approximation by preparation of secondary legislation, enforcement guidelines and calibration procedures covering Sectoral Approach Directives (i.e. 71/317/EEC and 74/148 on weights, 75/410/EEC on totalising weighing machines, 78/1031/EEC on automatic check-weighing and weight grading machines, 90/384/EC on non-automatic weighing instruments, 73/362/EEC on material measures of length and related Commission Recommendation of 20 Dec 2001 on the protection of the public against exposure to radon in drinking water supplies, Commission Directive 2002/69/EC and others). Key outputs:

- Traceability of measurements improved
- Calibration laboratories for weights OIML class E1 and OIML class E2 and material length measures established and accredited
- Calibration laboratory for calibration of non automatic weighing instruments of class I established and accredited
- Testing and calibration infrastructure improved to achieve the existing requirements
- Strengthened co-operation between public and private sector actors and research institutes.

**Objective 4: Environment**

**Project no: 2003/004-341.04.01 - Protection of endangered species of flora and fauna and their habitats through implementation of CITES and the Bern and Bonn Conventions and the related EU legislation.**

The overall objective of this IB project is to strengthen the administrative capacity of the Ministry of Environment in the implementation of policies and procedures for protection of endangered national and international species of flora and fauna. This will be achieved by better implementation of CITES, Bern and Bonn Conventions and related EU legislation in Lithuania. The project will also ensure full compliance in relation to EU nature protection requirements by improvement of implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Bern and Bonn Conventions, and the Council Regulation (EC) No 338/97 (9 Dec, 1996) on the Protection of Species Wild Flora and Fauna by regulating trade therein.

**Project no: 2003/004-341.04.02 - Preparation of national emission reduction and ambient air quality assessment programmes**

The overall objective of this project is to assist the Ministry of Environment of Lithuania to develop the system for emission control, air quality assessment and management in different scales according to the new EU requirements.

The project will aim to prepare the national programme for progressive reduction of emissions of pollutants covered by EU Directive 2001/81/EC.

- To support the implementation of the requirements of EU Directive 2001/81/EC on national emission ceilings for certain atmospheric pollutants.
- To support the implementation of the Framework Directive on ambient air quality assessment and management (96/62/EC) and subsequent daughter directives (1999/30/EC, 2000/69/EC, 2002/3/EC).
- To develop the system of ambient air quality assessment and control on the basis of common methods and criteria under the requirements of the air quality directives, including streamlining and harmonising reporting required under air quality legislation.
- To strengthen the administrative capacities of the national institutions related to the air management sector (the Ministry of Environment, Joint Research Center).

**Project no: 2003/004-341.04.03 - Institutional strengthening and modernization of State Protected Areas Service administrations**

The objective of this IB project is to strengthen the administrative capacity of the State Protected Areas Service (SPAS) under the Ministry of the Environment (MoE) and Protected Areas Administrations (PAA) in the implementation of policies and procedures for nature conservation. To ensure the ability of the SPAS and PAA to operate in full compliance with the EU nature protection requirements by effective implementation of national policies and EEC directives on the Directive on the Conservation of Natural Habitats and Wild Fauna and Flora 92/43/EEC and EC Directive on the Conservation of Wild Birds 79/409/EE, Aarhus and Ramsar conventions and the Natura 2000 ecological network. To strengthen overall performance of services and sustainable development of informational system including visual signing concept development in Protected areas, data collection for Cadastre and PA bank, reporting to the EC, and sufficient co-operation and communication between interest groups.

**Objective 5: Justice and Home Affairs**

**Project no: 2003/004-341.05.01 - Alarm, Control & Digital Communication Arrays at Lithuanian Future External Borders**

The objective of this investment project is to ensure that the border management, co-operation of law enforcement bodies and electronic data security at the future EU external borders correspond with EU and Schengen requirements. These requirements are divided into two sub-components.

**Sub-component 1: Digital Radio Communication System**

- To increase the administrative capacity of the SBGS (frontier districts and stations) and PD (regional police stations) in the frontier areas at Belarus and the Kaliningrad Region of Russia to ensure the fulfilment of Schengen Acquis requirements in the field of co-operation based on digital radio communication with other law enforcement institutions.

- To supply and install integrated digital radio communication systems as part of the prospective national law enforcement radio communication network at the borders with Belarus and with the Kaliningrad region of Russia ensuring confidentiality of information and effective interaction between the border guard and police in frontier areas.

#### **Sub-component 2: Video Surveillance and Alarm System**

- To integrate and extend the available surveillance capacity of the SBGS through design and installation of an uniform video surveillance and alarm system at the borders with Belarus and the Kaliningrad region of Russia so as to comply with Schengen Acquis requirements in the sphere of external border management;
- To improve operational management and deployment of personnel through closer interaction and quick responses of the neighbouring frontier units while streamlining the supervision of the subordinate units by the central border guard authority and preventing corruption.

#### **Project no: 2003/004-341.05.02 - Strengthening the National Capacities of the Lithuanian Prosecution**

The objective of this project to be implemented through a twinning and investment component is to strengthen the efficiency of operation of the Lithuanian Prosecution in the administration of justice. The project will have the following purposes;

- to increase efficiency of criminal prosecution and defense of personal, State and public interests and rights
- to facilitate due implementation of the new legal framework in the area of prosecution following practice in the EU Member States
- to strengthen the administrative/managing system of the Prosecutor's Office
- to reinforce prosecutors' training system
- to establish prosecutor offices' network and make IS/IT fully operational

#### **Project no: 2003/004-341.05.03 - Strengthening of Administrative Capacities in the Fight against Corruption**

The objective of this project is to reduce administrative corruption by strengthening (1) preventive measures (2) investigative capacities, and (3) training civil servants as well as raising anti-corruption awareness of the business community. To facilitate the updating, where necessary, and implementation of the National Anti-Corruption programme via a 3-pillar approach:

- *prevention* (1): constraining administrative corruption, particularly in the public administration, health, tax, law enforcement, customs, public procurement and judicial sectors; updating, where necessary, and implementation of sectorial anti-corruption programmes;
- *enforcement* (2): increasing the effectiveness of investigation against corruption, crime and improved co-operation among law enforcement bodies;
- *public education and support* (3): promoting anti-corruption education of the business community and civil servants.
- To strengthen the institutional and technical capacities of the Special Investigation Service.

#### **Project no: 2003/004-341.05.04 - Establishment of National SIRENE Unit and Necessary Infrastructure**

The objective of this institution building and investment project is to ensure successful implementation of the Schengen Action Plan measures via the establishment of the

National SIRENE Unit and necessary infrastructure. With a view to establishing the National SIRENE Unit integrated with the National EUROPOL Unit and the National INTERPOL Unit. This will be achieved by strengthening administrative and professional capacities of its staff, other involved police units (the Lithuanian Police Information Center, and local police units) and other law enforcement institutions (the State Border Guard Service at the Ministry of the Interior and the Customs Department at the Ministry of Finance). As well as by ensuring an efficient interagency co-operation in the field.

## **Objective 6: Consumer protection**

### **Project no: 2003/004-341.06.01 - Strengthening Administrative Capacity of the National Consumer Rights Protection Council and Promotion of Activities of Public Consumer Organisations**

The overall objectives of this institution building and investment project are:

- strengthen consumer protection in Lithuania in line with relevant EU *Acquis* according to EU Member States best practices.
- Approximate Lithuanian legislation to the Directives and other legal regulations concerning the new consumer protection *Acquis* according to the best practices of EU member states.
- Improve administrative capacity of the National Consumer Rights Protection Council and ensure its and other market surveillance institutions' effective operation and performance of consumer protection.
- Develop and implement National Strategy on Consumer Protection comprising coherent strategies on: consumer protection, consumer education, information exchange and co-operation between state, public, and private sectors.

## **Objective 7: Private sector, Restructuring, Privatisation, SME**

### **Project no: 2003/004-341.07.01 - Druskininkai Urban Development**

The objectives of this project are:

- Development of economic and social cohesion of Lithuania based on urban renovation of Druskininkai and improved public infrastructure. This will be achieved by assistance to the Municipality of Druskininkai to establish infrastructural potential of the town, which will help to respond to the collapse of traditional markets following Lithuanian independence and subsequent social-economic development problems.
- Renovate the Water Treatment Centre (within the existing Physiotherapy Centre) and thereby lay the basis for improved future investment in the development of Druskininkai as a water/health resort town.
- Contribute to the solution of social-economic problems in the region. This will include direct and indirect creation of employment to reduce high unemployment rate.
- Strengthen the capacity of Druskininkai municipality in the future implementation of their development plans and, in particular, the effective preparation for investments (Structural Funds and private investments) and to provide a basis for using the developed infrastructure as a pilot vehicle for future ESF activity.

**Project no: 2003/004-341.07.02 - Support to Development of Greenfield Investments in Lithuania**

The objective of this project is to improve the business environment through creating attractive conditions for public and private investments (especially FDI) in green field areas in Lithuania.

This will be achieved by increasing the capacity of the Ministry of Economy as well as other stakeholders, including the Lithuanian Development Agency (LDA), county administrations and municipalities, to deal with the development and promotion of greenfield investments,

Preparation of a project pipeline for the future Structural Funds interventions and/or other public and/or private investments

**Objective 8: Miscellaneous**

**Project no: 2003/004-341.08.01 - Project Preparation Facility for Objective 1 Support**

The objective of this project is to facilitate the successful launch and implementation of Structural Funds support upon Lithuania's accession date. The purpose of the project is to ensure the speedy and efficient preparation and implementation of major projects and investment projects financed under Structural Funds via provision of technical assistance for the preparation of these projects.

**Project no: 2003/004-341.08.02 - Unallocated Institution Building Envelope**

The objective of this project is to strengthen the institutions and administrative capacity for the full application of the *acquis communautaire* and to provide Institution Building assistance (twinning, twinning light, or other form of technical assistance) to meet the requirements related to specific urgent and unforeseen needs. In particular this facility will help to:

- Assist in the adoption and implementation of *acquis* in particular areas where assistance is still necessary;
- strengthen the institutional and operational capacity of public administration bodies in the implementation of the EU *acquis*;
- develop human resources of public administration institutions relevant for the implementation of the EU *acquis*;

Prepare for investment support (needs analysis, technical specifications and tender documentation, etc.).

There exist a considerable number of areas provisionally identified for action within this envelope, including:

- Continued support to the Visaginas region, Ignalina decommissioning, social consequence.
- Actions on Public Health and human Communicable Diseases, including HIV/AIDS.
- Audio-visual legislation.
- Competition Council.
- Intellectual Property Rights

This envelope may also be partially used for monitoring during the immediate post accession period.

## 2. Budget

Objective	Phare Funding					Phare Total	Nat. Co-fin	Total
	Institution Building (IB)			INV				
	Twinn ing	TA	Total IB					
Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and Establishment of Taxpayer Call Centre-- <b>2003/004-341.01.01</b>	2.34		<b>2.34</b>	2.655	<b>4.995</b>	0.885	<b>5.88</b>	
Implementation of trader based risk assessment and control -- <b>2003/004-341.01.02</b>	0.75		<b>0.75</b>	1.055	<b>1.805</b>	0.50	<b>2.305</b>	
Strengthening Functional Capacities of the Public External Audit Aimed at Practical implementation of Acquis-- <b>2003/004-341.01.03</b>	0.95		<b>0.95</b>	0.408	<b>1.358</b>	0.136	<b>1.494</b>	
Strengthening of Control on Infectious Animal Diseases in Lithuania-- <b>2003/004-341.02.01</b>	0.45		<b>0.45</b>	5.6645	<b>6.1145</b>	1.8885	<b>8.003</b>	
Upgrading of the Integrated Administration and Control System-- <b>2003/004-341.02.02</b>				2.85	<b>2.85</b>	0.95	<b>3.80</b>	
Strengthening of Food Safety Control, Food Control Laboratories in Lithuania--- <b>2003/004-341.02.03</b>	0.65		<b>0.65</b>	1.53975	<b>2.18975</b>	0.51325	<b>2.703</b>	
Strengthening the Implementation of Policies and Procedures on Plant Protection and Plant Variety Identification-- <b>2003/004-341.02.04</b>	0.70		<b>0.70</b>	0.7725	<b>1.4725</b>	0.2575	<b>1.73</b>	
Rural IT Access Points-- <b>2003/004-341.03.01</b>		0.675	<b>0.675</b>	1.6875	<b>2.3625</b>	0.7875	<b>3.15</b>	
Developing reliable infrastructure in the fields of measurements in chemistry in Lithuania according to the best EU practices-- <b>2003/004-341.03.02</b>	0.70		<b>0.70</b>	0.85	<b>1.55</b>	0.30	<b>1.85</b>	

Improving measurement infrastructure in mass, length and temperature fields in Lithuania with regard to the EU requirements and preparation for the smooth transposition of the forthcoming EU legislation in legal metrology field--2003/004-341.03.03	0.71		0.71	0.66	1.37	0.23	1.60
Protection of endangered species of flora and fauna and their habitats through implementation of CITES and the Bern and Bonn Conventions and the related EU legislation.-- 2003/004-341.04.01		1.35	1.35	0.33	1.68	0.11	1.79
Preparation of national emission reduction and ambient air quality assessment programmes--2003/004-341.04.02		1.00	1.00	0.30	1.30	0.10	1.40
Institutional strengthening and modernization of State Protected Areas Service administrations--2003/004-341.04.03		0.90	0.90	0.38	1.28	0.13	1.41
Alarm, Control and Digital Communication Arrays at Lithuanian Future External Borders--2003/004-341.05.01		0.40	0.40	5.925	6.325	2.42	8.745
Strengthening the National Capacities of the Lithuanian Prosecution--2003/004-341.05.02	0.85		0.85	1.82	2.67	0.77	3.44
Strengthening of Administrative Capacities in Fight Against Corruption--2003/004-341.05.03		1.00	1.00	0.5775	1.5775	0.1925	1.77
Establishment of National SIRENE Bureau and Necessary Infrastructure--2003/004-341.05.04	0.50		0.50	0.50	1.00	0.22	1.22
Strengthening Administrative Capacity of the National Consumer Rights Protection Council and Promotion of Activities of Public Consumer Organisations--2003/004-341.06.01	0.90	0.195	1.095	0.146	1.241	0.049	1.29
Druskininkai Urban Development--2003/004-341.07.01				3.15	3.15	1.05	4.20
Support to Development of Greenfield Investments in Lithuania--2003/004-341.07.02		1.20	1.20		1.20	0.40	1.60
Project Preparation Facility for Objective 1 Support--2003/004-341.08.01				2.10	2.10	0.70	2.80
Unallocated IB Envelope--2003/004-341.08.02	2.50		2.50		2.50		2.50
<b>Total</b>	<b>12.00</b>	<b>6.72</b>	<b>18.72</b>	<b>33.37075</b>	<b>52.09075</b>	<b>12.58925</b>	<b>64.68</b>

In accordance with the Phare Guidelines of 1999 and Revised Guidelines of 2002, all investment projects supported by Phare must receive co-financing from national public funds. The Community contribution may amount to up to 75% of the total eligible<sup>1</sup> public expenditure.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of PHARE assistance.

### **3. Implementation Arrangements**

#### **a.) Financial and Project Management by the Candidate Country**

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision\* and the Agreement on the Implementation of EDIS\* (EDIS Implementation Agreement; EIA) concluded between Lithuania and the Commission<sup>2</sup>. Prior to the conclusion of the Agreement, the implementation of this programme will exceptionally follow Phare Decentralised Implementation System (DIS) procedures<sup>3</sup>. Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the EDIS Implementation Agreement\* and/or the *DIS Manual* as well as the other instructions of the Commission, and that all contracts required to implement the Financing Memorandum are awarded using the procedures

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<sup>1</sup> Taxes are not an element for co-financing

\* working title!

\* working title!

<sup>2</sup> in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), in particular Art. 164, Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

<sup>3</sup> in accordance with the rules set down in the Council Regulation 1605/2002 (Financial Regulation), the Commission Regulation 2342/2002 (Implementing Rules of the Financial Regulation) and the annex of Council Regulation 1266/1999

\* working title!





and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD, as well as the Structural and Cohesion funds.

The National Fund (NF) in the Ministry of Finance, headed by the NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the Phare funds. He shall ensure that the Phare rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a reporting and project information system is functioning. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

#### **b.) Project size**

As noted under 'Strategy,' this programme represents far more of a gap-filling exercise than in previous years, and it consists therefore of a wider range of activities and sectors, including in many cases smaller budgets. The following 11 projects will be less than 2 M€;

- 1). Strengthening Functional Capacities of the Public External Audit Aimed at Practical implementation of Acquis-- **2003/004-341.01.03**
- 2). Strengthening the Implementation of Policies and Procedures on Plant Protection and Plant Variety Identification-- **2003/004-341.02.04**
- 3). Developing reliable infrastructure in the fields of measurements in chemistry in Lithuania according to the best EU practices-- **2003/004-341.03.02**
- 4). Improving measurement infrastructure in mass, length and temperature fields in Lithuania with regard to the EU requirements and preparation for the smooth transposition of the forthcoming EU legislation in legal metrology field--- **2003/004-341.03.03**
- 5). Protection of endangered species of flora and fauna and their habitats through implementation of CITES and the Bern and Bonn Conventions and the related EU legislation. **2003/004-341.04.01**
- 6). Preparation of national emission reduction and ambient air quality assessment programmes **2003/004-341.04.02**
- 7). Institutional strengthening and modernization of State Protected Areas Service administrations-- **2003/004-341.04.03**

- 8). Strengthening of Administrative Capacities in Fight Against Corruption--  
**2003/004-341.05.03**
- 9). Establishment of National SIRENE Bureau and Necessary Infrastructure--  
**2003/004-341.05.04**
- 10). Strengthening Administrative Capacity of the National Consumer Rights Protection Council and Promotion of Activities of Public Consumer Organisations--  
**2003/004-341.06.01**
- 11). Support to Development of Greenfield Investments in Lithuania -- **2003/004-341.07.02**

**c.) Contracting and disbursement deadline; programming deadline**

All contracts must be concluded by 30/11/2005<sup>4</sup>. In no case can the contracting period exceed 3 years after the date of the global commitment.

All disbursements must be made by 30/11/2006<sup>5</sup>. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted. Concerning the amount foreseen under the Unallocated Institution Building Envelope (project number 2003/004-341.08.02), projects must be programmed and Terms of Reference agreed by the Delegation by no later than the date of accession.

**d.) Clearance of Accounts Procedure and Recovery of Funds**

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation<sup>6</sup> and Art. 42 of the Implementing Rules to the Financial Regulation<sup>7</sup> will be put in place.

Any proven irregularity or fraud<sup>8</sup> discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the

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<sup>4</sup> Same as on 1<sup>st</sup> page of the main text, not longer than a max of 24 months from the date of the FM signature.

<sup>5</sup> Same as on 1<sup>st</sup> page of the main text, not longer than a max of 36 months from the date of the FM signature.

<sup>6</sup> Council Regulation 1605/2002 of 25 June 2002

<sup>7</sup> Council Regulation 2342/2002 of 23 December 2002

<sup>8</sup> As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document



case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission's approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

- (a) reduce or cancel any advance;
- (b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/ CPMA shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

#### **e.) Financial Flows**

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Republic of Lithuania. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Central Bank

aa) Transfer of Funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally\*, representing pre-financing<sup>9</sup> will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Project Management Agency (CPMA). The provisions foreseen in articles 2 and 13 of the MoU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put in place, highlighting the flow of information between the NF and the IA/ CPMA and the manner in which the payment function will be carried out.

Two further transfers<sup>10</sup> of up to 30 % each of the funds to be managed locally\* will be made. The second transfer will be triggered when 5% of the budget\* has been disbursed by the IAs and the CPMA. The third transfer may be requested when 35% of the total budget\* in force has been disbursed. A fourth transfer will be made when 70% of the total budget\* in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after expiry of the disbursement deadline the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made. (closure of expenditure)<sup>11</sup>.

Exceptionally the NAO may request payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no interim payments may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

The National Fund will transfer funds to IAs, including the Central Project Management Agency (CPMA), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the

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\* *excluding the amount foreseen for the Community programmes (delete for countries where no frontloading will take place in 2003)*

<sup>9</sup> as defined in Art. 81.1.b.i of the Financial Regulation .

<sup>10</sup> as defined in Art. 81.1.b.ii of the Financial Regulation.

\* *excluding the amount foreseen for the Community programmes (delete for countries where no frontloading will take place in 2003)*

<sup>11</sup> as defined in Art.105 of the Implementing Rules

\* *excluding the amount foreseen for the Community programmes (delete for countries where no frontloading will take place in 2003)*

financial administration of the sub-programme in line with Art. 13 of the MoU on the Establishment of the National Fund.

Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CPMA /IA there will be no transfer of funds from the NF to the CPMA /IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CPMA /IA.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the Implementing Agency before the official closure of the programme. The Implementing Agency assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses.

The Implementing Agency further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

cc.) Interest

In principle, all bank accounts<sup>12</sup> will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme.

**f.) Implementing Agencies will be responsible for sub-programmes as follows:**

Improve the Tax Revenue Collection Capacity and Efficiency of the State Tax Inspectorate through Implementation of the Computerised Audit System and Establishment of Taxpayer Call Centre--2003/004-341.01.01	CPMA
Trader based risk assessment and control --2003/004-341.01.02	CPMA
Strengthening Functional Capacities of the Public External Audit Aimed at Practical implementation of Acquis--2003/004-341.01.03	CPMA
Control on Infectious Animal Diseases in Lithuania--2003/004-341.02.01	CPMA
Integrated Administration and Control System--2003/004-341.02.02	CPMA
Food Safety Control, Food Control Laboratories---2003/004-341.02.03	CPMA
Policies and Procedures on Plant Protection and Plant Variety Identification--2003/004-341.02.04	CPMA
Rural IT Access Points--2003/004-341.03.01	CPMA
Developing reliable infrastructure in the fields of measurements in chemistry in Lithuania according to the best EU practices--2003/004-341.03.02	CPMA

<sup>12</sup> in particular, but not exclusively, accounts run by the NF, the CPMA and IAs




Measurement infrastructure in mass, length and temperature fields in Lithuania <b>2003/004-341.03.03</b>	CPMA
Protection of endangered species of flora and fauna and their habitats through implementation of CITES and the Bern and Bonn Conventions and the related EU legislation.-- <b>2003/004-341.04.01</b>	CPMA
Preparation of national emission reduction and ambient air quality assessment programmes-- <b>2003. 004-341.04.02</b>	CPMA
Institutional strengthening and modernization of State Protected Areas Service administrations-- <b>2003/004-341.04.03</b>	CPMA
Alarm, Control and Digital Communication Arrays at Lithuanian Future External Borders-- <b>2003/004-341.05.01</b>	CPMA
Strengthening the National Capacities of the Lithuanian Prosecution-- <b>2003/004-341.05.02</b>	CPMA
Strengthening of Administrative Capacities in Fight Against Corruption-- <b>2003/004-341.05.03</b>	CPMA
Establishment of National SIRENE Bureau and Necessary Infrastructure-- <b>2003/004-341.05.04</b>	CPMA
National Consumer Rights Protection Council and Promotion of Activities of Public Consumer Organisations <b>2003/004-341.06.01</b>	CPMA
Druskininkai Urban Development-- <b>2003/004-341.07.01</b>	CPMA
Development of Greenfield Investments in Lithuania -- <b>2003/004-341.07.02</b>	CPMA
Project Preparation Facility for Objective 1 Support-- <b>2003/004-341.08.01</b>	CPMA
Unallocated IB Envelope-- <b>2003/004-341.08.02</b>	CPMA

In some sub-programmes or projects other ministries or other institutions may play an important technical role.

Strengthening of Administrative Capacities in Fight Against Corruption-- <b>2003/004-341.05.03</b>	<b>Special Investigation Service</b>
Establishment of National SIRENE Bureau and Necessary Infrastructure-- <b>2003/004-341.05.04</b>	<b>Investigation Division of the Police Department</b>

### **g.) Environmental Impact Assessment and Nature Conservation**

The procedures for environmental impact assessment as set down in the EIA-directive<sup>13</sup> are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented<sup>14</sup>.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive<sup>15</sup> must be documented<sup>16</sup>

<sup>13</sup> DIR 85/337/EEC; OJ L 175/40; 5.7.1985; as amended by DIR 97/11/EEC; OJ L 73/5; 14.3.1997

<sup>14</sup> in **Annex EIA** to the corresponding investment project fiche

<sup>15</sup> DIR 92/43/EEC; OJ 206/7; 22.7.1992

<sup>16</sup> in **Annex Nature Conservation** to the corresponding investment project fiche




All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

#### **h.) Special rules for certain components for the programme**

##### Twinning

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

##### CBC Small Projects Fund

The Small Projects Fund will finance projects below € 50.000 (PHARE contribution). It will not include physical investments other than small infrastructure not generating substantial net revenue.

For the CBC Small Project Fund, up to 7% of the PHARE contribution may be used for expenditure relating to the preparation, selection, appraisal and monitoring of the assistance.

#### **4. Monitoring and Evaluation**

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds. Furthermore the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CPMA where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design,

ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

## **5.) Audit and Anti-Fraud Measures**

### **a.) By the Candidate Countries<sup>17</sup>**

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission.

Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of national or Community law<sup>18</sup>, this Financing Memorandum or ensuing contracts or resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Fraud shall mean any intentional act or omission relating to:

- (i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,
- (ii) non-disclosure of information in violation of a specific obligation, with the same effect,
- (iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94<sup>19</sup>.

In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the

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<sup>17</sup> in accordance with the rules set down in Art. 54 of the Financial Regulation

<sup>18</sup> defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).

<sup>19</sup> OJ L 178; 12.07.1994; p. 43-46





Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact within two months following the end of each quarter.

#### **b.) By the Commission**

All Financing Memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and audits by the Court of Auditors. This includes on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

In order to ensure efficient protection of the financial interests of the Community, the Commission may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96<sup>20</sup>.

The accounts and operations of the National Fund, and, where applicable, the CPMA and all relevant Implementing Agencies may be checked at the Commission's discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the "General Conditions relating to the Financing Memorandum" attached to the Framework Agreement.

#### **6. Visibility/Publicity**

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are set down in the Annex D "Visibility/Publicity".  
(*enclosed*)

#### **7. Special conditions**

In the event that agreed commitments are not met for reasons which are within the control of the Government of Lithuania, the Commission may review the programme with a view, at the Commission's discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

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<sup>20</sup> OJ L 292; 15.11.1996;p. 2-5



ANNEX D

INFORMATION AND PUBLICITY

**1. Objective and scope**

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

**2. General principles**

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:

- Regulation (EEC) 1159/2000 Official Journal of the European Communities No L130/30, 31 May 2000;
- Commission Decision of 31 May 1994; Official Journal of the European Communities No L 152/39, 18 June 1994.

Specific provisions concerning ISPA are included in:

- Commission Decision of 22<sup>nd</sup> June 2001, Official journal of the European Communities No L.182/58

Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

**3. Information and publicity concerning Phare programmes**

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:

- measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
- measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

#### **4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public**

##### **4.1 Business circles**

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.



#### 4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

##### Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, Ispa or Sapard Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

#### 4.3 The general public

##### The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

##### Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, Ispa or Sapard Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

##### Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, Ispa or Sapard should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.



Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

## **5. Special arrangements concerning billboards, commemorative plaques and posters**

In order to ensure the visibility of measures part-financed by the Phare, Ispa or Sapard Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

### **Billboards**

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

### **Commemorative plaques**

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

## **6. Final provisions**

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.



In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.

