



COMMISSION DECISION
OF 2003

Establishing a **Phare national programme for Lithuania in 2003**,

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Council Regulation (EEC) No 3906/89 of 18 December 1989 on economic aid to certain countries of Central and Eastern Europe¹, as last amended by Regulation (EC) No 2500/2001², and in particular Article 8 thereof,

Whereas:

(1) Regulation No 3906/89 lays down the rules and conditions for the granting of economic aid to certain countries of Central and Eastern Europe,

(2) The measures provided for by this Decision are in accordance with the opinion of the Committee on Aid for Economic Restructuring in certain countries of Central and Eastern Europe,

HAS DECIDED AS FOLLOWS:

Article 1

The programme described in the Annex to the present decision is hereby adopted. It shall be implemented by means of a Financing Memorandum to be concluded between the Commission and the Government of the Partner Country in conformity with the Framework Agreement concluded between the same parties.

Article 2

The maximum amount of Community assistance shall be **€52.090.750** to be financed through Budget line B7-030 in 2003.

Done in Brussels,

For the Commission

¹ OJ no. L375 of 23/12/1989

² OJ no. L342 of 27.12.2001

FINANCING PROPOSAL

1. Identification

Beneficiary The Republic of Lithuania

Programme National Phare Programme.

CRIS-Number **2003/004-341**

Year 2003

Total value of the actions to be financed from Phare: **€52.090.750**

Implementing Authority Ministry of Finance of the Republic of Lithuania

Expiry Date **Contracting:** 30.11.2005
Disbursement: 30.11.2006

Programming: All amounts under the Unallocated Institution Building Envelope 2003/004-341.08.02 must be programmed and Terms of Reference agreed by the Delegation by no later than the date of accession. (1 May 2004)

Sector Code		(sector codes)
Objective 1	Administration and Public Institutions	88190
Objective 2	Agriculture	31100
Objective 3	Education, Training and Research	43081
Objective 4	Environment	88230
Objective 5	Justice and Home Affairs	15030
Objective 6	Consumer protection	88290
Objective 7	Private sector, Restructuring, Privatisation, SME	88300
Objective 8	Others	88140

Group C
Budget Line B7-030

Programming Task Managers : S White // R.Barbosa – DG Enlargement

Implementation Task Manager: F. Garces de los Fayos – EC Delegation Vilnius

2. SUMMARY

The National Phare Programme for Lithuania for 2003 serves to support the final stage of preparation for accession to the Union. In the programming exercise full account has been taken of the instruments of the reinforced pre-accession strategy, notably the Accession Partnership (AP), the National Programme for the Adoption of the Acquis (NPAA), and the

results of the 2002 Regular Report. Projects proposed for funding have been selected in accordance with the priorities set out in the 1999 and 2001 Accession Partnerships.

The basic allocation for the National Phare Programme for Lithuania for 2003 is **€60.500.000**.

The present Financing Proposal comprises **€2.090.750** of support, of which **€33.120.075** has been allocated to investment measures and **€18.970.000** to institution building (including **€2.500.000** for an Unallocated Envelope for Institution Building (IB), which may be met by means of twinning, twinning light or technical assistance).

€3.000.000 is reserved for Lithuania's participation in Baltic Cross Border Co-operation.

€4.665.000 was 'frontloaded' to the 2002 National Phare Programme.

The projects included in this Financing Proposal have been identified as priority areas in terms of Phare institution building support (including the related investment in the *acquis*). These are grouped under the nine broad objectives listed at point 1 above.

3. STRATEGY

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.

4. Objectives and Description

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.

5. Budget³

Objective	Phare Funding			INV	Phare Total	Nat. Co-fin	Total
	Institution Building (IB)						
	Twinni ng	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-- 2003/004-341.01.01	2.34		2.34	2.66	5.0	0.89	5.89
Implementation of trader based risk assessment and control -- 2003/004-341.01.02	0.75		0.75	1.1	1.86	0.50	2.36
Strengthening Functional Capacities of the Public External Audit Aimed at Practical implementation of Acquis-- 2003/004-341.01.03	0.95		0.95	0.41	1.36	0.14	1.5
Strengthening of Control on Infectious Animal Diseases in Lithuania-- 2003/004-341.02.01	0.45		0.45	5.7	6.1	1.9	8.0
Upgrading of the Integrated Administration and Control System-- 2003/004-341.02.02				2.85	2.85	0.95	3.80
Strengthening of Food Safety Control, Food Control Laboratories in Lithuania--- 2003/004-341.02.03	0.65		0.65	1.53	2.19	0.51	2.7
Strengthening the Implementation of Policies and Procedures on Plant Protection and Plant Variety Identification-- 2003/004-341.02.04	0.70		0.70	0.77	1.73	0.26	1.99
Rural IT Access Points-- 2003/004-341.03.01		0.68	0.68	1.69	2.36	0.79	3.15

³ All figures in this table are rounded up to 2 decimal places.

Developing reliable infrastructure in the fields of measurements in chemistry in Lithuania according to the best EU practices-- 2003/004-341.03.02	0.70	0.25	0.95	0.60	1.55	0.30	1.85
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		0.4	0.4	5.91	6.33	2.42	8.75
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	0.57	1.58	0.19	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	0.2	1.09	0.15	1.24	0.05	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
Total	12.00	6.97	18.97	33.12	52.09	12.59	64.68

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 eligible¹ 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.

6. 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 Commission². Prior to the conclusion of the Agreement, the implementation of this programme will exceptionally follow Phare Decentralised Implementation System (DIS) procedures³. 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 and standard documents

¹ Taxes are not an element for co-financing

* working title!

* working title!

² 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

³ 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!

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**
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- 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 30/11/2005⁴. In no case can the contracting period exceed 3 years after the date of the global commitment.

All disbursements must be made by 30/11/2006⁵. 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 Regulation⁶ and Art. 42 of the Implementing Rules to the Financial Regulation⁷ will be put in place.

Any proven irregularity or fraud⁸ discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

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

⁷ Same as on 1st page of the main text, not longer than a max of 36 months from the date of the FM signature.

⁶ Council Regulation 1605/2002 of 25 June 2002

⁷ Council Regulation 2342/2002 of 23 December 2002

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

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 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-financing⁹ 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 transfers¹⁰ 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)¹¹.

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.

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

⁹ as defined in Art. 81.1.b.i of the Financial Regulation .

¹⁰ 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)*

¹¹ 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)*

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 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 accounts¹² 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

¹² in particular, but not exclusively, accounts run by the NF, the CPMA and IAs

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

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive¹³ 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-

¹³ 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

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 documented¹⁴.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive¹⁵ must be documented¹⁶

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

Twining

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.

7. 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).

¹⁴ in **Annex EIA** to the corresponding investment project fiche

¹⁵ DIR 92/43/EEC; OJ 206/7; 22.7.1992

¹⁶ in **Annex Nature Conservation** to the corresponding investment project fiche

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.

8.) Audit and Anti-Fraud Measures

a.) By the Candidate Countries¹⁷

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 law¹⁸, 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,

¹⁷ in accordance with the rules set down in Art. 54 of the Financial Regulation

¹⁸ 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.).

(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 1681/94¹⁹.

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 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. 2185/96²⁰.

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.

9. 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 "Visibility/Publicity". (*enclosed*)

10. 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.

¹⁹ OJ L 178; 12.07.1994; p. 43-46

²⁰ OJ L 292; 15.11.1996;p. 2-5