

STANDARD SUMMARY PROJECT FICHE
FICHE N° 2002/000.620.01.01

1. Basic Information

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|-----|--------------|---|
| 1.1 | CRIS Number: | 2002/000.620.01.01 |
| 1.2 | Title: | Support to Business Development |
| 1.3 | Sector: | Social and Economic Cohesion |
| 1.4 | Location: | Ministry of Economy, Vilnius, Lithuania |

2. Objectives

2.1. Overall Objective

The overall objective of this **8.4 MEUR** (with a Lithuanian co-financing contribution of **2.1 MEUR**) economic and social cohesion project is to support business development in Lithuania, within the context of pre-accession to the EU Structural Funds.

2.2. Project purposes

Current project has 2 purposes (hereinafter referred to as measures):

1. Business Development:

- To strengthen business (especially SME) support infrastructure;
- To support innovation in companies;

2. Tourism:

- To develop tourism infrastructure.

2.3. Accession Partnership and NPAA priority

➤ Link to the Accession Partnership 2001

Under Economic Criteria, „further improvement of business support infrastructure“ is identified as a priority and an intermediate objective for Lithuania. At the same time, „development of the technical preparation of projects eligible for Structural and Cohesion Funds assistance (project pipeline)“ is also identified as a priority in the section „Ability to assume the obligations of membership“, under Regional policy and co-ordination of structural instruments.

➤ Link to NPAA (Lithuania's EU Accession programme) 2001-2003

1. Business support infrastructure

The Programme identifies promotion of SME development as a priority, in particular „the development of SME infrastructure, enforcement of businessmen training and consultation projects“. This programme declares that by year 2003, it is planned to implement the 2000-2001 SME development measures provided for in the SME development strategies, by creating a network of institutions rendering support to SMEs (...), preparing and implementing financial support instruments and strengthening administrative capacities of technical and financial support.

support.

2. Tourism development

The Programme identifies implementation of the National Tourism Development Programme 1999 – 2002 which sets out a framework for development of the tourism sector and sets out priority measures to develop the Lithuanian tourism information system, the tourism services infrastructure, new tourism products and marketing. The new National Tourism Development Programme 2003-2006 and the Measures for Implementation of the National Tourism Development Programme Implementation will be designed.

2.4. Contribution to the National Development Plan

1. Business development

The NDP states that development of the SME support infrastructure is a priority for Lithuania, and that a significant part of support should be granted to the development of business service infrastructure. It also emphasises that „significant attention should be paid to the development of a network of business information and consultation centres“. Development of the business services sector is also clearly mentioned in the NDP indicating that „attention will be focused on business consultancy and training“.

The NDP also stipulates that increasing possibilities to introduce innovations in enterprises, development of information technologies and communications is a priority for Lithuania. It indicates that investments will be made facilitating introduction of innovations, which would increase output and competitiveness of products and services.

The NDP foresees that activities under this measure will be financed, *inter alia*, by Phare ESC programme.

2. Tourism development

The NDP states that „in the nearest future, (...) trying to escape heavy social changes, a tendency will remain that high unemployment and surplus of the human resources in agriculture will affect the supply of cheap labour force. A significant part of this surplus supply is expected to be absorbed by developing the labour-intensive sector of tourism“. The grant scheme for tourism infrastructure could especially help municipalities to create public tourism infrastructure that would also help private persons to start their own small tourism business or to be employed in the tourism sector.

The proposed grant schemes in the tourism area link directly to the development of tourism business sector set out in the NDP measure 4 which reads that Phare ESC support for this measure will also focus on strengthening and harmonisation with the EU Structural Funds requirements of the instrument supporting active tourism marketing measures.

2.5. Cross Border Impact: none.

3. Description

3.1. Background and justification

➤ Background

The **Ministry of Economy** of the Republic of Lithuania is responsible for the preparation of economic development strategies. The Industry and Business Department of the Ministry coordinates the implementation of industrial and business (SME) policy in Lithuania, based on national policy documents such as the Medium-term Industrial Development Policy and its

Implementation Strategy, the Small and Medium-size Business Development Strategy, the Programme for Innovations in Business etc. These documents contain priorities for Government support. The implementing agencies are public institutions, such as the Small and Medium Size Enterprise Development Agency (SMEDA), the Lithuanian Innovation Centre (LIC), the State Tourism Department under the Ministry of Economy, the Enterprise Bankruptcy Management Department under the Ministry of Economy etc.

The **overall business development policy** pursued by the Lithuanian Government focuses on the elaboration of legislation (i.e. amendments to the SME law including the definition of SMEs and micro-companies), improvement of business environment (reduction of red tape, i.e. reduction of time needed for registration of companies, facilitating the restructuring and bankruptcy procedures, reduction of taxes, such as the corporate tax on profits etc.), promotion of entrepreneurship, the level of which is quite low in Lithuania (only 4.4%), strengthening of institutional business support infrastructure¹, improvement of financial support etc.

With regard to access to credits, there are different credit possibilities for SMEs to finance their capital investments, i.e. credit lines are available through the banks (interest rates to small companies now come close to the rates provided to large companies), as well as through the SME Facility financed under the Phare programme. A recently established institution INVEGA provides guarantees to banks (its credit limit amounts to 20 Million Litass, which allows for 150 credit facilities to companies).

➤ Justification

The **Medium-term Industrial Development Policy** identifies development of business support services as one of the key trends for strengthening the industrial competitiveness and emphasizes the strategic importance of the business services sector. Among SME measures, it foresees promotion of research, introduction of new technologies, training of entrepreneurs, creation of a system of qualified business consulting and training services.

The **Small and Medium-size Business Development Strategy until the year 2003** and its revised version until the year 2004 identify the following priorities for business development: improvement of financial assistance to SMEs, provision of business information, training and consulting services, promotion of innovation and information technologies in SMEs, improvement of institutional business infrastructure, integration of certain society groups into small and medium-size business.

The need for support to business services was revealed, *inter alia*, by the results of an SME survey which was initiated by SMEDA and carried out in 2001 together with a private consulting company "Naujosios marketingo sistemas" (New marketing systems) in order to identify how SMEs assess the business environment in Lithuania and what are their needs in terms of state support. The results of this study revealed that even 78% of SMEs interviewed were in need of external assistance. The results also confirmed that business conditions could be significantly improved by Government subsidies to consulting, training and information services as well as development of business support infrastructure institutions providing support to business. However, due to economic situation in the country and limited financial resources, the Government support to training, consulting and information services for start-up companies has been so far provided on a very fragmented basis and only in certain regions. Most of the

¹ At the moment Lithuania has stopped the expansion of business incubators in order to look at the results achieved, but this concerns only opening of the new ones. The existing ones are further supported. The current project will pilot-test their capacity and provide support to the most successful (approved) ones.

entrepreneurs confirmed that the State should subsidise training and consulting services also because entrepreneurs very often can not afford services of specialized service providers because of high prices. For more details about this survey see Annex 4.

This project therefore aims to address those needs by implementing activities which will give the possibility to pilot future Structural Funds support and the absorption capacity in the field of business development and which also build on previous projects (e.g. LI 01.11.01 Innovation Capacity)

Under the **grant scheme 1** of the proposed project, relevant standards will be set for the business centres to become approved centres for further delivery of subsidised services to private companies both within this Phare project and within the institutional framework that will be channeling support from the Structural Funds. Those who apply and meet the necessary criteria will be given a grant to enable them to provide subsidised services to companies, start-ups, etc; these services would be clearly set out in the application and agreed with SMEDA.

Approved business centres will be responsible for advertising regionally the possibility for private companies (especially micro and small enterprises) and potential entrepreneurs to apply for the subsidised training and consulting services. The individual service packages to be provided by the approved business centres would reflect the specific needs of the companies, but could include a combination of one or more of the following elements: customized in-company training programmes, focused consultancy support, provision of specialist technical services, procurement of equipment related to achievement of specific needs.

Under the **grant scheme 2** innovative and/or e-business projects in companies will be supported. Innovation in companies shall be implemented via the development of innovative projects in companies and commercial application of research results. The funding of e-business projects in companies will be supplementary to specialized business support services on e-business development, provided by business/ innovation centres, because in e-business, in order to get the best results, services (advise, training, etc.) need to be reinforced with appropriate funding.

The **National Tourism Development Programme** focuses on travel organisation, accommodation, catering, information, creation of tourism routes and special tourism products, entertainment, marketing as well as any other services related to tourism. However, due to insufficient level of funding the development of tourism infrastructure has been slow.

A big weakness of the Lithuanian tourism sector is that there is underdeveloped infrastructure of various tourism routes and special tourism products (water tourism routes, bicycle routes, tracking trails, attractions infrastructure, conference tourism, etc) – Lithuania because of this becomes less attractive to foreign and local tourists. There is also a lack of tourism information and marketing measures.

As the development of the tourism sector involves the commitment of considerable investment on the part of both the public and private sector, it is reasonable to give grants to both of them. Therefore, within tourism development area of the proposed project **grant scheme 3** will target tourism infrastructure development, and **grant scheme 4** direct support to private entities. The proposed grant schemes in tourism area have been designed in such a way as to avoid overlap with support for rural tourism eligible under SAPARD.

➤ Link to future Structural Funds of the EU

The proposed project has the following direct links to future management of the Structural

Funds:

- the Ministry of Economy will be the intermediate body under Structural Funds for ERDF aid to business development;
- SMEDA will be the final beneficiary for future management of the SFs.

The project will with the assistance from the TA component build the capacity of the Ministry of Economy and other institutions involved by pilot testing the key elements of the institutional/administrative structure to be applied within the future SFs in the following ways:

- Testing of the capabilities/capacities within the Ministry of Economy to manage the measures under industry and business development.
- Testing of the capabilities/capacities of the Steering Committee to perform the tasks required of this kind of monitoring committee in relation to project selection and monitoring.
- Testing of the capabilities/capacities needed within the final beneficiary. The project will test one particular agency, SMEDA, but the lessons learnt could be applied to more than one agency in the future.
- Testing of the capabilities/capacities of final recipients such as business centres, innovation centres.
- Testing of the absorption capacity of potential final recipients.

The Ministry of Economy is one of the key ministries closely involved in the programming and management of pre-accession funds for structural support (Phare ESC) and later the EU Structural Funds.

By **Government Resolution No. 953** of 31 July 2001, On procedures for administration, management and control of funds of the EU financial assistance programmes, the Lithuanian Ministry of Economy was assigned the responsibility for the administration of Phare Economic and Social Cohesion support to business development.

By **Government Resolution No. 649** of 31 May 2001 On the allocation of responsibilities between state institutions for the implementation of the EU Structural Funds assistance in Lithuania, the Ministry of Finance has been designated as the future paying and managing authority for European Regional Development Fund. The Ministry of Economy will under the overall responsibility of the Ministry of Finance be responsible for administration of funds from the ERDF to business development.

In the **Regular Report 2001** assessing Lithuania's progress towards accession, the European Commission pointed out that „substantial efforts are still needed in order to develop the administrative capacity required for managing the Structural and Cohesion Funds, and, as a matter of priority, the administrative capacity of the future managing and paying authorities needs to be considerably strengthened in order that they will effectively be able to take on the responsibility for the efficiency and correctness of the management and implementation of Structural Funds“.

The two Government resolutions provide the Ministry of Economy with a clear legal basis to start preparations for future SFs in the field of support to business development. SMEDA will also have a role in the future Monitoring Committee under the SPD for Objective 1.

The current project has been designed to support the SF-type activities. In line with the priorities for Phare ESC set out in the NDP it will involve 4 grant schemes in 2 areas, business development and tourism. In addition, it is proposed to include a technical assistance component (complementary to the existing projects such as SPP II, and Innovation Capacity, see next section) for institution-building within the MoE, strengthening of final beneficiaries and other institutions, which play a consultative and project monitoring role in relation to the

management of business development measures under SFs. Furthermore, grant schemes 3 and 4 in this project will be especially targeted at the potential applicants around the cycling routes to be developed under the project Development of Pilot Western Lithuanian Cycling Circuit in order to develop for them a small scale infrastructure and tourist facilities for accommodation etc.

Representatives of business organizations such as Lithuanian Industrialists Confederation, Confederation of Lithuanian Business Employers, association 'Knowledge Economic Forum' as well as representatives of individual companies took part in the elaboration of the present project. The idea to prepare the project, which will be directed to the preparation of Lithuanian companies to use the support from the EU structural funds, - arose during informal discussion with representatives of the Ministry of Economy. The business association have given a lot of proposal and suggestions, what needs to be funded first, what kind of activities, where the gaps are. The lack of information, administrative structure for channeling of the structural funds support and opportunities to test the use the funds under the rules similar to the Structural Funds were identified as the biggest weaknesses. The necessity to focus direct support on companies with the aim of introducing innovation in companies and to e-business development have also been highlighted.

3.2. Linked activities.

Phare ESC projects

- LT 02 XX XX Development of the Pilot Western Lithuanian Cycling Circuit, State Tourism Department under the Ministry of Economy

Objectives of this project are to (1) develop pilot bicycle circuit to promote environmental-friendly tourism and to encourage the creation of new services and jobs, (2) to achieve better access to tourism sites of interest and rural tourism, and to contribute to the growth of tourism activity in these areas, and (3) to develop national management, support and marketing structure to provide an effective basis for the further development of Lithuanian bicycle tourism.

Grant scheme 3 and 4 in this project fiche will be especially targeted towards the potential applicants around the bicycling routes in order for them to develop small scale infrastructure and tourist facilities.

- LT 01.11.01 Innovation capacity (Ministry of Economy)

The project aims at strengthening the Lithuanian Innovation Centre (LIC) and institutional capacity for innovation across Lithuania, through the establishment of a network of regional innovation support units (with the coordination centre in the LIC), as well as to develop a project pipeline for concrete innovation projects.

This pipeline of projects will be ready by mid-2003 for direct use under the Innovation sub-measure of the proposed grant scheme. The regional innovation network shall also be used as a part of infrastructure for future SFs.

- LT 01.12.01 National tourism information and pilot tourism infrastructure in Utena region (PPF support) (State Department of Tourism)

The wider objective of this project is economic and social cohesion based on improved tourism services and infrastructure. The immediate objectives are: (1) development of national information infrastructure and services to support tourist development; (2) development of

pilot tourism infrastructure within Utena region.

- LT 00.09.01-00.09.03 National-Regional Development in the target regions (business development part) (Ministry of Interior)

Supporting productive sector, human resources development and improvement of business related infrastructure. Two of the projects aim at building up structures and facilities for developing and promoting innovation and SME related projects. Such activities are contributing to the development of projects to be financed under the Structural Funds upon accession.

The grant schemes under this project will be contracted during 2002, so there will be no overlap in time with the grant schemes of the proposed project. The proposed project will also benefit from project pipelines established under this Phare ESC 2000 project.

Phare IB projects

- LT 01.09.02 SPP II (Ministry of Finance)

The project aims at developing the capacity of relevant ministries and agencies at the national and regional levels which will be implementing the EU Structural Funds, as well as at assisting with the setting up of administrative procedures and systems for co-financing, monitoring, reporting, auditing and control of Pre-Accession Funds and Structural Funds. There will be a medium-term expert under this project working at the Ministry of Economy who will contribute to assist to the new SF Management Division of the MoE for the management of EU Structural Funds. This project is complementary to the SPPII, but is focused on specific management of the grant scheme.

- LT 00.03.01 "Strengthening Administrative and Technical Capacity to Promote the Free Movement of Goods"

The objective of this project is to strengthen the administrative, organisational, financial management and technical capacities of a range of horizontal and sectoral agencies and laboratories to adopt and enforce the EU acquis relevant to the free movement of goods, removal of technical barriers to trade and development of the mutual recognition, in particular with relevance to market surveillance and conformity assessment structures and key sectors identified as priority for Lithuania.

- LT 00.02.01 "Promotion of competitiveness / Enforcement of Financial Discipline for Enterprises"

The Objectives are: (1) to promote the competitiveness of Lithuania's enterprise sector, to enforce financial discipline for enterprises particularly through enforcement of bankruptcy and restructuring legislation and promotion of best-practice in corporate governance; (2) to develop enabling factors for increasing the competitiveness of Lithuanian enterprises through development of business environment focused on simplification of regulations governing enterprise registration and administration; adaptation/creation of Government enterprise development policy and delivery instruments, in accordance with SF requirements; and assistance for adaptation of Government innovation policy and mechanisms intended to enhance innovation processes in companies.



3.3. Results

Area 1: Business development

Grant scheme 1: Business support services

- Absorption capacity of business support institutions pilot-tested;
- Subsidised training/consulting services to economic entities (especially micro and small companies) delivered;
- 20 to 40 grants awarded to business/innovation support centers.

Grant scheme 2: Direct support to companies

- A grant scheme for innovation and e-business projects pilot-tested and recommendations for its improvement provided;
- Absorption capacity of private companies (innovation and e-business projects) pilot-tested;
- 20 to 40 grants distributed to high quality enterprise innovation and e-business projects that are in line with the EU requirements for future eligibility under the Structural Funds.

Area 2: Tourism development

Grant scheme 3: Tourism infrastructure

- Absorption capacity of public institutions for small-scale tourism infrastructure projects pilot-tested;
- 20 - 40 grants to projects on small scale tourism infrastructure development distributed.

Grant scheme 4: Direct support to private entities

- Absorption capacity of private sector for tourism development projects pilot-tested;
- A grant scheme on tourism development in Lithuania pilot-tested, and recommendations for its improvement provided to the beneficiary;
- 30 – 60 grants to projects of private entities distributed.

Technical Assistance

- The Ministry of Economy and SMEDA staff trained in relation to their specific roles in the management, operation and monitoring of a grant scheme (advising on project preparation, operation of project helpdesk, evaluation of projects, project monitoring, assessing eligible costs). Aspects of this training will also be provided to staff from the Lithuanian Innovation Centre, the State Tourism Department and the Information Society Committee where they have responsibilities for specific support tasks;
- Grant schemes publicised and promoted;
- Staff of around 20 Business Centres trained in the management of grants for subsidised services (project documentation, financial record-keeping, setting project indicators, evaluating quality of service delivery, promotion of schemes, assessing eligible costs)
- Network among business development support organisations strengthened and further developed;
- Clear definition of job profiles, management procedures elaborated and staff development needs identified in relation to the tasks to be undertaken in the management of the Grant Scheme by the MoE and SMEDA (in line with the proposed future tasks under Structural Funds).
- Staff in the MoE, SMEDA, other support institutions and Business Centres trained in the identification of projects to be included within the project pipeline for Structural Funds. In some cases this will include projects already funded which have potential for further development in the future as well as projects which are not too large for support within this scheme but would be eligible for SF support.

- Absorption capacity of business and innovation support infrastructure projects measured and recommendations on improvement provided.
- Possible types of business support infrastructure projects to be supported under the SF identified.

3.4. Activities

The following activities are necessary in order to obtain results and meet the objectives:

- **Grant scheme contracts:**

Area 1: Business Development

Grant scheme 1: Business support services

Delivery of grants to the approved business centres

Grant scheme 2: Direct support to companies

Delivery of grants to enterprise innovation and e-business projects

Area 2: Tourism development

Grant scheme 3: Tourism infrastructure

Delivery of grants to public applicants for small-scale tourism infrastructure projects

Grant scheme 4: Direct support to private entities

Delivery of grants to private entities for tourism development projects.

For detailed activities, see Annex 6.

- **Technical Assistance Contract:**

- Training of MoE SF Management Division, SMEDA and Business Centers on their roles within the implementation of the Phare grant scheme, including networking activities;
- Training of SMEDA, State Tourism Department under the MoE and LIC on their role as project promoters including some Help-Desk assistance to prepare projects;
- Support in the promotion of the individual grant schemes towards the specific target groups including preparation of information and promotion material and organization of information seminars. The information should be available made on the Internet.
- Support in the development of effective reporting and information flows across the network of agencies involved (this will include purchase of software licenses where appropriate);
- Assessing the absorption capacity of projects, clarifying their possible types, and refining the scope of projects to be financed under the grant schemes, drafting of recommendations on improvement of the absorption capacity;
- Assisting the MoF and SMEDA in developing a concept for quality control and assessment of services delivered by business centers.

3.5. Lessons learnt

- *Phare 94 & 95 SME Credit Lines*

In 2001, 3 Lithuanian banks were involved in financial support to SME sector development under the Phare programme: Vilnius Bank Ltd, Siaulių Bank Ltd and Ukio Bank Ltd. By the end of 2001, the commercial banks had extended 429 loans totaling over 30 million DM for funding

of SME financial projects, the expected impact of which was job increase by 3094. 299 out of them totaling over 20 million DM have already been repaid to the banks. The average amount of the loan totaled from 70 to 91 thousand DM.

The highest absorption was demonstrated by small companies employing from 9 to 49 people, while micro companies employing up to 9 people ranked second in terms of number of loans received. In terms of fields of activity, most of the loans were extended to the manufacture of foodstuffs (61 loan), transportation and warehousing (55 loans), hotels and restaurants (38 loans), manufacture of timber-based industry (34 loans), health and social work (28 loans), motor-car services and repairs (28 loans) etc. In terms of coverage, 105 loans were extended in Siauliai region, 93 in Vilnius region, 50 in Kaunas region, 20 in Klaipeda.

However, these loans were used for extending the production capacities, mostly for purchasing of equipment and tangible assets, but not for a qualitative leap of companies, i.e. improvement of production/ management process or product. The terms for granting loans are still very strict (claiming of collateral, guarantees/ warranties, evidences of already successful operations etc.), which makes the access to loans for SMEs difficult. The average interest rates (in commercial banks) still remain much higher compared to the average of profitability of companies (EBIT – earning before interest rates and taxes). In 2001 the interest rates in national currency were 10.4%, 8.2% in euro comparing to 4.1% profitability of companies. Concerning introduction of innovation in companies the situation is much worse: banks are reluctant to fund innovative projects regarding them too risky. In other words, there is no financial support instrument in the market for introduction of innovation in companies, except limited funds from the National Innovation in Business Programme. The possibility to give grants to companies under the grant scheme could supplement financing opportunities.

- *Phare ESC 2000 project LT 00.09.01-00.09.03 "National-Regional Development in the target regions" (business development part) (Ministry of Interior)*

Timely focused training activities in county and municipal administrations foreseen under the Phare project (where not foreseen, then organized separately and financed by the Ministry of Interior) and active information/promotion campaigns have been crucial for attracting more participants/applicants and for ensuring better quality of applications. Everybody (incl. the quality of project management, counties, the Ministry and the applicants) also benefited from the transfer of programme administration functions to the county administrations. Therefore, the TA component under this fiche will support the Ministry of Economy and SMEDA to provide promotion activities and Help-Desk assistance for project applicants.

- *EU Phare SME Development Project LI 9703-02-01-0002 (Contractor – SMEDA)*

This was the first project in the SME area in Lithuania, which was administered on the basis of a Direct Agreement by a Lithuanian contractor – SMEDA. The Lithuanian business community successfully absorbed 0.9 MEUR out of 1.2 MEUR. SMEDA gained extensive experience in project management.

The project revealed the increasing need of the SME representatives for training and consulting services not only in cities but also in rural areas of Lithuania. The project also demonstrated clearly that it is possible to reach the entrepreneurs in the remotest areas.

This project was a very good lesson to many delivery agents in the process of cooperation. They were advised when submitting proposals to form consortia in order to achieve a cross-country effect as well as facilitate the process of programme delivery.

Apart from the traditional consulting and training services, this project also introduced new initiatives, including promotion of e-business. These programmes attracted a great number of interested participants but proved to be too short to achieve some major results. Nevertheless, it demonstrated an evident need for these two pilot programmes to be continued in the future as well as necessity to have an operational mechanism for channeling of the possible financial support, including the EU support under the grant schemes and, after accession, under business aid schemes.

4. Institutional Framework

The Ministry of Economy will be responsible for the general co-ordination and monitoring of the project, and will ensure that its implementation is complementary to other related activities. The Lithuanian Small and Medium-size Enterprise Development Agency (SMEDA) will undertake delegated tasks for operational management of project activities.

A Project Steering Committee will be established, chaired by the Ministry of Economy, and including representatives from the Ministry of Finance, the State Department of Tourism, the Information Society Committee, the Lithuanian Innovation Centre, SMEDA, the Lithuanian Development Agency, and associated business organizations such as Lithuanian Industrialists Confederation, association "Infobalt", association of "Knowledge Economic Forum", Confederation of Lithuanian Business Employers. In addition, a horizontal Steering Committee (SC) for all Phare 2002 ESC projects, chaired by the Ministry of Finance, will be linked to the SC for Phare 2001 ESC and will ensure close coordination between the measures and activities implemented under both programmes.

The contact person at the Ministry of Economy is Ms. Danguolė Saldžiūnienė, Head of Structural Fund Management Division, Ministry of Economy of the Republic of Lithuania, Gedimino av. 38/2, LT-2600 Vilnius, Lithuania, (3702) 62 90 12, fax. (3702) 62 39 74, E-mail: d.saldziuniene@po.ekm.lt

The contact person at SMEDA is Ms. Violeta Makauskienė, Lithuanian Small and Medium-size Enterprise Development Agency, Zygimantu str. 11-5, LT-2001 Vilnius, Lithuania, ph. (3702) 22 29 26, fax. (3702) 60 83 98, E-mail: info@svv.lt.

5. Detailed Budget (in € million)

Project Components	Phare Support			National Co-financing	IFI	TOTAL
	Investment Support	Institution Building	Total Phare (=I+IB)			
Grant scheme 1	1.5		1.5	0.5		2.0
Grant scheme 2	1.5		1.5	0.5		2.0
Grant scheme 3	1.5		1.5	0.5		2.0
Grant scheme 4	1.5		1.5	0.5		2.0
Technical assistance		0.3	0.3	0.1		0.4
TOTAL	6.0	0.3	6.3	2.1		8.4

The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

6. Implementation Arrangements

6.1 Implementing Agency

The Implementing agency will be the CFCU. It will be responsible for all contractual and financial aspects of the implementation of this project. The PAO will be the Director of the CFCU, Mr Zilvinas Pajarskas, Ministry of Finance J. Tumo-Vaizganto 8a/2-241, 2600 Vilnius; telephone: +370 2 22 66 21, fax: +370 2 22 53 35, e-mail: info@cfcu.lt

Lithuania is currently developing an action plan for EDIS, with full accreditation foreseen in December 2003. At that date financial management responsibility for the project will be transferred to the Ministry of Economy which is expected to take over the role of the Implementing Authority.

6.2 Twinning: n/a.

6.3 Non-standard aspects:

For the grant schemes and services the PRAG rules will be strictly followed. However within grant scheme 4 the minimum size of grants will be 20.000 Euro due to the size of companies and local tourism service providers.

6.4 Contracts

For the four grant schemes, totalling 8.0 MEUR (incl. national co-financing of 2 MEUR), there will be a large number of contracts concluded (by way of organising, separately for each of the four schemes, tenders and calls for proposals).

There will also be a separate contract concluded for technical assistance, totalling 0.4 MEUR (incl. national co-financing of 0,1MEUR).

7. Implementation Schedule

Component	Start of Tendering	Start of Project Activity	Project Completion
Grant schemes	3Q/03	1Q/04	3Q/05
TA	4Q/02	2Q/03	2Q/04

8. Equal Opportunity

Lithuanian Constitution, the Law on Equal Opportunity between Men and Women, and other legal acts explicitly forbid the discrimination on the basis of sex, nationality, and religion. A Controller on equal opportunities between men and women is appointed by the Seimas (Parliament).

Equal opportunities for men and women will be ensured in the project and taken into account when elaborating the selection criteria's in the Operational Guidelines for the Grant Schemes.

9. Environment:

All projects to be funded within the grant schemes will be required to produce a declaration in relation to the environmental impact. In addition, for all projects involving investment in infrastructure there will need to be an Environmental Impact Assessment produced as a prior

Design and tendering of technical assistance should occur prior to calls for proposals under the grant schemes, as it should provide the necessary training to the Steering Committee members and to project support desk at SMEDA.



ANNEXES TO PROJECT FICHE

- 1. Logical framework matrix in standard format**
- 2. Detailed implementation chart**
- 3. Contracting and disbursement schedule**
- 4. Survey of small and medium sized business in Lithuania**
- 5. Institutional framework for Management of the Grant scheme**
- 6. Types of activities to be financed under the proposed grant scheme**

LOGFRAME PLANNING MATRIX FOR		Programme Name and Number		Disbursement Period Expires: 4Q/2005	
SUPPORT TO BUSINESS DEVELOPMENT		Contracting Period Expires: 4Q/2004		Phare Budget: 6.3 MEUR	
		Total Budget: 8.4 MEUR			
Overall Objective: Support to business development in Lithuania within the context of strengthening economic and social cohesion, and pre-accession to the EU Structural Funds	Objectively Verifiable Indicators: <ul style="list-style-type: none">Structural Funds assistance in the area of business development committed to projects. 30 pct in year 2004, 30 pct in 2004 and 50 pct in 2005	Source of Verification: <ul style="list-style-type: none">Monitoring reports for Objective 1			
Project Purpose: To pilot-test the capacity of the existing Lithuanian business support institutions to manage and of the Lithuanian businesses to absorb the EU funding via 4 grant schemes focused on 2 areas: Area 1: business development Grant scheme 1: business support services Grant scheme 2: direct support to companies Area 2: tourism development Grant scheme 3: tourism infrastructure Grant scheme 4: direct support to private entities	Objectively Verifiable Indicators: <ul style="list-style-type: none">Increase in turn over of assisted businessesPct of additional jobs created in businesses receiving supportIncreased number of business start-ups,Death rate of assisted businesses 50 pct over averageNumber of tourists visiting new attractionsAdministrative set-up able to take over Structural Fund administration without external assistance	Source of Verification: <ul style="list-style-type: none">National & regional statistics and surveysProject progress and monitoring reports	Assumptions: <ul style="list-style-type: none">EU accession policies continueCommitment of relevant institutionsStable co-financingGeneral Business climate not deteriorated		
Results: Grant scheme 1: Business support services <ul style="list-style-type: none">Absorption capacity of business support institutions pilot-tested;Subsidised training/consulting services to economic entities (especially micro and small companies) delivered;20 to 40 grants awarded to business/innovation support centers. Grant scheme 2: Direct support to companies <ul style="list-style-type: none">A grant scheme for innovation and e-business projects pilot-tested and recommendations for its improvement provided;Absorption capacity of private companies (innovation and e-business projects) pilot-tested;20 to 40 grants distributed to high quality enterprises innovation and e-business projects that are in line with the EU requirements for future eligibility under the Structural Funds.	Objectively Verifiable Indicators: <ul style="list-style-type: none">50 pct of activities delivered to micro businesses and SME's5 joint R&D projects between firms and research institutions supportedThe number of new products marketed by firms receiving financial supportInvestment in RDTI induced by enterprises involved in supported projectsMinimum 5 projects to SMEs to develop and commercialise IT services	Source of Verification: <ul style="list-style-type: none">Project progress reports from individual projects/ grant holdersProject monitoring reports	Assumptions <ul style="list-style-type: none">Willingness of trainees to participate in training and consulting sessionsWillingness of business support institutions to co-operateCo-operation of local administration institutionsEffective liaison with other ongoing projects, i.e. Phare		

<ul style="list-style-type: none"> ▪ Grant scheme 3: Tourism infrastructure ▪ Absorption capacity of public institutions for small-scale tourism infrastructure projects pilot-tested; ▪ 20 to 40 grants to projects on small-scale tourism infrastructure distributed <p>Grant scheme 4: Direct support to private entities</p> <ul style="list-style-type: none"> ▪ Absorption capacity of private sector for tourism development projects pilot-tested; ▪ A grant scheme on tourism development in Lithuania pilot-tested, and recommendations for its improvement submitted to the beneficiary; ▪ 20 to 40 grants to projects of private entities distributed <p>Technical Assistance</p> <ul style="list-style-type: none"> ▪ Ministry of Economy staff and SMEDA staff trained in relation to their specific roles in the management, operation and monitoring of a grant scheme (advising on project preparation, operation of project helpdesk, evaluation of projects, project monitoring, assessing eligible costs). Aspects of this training will also be provided to staff from the Lithuanian Innovation Centre, the State Tourism Department and the Information Society Committee where they have responsibilities for specific support tasks; ▪ Staff of around 20 Business Centres trained in the management of grants for subsidised services (project documentation, financial record-keeping, setting project indicators, evaluation quality of service delivery, promotion of schemes, assessing eligible costs). ▪ Clear definition of job profiles, management procedures and staff development needs in relation to the tasks to be undertaken in the management of the Grant Scheme (in line with future tasks under Structural Funds). ▪ Staff in the MoE, SMEDA, the other support institutions, and Business Centres trained in the identification of projects to be included within the project pipeline for Structural Funds. In some cases this will include projects funded which have potential for further development in the future, as well as projects which are not too large for support within this scheme but would be eligible for SF support. ▪ Absorption capacity of business and innovation support infrastructure projects measured and recommendations on its improvement provided. ▪ Possible types identified and scope refined of business support infrastructure projects to be supported under the SF. 	<ul style="list-style-type: none"> ▪ Minimum 100 persons successfully completed training in tourism promotion and service. ▪ 10 to 15 tourist attractions including tourist routes prepared, upgraded or developed ▪ 5 recreational sites or campsites prepared, upgraded or developed ▪ 5 to 15 of B&Bs, campsites and other accommodation upgraded or developed ▪ 5 to 15 attractions created an improved ▪ 5 to 15 tourist services and facilities developed and upgraded <ul style="list-style-type: none"> ▪ Minimum 300 funding applications received ▪ The number of potential applicants in contact with SMEDA and Business centres ▪ Minimum 60 pct of applicants satisfied with the information and advice received on preparing application for the grant schemes ▪ Grant schemes implemented according to implementation schedule and 90 pct of projects successfully completed 	<p>ESC 2001 Innovation Capacity and SPP2</p>
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<p>Activities:</p> <p>Grant scheme 1: Delivery of grants to the approved business centres</p> <p>Grant scheme 2: Delivery of grants to enterprise innovation and e-business projects</p> <p>Grant scheme 3: Delivery of grants to public institutions for small-scale tourism infrastructure projects</p> <p>Grant scheme 4: Delivery of grants to private entities for tourism development projects</p> <p>Technical Assistance Contract:</p> <ul style="list-style-type: none"> ▪ Training of MoE SF Management division, SMEDA and business centers on their roles within the implementation of the Phare grant scheme; ▪ Training of SMEDA, State Tourism Department under the MoE and LIC on their role as project promoters; ▪ Support in the development of effective reporting and information flows across the network of agencies involved (this to include purchase of software licenses where appropriate) ▪ Assessing the absorption capacity of projects, clarifying their possible types, and refining the scope of projects to be financed under the Structural Funds, as well as drafting of recommendations on improvement of the absorption capacity 	<p>Means:</p> <p>4 grant schemes</p> <p>TA contract for training activities</p>	<p>Source of Verification:</p> <ul style="list-style-type: none"> ▪ Project Monitoring Reports ▪ Quarterly Project Reports ▪ Training material and manuals ▪ Grant scheme documentation package 	<p>Assumptions:</p> <ul style="list-style-type: none"> ▪ Qualified experts available ▪ All participating institutions co-operate successfully ▪ Sufficient motivation of trainees ▪ Contracts concluded ▪ The necessary grant scheme documentation prepared in time
			<p>Preconditions:</p> <p>National co-financing available</p> <p>Adequate staffing levels at the MoE (SF Management Division) and SMEDA</p>

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Detailed Implementation Chart for the Project

Year	2002												2003												2004												2005																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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design
tendering
implementation

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (Phare Contribution only - € Million)

2002				2003				2004			2005								
30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/08						
<i>Contracting</i>																			
• Grant schemes (4)								6.0											
• TA				0.3															
Total contracting (cumulative)				0.3		0.3		0.3		6.3									
<i>Disbursement</i>																			
• Grant schemes (4)								4.8		4.8		4.8		4.8		6.0			
• TA				0.09		0.13		0.17		0.21		0.25		0.3					
Total disbursement (cumulative)				0.09		0.13		0.17		5.01		5.05		5.10		5.10		6.3	

SURVEY OF SMALL AND MEDIUM SIZE ENTERPRISES IN LITHUANIA

At the beginning of 2001, the Lithuanian Development Agency for Small and Medium Size Enterprises (SMEDA) together with the UAB “Naujosios marketingo sistemos” (*New Marketing Systems Ltd*; NMS) carried out a survey of small and medium size enterprises (SMEs – number of employees in which does not exceed 50) with the aim to identify how SMEs assess the business environment in Lithuania, what their need for state support is.

During the survey 1010 SME managers were interviewed face-to-face, representing all counties of Lithuania. The companies interviewed were selected representing different pre-defined sampling, such as: different type of company, size and sector, turnover, location, etc.

SMEs were asked to evaluate the business environment, to list the main business development constraints, to express their attitude towards business development support, etc.

Examples of the major findings of the survey.

The respondents pointed out low purchasing power of the consumers (12.4%) among one of the major constraints for business development. The importance of high tax rates was mentioned by 6.9% of the entrepreneurs, 6.8% of the respondents pointed out the existing legal basis as a business development constraint. The importance of the working capital shortage accounted for 8.7%. Complicated borrowing terms and conditions were indicated by 8%, in addition to the shortage of initial capital (7.6%).

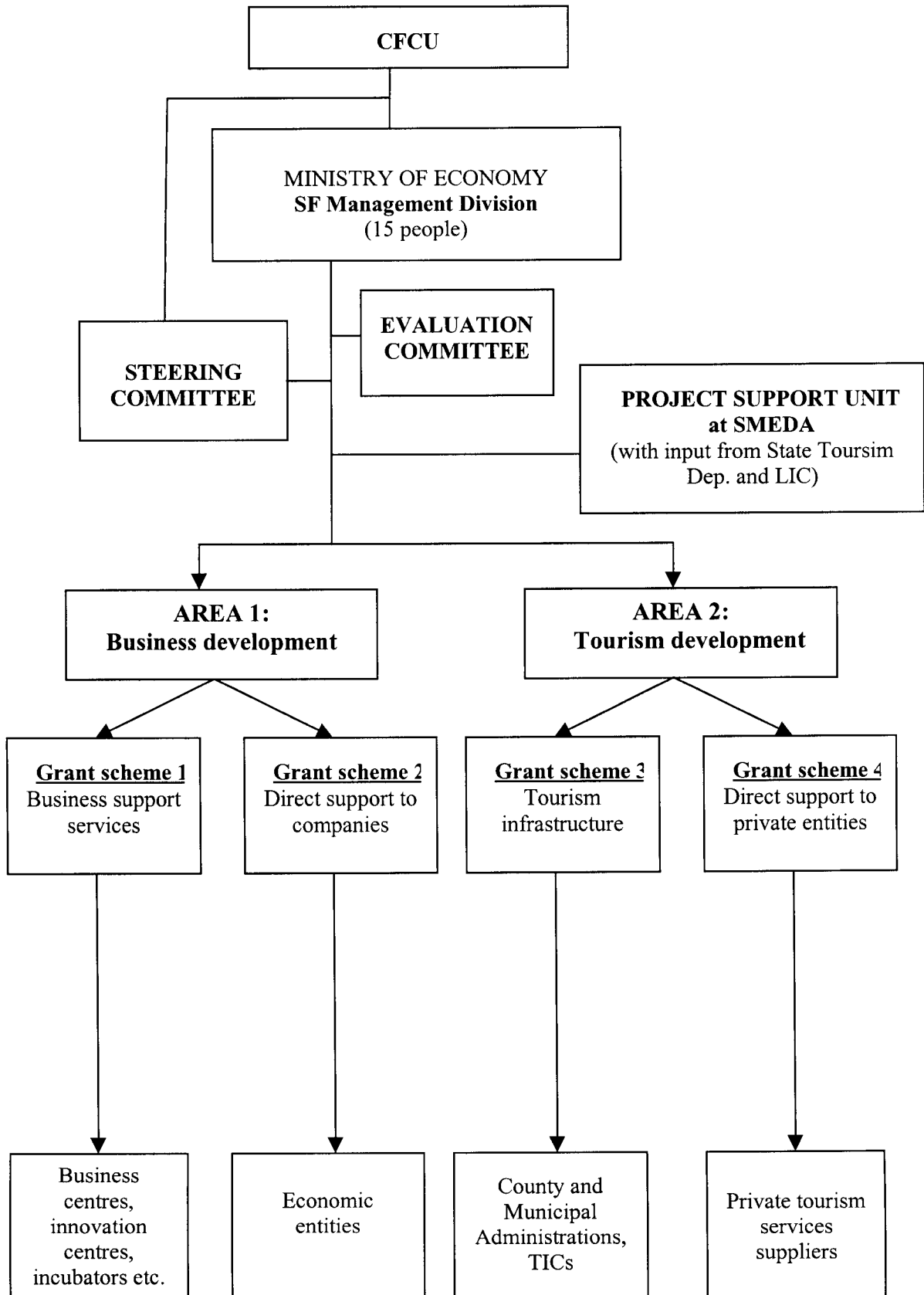
The survey revealed also the importance of business support.

The following measures aiming at the improvement of SMEs conditions in the country were mentioned as important: financial support (85.5%), improvement of tax administration (82.5%) and technical assistance based on subsidised counseling, training, information services (67.2%).

SMEs indicated the need for services of the business support institutions for counseling, in particular legal counseling was in high demand (36.9%). The enterprises needed counseling on financial management (19.2%), recruitment of personnel (11.9%), business management (11.6%).

59.3% of the surveyed entrepreneurs pointed out that training and counseling costs should be subsidised by the state.

INSTITUTIONAL FRAMEWORK FOR MANAGEMENT OF THE GRANT SCHEMES



Management

The four grant schemes will be set up to work in-line with the formal requirements of the Phare programme (Practical Guide), whilst also being based very strongly on the proposed arrangements for the future management of Structural Funds. The key features are:

- **The CFCU** will perform the function as contracting authority for the Phare grant schemes, although elements of this would be delegated to the Ministry. Where Phare rules allow, the division of tasks will prepare for the future division of tasks/responsibilities between the Ministry of Finance as MA/PA and the Ministry of Economy as intermediate body for business development.
- **The Structural Fund Management Division of the Ministry of Economy** will be responsible for management and operation of the grant schemes.

This Structural Fund Management Division was established and its Regulations and job descriptions approved by Order No. 107 of 29 March 2002 of the Minister of Economy in order to prepare the Ministry for its tasks as intermediate body under Structural Funds.

The Regulations of this Division set out the following tasks:

- (1) to manage the aid to business development from the EU Phare ESC programme, via a grant scheme;
- (2) to prepare for the management of aid to business development from the Structural Funds and take part in preparations of various economic sectors for the use of Structural Funds assistance;
- (3) participate in formation of the EU Structural Funds assistance policy in economic sectors that are under the competence of the Ministry of Economy.

The SF Division has already a staff complement of 3 full time staff (as at May 2002). This is to be increased during 2002 and by the beginning of 2003 there will be 15 full-time staff employed within the Division. This will increase to 20 full-time staff before Grant Scheme becomes operational in mid-2003.

- **The Steering Committee** chaired by the Ministry of Economy will oversee the operation of the project. The Committee would involve representatives of SMEDA, Lithuanian Innovation Centre, State Tourism Department under the Ministry of Economy, the Information Society Development Committee under the Government and other relevant ministries, government institutions, agencies, regional/local authority representatives, associated business structures etc.

The **Lithuanian Innovation Centre** is a non-profit organisation, working with research facilities, seeking to market the results of scientific research. Key activities are assistance to technology transfer, raising awareness and promoting innovation, provision of information services, and promotion of high-tech entrepreneurship.

The **State Tourism Department under the Ministry of Economy** performs strategic tourism planning, prepares and within its competence implements National Tourism Development Programmes, coordinates activities between tourism administrative institutions (ministries, municipalities, state parks, etc.), carries out tourism market research, promotes Lithuania nationally and internationally, promotes Lithuanian tourism sector development.

The Information Society Development Committee under the Government of the Republic of Lithuania was established in 2001. It is responsible for regulation of information technologies and telecommunications, and co-ordination of the development of information society.

- **A Project Support Desk** will be set up within **SMEDA**. It will support the Ministry of Economy and the CFCU in their tasks, and in particular would be responsible for the administrative links between the Ministry of Economy and the applicants, as well as for promotion of the schemes and for assistance to applicants. In addition to in-house resources within SMEDA, this unit will also use specialist input from other agencies such as the State Tourism Department under the Ministry of Economy, the Lithuanian Innovation Centre, the Information Society Development Committee under the Government etc.

Division of tasks/responsibilities within the Phare ESC 2002 grant schemes

The division of tasks will test the future arrangements for the business development measures under Structural Funds. However, in the short-term it will also have to comply with the procedures included in the Practical Guide. Full guidelines will be developed in the future, but the key points of this will be as follows:

- **The Contracting Authority (CFCU)** will approve operating guidelines, the call for proposals, application forms, and the final list of projects proposed by the Ministry of Economy. Once decisions have been taken the CFCU will issue the contracts for each grant.
- **The SF Management Division** of the Ministry of Economy will be responsible for the following:
 - Preparing the documentation for the grant schemes (with external assistance via PPF). This includes the internal management procedures, the Guidelines for Applicants, Application Form and the text of the Calls for Proposals.
 - Nominating the members of the Steering Committee. Chairing the Steering Committee. Secretariat to the Steering Committee.
 - Nominating the members of the Evaluation Committee. Chairing the Evaluation Committee. Secretariat to the Evaluation Committee.
 - Preparing a proposal for grants to be awarded, on the basis of the report from the Evaluation Committee and the views of the Steering Committee.
 - Assist the CFCU in the preparation of grant contracts, and entering data on approved projects into database.
 - Setting up a system of monitoring and evaluation for the projects, and overseeing the monitoring function. Reviewing the effectiveness of the grant schemes and preparing proposals for future grant schemes, policy initiatives, for consideration by the Steering Committee.
 - Checking requests for payment from projects, and forwarding approval to CFCU. Receiving any requests for modification of grants, and checking prior to forwarding to CFCU.
 - Managing and monitoring the work of the Project Support unit.

- **The Steering Committee** will be responsible for advising the Ministry of Economy on the development of the grant schemes. This will include:
 - Making proposals on the aims/objectives of the grant schemes, and on the content of grant scheme documentation.
 - Advising on the monitoring system to be used for the grant schemes, and receiving regular monitoring reports on implementation.
 - Receiving the recommendations for grants from the Evaluation Committee, and making proposals on final awards.
 - Reviewing the work of the Project Support Unit, and making recommendations on activities where appropriate.
 - Ensuring that the grant schemes is complementary to other activities, other projects, etc.

- **The Project Support Desk at SMEDA**, with other agencies such as the State Tourism Department, the Lithuanian Innovation Centre and the Information Society Development Committee, will provide specialist input (trainers, assessors) as appropriate. The Project Support desk will be responsible for the following:
 - Promotion of the schemes via workshops, seminars in all counties of Lithuania.
 - Training of applicants on project preparation.
 - Central “helpdesk” to deal with enquiries from applicants, including the maintenance of a web-site.
 - Initial receipt and registration of proposals.
 - Providing specialist assessors (from within SMEDA, and also from LIC, State Tourism Dept, Information Society Development Committee etc) for the Evaluation Committee.
 - On-the-ground monitoring of implementation of individual projects. Preparation of monitoring reports in format set by the Ministry of Economy.
 - Initial checking of project reports and requests for payment.

TYPES OF ACTIVITIES TO BE FINANCED UNDER THE PROPOSED GRANT SCHEMES

The grant schemes will support two areas:

- Business development;
- Tourism development

AREA 1: BUSINESS DEVELOPMENT

Within business development area, there will be two measures:

- business support services
- direct support to companies

Grant scheme 1: BUSINESS SUPPORT SERVICES

Objective:

The main goal of this measure is to provide support (grants) to existing business and innovation centres in order to identify, pilot-test and upgrade their capacity to provide qualitative subsidised business services to private companies (especially micro and small enterprises, as per the EU SME definition²). This implies only indirect support to private companies, because, in the end, the business centres will provide not money but subsidised training and consulting services to private companies.

The main function of the business centres is to pilot-test and upgrade, if needed, their abilities to administer local delivery of subsidised business services to private companies.

Activities:

Grants will be provided to business centres for the following activities:

- Preparation and operation of training, information and awareness campaigns by the business centers;
- Training and staff development programmes for the business support centers to enable them to provide higher quality and more relevant services for businesses.
- Purchase of specific equipment which can clearly add value to the quality and nature of services offered by the centers. Standard office equipment for normal operation of the centers would not be eligible.

² For this project, the EU definition of an SME will be used: up to 10 employees for a micro-enterprise, 10 to 50 employees for a small enterprise, and 50 to 250 employees for a medium-size enterprise.

- Delivery of subsidised services to private companies (especially micro and small companies).

Eligible Applicants

The following institutions/agencies will be eligible to apply for grants:

- Business centers, Innovation Centres, Business Incubators, Science/Technology Parks, Municipalities.

Selection Criteria

Projects must meet the following criteria:

- The applicant must show financial/technical capacity to manage grant, clear capacity to deliver high quality services, and must have strong management/control procedures for recording the provision of subsidized services.
- There must be a clear and detailed programme of activities in line with the priorities of the programme, and clear target groups for all activities. The project is in line with information society policy

Co-financing rates

Activity	
Preparation and operation of training, information and awareness campaigns by the business centers.	90%
Training and staff development programmes for the business support centers to enable them to provide higher quality and more relevant services for businesses	90%
Purchase of specific equipment which can clearly add value to the quality and nature of services offered by the centers.	50%
Delivery of subsidised services to private companies: - Customised in-company training programmes; focused consultancy support, and/or provision of specialist technical services (e.g. design, legal/financial advice, translation of materials, etc); - Procurement of equipment	75% 50%

Grant Size

Business centres will be able to apply for grants of between 50,000 – 100,000 Euro. In all cases the applicant would have to give specific and detailed information about the proposed activities and clear budget lines for each separate type of activity.

Grant scheme 2: DIRECT SUPPORT TO COMPANIES

Objective:

This measure will provide direct support (grants) to private companies to implement projects in two priority areas:

- innovation
- e-business

A pipeline of innovation projects will be prepared under the 2001 Phare project "Innovation capacity" which will also build a regional network of innovation support institutions across Lithuania.

A project pipeline for e-business projects will be secured by the Information Society Development Committee under the Government of the Republic of Lithuania (ISDC), which has formed a working group "Projects to Funds – P2F" consisting of 21 member from public sector, academic society and industry, committed to develop sound project proposals. Promotion of the grant scheme will be carried out by the ISDC together with the Lithuanian IT industry Association "InfoBalt".

Activities:

Grants will be available to support the following types of activities:

- Commissioning of external RTD, product design/development and undertaking it internally (within the company);
- Focused consultancy to companies to assist in technology partners search, transnational technology transfer, innovation/technology audits, benchmarking, development of the innovation process and of bringing new products/processes to market; provision of specialist advice services to companies in relation to innovation (legal advice, Intellectual Property/Patent registration, financial advice, etc), training directly linked to technological innovations.
- Purchase of equipment/hardware/software necessary for the implementation of the innovation process.
- Acquisition of other external technology linked to product and process innovations (patents, licenses, know-how, trademarks, packaged software that is not classified elsewhere).
- Software development services to establish e-business software solutions tailored to the individual needs of micro and small enterprises

Eligible applicants

- The grant scheme will be open for applications from private companies and consortia of private companies that demonstrated capacity on commercial application of new technologies, ideas and methods by offering new products and processes to the market or by improving the existing ones.

Selection Criteria

Projects must meet the following criteria:

Innovation:

- The company must have a strong capacity for growth on the basis of innovation and financial/technical capacity to manage grant activities;
- There must be a clear and high-quality innovation project and project action plan including management and resources allocated to justify the support;
- There must be a clear market oriented innovations (offered new products and processes to the market or improved the existing ones);
- Where possible there should be links between the companies and R&D centers;
- Are ready for implementation

E-business:

- Project's contribution towards increased efficiency of business operations;
- Project's impact on promotion of information society and e-business (i.e. number and intensity of staff and companies involved in the e-business solution);
- Coherent, clear and justified methodology with quantified and measurable outcomes;
- Financial and institutional sustainability;
- Management capacity and expertise;
- Cost effectiveness (clear, detailed and realistic budget, level of co-funding etc.)

Co-financing rates

Activities	
Commissioning of external RTD, Product design/development, and undertaking it internally	80%
Focused consultancy to companies, and provision of specialist advice services to companies in relation to innovation etc.	80%
Purchase of equipment/hardware/software necessary for the implementation of the innovation process	50%
Acquisition of other external technology linked to product and process innovations (patents, licenses, know-how, trademarks, packaged software that is not classified elsewhere).	50%
Software development services to establish e-business software solutions tailored to the individual needs of micro and small enterprises	80%

Grant Size

In order to comply with the state aid “de minimis” rule, according to which state aid to a single company shall not exceed 100 000 Euro during 3 years, grants will be between 50,000 Euro and up to 100,000 Euro for single company projects. Where there is a consortium of companies then in principle a grant of more than 100,000 Euro may be awarded (with a maximum limit of 100,000 per company within the consortium).

AREA 2: TOURISM DEVELOPMENT

The purpose of the grant schemes for tourism projects is acceleration of the development of tourism sector, creation of the new tourist products, increase of domestic and foreign tourists' flows.

Grant scheme 3: TOURISM INFRASTRUCTURE

Objective:

Invest in the development of public tourism infrastructure and so that return arises through the benefits to the wider community through the creation of income and employment in regions.

Activities:

- Feasibility studies, business plans, preparation of technical documents, publications of documents, marketing



- Development and creation of tourism infrastructure
 - Physical adaptation of cultural objects for tourism
 - Development campsites and recreational sites
 - Local tourism routes
 - Water attractions infrastructure
- Development and delivery of training programmes (by private training and consulting companies):
 - Training for management of new infrastructure
 - Training on tourism promotion, etc.
 - Training on hospitality industry

Eligible applicants:

- County and municipal administrations, TICs and training institutions

Co-financing rate:

Activity	
Feasibility studies, business plans, preparation of technical documents, publications of documents, marketing	80%
Development and creation of tourism infrastructure <ul style="list-style-type: none"> • Physical adaptation of cultural objects for tourism • Development of campsites and recreational sites • Local tourism routes • Water attractions infrastructure 	80%
Development and delivery of training programmes: <ul style="list-style-type: none"> • Training for management of new infrastructure • Training on tourism promotion, etc. • Training on hospitality industry 	80%

Grant size: 50,000 – 100,000 Euro.

Grant scheme 4: DIRECT SUPPORT TO PRIVATE ENTITIES

Objective:

Provide support to private tourism services suppliers as well as individuals for tourism service development projects.

Activities:

Grants will be available to private tourism service suppliers to support the following activities:

- Feasibility studies, business plans, preparation of technical documents, publications of documents, marketing

- Development and creation of tourism infrastructure
 - Physical adaptation of cultural objects for tourism
 - Development of rural tourism accommodation, tourist class (family) hotels, campsites, and bicycle-related technical service and facilities

Eligible applicants:

- Private tourism service suppliers, private consulting companies, although applications can only be submitted by private legal entities not eligible for similar support under SAPARD (i.e. not located within a Rural Area and/or employing more than 50 employees)

Co-financing rates:

Activity	
Feasibility studies, business plans, preparation of technical documents, publications of documents, marketing	50%
Development and creation of tourism infrastructure <ul style="list-style-type: none"> • Physical adaptation of cultural objects for tourism • Development of rural tourism accommodation, tourist class (family) hotels, campsites, bicycle-related technical service and facilities 	25%

Grant size:

In order to comply with the state aid “de minimis” rule, according to which state aid to a single company shall not exceed 100 000 Euro during 3 years, the minimum grant will be 20.000 and the maximum grant to a single private entity will be 100,000 Euro.