FINANCING MEMORANDUM

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

The Government of LITHUANIA, hereinafter referred to as "THE RECIPIENT" /on the other part,

HAVE AGREED AS FOLLOWS:

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

ARTICLE 1 - NATURE AND SUBJECT

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

Programme number: LI 9906 – LI 9912
Title: 1999 LITHUANIA Phare National Programme
Duration: Until 31/10/2001

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of € 26,93 million hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 31/10/2001 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 31/10/2002. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

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

for the COMMUNITY:

Delegation of the European Commission
Naugarduko 10
2001 Vilnius, Lithuania

Tel. +370-2-31 31 91
Fax +370-2-31 31 92

for THE RECIPIENT:

Mr Algirdas SAUDARGAS, National Aid Co-ordinator
Minister of Foreign Affairs
J. Tumo-Vaizganto 2
2600 Vilnius, Lithuania
Tel.: +370-2-61 85 37
Fax: +370-2-62 07 52

ARTICLE 5 - NUMBER OF ORIGINALS

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

ARTICLE 6 - ENTRY INTO FORCE

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

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

Done at Vilnius,
Date 1992.12.17

Minister of Foreign Affairs
Algirdas SAUDARGAS

Done at Vilnius
Date 17-12-1992

Head of EC Delegation in Lithuania
Henrik SCHMIEGELOW

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

1. Objectives and Description

LI 9906: REINFORCEMENT OF INSTITUTIONAL AND ADMINISTRATIVE CAPACITY

The ability of the Lithuanian civil service to prepare and systematically implement programmes of administrative reforms to support the process of European integration and legal approximation is a critical success factor in the preparations for EU-membership. The institution building and training actions outlined below reflect the key priorities set out in the Accession Partnership.

LI 9906).01: Strengthening Public Administration Services

The main objective of the project is to support Civil Service Training, thus involving Phare support to strengthen the on-going process of public administration modernisation, primarily via improved human resource management and personnel development, leading to the better management and accountability of public services based on the suitable introduction of a service-oriented ethos.

This will be achieved by supporting the elaboration of a series of training programmes (for civil servants in the legislative, executive and judicial branches), covering general civil service training, EU accession training and personnel management training, all with a focus on the training-of-trainers to ensure sustainability, including strategic advise to the recently established Lithuanian Institute of Public Administration (LIPA), which acts on behalf of the Government to initiate and supervise civil service training at all levels of state. In addition to the civil service training above, specific training and operational advice will be delivered to Seimas (Lithuanian Parliament) to strengthen its administrative structures and management, plus training to support improved parliamentary procedures of scrutiny and the preparation of parliamentary reports etc.. Furthermore, specific training and operational advice will also be delivered to the National Aid Co-ordinator/secretariat in order that it may programme, monitor and evaluate Lithuania’s utilisation of Community assistance.

The project is envisaged to be implemented as a Twinning and Training Package with a separate investment component subject to tender.

Conditionality

The implementation of the Project is conditional on the approval of the draft Law on Civil Service before the end of 1999.

In order to ensure the benefits of personnel training/skills development are maintained within the civil service, the Government will seek a full commitment from individual trainees and trained-trainers to continue service within the public sector for a minimum period of five years.

The beneficiaries will provide the necessary facilities and counter-part support for the implementation of the Project.
LI 9906.02: Internal Financial Control

The Project will support the implementation of a financial control system throughout the public sector (all Ministries, Heads of Administration of regional districts, agencies of the Government and Ministries, State Tax Inspectorate and in any Public Sector Enterprise or Institution which has more than 500 employees) before the end of year 2000.

This will be achieved with support to further develop financial control procedures in line with EC requirements and best-practice, support to develop internal audit methodology for financial, operational and compliance audit and to introduce a system of performance measurement based on the integrated use and analysis of financial information. All inputs should be provided within the overall context of a systematic training programme, plus the development of standard procedures and manuals and of software.

The project is envisaged to be implemented as a Twinning and Training Package.

Conditionality
The project is conditional
- on the timely adoption of the law on Internal Audit by the Seimas;
- upon the success of the current twinning assistance (financed from the 1998 Phare national programme) which has been designed to prepare the groundwork for the activities detailed in this fiche.

The beneficiary, the Ministry of Finance, will provide the necessary facilities and counter-part support for the implementation of the Project.

LI 9906.03: Capacity Building of the CFCU

The Project will involve Phare to further strengthen the structures within the Ministry of Finance responsible for the procedural administration of Phare Programme support. This will be in accordance with the Memorandum of Understanding signed in October 1997 between the National Aid Co-ordinator and the European Commission detailing the digressive phasing-out of Phare Programme support to the CFCU over the period 1998-2002.

Conditionality
In accordance with Art. 5 of the Memorandum of Understanding as mentioned above, Phare financing under this Project is made on the condition that it shall not include taxes, social security payments or similar and that ample and adequate premises for the CFCU be provided by the Lithuanian authorities. This allocation for the CFCU will be the final Phare financial contribution to the CFCU which will continue its activities thereafter on State budget finance.

LI 9907: Enforcement of the Internal Market Acquis

The EU internal market as an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured. This internal market, central to the integration process, is based on an open market economy in which competition and economic and social cohesion must play a full part and on full implementation of the EC-directives in the different sectors of the internal market.

The following projects are aimed at helping Lithuania to prepare for participation in the EU internal market.

LI 9907.01: Strengthening Enforcement of Competition Policy
The Project will involve Phare support to further strengthen the enforcement of a transparent competition policy, enhancing the monitoring and reporting capacities of the Competition authorities in the broad field of competition policy, especially in the area of state aid, achieving compliance with EC requirements by the end of the Project. This will be achieved by support to complete the approximation of legislation, including the preparation of secondary legislation and procedures, support to strengthen the institutional capacity, structures and procedures of the Competition authorities, extensive support to develop personnel capacity within the Competition authorities, in particular investigative methods and the improved utilisation of information systems, plus to provide training for key target audiences in the wider public sector, the judiciary and economic and social partners. 

*The project is envisaged to be implemented by twinning.*

**Conditionality**

The project is conditional on the adoption of a Law on State Aids and the appropriate allocation of human resources to the Competition authorities, notably as regards monitoring of state aids. The results of the medium-term institutional strengthening/strategic development action plan which is due to be finalised in autumn 1999 (financed from the 1997 national Phare programme) shall be taken into account. The beneficiary will provide the necessary facilities and counter-part support for the implementation of the Project.

**LI 9907.02: Strengthening Enforcement of Public Procurement Policy**

The Project will aim at the further strengthening of the development and enforcement of an open, transparent and competitive public procurement system, achieving, by the end of this Project, compliance with EC requirements.

This will be achieved by support to complete the approximation of legislation, including the preparation of secondary legislation, support to strengthen the institutional capacity, structures and procedures of the Public Procurement Office (PPO), support to develop standard procurement documentation and guidance materials for entities involved in procurement activities, extensive support to develop human resources within PPO, in particular the Independent Complaints Review Commission, plus to provide training for key target audiences in the wider public sector, the judiciary and economic and social partners. 

*The project is envisaged to be implemented by twinning.*

**Conditionality**

The project is conditional upon the adoption of the revised legislation on Public Procurement. The results of the medium-term institutional strengthening/strategic development action plan which is due to be finalised in autumn 1999 (financed from the 1997 national Phare programme) shall be taken into account to assess this conditionality. The beneficiary will provide the necessary facilities and counter-part support for the implementation of the Project.

**LI 9907.03: Strengthening Enforcement of Audio-Visual Policy**

The Project will support the strengthening of the capacity of the national regulatory authority, the Radio and Television Commission (RTC), to effectively regulate the audio-visual sector in Lithuania, on the basis of stricter licence compliance, improved standards of public interest, quality-control and protection. By the end of this Project, Lithuania will have achieved compliance with EC requirements and in doing so, Lithuania’s audio-visual industry will also be encouraged to restructure and modernise within the context of the wider European audio-visual industry.
This will be achieved by support to complete the approximation of legislation process, support to modernise the licensing framework and procedures (for issuing licences, monitoring compliance and the necessary enforcement of penalties), advice on the development of the audio-visual industry, advice on the impact of modern technology (digitalisation) on the radio and television frequency/network, advice on the establishment of stricter codes of ethics (in co-operation with the Ethics Commission of Journalists and Publishers and the Commission on the Protection of Minors), plus support to develop RTC’s research and analytical capacities to monitor product impact and audience demands.

The project is envisaged to be implemented by twinning.

Conditionality

The results of the medium-term institutional strengthening/strategic development action plan which is due to be finalised in autumn 1999 (financed from the 1997 national Phare programme) shall be taken into account before implementation starts.

The beneficiary will provide the necessary facilities and counter-part support for the implementation of the Project.

LI 9907.04: Computerised Customs Master Tariff System

The Project will involve Phare support to develop a computerised version of the Customs Master Tariff Register (CMTR), as part of the overall Customs Information System, facilitating more efficient collection of revenue and foreign trade statistics and the application of various controls on imports and exports. CMTR will provide an interface with the ASYCUDA system, where CMTR will provide reference data for the processing of import, export and declarations and over the medium-term an electronic interface with the TARIC system (EEC/2658/87) in Bruxelles.

This will be achieved by support for the detailed technical design, development and construction of the computerised information management system, including advice on data-collection, compiling and unifying the data into a common format, the preparation of draft legislation amending existing tariff rules, the development of protocols, procedures and a migration strategy and plan for moving towards implementation of TARIC.

The project is envisaged to be implemented as a Twinning and Training Package. The investment component will be subject to tender.

Conditionality

The Customs Tariff project, as being part of the revised Lithuanian Customs Administration’s Strategic Plan of the Lithuanian Customs: Year 1998 – 2000, shall be in line the Blueprint document and gap analysis exercise, recommended by the European Commission.

The Project shall be preceded by, and conditional on the results of a Feasibility Study to be conducted by the Customs Department.

The beneficiary will ensure the allocation of appropriate staff resources to the project.
A key part of achieving economic and political stability is the creation of an effective judicial system, which has a strong legal basis, efficient asylum regime, control of external border and immigration, combatting corruption and organised crime including drugs trafficking. Reiterating the objective of developing the Union into an “area of freedom, security and justice”, the new Amsterdam Treaty brings these matters, including the free movement of persons, asylum and immigration, into the Community’s sphere of competence, and preparations need to be taken by the candidate countries to fulfil the requirements.

**LI 9908.01: Adoption and Implementation of the Schengen Acquis including Establishment of a Pilot National Schengen Information System**

The Project will provide support to increase Lithuania’s compliance with EC standards and requirements in the area of the security and protection of “common territory”, through the progressive adoption of the requirements of the various Schengen Agreements and specifically the development of a pilot integrated National Schengen Information System (N.SIS).

This will be achieved by support to develop Lithuania’s legal, administrative and police-organisational environment and information systems, via policy, strategic, legal and operational support. On the basis of the overall strategy for the introduction of a Schengen type regime, support will be provided for the detailed definition, technical design and control of software modules, testing and eventual roll-out of Lithuania’s N.SIS, including support to develop a series of demonstrative projects to pilot-test N.SIS, located at a range of border crossings (for example Vilnius airport, Klaipeda seaport, road or rail borders) and to subsequently adapt the system to ensure suitable compliance with the Central Schengen Information System in Strasbourg (C.SIS). Extensive support will also be provided to ensure the development and the implementation of the comprehensive human resource development programme covering the whole structures for border management and security.

*The project is envisaged to be implemented as a Twinning and Training Package. The investment component will be subject to tender.*

**Conditionality**

The project is conditional on the continuation of the Republic of Lithuania's policy framework, which puts the establishment of N.SIS at the top of agenda. It shall be also conditional on the establishment of proper and modern co-ordination and co-operation mechanisms at the national and international levels in accordance with the NPAA.

The investment component of the project shall be dependent upon and sequential to the successful legal transposition of the Schengen Acquis and the development of suitable procedures and protocols.

The Government of the Republic of Lithuania will ensure co-financing from the State budget and the necessary counter-part support and will establish a N.SIS working group further to the issuing of the respective decree.

The Lithuanian authorities undertake to support the "eventually mutually agreed human resources development plans" based on the recommendations of the twinning Member state experts by means of budgetary, legislative and logistical support, where appropriate, in particular in the domains of salaries, working conditions, recruitment, training and career development.

**LI 9908.02: Demarcation of the Eastern Border of the Republic of Lithuania with the Republic of Belarus**

The Project will support *construction works* to secure the whole border (650 km) along Lithuania’s eastern border with Belarus, by extending the already demarcated zone along the border with an additional 5-metre wide border control strip and 3-metre wide border control path. In strengthening border management on the future external border of the EU, the
Project is complementary to and also a prerequisite for enforcement of the Schengen Agreements. *The construction work will be subject to open tender.*

**Conditionality**

It is a condition for the project that the Government continues to provide for proper co-ordination of JHA actions throughout the law enforcement agencies in accordance with the provisions in the NPAA. The project is furthermore conditional on:
- the re-allocation of human resources to the Border Police Department, thus increasing the number of officers on the Eastern Border by 1,000;
- the allocation of sufficient financial resources from the national budget for complementary activities.

**LI 9909: AGRICULTURE**

The 1998 Regular Report pointed out that Lithuania should improve veterinary and phytosanitary controls. In this respect, the establishment of phytosanitary and veterinary border controls is supported by the present programme. The Report called also for the substantial adaptation of the existing agricultural administrative structure. This need is reflected in the present programme.

**LI 9909.01: Ensure Phyto-sanitary and Veterinary Border Control Measures**

The Project will support construction works to strengthen veterinary and phytosanitary border control, via co-financing the modernisation of five phytosanitary and four veterinary border inspection posts. This will be carried out in the context of the complete modernisation of border inspection posts by the end of year 2002, for which final co-financing support from the 2000 Phare Programme will be proposed.

Where technically feasible, the construction works will allow for the shared utilisation of office facilities by both the State Plant Protection Service and the State Veterinary Service.

**Conditionality**

The project is conditional on:
- the adoption of the Government Decree on “Upgrading of Border Control Posts for Veterinary Control at Import, Export and Transit on the Border with Russian Federation, Republic of Belarus and through Air and Sea Ports” by the end of 1999;
- The commitment of Government funds prior to investment procedures;
- The finalisation of environmental and economic impact studies of the border control post construction including resolving land ownership issues;
- The timely completion of the Phare 1998 project “Phytosanitary and Veterinary Border Control” in order to build on its results;
- The rolling out of the construction programme with Phare funds, if necessary, in the year 2000.

**LI 9909.02: Modernisation of Rural Administrative System**

The Project will provide support to introduce administrative mechanisms and instruments and to develop absorptive capacities required for the administration of CAP. It will include the step-by-step development of an intervention agency and reinforcement of capacities for the collection and dissemination of market information data, in compliance with EC systems for Farm Accounting Data Network (FADN); Economic Accounts for Agriculture (EAA) and Integrated Administration and Control System (IACS). These systems will form part of an integrated Rural Administration System (RAS).
This will be achieved with support to the Ministry of Agriculture and its regional administrative institutions provided via policy, strategic and operational assistance and training.

The project is envisaged to be implemented as a Twinning and Training Package. The investment component (procurement of software development) will be subject to tender.

**Conditionality**

The project is conditional on

- The allocation of Government resources to the Project according to the defined project time-scale;
- The timely completion of the 1998 Phare project “Integrated Farm Register and Agricultural Information System” to build upon its results.

**LI 9910: ENERGY**

As regards energy, the 1998 Regular Report concluded that limited progress had taken place in this area. Therefore, significant assistance is given under 1999 programme to the transposition, implementation and enforcement of the energy acquis via the modernisation of the Ministry of Economy and two major energy utilities.

**LI 9910.01: Transposition, Implementation and Enforcement of the Energy Acquis**

The Project will assist in the modernisation of the Ministry of Economy’s Energy Agency and the two major energy utilities (JSC Lithuanian Energy and JSC Lithuanian Gas) by ensuring that a policy, regulatory and monitoring system is in place with a legal foundation based upon EC requirements. Phare support will be provided to

- the *Ministry of Economy and its Energy Resources Department* for specialist advice on the transposition of the EC Electricity and Gas Directives and the development of policies for their implementation and the setting of an operational mandate, legal and technical criteria for the utility companies. Specialist assistance will also be given to setting up the legal and policy framework for establishing compulsory oil stocks (COS) and oil crisis management (OCM) including the development of the necessary software for information collection, processing and supply to the EC and IEA.
- *Lietuvos Energija (JSC Lithuanian Energy)* and *Lietuvos Dujos (JSC Lithuanian Gas)* for the development of strategies to implement government’s mandate, policy and technical criteria including management techniques and information systems to assist in the decision making and the unbundling of the accounts.

*The project is envisaged to be implemented as a comprehensive twinning and training package.*

**Conditionality**

Support to the energy sector is conditional on the adoption of a National Energy Strategy in line with the Accession Partnership priorities and the confirmation of the date for closure of Ignalina NPP Unit 1 in conformity with the Lithuanian obligation under the Nuclear Safety Account Agreement.

The project is conditional on the approval by the Ministry of Economy of the respective parts of the Action Plan for the implementation of the National Energy Strategy and on substantial progress with the transposition of the energy directives.

The Member State's twinning experts in the Energy Utilities should only start once the new contractual operational and management relationship between the Ministry of Economy and the state-owned energy utilities has been agreed by the parties concerned.
LI 9911: SOCIAL AFFAIRS

According to the 1998 Regular Report, while some progress has been made on health and safety legislation, significant efforts are still necessary to transpose and implement the social affairs acquis. Therefore, the programme aims at supporting the continued transposition and enforcement of the directives in the field of occupational safety and health. Since the implementation of EU employment and social policy provisions requires the existence, inter alia, of a well-functioning social security system, the programme also supports the development of an integrated information technology system for social insurance.

LI 9911.01: Strengthening Enforcement of Occupational Safety and Health (OSH) Policy

The Project will provide support for the continued transposition of EC OSH Directives coupled to a comprehensive training programme designed to build the monitoring and inspection capacity of the Ministry of Social Security and Labour (MSSL), their National Labour Inspectorate (NLI) and the Ministry of Health (MoH) and its Department of Public Health, the State Public Health Centre (SPHC) and the Centre of Occupational Medicine in the Hygiene Institute.

The project is envisaged to be implemented by twinning. The investment component (supply of monitoring equipment) will be subject to tender.

Conditionality

The project is conditional on

- passing the Law on Occupational Health and the Law on Public Health through the Seimas and its inclusion in the statute books by the end of 1999, accompanied by the reorganisation of the institutions.
- The provision of a team of experts with necessary facilities and counter-part support by the beneficiaries for implementing the Project.

LI 9911.02: Support to the State Social Insurance Fund Board

The Project will involve Phare support to develop the capacity of Ministry of Social Security and Labour in its co-ordination and monitoring of the further development of the Integrated Information Technology System (IITS) in the State Social Insurance Fund Board (SoDra). This will include the Roll-out of the pilot contribution collection and billing system, completion of the database, procurement of hardware and software to roll-out the pilot systems and installation of modules for the IITS.

Both, the institution building and investment component will be subject to tender.

Conditionality

The project is conditional on

- The completion of the project financed from the 1998 Phare national programme which covers Phase I of the new IITS system.
- The commitment of SoDra to complete the IITS including the allocation of financial contributions from the State budget further to the evaluation of Phase I.
- The passing of the relevant legislation by the Seimas;
- The recommendations of the Strategic Business Plan, which is currently implemented by SoDra with ongoing Phare support.

LI 9912: ENVIRONMENT
Since Lithuania has substantially met the short-term priorities in the field of environment, in 1999 attention should be given to the medium-term priorities, particularly to the continuous planning and implementation of approximation programmes related to individual legal acts.

**LI 9912.01: Strengthening Environmental Monitoring Capacities**

The Project will provide support in preparing a Programme for Modernisation of Lithuania's Monitoring System and the Investment Plan, and the development of draft primary and secondary monitoring regulations establishing EC standard methods and laboratory control and monitoring practices to Lithuania. It will also include making recommendations for the development of environmental information and formulation of a training programme for the enforcement agencies and Central and Regional laboratories.

*The project is envisaged to be implemented as a twinning and training package. The investment component (supply of monitoring equipment) will be subject to open tender.*

**CONDITIONALITY**

The MoE has a comprehensive environmental policy and sectoral strategies and it is currently preparing detailed implementation plans for the transposition of EC Directives on a sectoral basis. The success of this project is dependent upon these plans being in place before the twinning commences.

The MoE is also conducting a review of the enforcement requirements and clarifying which bodies are responsible for statutory monitoring and day-to-day enforcement monitoring.

The project is also conditional on the commitment of the beneficiaries to provide the necessary facilities and counter-part support.

*An environmental impact assessment will be carried out for all investment projects.*
## 5. Budget (in MEUR)

<table>
<thead>
<tr>
<th>No.</th>
<th>Sub-Programme / Project</th>
<th>Allocation (MEUR)</th>
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<tr>
<td>LI 9906</td>
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Under separate Financing Proposals 3.07 MEUR is also being proposed, covering Lithuania’s participation in Community Programmes, 5th Framework Programme and in Tempus. The total 1999 allocation under the National Phare Programme is therefore 30 MEUR.
6. Implementation Arrangements

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) Procedures. The National Aid Coordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme and will be responsible for financial reporting to the European Commission. Appropriate financial control shall be carried out by the competent National Financial Control Authority with respect to the implementation of the programme.

The Commission will transfer the funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Lithuania on 10.12.1998. Funds will be transferred following requests from the NAO. A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agencies (IAs)/Central Finance and Contracts Unit (CFCU). 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 IAs/CFCU and the manner in which the payment function will be carried out.

Four Replenishments will be made of up to 20% of the funds managed locally or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IAs/CFCU exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

Twinning arrangements including long-term secondments are proposed under the following projects:
LI 9906.01, LI 9906.02, LI 9907.01, LI 9907.02, LI 9907.03, LI 9907.04,
LI 9908.01, LI 9909.02, LI 9910.01, LI 9911.01, LI 9912.01.

The Central Financing and Contracting Unit will be the Implementing Agency for all sub-programmes:
LI 9906 to LI 9912.

The National Fund will transfer funds to Implementing Agencies (IAs), including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NF and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the IA’s/CFCU there will be no transfer of funds from the NF to the IA’s/CFCU. The CFCU and the IAs will 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 CFCU/IA.

A separate bank account, denominated in EUR will be opened and managed by the NF in a separate accounting system in a Bank agreed in advance with the Commission. In principle,
All bank accounts 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. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are prepared in accordance with the procedures set out in the DIS Manual (with the exception of twinning).

All funds must be contracted by 31 October 2001. All disbursements must be made by 31 October 2002. Any funds not used by the expiry date of the programme will be recovered by the Commission.

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 IAs/CFCU before the official closure of the programme. The IAs/CFCU assume 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 IA's/CFCU further assume full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. 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.

7. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. 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. The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU) and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

8. AUDIT AND EVALUATION

The accounts and operations of the National Fund, and, where applicable, the CFCU 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. The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

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 provided in the Annex on "Visibility/Publicity".

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 global Phare programme.