1. Basic Information

1.1. Désirée No. LT 0004-01

1.2. Twinning Component Number: LT 2000/IB/AG/01

1.3. Title Strengthening the Capacity of the Ministry of Agriculture and Related Institutions to Manage and Administer the EU Acquis for Agriculture (CAP) and Rural Development

1.4. Sector Agriculture and Rural Development

1.5. Location Ministry of Agriculture and Related Institutions

Dalia Miniataite, Director of Agri- Food Integration Department under the Ministry of Agriculture, Gedimino 19, Tel: 370 2 391094, Fax: 370 2 391112

2. Objectives

2.1. Wider Objective

The Wider Objective of this 2 MEUR Project is to:

- Support the alignment of Lithuanian legislation/regulation with the acquis in the agricultural sector, particularly to strengthen the capacity to effectively implement and administer basic Common Agricultural Policy management mechanisms and administrative structures for monitoring agricultural markets and implementing structural and rural development measures.

2.2. Immediate Objectives

The Immediate Objectives of this Project are to:

- Development of administrative, managerial and information systems and capacities, to achieve compatibility with the acquis and EC best-practice in the application of CMO-type measures for Lithuanian agricultural products and of SAPARD measures for rural development;

- Development of appropriate CAP-type measures (CMO Quality monitoring, Market Information System, Market Regulation Agency, Paying Agency, IACS parcel register) for acquis product groups elaborated and applied, specific EC systems for market management and information systems planned and installed.

2.3. Accession Partnership and NPAA Priority

The Accession Partnership (December 1999) establishes the following priorities for Lithuania:

- Short-term: PHARE, ISPA and SAPARD: further develop the National Development Plan and the Rural Development Plan; adopt the legal, administrative and budgetary framework (audit manual and audit trail) to programme and manage ISPA and SAPARD, including the introduction of environmental impact assessments and EU compatible public procurement rules for projects co-financed by Community Funds; establish a functioning paying agency for SAPARD;

- Short-term: food processing sector; complete enterprise restructuring in dairy and meat sectors and start restructuring other sectors; start reducing state aids by limiting amount of support for ailing enterprises given by Rural Support Fund and Market Regulation Agency;
Medium-term: reinforce Common Agricultural Policy management mechanisms and administrative structures (monitor agricultural markets and implement structural and rural development measures, set up bodies and control mechanisms);

Medium-term: continue enterprise restructuring in food processing sector in sectors other than dairy (mainly meat, canned fruit and vegetables) and allow effective bankruptcy of inefficient enterprises.

The NPAA (May 1999) has the following formulation for the medium-term (2000/2001), to:

- Speed-up the reorganisation of the agricultural and food industries by improving quality and increasing efficiency;
- Implement further land reform and activate the functioning of the land market;
- Improve the administration system for land and other real estate;
- Ensure the effective functioning of the phyto-sanitary and veterinary legal and institutional systems;
- Complete the creation of the agricultural legal, administrative and economic systems, to get ready for the EU Common Agricultural Policy for the implementation of structural and rural development measures.

3. Description

3.1. Background and Justification

Importance of the Agriculture and Rural Sectors to Lithuania

Agriculture and the rural economy play a relatively important part in the national life of Lithuania compared with EU Member States and also with many Candidate Countries. In 1998 agriculture and the food industry combined accounted for 34% of GDP. Agriculture alone accounts for 10% of GDP and 21% of employment, while some 32% of the population live in rural areas.

Lithuania is roughly the size of Ireland and just under half of its 6.5 million hectares is agricultural land. Of this, 35% consists of cereals, mainly wheat and barley. Other crops include flax, sugar, peas and beans, oilseed rape, potatoes, various fodder crops and berries. Livestock, as in other Candidate Countries, has declined dramatically and production remains depressed. Lithuania is, however, substantially in surplus in milk.

European integration activities are a high priority for the Lithuanian Government. The EU’s policies affecting the agricultural and rural development sectors are the most wide-ranging and complex part of the acquis. They affect virtually all the responsibilities of the Ministry and involve, or will involve, virtually all of the staff. Consequently, a great deal of assistance is needed; to inform the Ministry of the full range of EU requirements, explain the legal, practical and operational implications and provide training and advice on “best practice” from within the experience of the EU Member States.

Government’s Agriculture and Rural Development Policy

The Lithuanian Strategy for Agriculture and Rural Development, prepared by the Ministry of Agriculture and approved by the Government in September 1999, already contains some further moves towards the implementation of policies comparable with those of the EU Common Market Organisation (COM) for agricultural products. These include such mechanisms as market intervention and private storage aids for certain products. The Strategy also involves a shift in emphasis, parallel with the trend in the EU’s own agricultural policy reform, towards greater reliance on direct income support, and less reliance on market support measures. Negotiations between the EU and Lithuania on trade liberalisation are ongoing. Customs tariffs are to be decreased and quotas gradually increased. This also leads to the introduction of direct payment
schemes and the abolition of price support schemes. The shift from price support to direct payments (per hectare and per head) is among the main issues of the national Strategy.

Another key issue is the creation of an Integrated Farm Register by updating and completing the existing register based on crop declarations from applicants for state subsidies and the animal register.

The Rural Development Plan, that will serve as basis for receiving SAPARD funding, was presented to the EU in December 1999. The Rural Support Fund will be revised in order to make it compatible with the SAPARD scheme that is going to be introduced in Lithuania during 2000.

Lithuania’s experience in the management and administration of such policy mechanisms is limited. Furthermore, capability within the Ministry of Agriculture and elsewhere in socio-economic analysis, co-ordinated policy development and monitoring of policy impacts on the agricultural sector is also limited. This partly reflects the weak information base, but also the lack of trained personnel. The capability to enforce CAP-type measures is also limited for the same reasons.

Harmonisation of Lithuanian agricultural policy with that of the EU and the capability to implement, monitor and enforce such policy is a necessary part of the adoption of the acquis. The EU Commission 1999 Regular Report on Lithuania’s preparations for EU accession noted that, while there had been progress in policy harmonisation, there remained a need to strengthen institutions and administrative capacity, and a widespread need for training to improve staff development. This project proposal takes into account this analysis and the planned project activities and expected results are consistent with the recommendations of the Regular Report.

3.2. Linked Activities

Substantial Phare assistance has been provided to assist in the development of agricultural administrative systems since 1993. This has included the establishment of a Project Implementation Unit, which, in turn, has assisted to mobilise and support further EU Phare Programme assistance.

**Phare Country Operational Programme 1995** allocated 0.44 MEUR to the “Human Resources Development” project (finished in December 1998) the main objective of which was to facilitate Lithuania’s preparation for accession negotiations for EU membership via the training of chief policy-makers and junior experts.

Resources were allocated from the **1996 and 1997 Phare National Programme** (amounting to 1.3 MEUR in total) to provide strategic management support and assistance to the Ministry of Agriculture for preparing the policy and legislative frameworks required to allow Lithuania to establish an EC-compliant structure and capacity, as the basis for negotiations on EU accession.

Activities focus on facilitating the establishment of sectoral Working Groups in the Ministry of Agriculture and on economical and policy analyses under the Phare project “Institutional Support to EU Integration in the Agricultural Sector” (project will be finished in June 2000) and analyses on farm level in preparation for the introduction of FADN/EAA registers under the PHARE project “Farm Accountancy Data Network and Economic Accounts”

**Phare National Programme 1998** allocated 0.7 MEUR, for the creation of an integrated farm register, containing ownership and basic physical data on the farm enterprise linked to other relevant databases and registers, for a caring out of a feasibility study and pilot project on a parcel registration and identification system according to EU requirements.

1.0 MEUR from **Phare National Programme 1999** is allocated for the twinning project “Modernisation of Rural Administrative System” which is expected to provide substantial inputs for developing a number of key components of an agricultural information system (EAA, FADN and IACS including assistance with the necessary parcel identification methodology). This project will support structural policy and direct management providing by National Paying Agency. The project
is scheduled to start in the second quarter of 2000 (negotiation of the twinning covenant is expected to start in January 2000) and will provide some inputs underpinning the present Project.

0.41 MEUR scheduled for SAPARD under the 1998 SPP will become available to Lithuanian agriculture during the lifetime of this project. The project will finance the foreign experts according to accreditation of National Paying Agency and manage structural funds, implementation of IT system; Education of lectors who are going to provide further education for potential beneficiaries and regional administrators and improvement of Rural Development Plan.

Technical assistance from a Danish bilateral project (total budget of around 18,500 Euro) is currently being provided to facilitate the start-up and accreditation of the Paying Agency.

The foreseen timetable for the implementation of the CAP/structural policy measures relevant to the current project and those above, is summarised below:

<table>
<thead>
<tr>
<th>Measures</th>
<th>2000</th>
<th>2001-2002</th>
<th>By the end 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Paying Agency CAP Admin./ Structural Policy</td>
<td>TA for start-up and accreditation for SAPARD /structural policy activities (Danish Bilateral project) Assisted by Phare 1998 (SPP),1999</td>
<td>Structural policy Institutions building Application of direct payment schemes Support for verification and control Assisted by Phare 2000</td>
<td>Direct payment schemes implementation in selected pilot region(s) Full application of direct payment schemes</td>
</tr>
<tr>
<td>Producer Groups</td>
<td>Support for establishment of producer groups and organisations Assisted by Phare 1999</td>
<td>Support for establishment of producer groups and organisations Assisted by Phare 1999</td>
<td>Producer groups and organisations able to start operating CMO for fruit and vegetables and other product groups started</td>
</tr>
<tr>
<td>Market Information System</td>
<td>Feasibility study Legal harmonisation Assisted by Phare 1999</td>
<td>Implementation for different commodities Assisted by Phare 2000</td>
<td>Implementation for different commodities completed</td>
</tr>
<tr>
<td>FADN/EAA</td>
<td>Analysis on farm level Economical and policy analysis Establishing strategy for EAA Database system for EAA modelling, report and prognosis Etc. Assisted by Phare 1997</td>
<td>Hardware and software Standard gross margin (SGM) calculation, Aggregation of individual farm accountancy data Selecting of national sample of farms, weighting procedure Assisted by Phare 1997</td>
<td>Implemented</td>
</tr>
</tbody>
</table>
3.3. Results / Outputs

The anticipated Result and Outputs to be delivered are as follows:

- Strengthened national and regional network responsible for the administration, monitoring and control of EU agricultural and rural development measures, in particular:
  - Ministry and associated bodies’ structures and procedures updated to take account of operational, administrative and financial requirements of the acquis;
  - Appropriate CAP-type measures (CMO Quality monitoring, Market Information System, Market Regulation Agency, Paying Agency, IACS parcel register) for acquis product groups elaborated and applied, bottlenecks of the system described and solutions recommended. Specific EU systems for market management and information systems planned and installed, as appropriate, in the context of further developments in the interim on CAP reform within the EU, other support projects in Lithuania, and in the light of the NPAA at the time;
  - MoA officials trained in the elaboration and implementation of the EU agricultural and rural development policies, and in the expertise needed for member states’ officials (approximately 50 people);
  - MoA officials trained in policy analysis and formulation (approximately 50/60 people), and an appropriate organisational structure developed to facilitate informed decision-making on agricultural and rural development policies and their operational implications. Sustainability encouraged by provision of relevant training materials and manuals;
  - Paying Agency staff at national and regional level trained and competent (indicatively 100/150 people) to apply EAGGF financing, supervision and audit principles and procedures. Financial reporting and management information systems established within the Paying Agency;
  - Paying Agency Operating Manual for Direct Payments prepared and the specified working practices introduced. Financial Verification and Control procedures for Direct Payments established and functioning, relevant monitoring and reporting system created;
  - Recommendations and technical documentation for the administration of intervention purchases and special support programmes delivered and staff of the Market Regulation Agency (about 20 people) trained in their application;
  - Staff trained in IACS parcel register application (indicatively 50 people);
  - Public administration officials and market players trained in the operation of MIS (approximately 100 people);
  - Internal Inspection and Paying Agency internal audit staff trained in EU internal auditing procedures and practice (approximately 10 people);

3.4. Activities / Inputs

Two tenders/sets of contract are foreseen to be concluded under this Project:

- A Twinning and Training package (LT 2000/IB/AG/01) to assist with:
  - The provision of policy, operational, technical and legal advice and of training, to:
Strengthen institutional and administrative capacities (at national and regional level) to establish, implement and enforce all necessary CAP and SAPARD mechanisms;

Develop and support sustainable policy analysis capacity in the MoA, with particular regard to assessing the impacts of CAP and SAPARD and developing policies and delivery mechanisms which will:

- Promote environmentally sensitive restructuring of the agriculture and agro-industry,
- Increase efficiency throughout the food chain, from producer to consumer,
- Provide well targeted direct income and rural development support;

Support the process of legal harmonisation;

Further support the establishment of administrative and organisational structures, operations and procedures, information systems and legal powers for effective implementation and enforcement of the *acquis*.

- An Investment component, focused on:

  The development of administrative and technical management systems (Paying Agency, Internal Audit, etc) at national and regional level as well as the development of specialist software packages meeting EC requirements such as IACS (in particular parcel identification/mapping), permitting the application of EU-compatible CMO-type measures.

3.4.1 Twinning and Training Package (LT 2000/IB/AG/01)

The operation of CMO-type and SAPARD measures requires the capacity to administer and enforce such policies and to monitor their impacts. This further requires the creation of certain institutions and procedures, which currently exist in Lithuania only in a rudimentary form.

It is necessary to develop an effective and efficient intervention management system. This will require the development of intervention stock management and payment systems. With respect to the latter, the National Paying Agency under the Ministry of Agriculture has been established in November 1999 and its functions and operations have to be further supported. It is intended that the Paying Agency set up for SAPARD will also take on responsibility for CAP payments.

CMO policies also demand more efficient and accurate monitoring of agricultural markets and prices than is currently the case. It is also necessary to develop mechanisms for minimising the scope for unintended use and fraud. This requires not only control systems but also a reliable information base that includes overcoming the limitations of the current farm register, and developing an accurate survey of market prices.

In particular, but not exclusively, the project is expected to strengthen or assist to establish the following institutions and systems/procedures:

*Support for the Agricultural and Food Products Market Regulation Agency*

The function of administration of intervention purchases and special support programmes, presently resting with the Agricultural and Food Products Market Regulation Agency, needs to be reinforced. This body is currently separate from the Paying Agency.

*Reinforce the Operations of the Paying Agency*

From 1st January 2000, the EU will provide additional financial aid for the Candidate Countries for agricultural and rural development measures through the SAPARD programme. It is foreseen that Lithuania will be eligible to receive 29.829 MEUR annually for the period of 2000 – 2006.
SAPARD resources will be deployed following the procedures for the Guarantee part of EAGGF. This procedure has been chosen in order to train the Candidate Countries in the strictest rules for the administration of EU funds, through Paying Agencies. The Regulation also stipulates that all the costs relating to administering the allocated resources must be born by the Candidate Countries. Commission implementing legislation will provide the detailed rules of operation.

Lithuania’s National Paying Agency was established in November 1999 with Government Resolution No. 1266. At present (February 2000) it is staffed with 12 officials. The staff is expected to reach a total of 35 people during the second half of 2000. It is planned to increase SAPARD Programmes and Control - Finance units up to 12 persons. Also it is planned to establish Evaluation Committee under the MoA and Appeal Committee under the MoA in the year of 2001. The Ministry of Agriculture supervises the Agency. At the moment functions of primary evaluation and technical control are delegated to agriculture units in regions in order to implement SAPARD programme. In 2002 it is planned to establish up to ten regional branches of PA with 12-15 people staff in each.

It is planned to include subordinated MoA institutions and other institutional bodies to the managing of SAPARD funds and direct payments (District Agricultural Units, District Bureau of Lithuanian Agricultural Consultation Service, District Branch Offices of Chamber of Agriculture, Associations of Processors of Agricultural Products, Rural Business Development and other).

The Agency will be responsible for the administration of both EU (SAPARD) funds and national support programmes which are presently being financed from the Rural Support Fund. One of the main functions of the future Paying Agency will be the administration of direct and headage payments. In three years from now Paying agency is going to overtake administration of other interventional measures. To date, the administration of such programmes has not been a frequent practice in Lithuania. The staff of the Paying Agency will therefore require extensive training and advice on the administration, monitoring and control of the programmes.

Upon accession, the Paying Agency will be authorised to implement and administer all EAGGF payments. It is expected to become one of the most important institutions implementing CAP measures, with offices at both county and district levels.

It is planned to increase the staff in the National Paying Agency who will ensure the implementation of technical assistance provided by the project in case (Annex 6).

**Support for Verification and Control**

EC law on the procedures for controlling and auditing the flow of EU funds is very strict and the consequences of failure to comply are severe. A Paying Agency internal audit unit is currently (January 2000) being established, reporting to the Paying Agency Director but separate from all other Agency functions. Internal Inspection at MoA is also going to be reinforced. This body is required to answer to a level above the Paying Agency management, to ensure independence. It will be required to provide an independent view of the Paying Agency’s accounts and procedures and will support the Paying Agency internal audit function in the initial stages of its operation. The current project will provide training for auditors and advice on best practice to meet the EU auditing requirements and on the financial procedures for EAGGF Guarantee expenditure.

**Support for IACS parcel register**

The establishment of the IACS parcel register will be started from Phare 1999 resources. The Parcel identification system together with the farm register form is the backbone of IACS. The MoA is requested to set up such a system and to make it ready and functioning until including it to the same EU system. In addition, a well – established Parcel identification system will help administering national policies. Project will draft program for the full implementation of the parcel register till the middle of the year 2000.

**Support for the development of a Market Information System**
A comprehensive and effective Market Information System (MIS) needs to be created to provide all actors in the agricultural sector with accurate and timely information on the evolution of prices for different commodities.

**Institutions Building Support and Human Resource Development Activities**

The project would also enhance the technical capabilities for policy administration and analysis within the Ministry, building on the work of the current Phare-funded Institutional Development Support project.

Policy interventions of the kind associated with preparing and implementing the EU acquis for agriculture and rural development require the development within the Ministry of a body of knowledge and expertise in market economics.

The Ministry currently has little in the way of analytical tools or staff for preparing well-argued bases for decision making. There is an urgent need for training and human resource development at all levels in the Ministry to fill this gap. Previous efforts for human resource development have tended to be targeted to a large extent on the junior experts in the various Accession Working Groups and to a lesser extent on the more senior grades within the Ministry of Agriculture.

There is a serious need for intensive training in policy development and analysis for Ministry staff. To remedy the skills shortage in the longer-term there is a need to develop courses in agricultural policy analysis in the relevant academic institutions. Training will be complemented with the establishment of collaboration agreements with EU academic and research institutions. In addition, there is a need for extensive training in the operation and administration of the CAP and rural development policy and for training in management, negotiation techniques and languages.

The Twinning and Training Package will therefore comprise the following elements:

- A 21 person-months PAA over a period of 2 years, located at the Ministry of Agriculture, to support/provide:
  - A senior civil servant from an EU Member State Government institution with significant experience of working with the practical implementation of Common Agricultural Policy measures in key sectors of agricultural and rural development activities;
  - Familiarity with main components of CAP, specifically Common Market Organisation systems and their inter-linkage;
  - Understanding of pre-accession regulations, particularly SAPARD;
  - Good knowledge of evolving CAP measures and CAP reforms in the pipeline;
  - Ability to give practical and theoretical advice on CAP administration and reporting requirements;
  - Familiarity with economic impact studies and other policy development tools and approaches;
  - Familiarity with Member State Ministry and associated bodies’ structures and procedures;
  - Good communication and management skills;
  - Fluency in English (written and spoken).

- A pool of short-to-medium-term EU experts (approximately 32 person-months) covering:
  - Methodology and staffing requirements for development of economically based agricultural and rural development policies and for CAP administration. Modelling techniques for assessing impact of CAP;
All CAP commodity CMOs of interest to Lithuania (particularly grain, dairy and meat), together with their implementing laws and procedures, necessary techniques and practices;

- The design, development and establishment of a Parcel Register in the framework of the Integrated Administration and Control System (IACS);

- Paying Agencies and intervention bodies for agriculture and rural development (SAPARD in the first instance);

- EU financing and auditing rules and procedures;

- Development of a comprehensive Market Information Systems (MIS);

- Training needs assessment and training curricula preparation and delivery, including training courses and study tours in Lithuania and other countries. Training is expected to cover EU agricultural and rural development institutions and policies, public administration, implementation and enforcement of the agriculture and rural development acquis, management, negotiation techniques, EU languages, etc. Development of operating and procedural manuals based on the contents of the training courses.

An indicative allocation of short and medium-term inputs is as follows:

<table>
<thead>
<tr>
<th>Twinning and Training Package</th>
<th>PAA</th>
<th>STAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General advice on CAP implementation, administration, organisation and procedures, particularly CMOs; economically based policy and associated structures. Project management.</td>
<td>21 p/m</td>
<td></td>
</tr>
<tr>
<td>B. STAs</td>
<td></td>
<td>32 p/m</td>
</tr>
<tr>
<td>B1. CAP administration</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>B2. Parcel Register (IACS)</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>B3. Paying agencies</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>B4. Market Information System</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>B5. Internal audit – EC procedures and practice</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>B6. Training needs analysis, courses design and delivery</td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

The Ministry of Agriculture and its bodies dispose all necessary human resources what ensures the proper implementation of the technical assistance provide by the project in case.

- Other services and supplies, for example, for the development and/or procurement of computer/information systems software, interpretation and translation, documentation including the printing and circulation of operating manuals produced by the project.

3.4.2. Investment Component

Equipment to be purchased from the investment component of the project mainly includes computer hardware and software for ensuring the proper functioning of the necessary institutions and systems (Market regulation Agency, Paying Agency, Internal Audit, etc.) at national and regional levels as well as specialist software packages for EC requirements such as CAP administration (Quality monitoring unit for Grain, Dairy and Meat), IACS parcel identification register, and the Market Information System.

The detailed technical specifications for the various equipment supplies foreseen in the investment component will be prepared by the T.A. and Twinning experts provided to MoA under the 1998 and 1999 Phare programme and are expected to be finalised by the end of 2000.

It is expected that it will be necessary to develop the information management systems based on EU Member States’ models and according EAGGF rules. As appropriate, the PAA and STAs will assist
in assessment of equipment needs and preparation of detailed specifications, and in the tendering process (preparation of Tender Dossiers, participation in evaluation committees, etc.).

An indicative allocation of Phare investment support is shown below. The Government will provide co-financing complementing the Phare investment component for a total of 0.385 MEUR:

- **CAP Administration** 0.2 MEUR
  - Quality monitoring unit for specific products (Dairy, Meat and Grain subsectors); Market Regulation Agency; Paying Agency.

- **Market Information System** 0.20 MEUR

- **Integrated Parcel Register (IACS)** 0.75 MEUR
  - It will indicatively provide for:
    - Development of GIS software for interpretation interface;
    - Data collation, processing, transfer and delivery;
    - Cartographic production;
    - Colour/infrared acquisition and treatment;
    - Printing analogue cartographic products.

The on-going Phare project “Integrated farm register and agricultural information system” shall work out an evaluation study which will determinate the specified investment component of the IACS parcel identification register till the middle of 2000.

4. **Institutional Framework**

The recipient institution and immediate beneficiary of the project will be the Ministry of Agriculture, which has direct responsibility for agriculture and food production, phyto-sanitary matters and for rural development.

The Departments most immediately involved in the project will be:

- Production Development Department (Crops and Livestock),
- Food Industry Department,
- Rural Development Department,
- Economics and Finance Department.

The Department for Agriculture and Food Integration to the EU will also work closely with the Project.

Within the Ministry, several legislation harmonisation Working Groups cover a range of issues relating to EU integration, including product/sector related issues, veterinary, phyto-sanitary, forestry, fisheries, trade policy, structural funds and others. A Senior EU Adviser supports each of these working groups through regular visits to Lithuania, and each working group is also assisted by a full-time local Junior Expert.

Various Government bodies and services will be involved in the Project, as follows:

The Market Regulation Agency for Agriculture and Food Products, set up in July 1998 under the Ministry of Agriculture, has been financed from the Privatisation Fund. It buys and exports surpluses. The Agency has to develop the capacity to implement CAP measures.

The Paying Agency, initially for SAPARD, which will have to take on CAP functions as well.
MoA’s Internal Inspection that controls and verifies the Ministry’s operations and that, in this capacity, will also supervise the activities of the Paying Agency.

The State Veterinary Services report directly to the government. As of January 1999, the Service employed 23 staff in headquarters (5 in its European Integration Division) and a further 577 employees in its regional branches.

In 1999, the National Veterinary Laboratory was re-organised by creating three new divisions (the Standardisation Division, the Control Laboratory and the Analysis Laboratory).

In March 1999, the statute of the Veterinary Border Inspection was brought in line with EU requirements.

The State Plant Protection Service under the Ministry of Agriculture (answering directly to the Secretary of the Ministry) monitors plant protection in Lithuania.

The Agricultural Business Development and Information Centre was established in 1998. Its main tasks are to co-ordinate the establishment of the agricultural information system, to maintain farmer, animal and cropping area databases and other databases needed for IACS, and to link existing agricultural information systems into a unified system accessible from a single point.

The Institute for Agricultural Economics that carries out economic analysis, research and scientific work.

The Rural Business Training Centre will be involved in the delivery of training courses.

The assistance provided via this project does not duplicate that foreseen via the 2000 Programme project proposal “Strengthening and Enforcement of the EU Food Control System/Veterinary and Phyto-Sanitary Administration”.

5. Budget (in million EUR)

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Investment/ Support</th>
<th>Institution Building</th>
<th>Total Phare (= I + IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning and Training</td>
<td>0.85 MEUR</td>
<td>0.85 MEUR</td>
<td></td>
<td></td>
<td>0.85 MEUR</td>
<td>0.85 MEUR</td>
</tr>
<tr>
<td>Package</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Component</td>
<td>1.15 MEUR</td>
<td></td>
<td>1.15</td>
<td>0.385 MEUR</td>
<td>1.535 MEUR</td>
<td>1.535 MEUR</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1.15</td>
<td>0.85</td>
<td>2.0</td>
<td>0.385</td>
<td>2.385</td>
<td></td>
</tr>
</tbody>
</table>

6. Implementation Arrangement

6.1 Implementing Agency

The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. Responsibility for technical preparation and control remain with the beneficiary institution, the Ministry of Agriculture.

Contact Person: Director of Central Financing and Contracting Agency Mr. Ž. Pajarskas, Ministry of Finance, J. Tumo-Vaižganto 8a/2, LT-2600 Vilnius, Lithuania, Tel.+370-2-791487,226621, Fax.+370-2-225335.

6.2 Twinning

For the Twinning and Training package, the Twinning Team will primarily be located in the Ministry of Agriculture. The Counterpart of the PAA will be the Director of MoA’s Agri-Food Eurointegration Department, Ms. Dalia Miniataite, Tel.+370-2-391361, Fax.+370-2-391112

6.3 Non-standard aspects
There are no non-standard aspects to this project and the CFCU will ensure that the DIS Manual will be strictly followed.

6.4  **Contracts**

There will be 2 contracts in this project:

1. Value of Twinning covenant 850 000 EUR
2. Value of procurement tender 1 150 000 EUR

7. **Implementation Schedule**

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start of Twinning Arrangements</td>
<td>2Q/00</td>
</tr>
<tr>
<td>Start of Twinning Activities</td>
<td>2Q/01</td>
</tr>
<tr>
<td>Completion of Twinning</td>
<td>1Q/03</td>
</tr>
<tr>
<td>Start of Investment Tender Process</td>
<td>1Q/01</td>
</tr>
<tr>
<td>Signature of Contract(s)</td>
<td>2Q/01</td>
</tr>
<tr>
<td>Finalisation of Supplies</td>
<td>1Q/02</td>
</tr>
</tbody>
</table>

8. **Equal Opportunity**

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. **Environment**

The investment components of this Project all relate to Institution Building activities.

10. **Rates of Return**

The investment components of this Project all relate to Institution Building activities.

11. **Investment Criteria**

The investment components of this Project all relate to Institution Building activities.

12. **Conditionality and Sequencing**

The Project will, in certain areas, build on the support provided by the 1999 Phare National Programme to the Ministry of Agriculture, and specifically the Twinning project “Modernisation of Rural Administrative System”, which is expected to start in spring/summer 2000. The detailed ToR/Twinning Covenant for the present Project will need to take account of progress made and to ensure co-ordination with the earlier twinning project, or with any other ongoing support.

As far as investment is concerned, the project will build up on and need to take account of progress made by the TA and Twinning projects funded by PHARE under the 1997, 1998 and 1999 National Programme that will develop Technical Specifications, specifically the on-going Phare project “Integrated farm register and agricultural information system” shall work out an evaluation study which will determinate the specified investment component of the IACS parcel identification register till the middle of 2000..
### Strengthening the Capacity of the Ministry of Agriculture and Related Institutions to Manage and Administer the EU Acquis for Agriculture (CAP) and Rural Development

**Project Number:** LT 0004-01  
**Contracting Period Expires:** 3Q/2002  
**Disbursement Period Expires:** 3Q/2003  
**Total Budget:** 2,385 MEUR  
**Phare Contribution:** 2.0 MEUR

#### Wider Objective
Support the alignment of Lithuanian legislation/regulation with the acquis in the agricultural sector, particularly to strengthen the capacity to effectively implement and administer basic Common Agricultural Policy management mechanisms and administrative structures for monitoring agricultural markets and implementing structural and rural development measures.

**Indicators of Achievement**
- Agencies for management, control and verification of CAP and rural development supports operational, following EC best-practice

**Sources of Information**
- EU Commission
- Records of MoA and other relevant institutions

**Assumptions and Risks**
- Adequate Government resources allocated to the project according to the defined project timescale

#### Immediate Objectives
Development of administrative, managerial and information systems and capacities, to achieve compatibility with the acquis and EC best-practice in the application of CMO-type measures for Lithuanian agricultural products and of SAPARD measures for rural development.

Development of appropriate CAP-type measures (CMO Quality monitoring, Market Information System, Market Regulation Agency, Paying Agency, IACS parcel register) for acquis product groups elaborated and applied, specific EC systems for market management and information systems planned and installed.

**Indicators of Achievement**
- Positive Commission reports to Council at the end of 2001 & 2002 of Lithuania's accession process in the agricultural sector:
  - Institutions for agriculture and rural development
  - Legal harmonisation
  - Ministry policy development capacity
  - Institutional and administrative capacity for agriculture and rural development
  - Successful management of available SAPARD funds

**Sources of Information**
- EU Commission
- Records of MoA and other relevant institutions
- Annual assessments by independent evaluators and Ministry of Agriculture.
- Regular project reports and STA's reports
- New or amended national laws and Resolutions

**Assumptions and Risks**
- Full co-operation between staff in Ministry and its associated bodies and experts carrying out the project
- Smooth Parliamentary process
Strengthened national and regional network responsible for the administration, monitoring and control of EU agricultural and rural development measures, in particular:
- Ministry and associated bodies' structures and procedures updated to take account of operational, administrative and financial requirements of the acquis;
- Appropriate CAP-type measures (CMO Quality monitoring, Market Information System, Market Regulation Agency, Paying Agency, IACS parcel register) for acquis product groups elaborated and applied. Specific EC systems for market management and information systems planned and installed, in the context of further developments in the interim on CAP reform within the EU;
- Staff trained in the elaboration and implementation of the EU agricultural and rural development policies;
- Staff trained in policy analysis/formulation, appropriate organisational structure developed to facilitate informed decision-making on agricultural and rural development policies and their operational implications;
- Paying Agency staff at national and regional level trained and competent to apply EAGGF financing, supervision and audit principles and procedures. Financial reporting and management information systems established within Paying Agency;
- Paying Agency Operating Manual for Direct Payments and working practices introduced. Financial Verification and Control procedures for Direct Payments established and functioning, relevant monitoring and reporting system created;
- Recommendations and technical documentation for the administration of intervention purchases and special support programmes delivered and staff of the Market Regulation Agency trained in their application;
- Staff trained in IACS parcel register application;
- Public administration and market players trained in the operation of MIS;
- Staff trained in EU internal auditing procedures and practice;
- Fully computerised CMO Quality monitoring, Market Information System, Market Regulation Agency, Paying Agency, IACS parcel register

Enhanced effectiveness of Ministry in relations with EU.
Improved pace and coherence of acquis implementation and policy development.
Sustainability encouraged by provision of relevant training materials and manuals
Indicatively 250 Paying Agency, Ministry, Market Regulation Agency national and regional civil servants/staff trained

Annual Commission report and Government NPAA progress report.
Project reports & independent assessments.
Manuals
Curricula

Sufficient absorption capacity in the beneficiary institutions to effectively utilise project resources

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning and Training package 0.85 MEUR</td>
<td>Tendering and contracting proceeds smoothly</td>
</tr>
<tr>
<td>Equipment/Software – 1.15 MEUR (plus a further 0.385 MEUR co-financing)</td>
<td></td>
</tr>
</tbody>
</table>
### Detailed Implementation Chart for the Project

**Annex 2**

<table>
<thead>
<tr>
<th>Detailed Project Implementation</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
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<td></td>
<td>J</td>
<td>A</td>
<td>S</td>
<td>O</td>
</tr>
<tr>
<td><strong>Institution Building</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Twinning and Training Package</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Launch Twinning request to Member States (June 2000)</td>
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<td></td>
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<tr>
<td>- Selection of MS(s) for twinning</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>- Elaboration of twinning covenant</td>
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<td></td>
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<tr>
<td>- Submit Twinning covenant to Commission &amp; Steering Committee for approval</td>
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<tr>
<td>- Twinning Package commences</td>
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<tr>
<td><strong>PAA/CAP administration</strong></td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Parcel register (IACS)</strong></td>
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<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Paying agencies</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td><strong>Market Information System</strong></td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<tr>
<td><strong>Internal audit</strong></td>
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<td>X</td>
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<tr>
<td><strong>Training needs analysis, course design and delivery</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
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</tbody>
</table>

**Equipment Procurement**

| - Tender Launch                                    | X    |
| - Contract Signature                               | X    |
| - Finalisation of supplies                         | X    |
Cumulative Contracting and Disbursement Schedule for the Project (MEUR)  

Annex 3

### Cumulative Quarterly Contracting Schedule (MEUR)

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/00</th>
<th>1Q/01</th>
<th>2Q/01</th>
<th>3Q/01</th>
<th>4Q/01</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
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<td>Equipment</td>
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### Cumulative Quarterly Disbursement Schedule (MEUR)

<table>
<thead>
<tr>
<th>Project</th>
<th>4Q/00</th>
<th>1Q/01</th>
<th>2Q/01</th>
<th>3Q/01</th>
<th>4Q/01</th>
<th>1Q/02</th>
<th>2Q/02</th>
<th>3Q/02</th>
<th>4Q/02</th>
<th>1Q/03</th>
<th>2Q/03</th>
<th>3Q/03</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Twinning</td>
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<tr>
<td>Equipment</td>
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<tr>
<td>Total</td>
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</tbody>
</table>
Organisation Chart of the National Paying Agency

Director
(1)

Internal Audit

Deputy Director
(1)

Control

Secretariat, Public Relations
(2)

Information Technologies
(1)

Financial Accounting and Payment Execution
(2)

Financial accounting

Payment execution

National Support
(1)

Direct Payments

State Support Programmes

SAPARD Programmes
(5)

Investments into Holdings

Project evaluation

Project administration

Investments into Processing Industry

Project evaluation

Project administration
### Action plan of Paying Agency for preparation to implement support according to SAPARD programme

<table>
<thead>
<tr>
<th>No</th>
<th>Activities</th>
<th>Timing</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Preparation of legislative base</td>
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</tr>
<tr>
<td>1.1</td>
<td>Government Resolution on the Establishment of the NPA</td>
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<tr>
<td>1.2</td>
<td>Law amendment on the “Law on the State Regulation of Economic Relations in Agriculture”</td>
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<tr>
<td>1.3</td>
<td>Government Resolution approving the Rural Development Plan</td>
<td>4</td>
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<tr>
<td>1.4</td>
<td>Government Resolution on Amendments of Rural Support Fund related to co-financing SAPARD program</td>
<td>5</td>
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<tr>
<td>1.5</td>
<td>Document signed by PARLA and MoA on delegation of aid administration function on a local level to County Governors</td>
<td>6</td>
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</tr>
<tr>
<td>2</td>
<td>Preparation and confirmation of organizational structure of the NPA</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Definition of functions of each NPA division and directly related units, Positions and job descriptions</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Hiring of Employees</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Elaboration of Administrative (detailed written) Procedures</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Preparation for accounting and declaration procedures according to EU requirements</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Elaboration of Internal Audit and Control</td>
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</tr>
<tr>
<td>7.1</td>
<td>Preparation of an overall plan and detailed work programme</td>
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<td></td>
</tr>
<tr>
<td>8</td>
<td>Elaboration of on-the-spot and ex-post control</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Dealing with Irregularities (Description of Lithuanian legal basis, authorities and actions in the case of frauds and irregularities. This system will be applicable using EU funds).</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Elaboration of Documentation</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Review and unification of prepared documentation</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Preparation of implementing schemes for each SAPARD priority measure (eligibility conditions, selection criteria, etc.)</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Information of future recipients of support about prospective SAPARD program</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Elaboration and development of IT systems</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Appropriate training for the NPA staff</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>

* Timing in weeks of 2000 year

---

**Assigned tasks for week:**

- Preparation and confirmation of organizational structure of the NPA
- Definition of functions of each NPA division and directly related units, Positions and job descriptions
- Hiring of Employees
- Elaboration of Administrative (detailed written) Procedures
- Preparation for accounting and declaration procedures according to EU requirements
- Elaboration of Internal Audit and Control
- Preparation of an overall plan and detailed work programme
- Elaboration of on-the-spot and ex-post control
- Dealing with Irregularities (Description of Lithuanian legal basis, authorities and actions in the case of frauds and irregularities. This system will be applicable using EU funds).
- Elaboration of Documentation
- Review and unification of prepared documentation
- Preparation of implementing schemes for each SAPARD priority measure (eligibility conditions, selection criteria, etc.)
- Information of future recipients of support about prospective SAPARD program
- Elaboration and development of IT systems
- Appropriate training for the NPA staff

**Comments:**

- Draft is prepared and elaborating with PARLA
- Done,
- Primary staff of 12 people are employed. Additional manpower resources are provided by MoA and RBDIC.
- Done, Gov. Resol. No.1266 of 1999.11.11
- Draft prepared, will be available after the law amendment on the “Law on the State Regulation of Economic relations in Agriculture” approval
- Draft is prepared and elaborating with PARLA
- 00.03.17. Needs to be commented and improved by experts
- 00.03.31.
- Draft on amendment of Code on Violation of Administrative Law according to SAPARD irregularities is prepared
- 00.03.31.
- The IT systems to be developed by RBDIC which is also responsible for development of IACS. In future NMA and RBDIC will be closely linked
- 00.03.31.
- Programme will be elaborated in accordance with different EU projects

---

**Annex 6**
Four departments within the Ministry will be directly involved in the project, they are:

- Agri-food European Integration Department under the Ministry of Agriculture, persons responsible:
  - Ms Dalia Miniataite, Director, tel. 39 10 94
  - Mr. Laimonas Ciakas, Deputy director, tel. 39 10 97
- Economics and Finance Department, persons responsible:
  - Mr Vygandas Katkevicius, Director, tel. 39 10 77
  - Head of Accounting Unit (vacant), tel. 39 10 70
- Farm and Food Industry Department, person responsible:
  - Mr Antanas Maziliauskas, Director, tel. 39 11 31

Other institutions likely to be involved are:

- Regional agricultural offices, persons responsible: Heads of the offices
- Agricultural Business Development and Information Centre, persons responsible:
  - Sigita Puodziukas, Director, tel. 61 78 72
- Rural Business Training Centre, person responsible:
  - Mr. Saulius Budvytis, Director, tel. 72 14 81
- Lithuanian Agricultural Advisory Service, person responsible:
  - Mr. Saulius Cironka, Director, tel. 8-257 56768
- Lithuanian Agricultural and Food Market Regulation Agency, person responsible:
  - Mr. Lapé, Deputy Director, tel. 39 12 43
- Institute of Agricultural Economics: person responsible:
  - Mr. D. Stanikunas, tel. 61 45 25