FINANCING MEMORANDUM

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

The Government of the Republic of Lithuania, hereinafter referred to as "THE RECIPIENT" on the other part,

HAVE AGREED AS FOLLOWS

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

ARTICLE 1 - NATURE AND SUBJECT

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

Programme number: LT 01.01.01 to LT 01.09.03
Title: 2001 National Programme for Lithuania, part 1
Duration: Until 31/10/2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 29.925 MEUR 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 31/10/2003 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 31/10/2004. 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 to Lithuania
Naugarduko g. 10
2001 Vilnius
Lithuania
Fax: (+370) 2 31 31 92

for THE RECIPIENT:
Finansu Ministerija (Ministry of Finance)
J. Tumo-Vaizganto g. 8a/2
2600 Vilnius
Lithuania

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 October 30
Date

for THE RECIPIENT

for THE COMMUNITY
Encl
1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
SPECIAL PROVISIONS

1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the Phare 2001 programme will depend on the Government’s commitment, as described in the individual project fiches.

The overall objectives of the programme are to help the Republic of Lithuania fulfil the Copenhagen and Madrid criteria for membership, which are:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union;
- the conditions for its integration through the adjustment of its administrative structures, so the European Community legislation transposed into legislation is implemented effectively through appropriate administrative and judicial structures.

In addition, the programme has the objective to ensure that Structural Funds can be implemented on accession in accordance with EU policy and procedures.

Objective 1   Participation in EC Programmes and European Environmental Agency

LT01.01.01 Phare contribution towards the Republic of Lithuania’s participation in EC Programmes and the European Environmental Agency:

This project provides for Phare co-financing towards the Republic of Lithuania’s participation in 2002 in Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Fiscalis, Customs 2000, SAVE and SMEMAP-IV.

It also provides for the co-financing of the Republic of Lithuania’s participation in the European Environment Agency. Both co-financing and participation will take place on the basis of the relevant Association Council Decisions.

It is noted that some of the said Community Programmes are yet not approved by the Council and therefore no Association Council decisions have been adopted. The figures included into the fiche has therefore been based on an estimation.

LT01.01.02 Participation in the Fifth Framework Programme.

This project provides for Phare co-financing towards the Republic of Lithuania’s participation in 2002 in the 5th Framework programme.
**Objective 2  Economic Criteria**

**LT01.02.01 Continue social security financing reform.**

This project addresses a medium term Accession Partnership priority to continue the social security financing reform. The overall objective of this institution building and investment support project is to continue to support the development of the social insurance system in Lithuania. The project aims to ensure completion of the development within SoDra (State Social Insurance Fund Board) of an Integrated Information Technology System (IITS) for social insurance and continuation of capacity building of the staff of SoDra and of the Ministry of Social Security and Labour (MSSL). The project is directly linked to the related projects financed under the 1998 and 1999 programmes. Results are expected in terms of an enhanced pensions and payments system; enhanced Management Information, accounting, and statistics systems; integrated IITS systems and piloted pensions, benefits, payments, MIS and accounting systems are expected from this project. This twinning and technical assistance project includes an investment component and involves the purchase of hardware and software systems for a small amount in order to design, develop and pilot the pensions and payments systems and an MIS. The project is conditional on results of other on-going projects and co-financing.

**Objective 3  Transport**

**LT01.03.01 Further alignment with the Transport Acquis and Strengthening Administrative Capacity to Manage the Implementation of Transport Policy.**

This project addresses medium term Accession Partnership priorities. The overall objective is to assist Lithuania in meeting of the transport Acquis requirements in the fields of fiscal harmonisation and social legislation in road transport, market access in railway transport and safety requirements in civil aviation. The purpose of the project is to assist the Ministry of Transport and Communications and related institutions in preparation of legislation in the field of road, rail transport and civil aviation and implementation of existing legislation within Road Transport, Railways and Civil Aviation. Results are expected in the area of road user charges and vehicle tax system, legislation on the control system of rest-working time regime in road transport, the institutional framework for railway infrastructure management with regard to railways and regarding the administrative capacities of civil aviation. The project is linked to projects financed by Phare in 1997 and 1998. The project includes an investment component and involves the purchase of hardware and software for the creation and installation of the Information System “Working and rest time regime control” and vehicles with special equipment for roadside checks. The twinning part of the project would cover a Twinning and Training Package including PAAs for road transport, railway transport, civil aviation and STEs.

**Objective 4  Internal Market**

**LT01.04.01 Strengthening the Energy Market Regulator.**

This project addresses short term and medium term Accession Partnership priorities: the implementation of the 1999 National Energy Strategy; the preparation for the internal energy market, notably the Electricity and Gas Directives including the establishment of a regulator; and the improvement of energy efficiency.

The wider objectives of the project are to assist the Government and governmental institutions of Lithuania in the implementation of a medium-to-long-term Energy Strategy and to facilitate the implementation of the EC directives in the energy sector (Electricity, Gas). The project aims to ensure the strengthening of the energy market regulator (National Control Commission for Prices and Energy) and to increase energy efficiency in industry. The project is linked to earlier Phare projects, (Support to
the preparation of the Law on Energy Conservation in Lithuania, Phare energy framework contract 1998, and the Phare 1999 Twinning Project “Policy and Regulatory Support to the Ministry of Economy”) but is “strictu senso” not a follow-up to them. The project contributes to the establishment of an effective internal energy market with adequate regulatory institutions and procedures, the creation of a legal basis and functioning procedures for licensing of the energy transmission and distribution companies and the application, after liberalisation of the energy market, by the National Control Commission for Prices and Energy of appropriate pricing methodologies in line with the EC directives. As such the project contributes to the creation of the necessary conditions for Lithuania’s participation in the Common Baltic Electricity Market and the EU internal energy market, and the improvement of energy efficiency in industry through the implementation of energy consulting. The project will be implemented by twinning and the training part covers expertise on general management advice, institutional support, public relations strategy, macro-economics, energy law, electricity, gas and IT.

The project is conditional on the restructuring of JSC “Lietuvos energija” or unbundling of activities (generation, transmission and distribution), and on the adoption of the Law on Energy Conservation by the Lithuanian Parliament

Objective 5   Agriculture

LT01.05.01 Development of Animal Tracing and Epidemiological Surveillance System and Modernisation of Phyto-Sanitary Research and Administration:

This project addresses short and medium term accession priorities. The project aims to ensure that Lithuania’s animal identification, herd registration and movement control system including animal health surveillance and public health monitoring is in line with the veterinary acquis and that Lithuania’s phyto-sanitary research and administration operate in accordance with the requirements of the phyto-sanitary acquis. The project is linked to related projects financed under PHARE programmes from 1995 and onwards. The project should have a number of important outputs under the two different components. Under the veterinary component, an integrated animal tracing and veterinary surveillance system will be put in place comprising a computer system, user manuals and training documentation, pig identifiers and paper forms, Geographical Information Systems (GIS) system fully operational and trainers and local support staff trained. The outputs of the phyto-sanitary component will include a central plant quarantine greenhouse constructed, facilities for an EU conform plant health control system in place including facilities for bio–tests provided and staff trained to carry out checks of plant and plant origin in line with EU work standards. The project includes an investment component and involves the purchase of hard- and software as well as construction of a central plant quarantine green house. The twinning part of the project should cover support to the State Plant Protection Service in continuing the adoption and implementation of phyto-sanitary requirements of the acquis. The project is conditional on co-financing of the investment component.

Objective 6   Environment

LT01.06.01. Strengthening the Institutional Capacity to Implement EC Requirements on Management of Chemicals, Genetically Modified Organisms, IPPC and Climate Change.

This project addresses a medium term accession priority. Project aims to ensure the development of institutional capacities for the implementation of EU requirements in the environmental sector in the management of chemicals and genetically modified organisms (GMO), integrated pollution prevention and control (IPPC) and climate change gas emission control. This project is linked to the Multicountry Phare DISAE project under 96-0863.00, LIT 109 – « Development of action programme for implementation of EU legislation on chemicals in Lithuania ». The project will contribute to the establishment of structures to manage and enforce requirements in chemicals and GMO, increased
awareness and preparedness of stakeholders to comply with transposed EU requirements on chemicals and GMO’s management and control mechanism. The need to reinforce structures capable to implement IPPC directive requirements will be addressed under the project. The project will be implemented on the basis of a Technical Assistance contract and a Twinning Light arrangement. The project includes an investment component and involves the purchase of laboratory and office equipment as well as hard- and software. The project is conditional on co-financing of the investment component, that framework legislation for establishment of GMOs management institutional structure is in place, that the institutional structure for chemicals and GMOs management (including laboratory capacities) is developed and agreed with the Government and that laboratory premises are provided.

**LT01.06.02. Creation of Radiation Protection Infrastructure and Development of Supporting Services.**

This project addresses a short term priority of the 1999 Accession Partnership to ensure institutional strengthening in the area of environment both at central and local level particularly by establishing structures to ensure implementation of the Radiation Protection Law. In addition, Lithuania is required to complete transposition and continue implementation of the environmental acquis according to directive-specific pre-defined timetable in nature protection, air, water and industrial related directives, waste, chemicals and genetically modified organisms, ozone depleting substances and radiation protection. The project aims to ensure that workers exposed to radiation, radiation protection staff and members of public are educated in matters of radiation protection and that a system of assessment of radiation exposure of exposed workers and members of the public is put in place. The project further aims to ensure that a system of authorization and inspection of practices using sources of ionising radiation is created and fully functioning. Outputs are expected in terms of drafts of legal documents concerning radiation protection in compliance with EC legislation, establishment of the Radiation Protection Centre as a regulatory authority and introduction of a training and education system. The twinning part of the project should cover support to all the different components of the project, besides for the supply of equipment. The project includes an investment component and involves the purchase of office, laboratory and measuring equipment. The project is conditional on the availability of co-financing for the investment component.

**Objective 7 Justice and Home Affairs**

**LT01.07.01. Strengthening the Fight Against Crime through Establishing the National EUROPOL Bureau and Up-grading the Forensic Science Service’s Central Laboratory.**

This project addresses short and medium term accession partnership priorities on the fight against organised crime, the upgrading of law enforcement bodies and the strengthening of police co-operation mechanisms with EUROPOL. The project aims to ensure the establishment of effective methods and tools for better crime investigation and for obtaining and distributing investigation results, the establishment of a national EUROPOL Bureau; and the upgrading of the Lithuanian Forensic Science Service (FSS) to ensure improved material evidence examination, effective exchange of forensic science information, and quality assurance programme corresponding to EU Member State best practices.

Outputs in terms of (i) Operational rules of the National EUROPOL Bureau and methods of their implementation in place, (ii) Procurement of appropriate data processing and communication systems and training in the use of the new systems, (iii) Central Forensic Science Laboratory equipped with the appropriate analytical equipment and modern databases, (iv) New quality assurance unit established at the FSS Central Laboratory to assure credibility and reliability of material evidence examination results, (v) training of a high number of specialists of the FSS Central Laboratory and Forensic Science Institute specialists in operating the new equipment and using the databases.
Twinning assistance shall be provided to both the preparation for the establishment of a National EUROPOL Bureau in Lithuania and the strengthening of the Lithuanian Forensic Science Service. The project includes an investment component and involves the purchase of analytical equipment for the Forensic Science Service and specific hardware/software required for the establishment of a National EUROPOL Bureau.

The project is conditional on the following points: (i) The reorganisation of the International Co-operation Service and the Interpol Lithuanian National Bureau into one service, which will include the National EUROPOL Bureau, Interpol, SIRENE and organisational-analytical division will be completed before the start of the project, (ii) The Police Department at Ministry of Interior will provide adequate confirmation that all expenses for the personnel working with the equipment, as well as the cost of operating, servicing and maintaining the equipment will be covered from the Police Department’s budget, (iii) The Police Department at the Ministry of Internal Affairs shall ensure permanent development and commitment after expiry of the PHARE assistance and (iv) a close co-operation between Forensic Science Service and Forensic Science of the Ministry of Justice must be ensured, including, where necessary, joint training.

**LT01.07.02. Strengthening the Capacity of Lithuania’s Judiciary**

The project addresses both short-term justice and home affairs priorities and medium-term priorities concerning the reinforcement of administrative and judicial capacity. The project aims to ensure that the Lithuanian courts system operates efficiently and in accordance with EU best practices, including the relevant provisions of the European Convention on Human Rights, as referred to in Article 6 of the Treaty; that Lithuanian judges and prosecutors are properly trained to apply Community and Union law in the area of judicial co-operation in criminal and civil matters competently, and that Lithuanian legislation is fully in line with the acquis. The project, which is linked to a twinning Project, LI/IB/JH/01 with Germany and Sweden, which provided general training to Lithuanian judges; and to a twinning Project, which foresees training of judges, involved in hearing on bankruptcy cases. Some important outputs are expected from the project such as (i) a programme for the training of Lithuanian judges in Acquis-related subjects established, (ii) draft legislation for the fields of judicial co-operation in criminal and civil matters fully compatible with the Acquis in this field and (iii) procurement of hardware/software for the modernisation of the courts system and a provision of staff training.

The twinning part of the project should provide for a training programme for Lithuanian judges and prosecutors on judicial co-operation in civil and criminal matters, and legal expertise on draft legislation as well as on legislation in force, with the view of its compatibility with the acquis. The project includes an investment component and involves the purchase of hardware and software necessary to ensure the upgrade and modernisation of the courts system in Lithuania.

The project is conditional on (i) The preparation of a draft IT Strategy for the overall court modernisation process including budget estimates, (ii) Commitment of Lithuanian authorities to providing ongoing personnel training in the newly installed IT systems, (iii) Commitment by the Lithuanian authorities of the necessary funding to ensure the maintenance, upkeep and upgrade of the IT system and (iv) that the Lithuanian authorities will ensure that sufficient human resources are allocated for implementation of this project and for sustainability and support of the system, after completion of the project.

**Objective 8 Public Health**

**LT01.08.01 Strengthening Capacities to Manage Public Health System in Compliance with EC Regulations.**
This project addresses a medium term accession partnership priority to assist Lithuania in transposing and implementing EU legislation on public health including reinforcing related administrative structures. The project aims to ensure that public health surveillance institutions both at national and local levels are strengthened in order to support the harmonization and enforcement of EC acquis in the public health sector. This twinning project includes an investment component and involves the purchase of monitoring and laboratory equipment, computers and other equipment. A number of important outputs, namely (i) establishment of public health institutions, (ii) development of by-law acts, (iii) development of education and training strategy, (iv) elaboration of training curricula and methodologies for public health specialists, and (v) analysis, assessment and improvement of structures of public health service, health management capacities, risk assessment, health impact assessment and information and public communication, are expected under this project.

The project is conditional on a full commitment of the Ministry of Health and State Public Health Centre, that the necessary staff and office space and other facilities are provided for the Twinning Project and that co-financing is made available for the investment component. In addition it is expected that the Public Health Strategy is adopted by the Government, a new Draft Public Health Law is elaborated and adopted by the Parliament, the National Environmental Health Action Plan (NEHAP) is adopted by the Government and the NEHAP operational plan is prepared and adopted by NEHAP Steering Committee. WHO/DEPA Project on NEHAP implementation should be successfully completed. Links should be established between national health programs and EU public health action programs, for example on health monitoring. It would enhance the possible outcomes and increase capacity building and improve adoption of the health acquis.

**Objective 9   Administrative Capacity**

**LT01.09.01 Public External Audit**

The project addresses both short and medium-term priorities of the Accession Partnership. In the short term, Lithuania is required to complete the legislative framework for external financial control. In the medium term, the public financial control functions are to be strengthened through the provision of adequate staff, training, and equipment. The project aims to ensure that State Audit Office of the Republic of Lithuania (State Control) performs the public external audit function in line with the international standards demanded by EU Accession and the relevant acquis.

Outputs in terms of (i) a Legal basis, organisational structure, and management capacity brought into line with the requirements of the acquis and EU best practices, (ii) a comprehensive training strategy devised, (iii) Extensive staff training and seminars on a number of areas including: Application of European Guidelines for the implementation of INTOSAI standards, audit planning, audit of EU Structural Funds, management, etc., (iv) Preparation of manuals for financial audit and performance audit, etc. and (v) procurement of hardware and software are expected from the project.

The twinning part of the project should cover all components of this project related to Institution Building. It shall assist in the implementation of the Strategic Development Plan of the State Control Office, including the IT Strategy. The project includes an investment component and involves the purchase of the necessary equipment to modernise and expand the IT system of the State Control office.

The project is conditional upon (I) completion and adoption of the State Control development strategy, (ii) Finalisation by the State Control Office of an IT Strategy and (iii) Finalisation of the New Draft Law on the State Control corresponding to the acquis regulating audit and control function of external auditor in the country.
LT01.09.02 Special Preparatory Programme for Structural Funds.

This project addresses the short-term Accession Partnership priorities (reinforcement of administrative and judicial capacity, including the management and control of EU funds) to: (i) further develop the National Development Plan and to adopt the legal, administrative and budgetary framework; (ii) complete the legislative framework for internal and external financial control and to establish a central organization within the government for harmonizing internal audit and control functions.

As for the medium-term Accession Partnership priorities (economic and social cohesion, reinforcement of administrative and judicial capacity, including the management and control of EU funds) the project addresses to: (i) develop a national policy for economic and social cohesion in preparing for the implementation of regional development programmes and Community initiatives and improving the administrative structures including appraisal and evaluation; (ii) strengthen public financial control functions through the provision of adequate staff, training and equipment, and make a clear separation of ex-ante internal control and monitoring.

The project aims to ensure building Lithuanian capacity to plan and implement EU Structural Funds programmes when Lithuania becomes a member of the European Union. (More specifically it aims at the preparation of a multi-annual Objective 1-type Single Programming Document based on the National Development Plan; further development of the capacity of the relevant ministries and agencies at the national and regional levels which will be implementing the Pre-Accession Funds and later the EU Structural Funds; assistance in setting up administrative procedures and systems for co-financing, monitoring, reporting, auditing and control of Pre-Accession Funds and for Structural Funds; strengthening of the strategic planning, managing, co-financing, monitoring, auditing, and evaluation capacity in the Lithuanian ministries, regional and local authorities). This project could also cover the SAPARD Agency Institution Building needs. The project is a follow-up to the related project financed under the 1998 programme (SPPI).

Outputs in terms of (i) capacities of strategic planning in the key development ministries, other central and regional authorities strengthened and SPD-type National Development Plan worked out; (ii) institutional network of management and paying authorities for the EU Structural Funds optimised and co-ordination, programme and project implementation capacities improved; (iii) legal, financial control and auditing framework brought fully in line with the EU requirements for Structural Funds; (iv) law on Regional Development and other legislation fully implemented; (v) preparation of the first Objective 1 Programme started would be expected from this project.

The twinning part of the project should cover most components, although some limited technical assistance will be needed to carry out very specific and technical tasks related to the development of the IT system. The project includes an investment component and involves the purchase of hardware to upgrade the technical capacity of the Ministry of Finance and the Paying Agencies.

The project is conditional on the adoption of the Government resolution on the allocation of the responsibilities among government institutions in the management of the EU Structural Funds including the location of the Managing Authority and the number and location of Paying Authorities for ERDF, ESF, EAGGF and FIFG as well as co-financing of the investment component.

LT01.09.03 ‘Twinning Light’ Reserve

An allocation has been set aside to allow for the mobilisation of twinning-light support that may be needed to address priorities that emerge in the course of accession negotiations or accession preparation during the lifetime of this programme. The overall objective of such assistance is to assist
Lithuanian efforts to fulfill criteria for EU Membership. The purpose is to facilitate the adoption and enforcement of the acquis by providing short term twinning assistance.

All sectors could benefit from this Institution Building support and immediate needs are identified in many areas i.e. the State Tax Inspectorate, the Ministry of Finance, the Customs Department, etc. The detailed programming of this support, and the preparation of the project fiches relevant to each self-contained activity, will be subject to the approval of the Head of the Lithuania Team in Brussels and the Head of Delegation in Vilnius.

**GENERAL PROVISION**

All investment projects which, according to the rules stipulated in Directive 85/337/CEE, as amended by Directive 97/11, require an Environmental Impact Assessment, should be the subject of an Environmental Impact Assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned directive. All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The Project Fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

### 2. BUDGET

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Establishing the National Europol Bureau and Upgrading the Forensic Science Service’s Central Laboratory.

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3. IMPLEMENTATION ARRANGEMENTS

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD.

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 reporting to the European Commission. The NAO shall have the overall responsibility for the financial management of Phare funds. He shall ensure that Phare rules, regulations and procedures pertaining to procurement, reporting and financial management as well as community state aid rules are respected, and that a proper reporting and project information system is functioning. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the national Financial Control Authority. The NAO shall maintain a financial reporting system for all Phare funds.

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Republic of Lithuania on 7 December 1998. Funds will be transferred following requests from the NAO.

A distinction should be made between the payments concerning the participation in Community Programmes and Agencies and the payments concerning the other sub-programmes. However, only one bank account will be opened at the National Fund.

Community Programmes and Agencies: A single advance will be made to the National Fund to cover the full amount of the Phare part of the financial contribution for participation in Community Programmes and Agencies. This advance will be made, following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred after the entry into force of the Decision establishing the terms and conditions for participation in that programme. If there is a delay in the entry into force of some of the Association Council Decisions, the payment to the National Fund maybe divided into two or more tranches so that 100% of the funds necessary for the programmes in force can be transferred immediately.
The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programme concerned and within the deadlines requested.

Other Sub-Programmes: 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 IA/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 to be 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 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.

Implementing Agencies will be responsible for projects as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Project</th>
<th>Implementing Agency</th>
<th>Ministries or Institutions with a technical role</th>
</tr>
</thead>
<tbody>
<tr>
<td>LT01.01.01</td>
<td>Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Fiscalis, Customs 2000, SAVE and SMEMAP-IV and the European Environmental Agency</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>LT01.01.02</td>
<td>Participation in the Fifth Framework Programme</td>
<td>CFCU</td>
<td>Ministry of Education and Science</td>
</tr>
<tr>
<td>LT01.02.01</td>
<td>Continue social security financing reform</td>
<td>CFCU</td>
<td>Ministry of Social Security and Labour</td>
</tr>
<tr>
<td>LT01.03.01</td>
<td>Further alignment with the Transport Acquis and Strengthening Administrative Capacity to Manage the Implementation of Transport Policy.</td>
<td>CFCU</td>
<td>Ministry of Transport and Communication</td>
</tr>
<tr>
<td>LT01.04.01</td>
<td>Strengthening the Energy Market Regulator</td>
<td>CFCU</td>
<td>Ministry of Energy</td>
</tr>
<tr>
<td>LT01.05.01</td>
<td>Development of Animal Tracing and Epidemiological Surveillance System and Modernisation of Phyto-Sanitary Research and</td>
<td>CFCU</td>
<td>Ministry of Agriculture</td>
</tr>
</tbody>
</table>

* excluding the amount foreseen for the Community Programmes and Agencies
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<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>CFCU</th>
<th>Ministry</th>
</tr>
</thead>
<tbody>
<tr>
<td>LT01.06.01</td>
<td>Strengthening the Institutional Capacity to Implement EC Requirements on Management of Chemicals, Genetically Modified Organisms, IPCC and Climate Change</td>
<td>CFCU</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td>LT01.06.02</td>
<td>Creation of Radiation Protection Infrastructure and Development of Supporting Services.</td>
<td>CFCU</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>LT01.07.01</td>
<td>Strengthening the Fight Against Crime through Establishing the National Europol Bureau and Upgrading the Forensic Science Service’s Central Laboratory.</td>
<td>CFCU</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>LT01.07.02</td>
<td>Strengthening the Capacity of Lithuania’s Judiciary</td>
<td>CFCU</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>LT01.08.01</td>
<td>Strengthening Capacities to Manage Public Health System in Compliance with EC Regulations</td>
<td>CFCU</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>LT01.09.01</td>
<td>Public External Audit</td>
<td>CFCU</td>
<td>State Control Office</td>
</tr>
<tr>
<td>LT01.09.02</td>
<td>Special Preparatory Programme for Structural Funds.</td>
<td>CFCU</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>LT01.09.03</td>
<td>‘Twinning light’ Reserve</td>
<td>CFCU</td>
<td>Ministry of Finance</td>
</tr>
</tbody>
</table>

The National Fund (NF) will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs 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 CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs must each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

In most projects other ministries or institutions play an important technical role. The organisation playing the lead technical role is indicated in the table above. These organisations will have the responsibility for designing, selecting and monitoring the projects, while the Implementing Agency will assist in all these tasks, playing particular attention to the principles of good project design and implementation and Phare procurement and payment rules.

A separate bank account, denominated in € will be opened and managed by the NF in a separate accounting system in the Central Bank. 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.

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

All contracts will be greater than 2 MEUR, with the exception of those in the area of Internal Market (Energy Market Regulator) and Public Health.

All contracts (and twinning covenants) must be concluded by 31 October 2003. All disbursements must be made by 31 October 2004. However, in order to ensure that projects are implemented as quickly as possible, all tender dossiers (or, where applicable, grant schemes, requests for services or contract dossiers) must be submitted to the Commission within 6 months of signature of the FM. Specifications will be reviewed by independent experts within the framework of twinning, where possible and appropriate. Any project for which the relevant documents are not submitted within the deadline specified will be cancelled and the money made available for reallocation. The first consolidated draft of twinning covenants must be submitted to the EC Delegation within 3 months of the Delegation’s notification to the Member States of their selection as twinning partner. Failure to meet this deadline can result in the re-circulation of the relevant project fiche. If funds are re-allocated to a new project, the tender dossier (or other documents as applicable) must be submitted to the Commission within 3 months of the re-allocation decision or by 31 May 2003, whichever is the earlier.

Any funds not used by the expiry date of the programme will be recovered by the Commission.

All tender dossiers (or other documents as applicable) must be accompanied by a logframe matrix, in order to demonstrate the relevance, feasibility and sustainability of the final project design.

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

4. MONITORING AND ASSESSMENT

A Joint Monitoring Committee (JMC) has been established. It includes the NAO, the NAC and the Commission. The JMC meets 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 is assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA (and of the CFCU where applicable) 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.
5. Anti-Fraud Measures, Audit and Evaluation

All financing memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96 dated from November 11, 1996, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities. The procedures foreseen in Art. 15 para 3 of Commission Regulation No. 2222/2000 dated from June 7, 2000, on the communication in case of irregularities and putting in place of a system to administrate the information in this field shall apply.

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.

6. Visibility/Publicity

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are at the Annex “Visibility/Publicity”.

7. Special Conditions

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