1. **Basic Information**

1.1. **Désirée No.**

1.2. **Title**  
Continue Social Security Financing Reform Support to Social Sector – Ministry of Social Security and Labour and the State Social Insurance Fund Board (SoDra)

1.3. **Sector**  
Economic Criteria. Social Affairs.

1.4. **Location**  
Ministry of Social Security and Labour (MSSL), State Social Insurance Fund Board (SoDra).

2. **Objectives**

2.1. **Overall Objective**

   The overall objective of this **3.75 MEUR** institution building and investment support project, of which 0.75 MEUR is provided from national co-financing, is:

   - Continue to support the development of the social insurance system in Lithuania

2.2. **Project Purpose**

   To continue the EU Phare support for the development of a modern European social security system in Lithuania through:

   - Completing the development within SoDra of an Integrated Information Technology System (IITS) for social insurance, and
   - Capacity building of the staff of SoDra and of the Ministry of Social Security and Labour (MSSL).

2.3. **Accession Partnership and NPAA Priorities**

   Under the Accession Partnership 1999 the priorities of occupational safety and health as well as of social dialogue have been indicated for the Social and Employment Sector. Corresponding to that the Twinning Project LI/99/IB OT-03 “Strengthening Enforcement of Occupational Safety and Health Policy” has just started and will be implemented in the period of one year. The social dialogue priority has been covered along the way by utilising facility offered by the Phare SEIL Project and through the bi-lateral cooperation.

   The National Programme for the Adoption of the Acquis acknowledges that the social security system is being extensively reformed, with the development and adoption of a series of new laws pertaining to pensions, social insurance, sickness & maternity social insurance, social insurance of occupational accidents & occupational diseases.

   These reforms require a much more advanced management and information system, and SoDra has been entrusted with the task of developing accounting and reporting statements in accordance with international accounting and reporting standards.

3. **Description**

3.1. **Background and Justification**
Implementation of SoDra’s high level business objectives have been supported by the EC Commission under the 1996, 1997, 1998 and 1999 EU Phare Programmes which have provided assistance for the development of an Integrated Information Technology System (IITS). This Programme has started under the 1998 National Programme. Provision exists in the 1999 National Programme for an extension of this Programme until September 2002 when a Registration System and a Contribution Collection and Billing System will have been developed and become operational. These two phases cover the revenue collection role of SoDra and relate also to the State Tax Administration (STI). Databases will have been completed and integrated thus leaving the pensions and payments system then as being the main area left to be developed. The pensions and payments and MIS, including accounting/reconciliation system, will complete the overall objectives of the Integrated Information Technology System and will provide SoDra and the Lithuanian Government with a complete system capable of running a modern social insurance system supporting the State, employers, employees and other stakeholders.

The Central Client Database and the full suite of systems to be developed under this project will enable the automated collection of social insurance data and contributions, the automated recording of all employment in Lithuania, the automated processing of social insurance pensions and benefits, and the automated accounting and reconciliation for income and expenditure. This system will also comprise of ancillary activities such as allocating single social insurance, health (and tax) personal identity numbers, providing management information, planning statistics and a public information service. The system will enable linkage with the tax collection and recording system. The possibility of linking to Health, Labour and Social Assistance administration (and systems) will also be provided for.

3.2. Linked Activities

This project is a direct continuation of Phare 1998 and 1999 support to Social Sector – Ministry of Social Security and Labour and the State Social Insurance Fund Board (SoDra), which has been provided through the following projects:

1998 EU Phare Project LI9803.02.01: 2meuro:

Project 1: Monitoring Unit for the provision of technical assistance to the MSSL for project management and control (0.5meur), and

Project 2: IITS Phase 1 (1.4meur) which provides for the overall design and partial development of the IITS. It includes the completed Analysis, Design and Scoping of a new integrated IT system with a Central Client Database as its hub and the production of specifications for Software, Hardware and associated Training, Organisational Development and Implementation. It will result in a central registry system, client databases and a portable collection and billing system.

1999 EU Phare Programme/NPAA: 2meuro:

This project implements much of the work started in the 1998 project. It will start in June 2001, and will be completed by September 2002.

The 1999 Programme retains the 2 Project approach and provides allocations as follows:

Project 1: Monitoring Unit for the provision of technical assistance to the MSSL for advice and project management and control and a funding need of 0.5meur, and

Project 2: IITS Phase 2 will continue the development of the IITS with particular reference to (a) the rollout of the pilot contribution collection and billing system, (b) the completion of the database, (c) Hardware and Software Procurement and Installation,
(d) Training and Implementation Programme and (e) some preparation for the next
phas(es). It will thus have a Hardware and Software procurement and installation re-
quirement to facilitate the full implementation of the system. The amount of funding
provided for Phase 2 is **1.5meur**.

### 3.3. Results

Phase 3 for which support is being sought under the Phare 2001 Programme will result
in the design and development of the listed systems and the piloting thereof including
the link to databases. Detailed results include:

- An enhanced Pensions System;
- An enhanced Payments System;
- An enhanced Management Information, Accounting, and Statistics Systems;
- Integrated IITS Systems;
- Piloted Pensions, Benefits, Payments, MIS, Accounting, Statistics systems.

### 3.4. Activities

The organisational structure created by funding two Projects under the 1998 EU Phare
Programme and the 1999 Programme should continue under the 2001 Programme, as
this will maximise the benefits and controls over the IITS Project and assist MSSL and
SoDra meet its objectives. It is therefore proposed, on the one hand, to retain the 2 Proj-
et approach that is so successful and, on the other hand, to take into account the fact
that by the date of start of 2001 Programme the Ministry will be capable to take charge
of the most of IITS monitoring activities. Additional assistance will be required in the
area of pension reform beginning of which is about to coincide with the start of 1999
Programme (Phase 2). Provision is therefore made for Project 1, Pension Reform and
Monitoring of IITS, to advice the Ministry on issues related to pension re-
form/institution building and to assist with quality assurance for the development of
IITS in SoDra and Project 2, IITS Phase 3, to assist SoDra with the IITS development.

#### 3.4.1. Project 1, Pension Reform and Monitoring of IITS

It is proposed to use a Twinning procedure for the implementation of project 1 and to
focus on the following activities:

**Assistance and advice to the Ministry on:**

- Social insurance policy, including pensions reform and EU Accession;
- Implications of implementation of the new pension system;
- Training of staff of social insurance institutions involved in pension reform;
- Quality assurance of IITS development in SoDra; and
- Advice on issues as they arise in relation to systems development and related
  policy matters.

**Required inputs**

The Twinning partners from the EU member state will be required to deploy an experi-
enced team of professionals with proven competence and extensive experience in the
following key areas:

- Pension systems;
- Social Insurance Administration;
• IT and Business Systems Analysis;
• Training.

The input of 15 manmonths for the PAA, including a number of short-term experts, will be required. The PAA will have full time local assistant with relevant working experience with the sector.

3.4.2. Project 2, IITS Phase 3

A second Technical Assistance Contract will be used for the delivery of the following activities:

• Pensions/Benefits Administration and Payment systems further developed and upgraded;
• Management information systems, including accounting and statistical, designed, developed and piloted;
• Systems above integrated with the Central Database, Registration System, and Contribution Collection and Billing System;
• Integrated IT System for SoDra ready to be rolled-out throughout all local offices.

Required inputs

The Technical Assistance Contractor will be required to deploy an experienced team of professionals with proven competence and international experience in the following key areas:

• Social Insurance Administration;
• IT and Business Systems Analysis;
• Design and Development of IT for Social Insurance;
• Applications Software Development;
• Business Process Re-engineering;
• Change Management
• Training.

The estimated manmonths required for this Project is put at 245 manmonths broken down as 75 for EU experts and 170 for Local experts. The degree of piloting to be carried out and the level of implementation which can be implemented will be determined ultimately by the progress made under Phase 2. In any event the new systems will be piloted and tested in the model office environment before being implemented throughout the organisation and this will also include ensuring the successful linking of the different databases.

Other services and supplies

It is anticipated that a small amount will be required for the updating of equipment and the purchase of state of the art IT software. The maximum amount for equipment will be 150,000 euro.

4. Institutional Framework

Prepared and updated by the MSSL 10/05/01
The construction of an integrated IT system for social insurance will continue to take place within the framework of building institutional capacity to adequately meet the statutory and institutional obligations required of EU membership. This new system will be a key element in ensuring that the Lithuanian social insurance system fulfils its key role in the overall implementation of the social cohesion ‘acquis’ by the Lithuanian Government. The Ministerial responsibility for social insurance policy rests with the MSSL whilst the execution of that policy is the responsibility of the State Social Insurance Fund Board (SoDra). In order to meet it’s responsibility to MSSL, the Lithuanian Government and Lithuanian society, SoDra must possess the administrative systems, skills and capacity to ensure that the social insurance policy is properly executed.

The responsibilities of SoDra and the STI are being reviewed at present and changes will be made. The IITS Project and development Teams are aware of the likely changes and are taking these into account where possible in the overall design of the new system.

Changes in the roles and responsibilities currently carried out by SoDra or the handing over of certain functions from SoDra to the STI do not invalidate the need for the IITS Project or reduce its importance. In fact there will always be a need to register, collect contributions, decide and pay pensions and benefits. The importance of the system that supports these functions becomes even greater as the IITS system will be needed to strengthen the collection system, improve the collection rate and overall maximise data to have greater control over abuse, make payments more efficiently and help reduce administration costs. In any event it is clear that these functions have to be carried out somewhere and by some organisation. Whether it is the STI or SoDra it does not change the fact that the system is required and will be extremely important to whichever organisation has to carry out these functions, be it SoDra, the STI or some other Agency.

Another factor that should not be forgotten is that the development of Private Pensions in Lithuania is in its infancy and will, with improvements in the economy and greater privatisation, develop at great pace and systems such as those envisaged within the IITS may become invaluable in terms of policy, databasing for Private Pensions and maybe even greater control and monitoring of Private Pensions.

SoDra and the STI are extremely important to the development of economic and social policy for the future of Lithuania and the functionalities currently undertaken will continue to be required in the future.

5. **Budget (in million euro)**

<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>Project 1</td>
<td></td>
<td>0.50</td>
<td>0.50</td>
<td></td>
<td>0.50</td>
<td>0.50</td>
</tr>
<tr>
<td>Project 2</td>
<td>0.15</td>
<td>2.35</td>
<td>2.50</td>
<td>0.75</td>
<td>3.25</td>
<td>3.25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.15</td>
<td>2.85</td>
<td>3.0</td>
<td>0.75</td>
<td>3.75</td>
<td>3.75</td>
</tr>
</tbody>
</table>

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

The overall responsibility for tendering, contracting and financial monitoring of the project will be the Central Finance and Contracts Unit.

The Ministry responsible for the project will be the MSSL although Project 2 will be implemented within SoDra. The Programme Officer will be within MSSL and a joint ‘Project Steering Group’ will be assembled. This Steering Group will be advised and supported by the high-level quality assurance expertise provided for in Project 1 above, and will work in conjunction with the Programme Officer.

6.1. Implementing Agency

**PAO:** Zilvinas Pajarskas, Director of the CFCU  
Address: J. Tumo Vaizganto 8A/2 - 241  
2600 Vilnius  
Lithuania  
Telephone: + 370 2 22 66 21  
Fax: + 370 2 22 53 35  
e-mail: Info@cfcu.lt

**SPO:** Name, Position: Mr. Valdas Rupsys, State Secretary, MSSL  
Address: A. Vivulskio 11  
2693 Vilnius  
Lithuania  
Telephone: + 370 2 60 36 17  
Fax: + 370 2 60 38 13  
e-mail: valdasr@socmin.lt

6.2. Twinning

The Twinning team will be located at the Ministry of Social Security and Labour. The Counterpart of the PAA will be Mr Valdas Rupsys, State Secretary, tel: +370 2 60 36 17, E-mail: valdasr@socmin.lt.

6.3. Non-standard aspects

The Project 2 is IT related and as such requires a certain amount of spending on hardware and software. However, there are no non-standards aspects and PRAG rules will be applied in full to the service contracts. Twinning Manual will apply to Project 1.

6.4. Contracts

The funding required from Phare for this project is **3meur**, whilst the total costs will amount to 3.75 meur. The total costs are broken down in two contracts as follows:

1. Twinning Project 1 – 0.5 meur

2. Service contract Project 2 – 3.25 meur (including national co-financing – 0.75 meur).
7. Implementation Schedule

*Both projects (1 and 2) should be implemented at the same time.*

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning Project 1</td>
<td>2Q 2002</td>
<td>4Q 2002</td>
<td>4Q 2003 (15 months)</td>
</tr>
<tr>
<td>Service contract Project 2</td>
<td>2Q 2002</td>
<td>4Q 2002</td>
<td>4Q 2003 (15 months)</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

N/A

10. Rates of Return

N/A

11. Investment Criteria

In the strict sense of the term investment criteria are not applicable to these projects as they are not capital investments but rather focus on building institutional capacity. However, they do provide an element of additionality as they build on existing projects and can only be sustainable through the combined resources from the national budget and Phare. In particular SoDra is committed to continuing the redesign of the Local Offices and this will ensure that the proposed IT system will complement a modern environment of work practices and procedures.

12. Conditionality and sequencing

The 2meur provided under the 1998 EU Phare Programme to cover Phase 1 is followed by a further 2meuro provided under the 1999 Programme to cover Phase 2 of the IITS system.

In order to implement the full system, there will still be a need for a Phase 4 (for example, to implement the pilots across the whole system). The Government of Lithuania is committed to completing the development of the work started under the 1998 and 1999 programmes and will provide all necessary staff and financing inputs. Funding for the completion of the whole system will be sought for from external or own resources.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. Reference to feasibility / pre-feasibility studies
### LOGFRAME PLANNING MATRIX FOR

**Project: ECONOMIC CRITERIA. Support to Social Sector – Ministry of Social Security and Labour and the State Social Insurance Fund Board (SoDra)**

<table>
<thead>
<tr>
<th>Programme Name: PHARE AP 2001</th>
<th>Continue Social Security Financing Reform Support to Social Sector – Ministry of Social Security and Labour and the State Social Insurance Fund Board (SoDra)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: LT 01 02 01</td>
<td></td>
</tr>
</tbody>
</table>

**Contracting Period Expires:** 3Q/03

**Disbursement Period Expires:** 3Q/04

**Total Budget:** 3.75meur

**Phare Budget:** 3.0meur

### Overall Objective

Continue to support the development and modernisation of the social insurance system in Lithuania to European standards through the provision of an Integrated Information Technology System

### Objectively Verifiable Indicators:

A piloted functioning IITS which supports the strategic business objectives of a modern social insurance system and meets the functionality needs of MSSL and SoDra.

### Source of Verification

- MSSL Reports
- SoDra
- Government
- Employers and the general public

### Project Purpose:

- To complete the development within SoDra of an IITS by designing, developing and piloting the pensions and payments systems and an MIS which also integrates and links the databases set up under Phases 1 and 2 of the IITS;
- To ensure quality assurance of the IITS, and
- To improve the capacity and skills of MSSL and SoDra in the areas of pension reform implementation and management of the IITS, as well as generally perform their roles.

### Objectively Verifiable Indicators:

- Project Steering Group in control of Project outputs, Reports etc available,
- All project outputs related to IITS completed on target;
- Project Management Framework agreed and implemented;
- Training Programme delivered and 150 officials trained;
- Improved MSSL officials capacity to support social insurance and EU Accession; IBP operating;
- Pensions and Payments System developed and piloted;
- Piloted Pensions and Payment System;
- MIS developed and piloted.

### Source of Verification

- Monitoring Unit,
- IITS Reports,
- MSSL,
- SoDra

### Assumptions

- Funding,
- Co-financing by SoDra and or The State Budget,
- Availability of Local contractor and Participation locally
<table>
<thead>
<tr>
<th><strong>Results</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• An enhanced Pensions System;</td>
</tr>
<tr>
<td>• An enhanced Payments System;</td>
</tr>
<tr>
<td>• An enhanced Management Information, Accounting, and Statistics Systems;</td>
</tr>
<tr>
<td>• Integrated IITS Systems;</td>
</tr>
<tr>
<td>• Piloted Pensions, Benefits, Payments, MIS, Accounting, Statistics systems.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Objectively Verifiable Indicators:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improved Capacity and skills profile in MSSL to support social insurance system and SoDra,</td>
</tr>
<tr>
<td>• MSSL and SoDra working well together supporting Social Insurance</td>
</tr>
<tr>
<td>• Pensions system ready for roll out</td>
</tr>
<tr>
<td>• Payments system ready for roll out</td>
</tr>
<tr>
<td>• MIS developed ready for roll out</td>
</tr>
<tr>
<td>• Integrated databases and links working, MSSL and SoDra management satisfied with systems development and design</td>
</tr>
<tr>
<td>• All outputs have been satisfactorily quality assured,</td>
</tr>
<tr>
<td>• SoDra, HQ and Local Offices, and MSSL ready for roll-out, skills levels improved with 150 people trained.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• To design and development of Pensions System enhancement;</td>
</tr>
<tr>
<td>• To design and development of Payments System;</td>
</tr>
<tr>
<td>• To design and development of Management Information, Accounting, and Statistics Systems;</td>
</tr>
<tr>
<td>• To link and integrate the IITS Systems databases;</td>
</tr>
<tr>
<td>• Pilot Pensions, Benefits, Payments, MIS, Accounting, Statistics systems;</td>
</tr>
<tr>
<td>• Hardware and Software Systems Development and Procurement;</td>
</tr>
<tr>
<td>• Training Programme, Study Visits; Workshops;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Means:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• TA</td>
</tr>
<tr>
<td>• Twinning</td>
</tr>
<tr>
<td>• Project Steering Group</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Source of Verification:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Report, Monitoring Unit, IITS Reports, MU Reports, MSSL, SoDra</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Assumptions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of local participation</td>
</tr>
<tr>
<td>SoDra Business Objectives have not changed,</td>
</tr>
<tr>
<td>Good team of experts,</td>
</tr>
<tr>
<td>Good Project Management Framework,</td>
</tr>
<tr>
<td>MU monitoring and Quality Assurance advice is good,</td>
</tr>
<tr>
<td>PSG is effective,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Preconditions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful implementation of Phase 1 &amp; 2</td>
</tr>
</tbody>
</table>
## Detailed Implementation Chart for the Project

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>7 8 9 10 11 12</td>
<td>1 2 3 4 5 6</td>
<td>7 8 9 10 11 12</td>
<td>1 2 3 4 5 6</td>
</tr>
<tr>
<td>Twinning project 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA project 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Twinning project 1**: Design, tendering, and implementation.
- **TA project 2**: Design, tendering, and implementation.
## CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (Phare Contribution only - € Million)

<table>
<thead>
<tr>
<th>Contracting</th>
<th>Date</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30/06</td>
<td>30/09</td>
<td>31/12</td>
<td></td>
</tr>
<tr>
<td>Twinning project 1</td>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>TA project 2</td>
<td></td>
<td></td>
<td></td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total contracting (cumulative)</strong></td>
<td></td>
<td></td>
<td></td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursement</th>
<th>Date</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>30/06</td>
<td>30/09</td>
<td>31/12</td>
<td></td>
</tr>
<tr>
<td>Twinning project 1</td>
<td></td>
<td>0.2</td>
<td>0.26</td>
<td>0.32</td>
<td>0.38</td>
</tr>
<tr>
<td>TA project 2</td>
<td></td>
<td>0.75</td>
<td>1.063</td>
<td>1.376</td>
<td>1.689</td>
</tr>
<tr>
<td><strong>Total disbursement (cumulative)</strong></td>
<td></td>
<td>0.95</td>
<td>1.323</td>
<td>1.696</td>
<td>2.069</td>
</tr>
</tbody>
</table>
Annex 4

Reference to feasibility /pre-feasibility studies

There are no feasibility studies being undertaken in relation to Part 3. Part 3 will be determined by the work completed during parts 1 and 2 and the Terms of Reference will be delivered during Part 2 of the Project. This will ensure that the latest situation regarding IT, Organisational and Policy developments are taken into account and that Part 3 will be directly relevant to the needs of a pensions and payments systems which will be the final part of an integrated approach towards a modern social insurance system.