Standard Summary Project Fiche
Project Number LT 01.14.01

1. Basic Information
1.1 Désirée Number:
1.2 Title: Framework for Economic restructuring in Ignalina, Visaginas, and Zarasai Municipalities
1.3 Sector: Economic and Social Cohesion
1.4 Location: Ignalina, Visaginas, and Zarasai municipalities, Utena County, Lithuania

2. Objectives
2.1 Overall Objective
The objective of this **€1.75 Million**, which has a national co-financing contribution of €385,000 is the strengthened economic and social cohesion in Utena region.

2.2 Project Purpose
The purpose of the Project is to assist the Ignalina, Visaginas, and Zarasai municipalities in creation of a framework for the stimulation SME activity and to diversify the economic structure in the municipalities of Zarasai, Ignalina and Visaginas in Utena County, Lithuania.

2.3 Accession Partnership and NPAA Priorities
The project addresses the medium-term AP objectives of preparing for regional development programmes and Community initiatives; improving the administrative structures, in particular clarifying allocation of responsibilities on regional policy issues; organising the budgetary system and its procedures according to structural funds standards, including appraisal and evaluation.

The project is consistent with the short-term AP priorities related to the promotion of industrial competitiveness through the development of SMEs. In this context, the AP refers to promoting competitiveness through market-based enterprise restructuring in the industry sector with particular attention to small and medium-sized enterprises.

The NPAA for 2001-2003 foresees the development of infrastructure to implement the SME Business Development Programme including the development of business incubators and business information centres (3.4.6-P-A4.1).

2.4 Contribution to National Development Plan
The project will contribute to accomplishing the general aims of the National Development Plan for 2001-2003, which include:
- Economic growth and employment, and raising living standards in order to align them with those of the better-off European states
- Increasing economic competitiveness
- Reducing social and economic disparities among the different Lithuanian regions by creating favourable development conditions in the economically least developed ones.

In the first National Development Plan, Utena County was identified as a target region for economic and social cohesion support under Phare 2000. Major measures to be implemented at a regional level emphasise support to production sector development, human resource development, and investments in business-related infrastructure.

In addition to the National Development Plan, the project also addresses the aims of the Decommissioning Programme for Unit One of the Ignalina Nuclear Power Plant. The specific measures foreseen by the project are included in the socio-economic part of the Decommissioning Programme.
The Decommissioning Programme has five major aims as follows:

1. To secure safe maintenance of Ignalina Nuclear Power Plant (NPP) during the period of preparation for decommissioning of Unit One and during decommissioning.
2. To ensure that the preparatory work foreseen in the Decommissioning Programme is completed by 1 January 2005.
3. To mitigate the negative social and economic impact on Lithuania, the inhabitants of the region, and, particularly, on the staff of Ignalina NPP caused by the Decommissioning by creating favourable conditions for a balanced social and economic development of the region.
4. Ensure the elaboration and implementation of projects.
5. Provide state support for the implementation of measures contained in the Programme as well as attract international support funds.

The project is consistent with the third and fourth of the aims. It will support production sector development and help the development of human resources.

The decision about closure of the Ignalina Nuclear Power Plant was taken by Government of Lithuania and the problems which will appear concerns not only Utina region, but this is problem on National level. To overcome the problems, the Ignalina NPP Decommissioning Programme includes the decision to establish the Ignalina Target Region comprising of the municipal territories of Ignalina, Visaginas and Zarasai. Appropriate institutional structures will be established to assist the economic development of the municipalities or Zarasai, Ignalina and Visaginas as well as Utina County as a whole.

3. **Description**

3.1. **Background and Justification**

Utina County, the Phare 2000 target region, is one of the economically most disadvantaged regions of Lithuania. In 1998, only 3 percent of Lithuania’s manufacturing output was produced here. In 1999, FDI constituted 1.4 per cent of total FDI in the country, which gave Utina a distant seventh position among the 10 counties of Lithuania. At 0.7 enterprises per 100 inhabitants, Utina's enterprise ratio was the lowest in the country, in 1998. Lithuania’s average was 1.3 enterprises per 100 inhabitants. The number of employees in the service sector was the lowest among all of the 51 regions of Baltic countries, in 1998. Lithuania’s average was 5.9 percent in 1993 to 8.2 percent in 1999. The situation might get significantly worse in the course of decommissioning Ignalina NPP, which, at present, is the only large industrial employer in an otherwise under-industrialised region.

Income and employment in Ignalina and Visaginas townships, and, to a somewhat lesser extend, in Zarasai, depend almost totally upon the Nuclear Power Plant, both as the main employer and buyer of services from the region. The fact that the majority of the population in the region is mainly Russian speaking is an additional factor that links the population to their location.

With a view to the future, the work force of Ignalina NPP with its concentration of technical and engineering skills could be the basis for turning the region into a centre of modern technologies. Already now, the number of Internet users in Visaginas is higher than the Lithuanian average, and the town has one of the best development IT infrastructures in the country. These advantages should be fully exploited for setting up skill-intensive modern industries. In fact the labour market situation in Visaginas will deteriorate sharply over the period due to retrenchment of employment at INPP that is connected to restructuring, personnel in companies supplying INPP and to high proportion of young people seeking jobs after education. This project shall create the much-needed link and framework for all national, international, and bilateral projects in the region addressing the social and economic effects of the INPP closure.
Yet, using the advantages and changing the situation for the better are complicated by a severe shortage of business services in the region. Access to business information is generally lacking, and so is access to training and re-training facilities. The deficiencies were identified, among others, in a forecast study for the Ignalina Region Economic and Social Development by Year 2010 financed by Ignalina municipality and the Ministry of Economy.

As Visaginas and Ignalina sub-regions lie on the borders of Lithuania, their location is not attractive to investors. Specific incentives must be made available, in addition to information about business opportunities. It is also necessary to define sub-regions that should be specifically targeted and link the promotional efforts to those of the Regional Development Agency. This approach was proposed in the Phare-financed project TA for Study on Social Cost of the Decommissioning of Ignalina NPP and approved in the Decommissioning Programme for Unit One of the Ignalina Nuclear Power Plant.

The EU – Lithuania Joint Parliamentary Committee in its 8th Meeting in Vilnius and Ignalina on 25th and 26th June 2001 stressed the need for a national and regional comprehensive strategic plan for reconstructing of the region around the Ignalina Nuclear Power Plant, which is based on a profound dialogue with the inhabitants of the region.

The Visaginas Municipality Projects coordinator, financed by Visaginas Municipality, is the main contact person in coordination EC and the bilateral support in the Visaginas. The representative of the Utena Regional Development Agency works in Visaginas (office located in Visaginas Municipality) and this person is responsible for insuring the close relation and work coordination with the Utena RDA and implementation of the projects, financed through the above-mentioned Agency. The advisor from the Germany will be assisting Visaginas Municipality on the preparation project descriptions and another activities related to the work with the projects. The two-year assistance will be provided by the consultant, which will be closely working with the Visaginas Municipality and project coordinator in Visaginas. The institutions should be established in Visaginas (more precise place will be clarified in the Feasibility Study) and the Municipality of Visaginas has a staff available to work in close relations with this institutions.

### 3.2 Linked Activities

In the beginning of 2000, a workshop addressing the social consequences of closing Ignalina NPP was organised with Phare-support, at which the general scope of measures was defined. It used the results and conclusions of an earlier Phare-funded Technical Assistance for Study on Social Cost of the Decommissioning of Ignalina NPP (Phare project no. LI9806.02). The evaluation was also used for the preparation of the Donors Conference that took place in Vilnius, June 2000 where the outline of a specific investment project for the development and implementation of technical innovations in the target areas was presented.

In addition a study on “Decommissioning the Ignalina Nuclear Power Plant Social and Economic Implications. Donor support for a Social Protection programme” was prepared in March 2001 with support form the Swedish International Development Co-operation Agency (SIDA-Sweden).

The project is furthermore connected to the Phare projects no. LI9703.02.01 (SME Development project), no. LI9808.01 (Reinforcement of Institutional and Administrative Capacity) and no. LI9803.03.03 (Utena SPP Rural Pilot Project). It will build on the rural pilot project for SAPARD that strengthens the capacity of Utena County Administration and Utena Regional Development Agency, and supports rural development through a grant scheme.
The project “Labour Market Human Resources Development in Visaginas, using IT platforms”, which will be financed from Small Project Fund 1999, will be started in the beginning of summer 2001. The Computerised Labour Market database for Visaginas labour market will be created under this project.

The “Ignalina NPP Local Area Business Capacity Development” BESO project financed by Department of trade and Industry from Great Britain is ongoing. The profile of training needs analysis for staff development in Visaginas, Ignalina, and Zarasai municipalities and local authorities, Ignalina NPP personal and the members of the local community, personal to staff the new business incubator will be provided. The training programmes to meet the needs of the local community, entrepreneurs and small business managers will be defined.

During preparation of the term of reference for this project the consultant should agree the activities. The Ministry of Economy and three municipalities should approve the time schedule and the list of activities for the Phase II and Phase III of Great Britain financed project and Phare project in addition.

With a view to the future, the project will be linked to the Phare 2000 Economic and Social Cohesion measures in Utena County whose implementation has started and which includes bilateral Danish project management support with a full time adviser for one year, who started in Spring 2001.

Overlap with the operation of the Phare 2000 Business Development and Human Resource Development Funds will be avoided.

In addition, the project will have important links to two other related areas of activity:

Firstly, there is the Klaipeda Pilot Project “One-Stop-Shop” (OSS) resulting in the foundation of a new public non-profit agency. This OSS, is aimed at integrating non-profit regional development institutions and pools resources to undertake concerted business development measures through promotion of foreign direct investment, export and economic development for public benefit of Klaipeda-Taurage region. The main objective of the project is the provision of a comprehensive service portfolio in Klaipeda-Taurage Region on all matters relevant to business development at one location and in principal to all companies unless big size. Lessons will be learned from the work being done in Klaipeda and also close links will be established with the OSS.

Secondly, the project will link closely with the broader network of support agencies including particularly the Euro Info Centres at the Lithuanian Development Agency and Kaunas Chamber of Commerce, to which Business Information Consultation Centre will be linked.

3.3 Results

The project will have three results as follows:

The Regional Development Agency, The Business Information Consultation Center and the Business Incubator established and operating. The Government, Municipalities and involved ministries currently are defining the status for the organizations, which will be established in the Region. The main founders are the Ignalina Regional Development Council consisting of Ignalina, Zarasai and Visaginas municipalities together with the Ministry of Internal Affairs and Utena County.

The municipalities already have staff, which is working with Small and Medium Enterprise programmes Funds (Lithuanian Funds). In addition to this staff the three municipalities will finance one person each before the project starts. From the 2002 National budget further financing is foreseen to finance 5 persons to be employed the RDA, 4 persons in the BICC
and 3 persons in the BI.

3.3.1 The Regional Development Agency

With the assistance from this project the Agency shall become the coordinating body to determine local needs and to mobilize directly or indirectly the co-financing needed to use international funds. The Agency will be an umbrella for the region coordination of the activities directed at addressing the social and economic consequences of the INPP closure.

The Agency will also play the role of the Secretariat to the Ignalina Regional Council consisting of Ignalina, Zarasai, and Visaginas municipalities and another authorities. It will assist in the coordination and preparation of projects and a project pipeline dealing with the changing economic and social situation in the region. The Agency should present the region to the outside and will be closely linked to the Business Information - Consultation Center and Business Incubator.

Establishment of the Internet Site will be important issue. An Internet site shall be developed for the IRDA, where information concerning social and economic development in the Ignalina NPP region shall be published. The site shall provide information about ongoing and upcoming projects in the region; provide information on financial assistance from various donors. The Internet site shall also be a forum to provide basic tourism information about the region and provide link to the Information Technology office page and to other sites as well.

In co-operation with the RDA and Ignalina Regional Council the Action Plan and concrete projects for the development of the region should be prepared, considered and approved. Action Plan and projects should be based on the main strategy of the development of the region and indicate sources of funding and the institutional set-up that will be used. Activities proposed in the Action Plan should be in line with the Decommissioning Programme, the National Development Plan for Lithuania and with the Regional Development Plan of Utena region. The draft Action Plan should be completed near the beginning of the project and updated and completed towards the end of the project and must be adopted by the project’s Steering Committee and provided to the Commission for Co-ordination of Implementation of the National Energy Strategy Related to the Ignalina NPP for the approval. The Action Plan must be feasible and shell be implemented with national/bilateral and international donors.

3.3.2 Business Information-Consultation Centre (BICC), which will be using the same premises as the Regional Development Agency provided by Visaginas municipality, establishment. The BICC will be closely linked to existing EURO Info Centers for SMEs in Vilnius and Kaunas and the One-Stop Shop in Klaipeda. That will provide SMEs from Zarasai, Ignalina and Visaginas municipalities, existing companies from elsewhere in Lithuania, and foreign companies with easy access to business information and planning, marketing, training, and other services. The service package to be provided by the BICC shall aim stimulating of the social and economic development in the three municipalities.

The Centre staff will be assisted in preparing the project’s description and special forms needed in receiving financial support both from EU and bilateral Donor’s. The three municipalities will play a key role in setting up the BICC and will support its operations. Financing is foreseen from municipalities and 2002 National budgets.

In terms of the activities to be performed by the BICC, the various target groups would require different combinations of services, which the Center will be able to offer. They include the following:

- **SMEs**: Information for business start-ups on existing types of companies, legal background for various types of companies, documentation required for starting a new company, tax rates,
addressed of institutions related to the process of company establishment, possibilities to access venture capital and loans, start-up support, and information related to patents.

**Existing Lithuanian companies:** - Information on consulting, audit services, other useful companies, contacts abroad, access to loans, investment finance, and trade finance.

**Foreign firms:** - For investors wishing to establish a new company, joint venture, or branch will be given an investors package and will receive information about the legal situation, consulting, audit, other relevant companies and organisations. Foreign firms wishing to purchase or sell products will be informed on potential exporters or importers in the region and in Lithuania.

The BICC will be set up and offer initial services from the above list in line with its capacities. The range of operations offered by the BICC will depend on the amount of local, national and international support that it receives for its operations.

All setting up of the BICC shall be in line with the principles used in the EURO Info Centers in Kaunas and Vilnius and in the Klaipeda One Stop Shop. The BICC center should be able to make available the European financing to enterprises, such as Community programmes of technical research & development and Structural Funds in the long-term perspective. The BICC will be closely linked to the network of business information provided existent in Lithuania.

In summary, a selection from the following range of services is foreseen in line with the specific requirements of the target groups in the BICC center like daily activities:

**Consulting:**
- Development and review of business plans, projects, proposals;
- Property, property rights and business evaluation;
- Assistance with the full package of the registration documents required for business start-ups;

**Marketing:**
- Market research;
- Search for partners (close work with the Commission);
- Promotion strategies and campaigns (work with RDA);

**Training:**
- Management;
- Marketing;
- Financial management;
- Business Communication;
- Project Management;
- Successful Presentations
- Availability of the financial support from the project to implement the training programme;

**Information services:**
- Organisation of seminars, exhibitions and presentations;
- Creation of information database (will be started under this project);

*Information Technologies office,* which is a part of the *Employment and Business Information-Consultation Centre,* will provide training for 200 ICT-certified specialists, prepare a distance learning programmes for business specialists, and will try to attract new investors, which will use the Centre’s facilities, trained specialists and consultation services. More specifically, the following services will be provided:
• Vocational Education and Training: Existing distance leaning programs and newly
developed programmes e.g. for business, accounting and marketing specialists
• Virtual dynamic presentation of IT possibilities in the region on the Internet. The BICC
shall have its own Information Technologies office Portal
• Training for specialists such as call processing specialists, call centre agents,
telemarketing, tele-work, electronic marketing, e-business consultants

3.3.3. Business Incubator in Visaginas town that will provide premises, equipment, and
logistics on a cost-effective basis for about 30 innovative and knowledge-intensive
companies. This project should assist in preparation of the 5-year plan for the BI (TA) and
prepare the required tender and supply the equipment for the Business Incubator according to
the Phare rules.

The Phare support to the Business Incubator staff will depend on the completion of the
feasibility study and the identification and preparation of premises. The staff of the BI will be
financed from National budget.

3.4 Activities

The project will involve one Technical Assistance contract, and one supply contract
(incorporating a small works component), and a works contract to be funded from national
funds.

It should be noted that all necessary preparation work will be undertaken within the
framework of the Project Preparation Facility prior to the commencement of the project. This
will include:

• Feasibility study and operational plans for the Business Incubator and Business
Information-Consultation Center (BICC). The expert team should conduct a detailed
study on the incubator, which will define its type (mixed use, technology, services,
and micro-enterprise), possible clients, and types of services required under above-
mentioned feasibility study.
• Preparation of plans for construction/refurbishment and identification of the needs of
equipment and premises for Business Incubator and BICC. All required preliminary
works (reconstruction) should be contracted from national money using national
procedures.
• ToRs for the TA and Tender Dossier for the supply contracts.

3.4.1. Technical Assistance

The Technical Assistance will involve the following activities for each component:

Regional Development Agency:
• Assistance in the development and implementation of the Action Plan for the
development of the region and in the establishment of a concrete project pipeline.
• Support in the secretariat functions relating to the Regional Development Agency and
the functioning/development of the regional partnership approach involving all
stakeholders.
• Training for RDA staff (5 persons) on the provision of support services, including on-
the-job training, consultations, training sessions and organisation of study trips for the
staff of the RDA.
• Training and support for RDA staff in relation to regional development planning, project preparation and management. Training modules for the provision of such training will be developed under the project.
• Training of trainers for RDA staff in relation to delivery of training courses in areas such as project cycle management, financial management and budget, environmental analysis, sustainability, strategic planning, basic computer courses. Moreover, there will be assistance in establishing the capability to develop and deliver more advanced training courses in the future. All courses and modules will be clearly targeted on target groups and aim at sustainability. For this purpose, there will be a training needs analysis conducted at the outset of the project.
• Support in preparation of the draft list of measures for the SME Development programme;
• Provision of training and basic operational costs (design/hosting) for RDA staff in the establishment and operation of a web-site.
• Support in the drafting, publication and dissemination of information publications concerning the work of the RDA and the economic possibilities of the region.

Estimated inputs for the Regional Development Agency are: 2 EU experts for 18 months (1 ft, 1 pt), supported by a pool of local & EU experts.

**Business Information – Consultation Center:**

• Support and assistance in the set-up and operation of consulting services that would help Lithuanian SMEs to start business activities in information technology manufacturing or services
• Performance of market research to assess the human resources needed to run IT businesses in region.
• Assistance in preparation of the business plans for the clients.
• Training of Centre staff to improve absorption capacity by advising/training on preparation of project fiches/applications and special documentation required in relation to EU and bilateral donor funding.
• Preparation of distance learning schemes and other training programmes for business, accounting and marketing specialists.
• Support in the creation of information database (Information for business start-ups on existing types of companies, legal background for various types of companies, documentation required for starting a new company, etc)
• Support to the development of information technology services in the town of Visaginas (distance learning packages, training available, etc
• Assistance in the development of the web-presence of the BICC, including the establishment and operation of its own Information Centre Portal.
• Support in the drafting, publication and dissemination of information publications.

Estimated inputs for the BICC are one EU consultant for 18 months part-time and support from a pool of local and EU Short-term experts.
**Business Incubator:**

Support in the preparation of a well documented business incubator activities model including need and effective use of the available financial recourses, and rules for incubator tenants (5-year plan – realistic business plan oriented towards financial sustainability)

- Training of the management and staff of the incubator capable of achieving mission of incubator
- Training to build up a cadre of business specialists for SME companies
- Assistance in preparation of business plans for the clients
- Assistance to the staff in the selection of client companies for the incubator
- Assistance in the organising, marketing and registration of SMEs in the target region.

Estimated inputs for the Business Incubator are: 1 EU consultant for 12 months full-time and support from a pool local and EU experts.

### 3.4.2. Supply

It is proposed to have a supply contract, (incorporating a small works component for BICC and the Business Incubator). This would include the following:

- For the Regional Development Agency: A server, 5 PCs, standard office software, etc.
- For the Business Information Consultation Centre (BICC): Main server, equipped networked training suite (20 PCs and essential works component for cabling/infrastructure), office/training software, photocopier, 3 printers, etc.
- For the Business Incubator: 3 PCs, office software, scanner, printer, server, photocopier, essential preparation of telephone/IT infrastructure, etc.

More details in the annex “Supply contracts”, but the final detail list of equipment for Regional Development Agency, Business Information-Consultation Center and Business Incubator will be prepared by the consultant, because the preparation of the Full Tender Dossier for the Supply Contract is one of the feasibility studies financed from PPF “Project Preparation for the ESC 2001 Project Fiche for Economic Restructuring in Ignalina, Visaginas and Zarasai Municipalities for Regional Development Agency” results.

### 3.4.3. Works

There will be a works contract to refurbish and prepare the buildings for use by the BICC and the Business Incubator. National co-financing will fund this.

### 4. Institutional Framework

The Ministry of Economy will co-ordinate the project. The Steering Committee (SC), which will consist of the three municipalities (Ignalina, Zarasai, Visaginas), Utena County Administration, Ministry of Economy, Ministry of Interior, Ministry of Social Security and Labour, Ministry of Finance, the EC delegation and plus donors as observers will be established before a start of the project. The SC will be established as soon as possible to ensure that progress are being made towards meeting conditionalities and prepare the practical implementation of the project including co-ordination of assistance provided under the 1999 Project Preparation Facility. It will be linked to the one central Horizontal Steering Committee for the Phare ESC.

The TA study proposed an implementation structure that will be the basis of the institutional framework for the project. For ease of reference, the organization chart of the study is
presented in Annex 5.

5. **Budget (in € Million)**

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Phare</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
<td>(I + IB)</td>
<td></td>
</tr>
<tr>
<td>TA</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
<td>1.17</td>
</tr>
<tr>
<td>Supply</td>
<td>0.195</td>
<td>0.195</td>
<td>0.065</td>
<td>0.26</td>
</tr>
<tr>
<td>Works</td>
<td></td>
<td>0.32</td>
<td></td>
<td>0.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.195</strong></td>
<td><strong>1.17</strong></td>
<td><strong>1.365</strong></td>
<td><strong>0.385</strong></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.

An amount not exceeding 5 percent of the total project budget can be used for project supervision activities concerning the investment components of the project.

6. **Implementation Arrangements**

6.1. **Implementing Agency**

**PAO:** Zilvinas Pajarskas, Director of CFCU, Ministry of Finance

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Telephone: +370 2 22 66 21

Fax: +370 2 22 53 35

e-mail: cfcu@takas.lt

**SPO:** Mr. Šarunas Birutis, Head of the Small and Medium Business Division, Ministry of Economy

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Telephone: (+370 2) 62 38 59

Fax: (+370 2) 62 96 76

e-mail: smverslas@po.ekm.lt

6.2. **Twinning:** Not applicable

6.3. **Non-standard aspects**

All tendering and contracting activities will follow standard Phare procedures. The Practical Guide will be strictly followed.
6.4. Contracts

The project will be implemented through:

- One Service contract for the value of 1.17 MEUR.
- One Supply contract for the value of 0.26 MEUR (including national co-financing of 0.065 MEUR).
- One Works contract for the value of 0.32 MEUR provided entirely from national funding and tendered following national rules.

7. Implementation Schedule

<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>TA</td>
<td>1Q/02</td>
<td>2Q/02</td>
<td>3Q/03</td>
</tr>
<tr>
<td>Supply</td>
<td>1Q/02</td>
<td>3Q/02</td>
<td>4Q/02</td>
</tr>
<tr>
<td>Works</td>
<td>1Q/02</td>
<td>2Q/02</td>
<td>4Q/02</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

Implementation of the project will provide equal opportunities for women and men. The Managing Authority and project contractors will ensure their participation. The principle of equal opportunity will be integrated into selection criteria of management and clients of the Incubator.

9. Environment

All construction work and equipment supplies will respect the relevant environmental standards of the European Union.

10. Rates of Return

N/A

11. Investment Criteria

<table>
<thead>
<tr>
<th>11.1. Catalytic effect:</th>
<th>Phare support will act as a catalyst enhancing the economic and social cohesion in the Ignalina NPP target region.</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.2. Co-financing:</td>
<td>Lithuanian government institutions will contribute € 0.385 Million to the project. Tenants of the business incubator will pay rent for the incubator facilities. The Lithuanian financing includes salaries of the staff in the established IRDA, BICC, BI.</td>
</tr>
<tr>
<td>11.3. Additionality:</td>
<td>No other financiers will be displaced by the Phare intervention.</td>
</tr>
<tr>
<td>11.4. Project readiness and size:</td>
<td>The necessary strategic studies have been completed with Phare support. They will be confirmed and completed as necessary with funding from the 1999 PPF.</td>
</tr>
<tr>
<td>11.5. Sustainability:</td>
<td>Relevant government policies ensure sustainability. All beneficiary institutions are in a position to operate the project and the procured equipment effectively in the long run. All acquired equipment will respect the standards applicable after Lithuania’s accession to the Union.</td>
</tr>
<tr>
<td>11.6. Compliance with state aids provisions:</td>
<td>The state aids provisions of the Europe Agreement will be respected.</td>
</tr>
</tbody>
</table>
11.7. Contribution to National Development Plan:

By creating favourable development conditions in one of the economically least developed regions of Lithuania the project will help reducing social and economic disparities among the different Lithuanian regions.

12. Conditionality and sequencing

The signature of the contract for the technical assistance and supply contracts are conditional upon:

- The establishment of the Regional Development Agency, The Business Information Consultation Centre and the Business Incubator, including ensuring adequate staff resources for all three activities financed by the municipal and Lithuanian national budget for 2002.
- The training programme for the staff and development of training modules to be delivered by Regional Development staff, and the development of an Internet site must also be conditional upon the number of staff working in the Agency and the operational budget will be proportional to them.
- Co-financing of the project confirmed by Lithuanian Government and Ignalina, Zarasai, Visaginas Municipalities
- Support for the Business Incubator will be conditional upon the completion of initial project feasibility study and the completion of the refurbishment of the buildings of the Business Incubator.
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
5. Organisational Structure of Decommissioning INPP as proposed in the Phare Study on Social Costs of Decommissioning INPP
6. Indicative list of equipment for Supply Contract
<table>
<thead>
<tr>
<th>Overall Objective</th>
<th>Enterprise Development</th>
<th>Programme Name and Number</th>
<th>National PHARE Programme 2001 Economic and Social Cohesion LT 01.14.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective Verifiable Indicators:</td>
<td></td>
<td>Enterprise Development</td>
<td>Disbursement Period Expires 3Q/04</td>
</tr>
<tr>
<td>Source of Verification</td>
<td>Enterprise Development</td>
<td></td>
<td>Phare Budget: € 1.365 Million</td>
</tr>
<tr>
<td>Objective Verifiable Indicators:</td>
<td></td>
<td>Enterprise Development</td>
<td>Contracting Period Expires 3Q/03</td>
</tr>
<tr>
<td>Source of Verification</td>
<td>Enterprise Development</td>
<td></td>
<td>Total Budget: € 1.75 Million</td>
</tr>
</tbody>
</table>

**Logframe Planning Matrix**

**Enterprise Development in Ignalina, Visaginas, and Zarasai Municipalities**

**Overall Objective**
Strengthened economic and social cohesion in Utena region

**Project Purpose**
SME activity stimulated and economic structure diversified in the municipalities of Zarasai, Ignalina and Visaginas in Utena County

**Objectively Verifiable Indicators**
Growth of income and employment in the target region exceeds national averages

**Source of Verification**
Regional and national statistics

**Assumptions**
- Continuation of the generally conducive business climate in the target region
- Lithuania's development free of major external shocks

**Results**
- Strategy for development of the region agreed and viable structures established for delivery of assistance to the region.
- Regional Development Agency in Visaginas fully operational, project pipeline developed
- Business Information-Consultation Centre in Visaginas fully operational
- Business Incubator in Visaginas established and fully operational.

**Objectively Verifiable Indicators**
- At least 30 new SME start-ups
- Growing income of light-industry and service sector firms

**Source of Verification**
Municipal and country statistics

**Assumptions**
- Continued demand for information and training services
- Continued demand for incubator premises and facilities

**Activities**
**RDA:**
- Development and implementation of the Action Plan for regional development and setting up of project pipeline;
- Secretarial support to RDA and development of regional partnership approach;
- Training of RDA staff;
- Training of trainers for RDA;
- Marketing of the region.

**BICC:**
- Support in the set-up of consulting services;
- Training of staff;
- Development of IT services in Visaginas.

**BI:**
- Training of staff;
- Preparation of cadre of business specialists for SME companies;
- Assistance to staff in selecting client companies;
- Assistance in marketing SMEs in the region.

**Means:**
- Service contract
- Supply contract
- Works contract (national funding)

**Assumptions**
- Local co-finance for the operation of the available when required
- Timely contracting and implementation of the activities
<table>
<thead>
<tr>
<th>Preconditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regional Development Agency established and staffed.</td>
</tr>
<tr>
<td>• High quality project management ensured by</td>
</tr>
<tr>
<td>• Co-financing for the project confirmed</td>
</tr>
<tr>
<td>• Feasibility study for the business incubator completed.</td>
</tr>
</tbody>
</table>
## Detailed Implementation Chart for the Project

**Enterprise Development in Ignalina, Visaginas, and Zarasai Municipalities**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Month</td>
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<tr>
<td></td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>TA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
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</tr>
</tbody>
</table>

### Legend
- Dark Grey: Design
- Light Grey: Tendering
- Black: Implementation
Annex 3

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

Enterprise Development in Ignalina, Visaginas, and Zarasai Municipalities

<table>
<thead>
<tr>
<th>Date</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>30/06</td>
<td>30/09</td>
<td>31/12</td>
<td>30/06</td>
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<tr>
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</tr>
<tr>
<td>TA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.365</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement</td>
<td></td>
<td></td>
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<tr>
<td>TA</td>
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<td></td>
<td>0.351</td>
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<tr>
<td>Supply</td>
<td></td>
<td>0.117</td>
<td>0.176</td>
<td>0.195</td>
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<tr>
<td>Total</td>
<td>0.468</td>
<td>0.644</td>
<td>0.78</td>
<td>0.897</td>
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</table>
Reference to feasibility /pre-feasibility studies

Enterprise Development in Ignalina, Visaginas, and Zarasai Municipalities

Decommissioning Programme for Unit One of the Ignalina Nuclear Power Plant.

Phare Project No. LI9806.02 Technical Assistance for Study on Social Costs of Decommissioning of Ignalina NPP

The detailed feasibility study on the business incubator will be completed with Phare 1999 PPF funding in year 2001.

PHARE Project “Study on Social Costs of Decommissioning INPP” Organizational Structure (until September 2001)
PHARE Project “Study on Social Costs of Decommissioning INPP” Organizational Structure (until September 2001)

Ministry of Economy
*Cross-Ministerial Commission*

Steering Committee of the project

Central Financing and Contracting Unit (CFCU)

Representatives from Visaginas, Ignalina and Zarasai municipalities and Utena municipality

PHARE project office in Visaginas
(After the project period - Ignalina Region Development Agency in Visaginas)

Information center

Individual persons registered in Visaginas Town, Ignalina and Zarasai Districts

Individual Companies, Partnerships, Joint Stock Companies registered in Visaginas, Ignalina and Zarasai Districts

Schools and other educational institutions established in Visaginas Town, Ignalina and Zarasai Districts

Non-governmental organizations registered in Visaginas Town, Ignalina and Zarasai districts

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LOCAL LEVEL

Project Beneficiary
Agency

Managing Authority

Secretariat

Program support

Applicants
Organizational Structure of Decommissioning INPP (after September 2001)

**NATIONAL LEVEL**

- Ministry of Economy
  - Cross Ministerial Commission
  - INPP Decommissioning Agency or Division in the Ministry of Economy
    - Ignalina Regional Council (Representatives from Visaginas, Ignalina and Zarasai municipalities, Ministries and donors-observers)
    - Ignalina Region Development Agency in Visaginas
      - Business Information-Consultation center
        - Individual persons registered in Visaginas Town, Ignalina and Zarasai Districts
        - Individual Companies, Partnerships, Joint Stock Companies registered in Visaginas, Ignalina and Zarasai
        - Schools and other educational institutions established in Visaginas Town, Ignalina and Zarasai districts
        - Non-governmental organizations registered in Visaginas Town, Ignalina and Zarasai districts

**LOCAL LEVEL**
Supply Contract

Indicative list of the equipment for Business Incubator, The Ignalina Regional Development Agency and Business Information Consultation Center supply contract:

Office equipment for administration in the Business Incubator:
4 computers, scanner, printers – 30,000 Lt
Copying machine – 12,000 Lt
Internet (server, network, installation etc.) – 30,000 Lt
Means of communication (telephones, fax machine, internal telephone network etc.) – 33,000
Communication channels, installation of passive part of computer and telephone network – 17,000 Lt
Guard and fire alarm – 40,000 Lt
Furniture – 40,000 Lt
Equipment for small training – meeting room (video, audio equipment, projector, etc.) – 19,000 Lt
Advertisement stands, signboards etc. advertising – 10,000 Lt
Information literature (catalogues, publications, books) – 5,000 Lt
Household items (tools etc.) – 4,000 Lt
Ventilation – conditioning equipment – 160,000 Lt
Electricity accounting system (30 electric meters) – 15,000 Lt
Heat metering system, Water metering system – 25,000 Lt

Total 440,000 Lt

The office equipment for separate incubated companies is not included.

Regional Development Agency:
5 PCs (one hp omni book), printer, server – 45,000 Lt
Means of communication (telephones, Fax machine, telephone and computer networks) – 20,000 Lt
Brochures, leaflets- 5,000 Lt
Copy machine – 15,000 Lt
Furniture, lamps, multimedia projector – 20,000 Lt
Web-site- 5,000 Lt

Total: 110,000 Lt

Business Information-Consultation Center

20 PCs (15 class for training + 5 stuff (one hp omni book)) – 100,000 Lt
2 printers, 1 colour printer – 15,000 Lt
office/ training software and distance leaning programmes – 30,000 Lt
Telephones, Fax machine – 10,000 Lt
Communication channels, installation of passive part of computer and telephone network – 17,000 Lt
Copying machines – 62,000 Lt
Web-site (Portal) – 10,000 Lt
Brochures, leaflets – 10,000 Lt
Projector, multimedia projector, board, screen, brochures holders, furniture (training room + small conference room ) – 46,000 Lt
Equipment for simultaneous translation – 30,000 Lt

Total: 330,000 Lt

Sub total for all institutions: 880,000 Lt approximately 260,000 EURO