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: 2002/000.601.01.01 --- 2002/000.601.07.01
Title: 2002 National Programme for Lithuania - Part II
Duration: Until 30.09.2004

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 30.694 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 30/09/2004 subject to the provisions of this 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 30.09.2005. 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

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Rk
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 10
2001 Vilnius
Lithuania

Fax: 00 370 2 31 31 92

for THE RECIPIENT:

Mrs Dalia Grybauskaite
Ministry of Finance
J.Tumo-Vaizganto 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 Vilnius
Date 2022 11. 26
for THE RECIPIENT

for THE COMMUNITY

Encl.
1. Framework Agreement (Annexes A & B)
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
FRAMEWORK AGREEMENT

The Commission of the European Communities, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Economic Community, hereinafter referred to as "the Community" of the one part, and
The Government of Lithuania, of the other part, and together, jointly referred to as "the Contracting Parties"

Whereas until 31.12.1991 Lithuania is eligible to be a recipient under the Community's programme of Technical assistance to the USSR as provided for in Council Regulation (EEC, EURATOM) n° 2157/91 of 15 July 1991,

Whereas from 1.1.1992 Lithuania will be eligible to be a recipient under the Community's aid programme PHARE as provided for in Council Regulation No 3906/89 of 18 December 1989 as last amended by Regulation No

Whereas it is fitting that the technical, legal and administrative framework within which MEASURES financed in Lithuania under the Community's aid programme shall be executed, should be laid down.

HAVE AGREED AS follows :

ARTICLE 1

In order to promote cooperation between the Contracting Parties with a view to supporting the process of economic and social reform in Lithuania, the Contracting Parties agree to implement MEASURES in the field of financial, technical, and other forms of cooperation as specified in the said Regulation, which shall be financed and implemented within the technical, legal and administrative framework laid down in this Agreement. The specific details of each MEASURE (or set of MEASURES) shall be set out in a memorandum to be agreed between the Contracting Parties (hereinafter referred to as "the financing memorandum"), a model of which is provided in annex C.

Lithuania takes all necessary steps in order to ensure the proper execution of all measures.

ARTICLE 2

Each MEASURE which is financed within the framework of this Agreement shall be implemented in accordance with the General Conditions set out in Annex A hereto, which shall be deemed to be incorporated in each financing memorandum.

The financing memorandum may vary or supplement the General Conditions as may be necessary for the implementation of the MEASURE in question.
ARTICLE 3

For matters relating to the MEASURES financed within the framework of this Agreement, the COMMISSION shall be represented in Lithuania by its Delegation in Vilnius once it is established which shall ensure, on behalf of the COMMISSION, that the MEASURE is executed in accordance with sound financial and technical practices.

ARTICLE 4

When the Contracting Parties so agree, the COMMISSION may delegate all or part of its responsibility for implementation of a MEASURE to a third party.

In that event the terms and conditions of such delegation shall be set forth in an agreement to be concluded between the COMMISSION and the third party, subject to the consent of the Government of Lithuania.

ARTICLE 5

Any dispute relating to this Agreement which cannot be resolved by consultation shall be settled according to the arbitration procedure referred to in Annex B.

ARTICLE 6

This Agreement is drawn up in the English language in two original copies.

ARTICLE 7

This Agreement shall enter into force on the day the Contracting Parties inform each other of its approval in accordance with the existing internal legislation or procedure of each of the Parties. The Agreement shall continue to be in force for an indefinite period unless terminated upon written notification by one of the Contracting Parties to the other.

On termination of this Agreement any MEASURE still in the course of execution shall be carried out to its completion in accordance with the terms of the financing memorandum relating thereto, and of the General Conditions set out herein.

ARTICLE 8

The provisions of this Agreement shall also apply to technical cooperation and other operations convened between the Contracting Parties which by their nature are not covered by a specific memorandum financed under the PHARE aid programme at the request of the Government of Lithuania.
The Annexes shall be deemed an integral part of this Agreement.

Done at Vilnius on the ........ day of November in the year one thousand nine hundred and ninety one.

November 1991

THE GOVERNMENT OF LITHUANIA

THE COMMUNITY
ANNEX A
GENERAL CONDITIONS RELATING TO FINANCING MEMORANDA

In these General Conditions the term "THE RECIPIENT" shall be understood as referring to the Government of the Republic of Lithuania.

TITLE 1 - FINANCING OF PROJECTS

ARTICLE 1 - COMMITMENT OF THE COMMUNITY

The commitment of the Community, hereinafter referred to as "the EEC Grant", the amount of which is laid down in the financing memorandum, shall determine the limit within which commitment and execution of payments shall be carried out through duly approved contracts and estimates.

Any expenditure over and above the EEC Grant shall be borne by THE RECIPIENT.

ARTICLE 2 - AVAILABILITY OF THE EEC GRANT

Where the execution of a MEASURE depends on financial commitments from THE RECIPIENT'S own resources or from other sources of funds, the EEC Grant shall become available at such time as the financial commitments of THE RECIPIENT and/or the other sources of funds, as set out in the financing memorandum, themselves become available.

ARTICLE 3 - DISBURSEMENT

Contracts are eligible for disbursements under this financing memorandum only if they are concluded before the expiry date of the Financing Memorandum. Disbursements on such contracts may take place during a maximum period of 12 months after the expiry date of the Financing Memorandum. Any exceptional extension of this period must be approved by the Commission.

Within the limit set on the EEC Grant, requests for funds in the form of a work programme shall be presented to the Commission Delegation by the RECIPIENT in accordance with the schedule set out in the financing memorandum. Documentary evidence relating to payments made in respect of THE MEASURE shall be made available in support of the request for funds, where the Commission so requires.

However, certain contracts covered by THE MEASURE may provide for direct payment by THE COMMISSION to the contractors. Each contract shall lay down the rate and the time of such payments, together with the documentary evidence to be produced.

For the part of the programme implemented by the Recipient, the Implementing Authority shall submit in a Work Programme and not later than 9 months before the expiry date of the Financing Memorandum, for approval by the Commission the contracts that still have to be concluded for the implementation of the programme. The Work Programme should include proposals for the utilisation of the net interests accrued on the accounts opened in the implementation of the programme, under the condition that the whole of the EC grant will be previously committed.

As regards MEASURES executed on the basis of prepared estimates, a first payment instalment which, save where the financing memorandum otherwise provides, shall not exceed 20% of the amount of the estimate approved by THE COMMISSION, may be made in favour of THE
RECIPIENT in order to facilitate the launching of THE MEASURE. Other payment instalments shall be made available, at the request of THE RECIPIENT, subject to the same conditions set out in the paragraph 2 above.

TITLE II - PROCUREMENT

ARTICLE 4 - GENERAL

The procedure to be followed for the conclusion of works, supplies, and technical cooperation contracts, shall be laid down in the financing memorandum following the principles set out below.

ARTICLE 5 - CONDITIONS OF PARTICIPATION

1. Save under the conditions of art.6 THE COMMISSION and THE RECIPIENT take the MEASURES necessary to ensure equality of conditions for participation in such contracts, in particular by publication, in due time of invitations to tender. Such publication is to be made for the Community at least in the Official Journal of the European Communities and for the beneficiary states in the appropriate official journal.

2. General conditions of contracts shall be drawn up in conformity with the models in international use, such as the general regulations and conditions for supply contracts financed from PHARE funds.

ARTICLE 6 - DEROGATION FROM STANDARD PROCEDURES

Where the urgency of the situation is recognized or where justified on account of the nature, minor importance, or particular characteristics of certain MEASURES, (for example two stage financing operations, multi-phased operations, particular technical specifications, etc.), and related contracts, THE RECIPIENT may, in agreement with THE COMMISSION, exceptionally authorize:

- the placing of contracts after restricted invitations to tender;
- the conclusion of contracts by direct agreement;
- the performance of contracts through public works departments.

Such derogation shall be laid down in the financing memorandum.

ARTICLE 7 - AWARD OF WORKS AND SUPPLIES CONTRACTS

THE COMMISSION and THE RECIPIENT shall ensure that for every operation, the offer selected is economically the most advantageous, particularly in view of the qualifications and guarantees offered by the tenderers, the cost and quality of the services, the nature and conditions for execution of the works or supplies, their cost of utilization and technical value.

Results of the invitations to tender shall be published in the Official Journal of the European Communities as quickly as possible.

ARTICLE 8 - TECHNICAL COOPERATION CONTRACTS

1. Technical Cooperation contracts, which may take the form of studies, supervision of works or technical assistance contracts, shall be concluded after direct negotiation with the consultant or when technical, economic or financial reasons so justify, following invitation to tender.

2. Contracts shall be drawn up, negotiated and concluded either by THE RECIPIENT or by THE COMMISSION when the financing memorandum so provides.
3. Where contracts are to be drawn up, negotiated and concluded by THE RECIPIENT, THE COMMISSION shall put forward a short list of one or more candidates on the basis of criteria guaranteeing their qualifications, experience and independence and taking into account their availability for the project in question.

4. When there is to be a direct negotiation procedure and THE COMMISSION has proposed several candidates, THE RECIPIENT may freely choose the candidate with which it intends to conclude the contract from among those put forward.

5. When there is recourse to a tendering procedure, the contract shall be awarded to the candidate which has submitted the offer which is acknowledged by THE RECIPIENT and THE COMMISSION to be economically the most advantageous.
TITLE III - GRANT OF FACILITIES

ARTICLE 9 - GENERAL PRIVILEGES

Personnel taking part in Community financed MEASURES and members of their immediate family may be accorded no less favourable benefits, privileges and exemptions than those usually accorded to other expatriates employed in the state of THE RECIPIENT under any other bilateral or multinational agreement or arrangements for economic assistance and technical cooperation programmes.

ARTICLE 10 - ESTABLISHMENT, INSTALLATION, ENTRY AND RESIDENCE FACILITIES.

In the case of works, supply or service contracts, natural or legal persons eligible to participate in tendering procedures shall be entitled to temporary installation and residence where the importance of the contract so warrants. This right shall be acquired only after the invitation to tender has been issued and shall be enjoyed by the technical staff needed to carry out studies preparatory to the drawing up of tenders; it shall elapse one month after the contractor is designated.

THE RECIPIENT shall permit personnel taking part in works, supplies or services contracts financed by the Community, and members of their immediate family, to enter the state of THE RECIPIENT, to establish themselves in the State, to work there and to leave the said State, as the nature of the contract so justifies.

ARTICLE 11 - IMPORT AND RE-EXPORT OF EQUIPMENT

THE RECIPIENT shall grant the permits necessary for the importation of professional equipment required to execute THE MEASURE, subject to existing laws, rules and regulations of THE RECIPIENT.

THE RECIPIENT shall further grant natural and legal persons who have executed works, supplies or services contracts the permits required to re-export the said equipment.

ARTICLE 12 - IMPORTS AND EXCHANGE CONTROL

For the execution of MEASURES, THE RECIPIENT undertakes to grant import authorizations and authorizations for the acquisition of the foreign exchange, and to apply national exchange control regulations without discrimination between Member States of the Community, Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and the Former Yougoslav Republic of Macedonia.

THE RECIPIENT shall grant the permits necessary to repatriate funds received in respect of THE MEASURE, in accordance with the foreign exchange control regulations in force in the state of THE RECIPIENT.

ARTICLE 13 - TAXATION AND CUSTOMS

1. Taxes, customs and import duties shall not be financed out the EEC Grant.

2. Imports under supply contracts concluded by the authorities of THE RECIPIENT and financed out of the EEC Grant shall be allowed to enter the state of THE RECIPIENT without being subject to customs duties, import duties, taxes or fiscal charges having equivalent effect.

- THE RECIPIENT shall ensure that the imports concerned will be released from the point of entry for delivery to the contractor as required by the provisions of the contract and for immediate use as required
for the normal implementation of the contract, without regard to any delays or disputes over the settlement of the above-mentioned duties, taxes or charges.

3. Contracts for supplies or services provided by the Republic of Lithuania or external firms, financed out of the EC Grant shall not be subject in the state of THE RECIPIENT to value added tax, documentary stamp or registration duties or fiscal charges having equivalent effect, whether such charges exist or are to be instituted.

4. Natural and legal persons, including expatriate staff, from the Member States of the European Community executing technical cooperation contracts financed out of the EEC Grant shall be exempted from business and income tax in the state of THE RECIPIENT.

5. Personal and household effects imported for personal use by natural persons (and members of their immediate families), other than those recruited locally, engaged in carrying out tasks defined in technical cooperation contracts shall be exempt from customs duties, import duties, taxes and other fiscal charges having equivalent effect, the said personal and household effects being either re-exported or disposed of in the state in accordance with the regulations in force in the state of THE RECIPIENT after termination of the contract.

6. Natural and legal persons importing professional equipment, as provided for in Article 11, shall, if they so request, benefit from the system of temporary admission as defined by the national legislation of THE RECIPIENT in respect of the said equipment.

**TITLE IV - EXECUTION OF CONTRACTS**

**ARTICLE 14 - ORIGIN OF SUPPLIES**

THE RECIPIENT agrees that, save when otherwise authorized by THE COMMISSION, materials and supplies required for execution of contracts must originate in the Community, Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia and the Former Yugoslav Republic of Macedonia.

**ARTICLE 15 - PAYMENT PROCEDURES**

1. For contracts financed out of the EEC Grant, tenders shall be drawn up and payments made, either in European Currency Units (ECU), or in accordance with the foreign exchange laws and regulations of the RECIPIENT in the currency of THE RECIPIENT, or in the currency of the state where the tenderer has his registered place of business, or in the currency of the state where the supplies were produced.

2. When tenders are drawn up in ECU, payments relating thereto shall be made, as appropriate, in the currency named in the contract, on the basis of the equivalent value of the ECU on the day preceding payment.

3. THE RECIPIENT and THE COMMISSION shall take all measures necessary to ensure execution of payments within the shortest possible time.
TITLE V - COLLABORATION BETWEEN THE COMMISSION AND THE RECIPIENT

ARTICLE 16 - INSPECTION AND AUDIT

1. THE COMMISSION shall have the right to send its own agents or duly authorised representatives to carry out any technical or financial mission or audit that it considers necessary to follow the execution of THE MEASURE. However, THE COMMISSION shall give the authorities of THE RECIPIENT advance notice of such missions.

THE RECIPIENT shall supply all information and documents which shall be requested of it, and take all suitable measures to facilitate the work of persons instructed to carry out audits or inspections.

2. THE RECIPIENT shall:

(a) maintain records and accounts adequate to identify the works, supplies or services financed under the financing memorandum in accordance with sound accounting procedures;
(b) ensure that the aforementioned agents or representatives of THE COMMISSION have the right to inspect all relevant documentation and accounts pertaining to items financed under the financing memorandum, and assist the Court of Auditors of the European Communities to carry out audits relating to the utilization of the EEC Grant.

The Commission may also carry out an ex-post evaluation and a final audit of the programme. The ex-post evaluation will assess the achievement of the objectives/targets of the programmes as well as the impact on the development and restructuring of the sector concerned.

The final audit will review the local financial data of the programme, providing an independent opinion on the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum. The audit will establish the balance of uncommitted and/or undisbursed funds which shall be reimbursed to the Commission.

ARTICLE 17 - FOLLOW-UP OF MEASURES

In following the execution of THE MEASURE, THE COMMISSION may request any explanation and, where necessary, may agree with THE RECIPIENT on a new orientation for THE MEASURE which is deemed to be better adapted to the objectives in view.

THE RECIPIENT shall make reports to THE COMMISSION following the time-schedule laid down in the financing memorandum, throughout the period of execution of THE MEASURE and after completion thereof.

The Commission will in the light of the reports and where appropriate of the ex-post evaluation, proceed to the official closure of the programme and will inform the recipient country of the date of official closure of the programme.

TITLE VI - GENERAL AND FINAL PROVISIONS

ARTICLE 18 - CONSULTATION - DISPUTES

1. Any question relating to execution or interpretation of the financing memorandum or these General Conditions shall be the subject of consultation between THE RECIPIENT and THE COMMISSION, leading, where necessary, to an amendment of the financing memorandum.

2. Where there is a failure to carry out an obligation set out in the financing memorandum and these General Conditions, which has not been the subject or remedial measures taken in due time, THE COMMISSION may suspend the financing of the MEASURE, after consultation with THE RECIPIENT.
3. THE RECIPIENT may renounce in whole or in part the execution of THE MEASURE. The Contracting Parties shall set out the details of the said renunciation in an exchange of letters.

ARTICLE 19 - NOTICE - ADDRESSES

Any notice and any agreement between the parties provided for herein must be the subject of a written communication referring explicitly to the number and title of THE MEASURE. Such notices or agreements shall be made by letter sent to the party authorized to receive the same; and sent to the address notified by the said party. In case of urgency, telefax, telegraphic or telex communications shall be permitted and deemed to have been validity served, provided that they are confirmed immediately by letter.
The addresses are set out in the financing memorandum.
ANNEX B - ARBITRATION

Any dispute between the Contracting Parties, arising out the Framework Agreement or a financing memorandum, which is not settled by applying the procedures laid down in Article 18 of the general conditions relating to financing memorandum, shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

The parties to such arbitration shall be THE RECIPIENT on the one side and THE COMMISSION on the other side.

The Arbitral Tribunal shall consist of three arbitrators appointed as follows:

- one arbitrator shall be appointed by THE RECIPIENT
- a second arbitrator shall be appointed by THE COMMISSION
- the third arbitrator (hereinafter sometimes called "THE UMPIRE") shall be appointed by agreement of the parties or, if they shall not agree, by the Secretary-General of the United Nations.

If either side fail to appoint an arbitrator, such arbitrator shall be appointed by THE UMPIRE.

Should any arbitrator appointed in accordance with this provision resign, die or become unable to act, another arbitrator shall be appointed in the same manner as the arbitrator whose place he takes: such successor shall have all the powers and duties of the original arbitrator.
SPECIAL PROVISIONS

1. OBJECTIVES AND DESCRIPTION

The second part of the 2002 National Phare Programme for Lithuania covered by this Financing Proposal aims at contributing towards building up structures, procedures and systems that will allow Lithuania, upon its accession, to function fully and effectively within the European Union in the areas of Agriculture, Social Affairs, Internal Market, Justice and Home Affairs, Environment and Public Administration. In addition there is an important financial contribution towards Lithuania’s participation in the various Community Programmes.

The present programme both continues and broadens the themes already addressed earlier in the year in the Part I programme (approved by the Phare Management Committee in February). Thus, in addition to further support for the key areas of customs and home affairs (Schengen), the package includes important capacity building measures in the field of environment, social affairs (free movement of workers) and internal market (data protection and data security). Support for the control of TSE and for visa management procedures address issues which are not only of general importance but which are particularly sensitive in the current context. A conscious effort has also been made to orientate support towards helping to smooth Lithuania’s approaching transition to membership of the European Union. This is seen in both the agricultural support project, in the Community Initiative project, and in the project for Fiscal Policy Formation and Planning Structural Reforms. Further efforts in this area will be proposed later in the year (September) when the Part III programme, dealing with ESC projects, will be presented. Finally, an unallocated institution building envelope has been reserved, to give maximum flexibility over the coming two years for unforeseen short-term capacity building needs; this covers both the possibility of twinning, twinning light and technical assistance.

In view of the provisions of Article 4 of the Accession Partnership Regulation (EC 622/98), overall agreement on the Phare 2002 programme will depend on the Government’s commitments, as described in the individual project fiches. Any structures to be set up in relation to the projects should be established on a sustainable basis.

Below is a more detailed description of the projects to be financed.

OBJECTIVE 1- AGRICULTURE

2002/000-601.01.01 Strengthening capacity to implement EU Acquis for agriculture

The 2001 Accession Partnership defined the necessity to continue upgrading the capacity of agricultural administration, in particular of the Market Regulation Agency implementing CMO schemes and the National Paying Agency for EAGGF guarantee section expenditure. The 2001 Regular Report noted that progress had been achieved in policy harmonisation, while the need to strengthen the institutional and administrative capacity as well as the widespread need for training to improve staff development was still outstanding.

The overall objective of this project is thus to enable Lithuania to continue the strengthening of its technical and institutional capacity to implement CAP measures.
The aims of the project are i) strengthening the capacity of National Paying Agency for EAGGF Guarantee section expenditure, finalising the implementation of the information systems necessary for the administration of CAP measures in particularly the Integrated Administration and Control System (IACS) and the Land Parcel Identification System (LPIS) ii) capacity building of the Market Regulation Agency to help finalise the implementation of CMO schemes in particular intervention, import/export mechanisms, market information system (MIS) iii) strengthening the administrative capacity for quality evaluation, control systems and marketing requirements in accordance with EU provisions iv) strengthening the organisation responsible for finalising the implementation of the Lithuanian Farm Accountancy Data Network (FADN).

The project is linked to several Phare projects from 1998 to 2001 that have provided extensive training and advice on agricultural activities. Activities to develop quality control measures have been carried out within the framework of bilateral projects with Denmark and Netherlands.

The results to be achieved in the four components are as follows i) EAGGF component - administrative and control authorities of National Paying Agency ready for administration of arable area payments, animal payments, milk quota system, other quotas and support to producers’ organisations. Administrative and control system of transformed SAPARD Agency ready for accreditation and key officials trained for rural development measures ii) Common Market Organization component -- fully implemented, secure and operational in compliance with EC requirements, key staff properly trained iii) Quality evaluation component- implementation of quality evaluation and control systems for marketing requirements according to the EU system (carcasses, fruits, vegetables, wine). Staff trained and laboratory upgraded iv) FADN component-Fully operational according to the EU requirements. Staff trained, working procedures prepared; the theoretical Sample model elaborated, IT programme implemented.

The project will include two PAAs, an extensive series of short and medium term expert inputs, a substantial Supply Tender (hardware, software equipment and vehicles) and a TA service contract to provide assistance for the pre-accreditation review. The project is conditional on the availability of national co-financing. Certain components which have to be ready on accession will be implemented early on in the project in accordance with the implementation schedule.

2002/000-601.01.02. Strengthening of TSE Control System in Lithuania

The overall objective of this project is to protect public health from the risks of transmission of transmissible spongiform encephalopathies (TSE) via an efficiently functioning TSE prevention and control system operating in accordance with the EU acquis.

The project addresses a priority in the 2001 Accession Partnership calling, inter alia, for implementation of testing procedures for animal diseases, in particular TSE, in accordance with the acquis. The 2001 Regular Report classified Lithuania in group III in the context of the Geographical BSE Risk Assessment (likely risk of BSE)
The project aims to enhance the professional capacity of the National Veterinary Laboratory, to strengthen sample collecting capacities for the correct application of tests, and to strengthen TSE monitoring capacities in the field.

The project is linked to bilateral Danish assistance to the State Food and Veterinary Service for training of key persons responsible for BSE surveillance.

The expected results of the project are i) establishment of a TSE monitoring and sampling programme in accordance with the latest EU provisions laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies; ii) developed detailed working instructions on how and what to control, iii) increased capacity of veterinary inspectors .iv) a modern accredited reference veterinary laboratory for TSE testing will be established and laboratory staff and expert personnel trained to carry out rapid diagnostic tests and confirmatory examinations.

The project contains a twinning and training component and a major supply component which includes both laboratory testing equipment and vehicles needed for the field sampling programme. The project is conditional upon the availability of national co-financing.

**OBJECTIVE 2 – SOCIAL AFFAIRS**

*2002/000-601.02.01 Support to MSSL in preparations to implement free movement of workers*

The overall objective of this project is to strengthen institutional and administrative capacity of Lithuanian competent institutions in order to apply EU acquis in the field of free movement of workers and co-ordination of social security.

The 2001 Accession Partnership lays down a requirement in the area of free movement of persons to complete alignment of mutual recognition of professional qualifications and diplomas and further development required administrative structures, education and training programmes. Furthermore, the country should reinforce the administrative structures for the co-ordination of social security systems. This message is reinforced in the Regular Report 2001 which emphasises the need to maintain efforts to ensure full alignment and necessary administrative capacity to implement the acquis in the area of free movement of persons. The Report also calls for administrative structures to be in place with a view to the future co-ordination of social security with other Member States.

Against this background, there are four aims to the project: i) to support further development of national legislation for full compliance with the acquis in the field of free movement of workers, and development of necessary pre-conditions for joining the EURES network; ii) to support further development of recognition and evaluation of professional qualifications; iii) to support development of the social security co-ordination infrastructure consistent with the EU co-ordination rules; iv) to train appropriate staff for the management of the complex tasks of implementing the EU co-ordination rules, and to increase public awareness about introduction of the EU social security co-ordination legislation and the impact it may have for ordinary citizens.

The project is linked to several previous Phare projects that have provided training and advice on social policy and free movement of persons. Two of these are ongoing or about to start – LT00.06.01, a twinning project on preparation for participation in the European Employment Strategy, and LT01.02.01, support to the development of the Integrated Information Technology System for SODRA, Phase III.

3
The results to be achieved for each component include: a) The legislation in the field of free movement of workers is in full compliance with the EU acquis, the necessary structures at the national and regional levels are established with a view to preparing to join the EURES network and training programmes for the staff of newly created structures are prepared b) The legislation on recognition and evaluation of professional qualifications is improved and properly implemented c) Infrastructures are developed and a comprehensive Institutional Development strategy prepared in the social schemes co-ordinated area. Self-study, training and other materials are developed, a web site is established on internet, a significant number of civil servants trained inside the competent authorities.

The project will include a Twinning and Training Package, extensive series of short term expert inputs, and a technical assistance contract to design and implement a public information campaign. The project is conditional on co-financing being available for the services component of the project.

OBJECTIVE 3 – INTERNAL MARKET

2002/000-601.03.01 Improving and strengthening control and anti-fraud capacities and ensuring correct and efficient revenue collection by Lithuanian Customs

The priorities defined in the Accession Partnership 2001, include completion of the process of restructuring of regional customs offices and reinforcement of customs activities at the border. In this context, the overall objective of this project is to strengthen the future EU external border through improved control capacities and protect the internal market against illegal trafficking of goods. The project aims firstly to strengthen the Customs Criminal Service through training, advice and the introduction of modern control equipment. It also aims at strengthening the function of post clearance control, at improving risk evaluation and internal audit capacities and at ensuring effective control on import and export of agricultural goods.

The project is linked to several past and ongoing Phare projects which provided extensive advice on harmonisation of customs legislation, customs procedures, capacity-building, training in enforcement, and anti-fraud work.

The primary result of this project will be to strengthen the administrative capacity of the Customs Criminal Service, in particular through purchase, installation and training in the use of special detection and anti-fraud equipment. In addition, the capacity of the Customs Department in post clearance control, internal audit and control of CAP goods will be strengthened.

The project will be carried out with the help of a Technical Assistance contract and a major Supply contract. There will be no Twinning arrangements in the project.

2002/000-601.03.02 Strengthening Administrative and Technical Capacity of Personal Data Protection, IT and Electronic Data Security

The Accession Partnership 2001, calls for completion of the process of alignment in the field of data protection, for reorganisation of the State Data Protection Inspectorate, ensuring its full independence, and for strengthening of administrative capacity.

Accordingly, the overall objective of this project, is to ensure that Personal Data Protection, IT and Electronic Data Security correspond to EU requirements and operate effectively.
The project consists of two sub-components, one dealing with Personal Data Protection with the aim of strengthening the capacity of the staff of the State Data Protection Inspectorate and increasing the awareness of society in the field of data protection, and the other with IT and Electronic Data Security with the aim of increasing operational capacity of state institutions working with IT and Data Security, in particular of the Information Policy Department of the Ministry of Interior. Here, the aim is also to continue the process of aligning Lithuanian IT and data protection systems with the Acquis and with international requirements.

Linked activities: in 1999-2000 the State Data Protection Inspectorate received help from PHARE SEIL, and in 2002, it received technical assistance in respect of data protection from the Council of Europe. The Phare Schengen project (LI9908.01) and the Europol project (LI2001/IB/JH/01) are to some extent related to the second component.

Expected results include efficient and professional work of the Data Protection Supervisory Authority, effective supervision of the activities relating to the processing of personal data, including improved qualification of the Data Protection Supervisory Authority inspectors, greater awareness on data protection requirements and procedures among the general public, recommendation for improvement of existing legal acts in the field of electronic data security requirements, manuals prepared on IT and electronic data security to be used by all governmental institutions, and staff trained.

The project will be executed with the help of 2 twinning arrangements (one for each sub-component) and 1 supply contract.

The project is conditional upon the necessary co-financing being made available, and in respect of the Personal Data Protection sub-component upon full alignment with Community Acquis, including full independence of the Inspectorate.

**2002/000-601.03.03. Programme of modernisation of National Statistics**

The 2001 Accession Partnership highlighted the need to further improve quality and coverage of statistics, and to ensure that adequate resources are available, including at regional level. The 2002 Regular Report indicated that substantial progress had been made but indicated a need for improvements in some areas including earnings, business and agricultural statistics.

The overall objective of this project is to continue progress towards full compliance with EU statistical acquis requirements in national statistics. The project aim is to ensure availability of harmonised quality statistics meeting user-needs in terms of concepts, contents and form in specific areas, and to strengthen capacity, including at the regional level, in modern data collection and dissemination methods.

The project is linked to several previous Phare projects and bilateral assistance from Denmark and Sweden which together have provided extensive equipment, training and advice on statistical procedures since 1992.

The results of the project will include establishment of a statistical quality review model, definition of the scope of Information Society statistics and their integration into existing surveys, improved National Account statistics, Intrastat data collection system started, systems in place for exchange of information, improved data confidentiality and improved quality of statistical indicators and reporting systems. Activities will include purchase of IT systems, and staff training.
There will be two twinning light contracts, a major Technical Assistance contract and a Supply component (in two lots). The project is conditional on co-financing being available for the investment component of the project.

OBJECTIVE 4 - JUSTICE AND HOME AFFAIRS

2002/000-601.04.01 Strengthening the Enterprise Register Service

The 1999 Accession Partnership identified the need to continue the promotion of market-driven restructuring in the enterprise, finance and banking sectors. More specifically, the 2001 Accession Partnership required Lithuania to improve the management of the Central Register of Legal Entities. Additionally, in its chapter on Company law, the 2001 Regular Report emphasised that legal provisions governing the Enterprise Register would need to be further revised in order to guarantee the efficient management of information, and that further improvements were needed in developing a modern IT system and ensuring the availability of trained personnel in local and central registration offices.

The overall objective of the current proposal is to ensure that the new Central Register is effectively managed in compliance with EU acquis. The expected results include drafting of revised legislation in the field of enterprise registration, operationalisation of a Central Register of Legal Entities and 11 local sections, development and testing of information systems, training of Registry staff and notaries, and dissemination of information on the new service.

The project is linked to a current Phare project “Promotion of Competitiveness and Enforcement of Financial Discipline for Enterprises” (LT0002-01), and specifically its component “Business environment”.

The project contains a major twinning component and a small investment component relating to equipment and information systems for the registry and for printing of promotional material.

2002/000-601.04.02. Consular procedures Management System

The Justice and Home Affairs sections of the 2001 Accession Partnership identified the implementation of the Schengen Action Plan and complete alignment with the acquis on visa policy, asylum and migration as important priorities.

The overall objective of this project is to help implement key aspects of the Schengen acquis, and the project purpose is to strengthen the operational capacities of Lithuania’s consular service.

This is particularly important because of the need, under the Schengen requirements, to introduce visa requirements during 2003 for residents of the Kaliningrad Region of Russia and for all citizens of Belarus and Ukraine. The harmonisation of the visa arrangements with those of the EU will raise the number of issued visas from 187,000 in 2001 to about 750,000 annually as from 2003.

The project is directly linked to three ongoing Phare projects: PHARE Horizontal Programme “Migration, Visa, External Border Control Management”, the visa module of a project on the Adoption and Implementation of the Schengen Acquis (LI9908.01) and a PHARE 2002 project to align the Lithuanian asylum and migration legislation
with the relevant Acquis and strengthen the administrative capacity to fully implement those elements of the Acquis.

The present project is aimed at creating the data transfer network between the Ministry of Foreign Affairs and Consular offices/embassies, which is not covered by the above-mentioned project on asylum and migration.

The results of the project will be, inter alia, design of the consular information system in line with the Schengen Acquis; a software package for the handling of consular cases and, in particular, visa applications; a system for improved secure transfer of consular data between MFA and the Lithuanian embassies and consular offices abroad, and between MFA and the Ministry of Interior and its competent institutions; installation and testing of the secure data processing and data transfer systems including operator training, data processing and communication equipment.

The project consists of one Service Contract and one Supply Contract.

The project is conditional upon Lithuanian co-financing covering installation of the communication equipment and deployment of the system, which constitutes an essential and integral part of the Service Component.

**2002/000-601.04.03. Strengthening the administrative and technical capacity of the Financial Crime Investigation Service to implement effective money laundering prevention measures**

The 1999 Accession Partnership defines strengthening capacities to deal with money laundering as a short-term priority. As a medium-term priority, it states that there is a need to strengthen police co-operation mechanisms in different fields, money laundering prevention being one of them. The same point is also expressed in the Accession Partnership 2001, stating that one of the priorities is to ensure effective implementation of anti-money laundering measures. Against this background, the overall objective of this project is to ensure that the Lithuanian money laundering prevention system corresponds to EU requirements and operates at an efficient level.

The purpose of this project is, therefore, to help further approximation of Lithuanian legislation in the field of money-laundering with EU requirements, to enhance the professional capacity of institutions active in preventing money-laundering notably the FCIS, and to enhance the capacity of the FCIS automated data analysis system.

The project is linked to the project “Establishment of a Group for the Investigations and Analysis of Economic Crime” (L19809.03) The present project will also be co-ordinated with the Phare multi-beneficiary Anti Money Laundering project.

Expected results include adoption of revised legislation against money laundering, guidelines on money laundering prevention for financial and credit institutions, training programmes for investigators and analysts, the Financial Intelligence Unit of the FCIS equipped with new analytical equipment and modern databases and operational software for automated data analysis.

The project consists of a twinning and training package, technical assistance and supply components relating to the automated data analysis system.

The project is conditional upon the necessary co-financing being made available.
OBJECTIVE 5 - ENVIRONMENT

2002/000-601.05.01. Development and Implementation of Integrated Computerised Information System for Environment Management (ICISEM).

The overall objective of this project is to strengthen the institutional capacity of the Ministry of the Environment to comply with the EU Acquis in the field of environmental information management and reporting. Development and implementation of the ICISEM will help Lithuania in solving problems identified in the Accession Partnership 2001, notably the need to strengthen the administrative and monitoring capacity, both at central and local level, and to integrate environmental protection requirements into the definition and implementation of other sectoral policies.

The project aims to strengthen capacities of the responsible authorities to comply with the requirements of EU Council Directives and regulations on the Freedom of Access to Information on the Environment, on the implementation of certain directives relating to the Environment, and on the establishment of the European Environment Agency and the European Environment Information and Observation Network. It also aims to increase the effectiveness of the Ministry of the Environment in achieving an optimum use of its resources by introducing an integrated environmental data management system.

This project is linked to the PHARE project “Strengthening of institutional capacities in the Ministry of Environment in EU integration process”(LI9805.01.01) and project “Strengthening Environmental Monitoring Capacities”(LI9912.01). Recommendations, results and outputs of these projects will be fully taken into account when implementing this project and integrating all environmental information systems and databases.

The results of the project will be, inter alia, improved communication of environmental data and information to other services and agencies, effective use of information for decision-making processes in the environmental to manage further reinforcement of administration and IT capacities at the Ministry of Environment information under the EU obligations in the environmental sector, and training of personnel to manage the information requirements for environment sector decision-making processes.

The project activities will consist of a Technical Assistance component concentrating on information system development and implementation and a Supply component providing for the upgrade of existing information systems and for the purchase of new equipment. It is not proposed to implement activities as a twinning project due to the predominantly technical content of the project.

The project is conditional upon co-financing being available, and upon completion of the technical specification and detailed design of ICISEM before the end of 2003.

2002/000-601.05.02 Development of the management plans in protected areas of Lithuania

The overall objective of this project is to strengthen the administrative capacity of the Ministry of Environment (MoE) to implement the policies and procedures for the protection and management of rare and endangered species and their habitats in the proposed Sites of Community Importance (SCI) in Lithuania.
The project addresses various priorities relating to the environment in the 2001 Accession Partnership, in particular as regards nature protection, including the preparation of a list of SCIs and designating special protection areas, and further strengthening of administrative and monitoring capacity, both at central and local level. The project aims to ensure full compliance with EU nature protection requirements and to develop management plans for the administration of the protected areas.

The project is linked to two previous projects funded bilaterally by DANCEE in the area of nature protection capacity building.

The results of the project will include a set of recommendations defining the institutional structures and internal procedures needed to implement the requirements of the EU nature conservation directives, guidelines for the protection of rare and endangered species set out in management plans ready for implementation, pilot testing of the plans, strengthened administrative capacity in terms of information technology (IT) for monitoring, analysis and reporting, training for staff at the central and regional levels (administrations of protected areas, local site managers responsible for monitoring, etc.)

It is not proposed to implement activities as a twinning project due to the predominantly technical content of the project. Technical assistance will provide a long-term EU expert (LTE) and combined EU and local Short and Medium Term Experts (STE’s). There will be a small investment component covering software/hardware needs and equipment for monitoring and analysis.

The project is conditional on co-financing being available for the procurement component of the project, and on the administrative structure being in place before the project is started. Additionally, management plans for the areas to be nominated as SPAs must be developed by the end of 2003.

OBJECTIVE 6 – PUBLIC ADMINISTRATION

2002/000-601.06.01 preparation for the Community Initiative Programmes and increasing the absorption capacity for Structural Funds in Lithuania (SPPIII)

The 2001 Accession Partnership and the 2001 Regular Report state that the administrative capacity of the future Structural Funds managing and paying authorities needs to be considerably strengthened. Furthermore, the role of the line ministries, agencies and bodies acting under the responsibility of future managing and paying authorities needs equally to be clarified and strengthened.

Against this background, the overall objective of this project is to establish the institutional structures and arrangements for implementation of Community Initiatives, including preparation of programming documents for INTERREG III and EQUAL, and to enhance the capacity of Lithuania to fully absorb the opportunities which will be provided by the Structural Funds.

The project aims to develop the administrative set-up needed to manage Community Initiative programmes, and specifically INTERREG III and EQUAL. It also aims to build up the capacity of implementing agencies to provide information, training and advice to potential project applicants and to assist with technical preparation of a project pipeline for future SF financing, focussing on business development and human resource development.

The project is linked to a considerable number of ongoing or envisaged projects under all three Pre-Accession instruments, aiming directly and indirectly at increasing the
capacity to manage structural funds and preparing projects eligible for Structural Funds assistance. Of particular importance to the activities proposed are the follows projects

LI01.09.02 SPPII- “Special Preparatory Programme for the Structural Funds in Lithuania II”,
LT0006-01 “Preparation for Participation in the European Employment Strategy”,

The principal results of the project will be to establish operational administrative arrangements for programming and implementation of Community Initiatives, to draft single programming documents for INTERREG III and EQUAL, to create capacity to manage measures for LEADER+ and URBAN, to strengthen the capacity and resources of intermediate bodies and final beneficiaries, to provide advisory and informational support to final recipients and to reinforce the capacity of selected group of final recipients to formulate and implement projects in line with the priorities and measures of the SPDs.

The project contains a Twinning component and a Technical Assistance component (awareness–training, project preparation and help desk functions.)

The project is conditional on adoption by the Government of a decision on the allocation of the responsibilities among government institutions in the preparation of SPDs and management of the Community Initiatives Programmes. The institutional set up for implementation of activities financed by Structural Funds and Cohesion fund must be established and functioning, and the number of INTERREG III A programmes defined and agreed with the Commission.

2002/000-601.06.02, Fiscal Policy Formation and Planning Structural Reforms

The 2001 NPAA identifies a need for the Ministry of Finance to strengthen its capacity to forecast the impact of structural reforms and to improve coordination of forecasting of macro-economic and financial indicators in relation to public finance reporting, particularly in respect of EU requirements. This point was also taken up in the 2001 Regular Report, which noted a need to strengthen procedures for monitoring, evaluating and reporting public expenditure and investment programmes in order to improve resource allocation processes. The overall aim is therefore to strengthen MoF’s capacity to evaluate and forecast key aspects of its taxation and expenditure policies. Specific project results will be improved capacity to prepare convergence and stability programmes in connection with EMU, improved capacity (including modelling capacity) to estimate macro-economic impact of public and private investment decisions, particularly in terms of the planning requirements for preparing the draft Single Programming Document, and resources to help the Fiscal Policy Department analyse the impact of indirect taxation on the budget after adoption of the acquis.

The Fiscal Policy Department received technical support under Phare project LI 98.09.01.01.01 (Economic forecasting and institutional development), and has also received technical assistance from the IMF and USAID in the field of institutional capacity and sectoral analysis. The project will be implemented by twinning arrangements and by a small supply component to cover some computer and software equipment. The project is conditional on co-financing being made available for the small supply component and on respect for the proper sequencing of activities as laid out in para 12 of the project fiche.
The overall objective of this project is to provide a flexible resource facility to help Lithuania to make the necessary preparations for strengthening institutions and administrative capacity in the critical period when it will be assuming the full obligations of EU membership. The Accession Partnership 2001 confirmed the need for extra efforts to build up and reform administrative and judicial capacity and to ensure credible and effective implementation of the acquis. The project purpose is therefore to make resources available on an ad hoc basis in particular areas where assistance is still needed to assist with implementation of the acquis, to strengthen institutional and operational capacity of public administration bodies in preparing for their future role in relation to the acquis, and to help prepare for investment in infrastructure requirements or in management systems (technical specifications, tender documentation etc) required in connection with the acquis.

The project is linked to Phare project LI01.09.03 Twinning Light reserve, which has experienced high demand. It is also linked to support provided under the SIGMA multi-beneficiary programme which advises on modernisation of general management systems of public bodies. The project will be implemented by twinning, twinning light or other forms of technical assistance and will address urgent high priority needs within very specific areas.

OBJECTIVE 7 - PARTICIPATION IN COMMUNITY PROGRAMMES

2002/000-601.07.01 Phare contribution towards Lithuania’s participation in EC Programmes and the European Environmental Agency:

On the basis of Association Council Decisions, candidate countries may participate in certain European Community programmes and agencies. The Phare programme can be used to help a candidate country to meet, on a degressive basis, part of the costs of participating in those programmes and agencies. Thus, Phare funds can be available each year as part of the Phare national programme so as to co-finance the financial contribution to be paid by the country to participate in these programmes and agencies in the following year (front-loading). The legal framework for implementing these resources has recently been revised and is now executed by means of a single Association Council Decision for each country followed by individual MOUs between the relevant Ministries of the Candidates Country and the equivalent DGs of the Commission. The new framework Association Decision for Lithuania will be approved by the Council of Ministers in the near future.

This project therefore provides for Phare co-financing towards Lithuania’s participation in 2003 in the following Community programmes: Leonardo da Vinci II, Socrates II, Youth, Culture 2000, Fiscalis, Sixth Framework for R&D programme, Enterprise and Entrepreneurship, SAVE, EContent, Media plus, Customs 2002 and Life. It also provides for the co-financing of Lithuania’s participation, inter alia, in the European Environment Agency.

Both co-financing and participation will take place on the basis of the relevant Association Council Decisions. Upon signature of the memorandum of understanding for each programme, the National Fund will request from the Commission the transfer of the total amount of the Phare support. It is noted that the Council has not yet approved some of the said Community Programmes and therefore no Association Council decisions have been adopted. The figures included in the fiche have therefore in some cases been based on estimation.
## 2. BUDGET

<table>
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<tr>
<th>Project Description</th>
<th>Phare budget in M€</th>
<th>Total Phare</th>
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3. IMPLEMENTATION ARRANGEMENTS

a.) Financial and Project Management by the Candidate Country

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures\(^1\).

The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare programmes. The National Authorising Officer (NAO) and the Project Authorising Officers (PAO) will ensure that the programmes are implemented in line with the procedures laid down in the DIS Manual and other instructions of the Commission. That all contracts are being prepared in accordance with the Practical Guide for PHARE, ISPA and SAPARD.\(^2\)

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 NAO, will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission. The NAO shall have overall responsibility for financial management of the PHARE funds. He shall ensure that the PHARE rules, regulations and procedures pertaining to procurement, reporting and financial management as well as Community state aid rules are respected, and that a 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.

b.) Project size

All projects will be greater than 2 M€, except the following:

- 2002/000-601.02.01 (Free movement of workers)
- 2002/000-601.03.01 (Strengthening Lithuanian Customs)
- 2002/000-601.03.02 (Personal Data Protection)
- 2002/000-601.04.01 (Enterprise Register Service)
- 2002/000-601.04.02 (Consular Procedures Management)
- 2002/000-601.04.03 (Strengthening Financial Crime Investigation Service)
- 2002/000-601.05.02 (Management Plans for protected areas)
- 2002/000-601.06.01 (Preparation for Community Initiative Programme)
- 2002/000-601.06.02 (Fiscal Policy Formation )
- 2002/000-601.06.03 (Unallocated Institutions Building Envelope)

These smaller, but nevertheless well-focused projects are justified in terms either of the limited capacities for absorption of the public services concerned, or because of the need to fine-tune and calibrate institution-building support at this late stage in the accession process, taking account of what has already been provided previously.

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\(^1\) taking into consideration the rules set down in the annex of Council Regulation 1266/1999

\(^2\) The Practical Guide has replaced section F ("Procurement") of the DIS Manual
c.) Contracting and disbursement deadline
All contracts must be concluded by 30 September 2004. All disbursements must be made by 30 September 2005.

d.) Recovery of Funds
Any proven irregularity or fraud discovered at any time during the implementation of the programme will lead to the recovery of funds by the Commission.

If the implementation of a measure appears not to justify either a part or the whole of the assistance allocated, the Commission is to conduct an appropriate examination of the case, in particular requesting the beneficiary country to submit its comments within a specified period of time and to correct any irregularity.

Following the examination referred to in the previous paragraph, the Commission may reduce, suspend or cancel assistance in respect of the measures concerned if the examination reveals irregularity, an improper combination of funds or a failure to comply with one of the conditions in the financing memorandum and in particular any significant change affecting the nature or conditions of implementation of the measure for which the Commission’s approval has not been sought. Any reduction or cancellation of the assistance is to give rise to recovery of the sums paid.

Where the Commission considers that an irregularity has not been corrected or that all or part of an operation does not justify either all or part of the assistance granted to it, the Commission is to conduct a suitable examination of the case and request the beneficiary country to submit its comments within a specified period. After the examination, if the beneficiary country has undertaken no corrective measures, the Commission may:

(a) reduce or cancel any advance;

(b) cancel all or part of the assistance granted to the measure.

The Commission is to determine the size of a correction taking into account the nature of the irregularity and the extent of any failures in the management and control systems.

Any funds not used by the expiry date of the programme will be recovered by the Commission. A final written declaration with supporting documentation shall be issued by the NAO just after the end of the disbursement period of the Financing Memorandum showing the total amount contracted and disbursed. A final bank reconciliation showing the existing balances in the NF/IA/CFCU shall also be enclosed.

Notwithstanding the recovery of unused and ineligible funds after expiry of the Financing Memorandum, a complementary recovery order may be issued after the final audit of the reliability and consistency of contracts and disbursements as well as their compliance with the provisions of the Financing Memorandum has been carried out, taking into account the independent opinion of the final audit.

The National Authorising Officer will ensure the reimbursement of any unused funds or any sum wrongly paid within sixty calendar days of the date of notification. If the NAO does not repay the amount due to the Community, the beneficiary country shall refund this amount to the Commission. Interest on account of late payments shall be charged on
sums not repaid by applying the rules specified in the Financial Regulation governing the Community Budget.

e.) Financial Flows

The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and Lithuania in December 1998. Funds will be transferred following requests from the NAO onto a separate bank account, denominated in €, which will be opened and managed by the NF in the Central Bank.

aa) Transfer of Funds to the National Fund

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.

Two replenishments will be made of up to 30% of the funds to be managed locally and the final payment of up to 20% or the full balance of the budget whichever is the lesser amount. The first replenishment will be triggered when 5% of the budget has been disbursed by the IAs and the CFCU. The second replenishment may be requested when 35% of the total budget in force has been disbursed. The final third replenishment will be paid when 70% of the total budget in force is disbursed. Exceptionally the NAO may request an advance payment of more than the percentages mentioned above in accordance with the procedures laid down in the aforesaid Memorandum of Understanding. Save for express prior authorisation from the Commission HQs, no replenishment may be made if the trigger points mentioned above have not been respected.

bb.) Transfer of Funds to the Implementing Agencies

The National Fund 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. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency/CFCU in charge of the financial administration of the sub-programme in line with Art. 13 of the MoU on the establishment of the National Fund.

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.

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3 All candidate countries signed the MoU for the establishment of the National Fund in December 1998.
* excluding the amount foreseen for the Community programmes
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.

cc.) Transfer of Funds to the National Fund for Participation in 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 when the Association Council Decision or Memorandum of Understanding establishing the terms and conditions for participation in that programme is in force.

If there is a delay in the entry into force of some of the Memoranda of Understanding, the payment to the National Fund may be 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 programmes concerned and within the deadlines requested.

dd.) Interest

In principle, all bank accounts\textsuperscript{4} 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.

\textsuperscript{4} in particular, but not exclusively, accounts run by the NF, the CFCU and IAs
f.) Implementing Agencies will be responsible for sub-programmes 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>2002/000-601.01.01</td>
<td>Strengthening the capacity to implement EU Acquis for Agriculture</td>
<td>CFCU</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>2002/000-601.01.02</td>
<td>Strengthening of TSE Control System in Lithuania</td>
<td>CFCU</td>
<td>State Food and Veterinary Service</td>
</tr>
<tr>
<td>2002/000-601.02.01</td>
<td>Support to MSSL in preparation to implement free movement of workers</td>
<td>CFCU</td>
<td>Ministry of Social Security and Labour</td>
</tr>
<tr>
<td>2002/000-601.03.01</td>
<td>Improving and Strengthening control and anti-fraud capacities and ensuring correct and efficient revenue collection by Lithuanian Customs</td>
<td>CFCU</td>
<td>Customs Department under the Ministry of Finance</td>
</tr>
<tr>
<td>2002/000-601.03.02</td>
<td>Strengthening administrative and technical capacity of personal data protection, IT and Electronic data security</td>
<td>CFCU</td>
<td>1) State Data Protection Inspectorate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2) Ministry of Interior</td>
</tr>
<tr>
<td>2002/000-601.03.03</td>
<td>Programme of Modernisation of national Statistics</td>
<td>CFCU</td>
<td>Central Statistical Office</td>
</tr>
<tr>
<td>2002/000-601.04.01</td>
<td>Strengthening Enterprise Register Service in compliance with Acquis</td>
<td>CFCU</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>2002/000-601.04.02</td>
<td>Consular Procedures Management System</td>
<td>CFCU</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>2002/000-601.04.03</td>
<td>Strengthening the administrative and technical capacity of the Financial Crime Investigation Service</td>
<td>CFCU</td>
<td>Financial Crime Investigation Service under the Ministry of Interior</td>
</tr>
<tr>
<td>2002/000-601.05.01</td>
<td>Development and implementation of integrated computerised information system for environmental management (ICISEM)</td>
<td>CFCU</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
<td>Agency</td>
<td>Authority</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------------------------------------------------------------</td>
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<td>--------------------------------</td>
</tr>
<tr>
<td>2002/000-601.05.02</td>
<td>Development of the management plans in protected areas of Lithuania</td>
<td>CFCU</td>
<td>Ministry of Environment</td>
</tr>
<tr>
<td>2002/000-601.06.01</td>
<td>Preparation for the Community Initiative Programmes and increase of absorption capacity for Structural Funds and Cohesion Funds in Lithuania</td>
<td>CFCU</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>2002/000-601.06.02</td>
<td>Fiscal Policy Formulation</td>
<td>CFCU</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>2002/000-601.06.03</td>
<td>Unallocated Institution- Building Envelope</td>
<td>CFCU</td>
<td>Various Ministries or Institutions under overall responsibility of Ministry of Finance</td>
</tr>
<tr>
<td>2002/000-601.07.01</td>
<td>Community programmes</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^5\) are fully applicable for all investment projects under PHARE. If the EIA-directive has not yet been fully transposed, the procedures should be similar to the ones established in the above-mentioned directive. If a project would fall within the scope of annex I or annex II of the EIA Directive, the carrying out of the EIA-procedure must be documented. If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive must be documented. 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.

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h.) Special rules for certain components for the programme

Twinning: 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 twinning covenant in the period between signature of the Financing Memorandum and the final notification of the financing approval of the covenant.

4. Monitoring and Evaluation

Project implementation of this programme will be monitored through the Joint Monitoring Committee (JMC). It includes the NAO, the NAC and the Commission services. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds. Furthermore, the JMC will review the progress of all pre-accession EU-funded assistance programmes once a year (PHARE, ISPA and SAPARD).

For the PHARE programme, the JMC will be assisted by Sectoral Monitoring Sub-Committees (SMSC) which will include the NAC, the PAO of each Implementing Agency (and of the CFCU where applicable) and the Commission Services. The SMSC will review in detail the progress of each programme, including its components and contracts, assembled by the JMC into suitable monitoring sectors. Each sector will be supervised by one SMSC on the basis of regular monitoring reports produced by the Implementing Agency, and interim evaluations undertaken by independent evaluators. The SMSC will put forward recommendations on aspects of management and design, ensuring these are effected. The SMSC will report to the JMC, to which it will submit overall detailed opinions on all Phare financed programmes in its sector.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

5. Audit and Anti-Fraud Measures

a.) By the Candidate Countries

Each year an audit plan and a summary of the findings of the audits carried out shall be sent to the Commission. Audit reports shall be at the disposal of the Commission. Appropriate financial control shall be carried out by the competent national financial control authority with respect to the implementation of the programme.

Beneficiary countries shall ensure investigation and satisfactory treatment of suspected and actual cases of fraud and irregularity following national or Community controls.

Irregularity shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.
Fraud shall mean any intentional act or omission relating to:

(i) the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,

(ii) non-disclosure of information in violation of a specific obligation, with the same effect,

(iii) the misapplication of such funds for purposes other than those for which they are originally granted.

The national authorities shall ensure the functioning of a control and reporting mechanism equivalent to the one foreseen in Commission Regulation 1681/94. In particular, all suspected and actual cases of fraud and irregularity as well as all measures related thereto taken by the national authority must be reported to the Commission services without delay. Should there be no suspected or actual cases of fraud and irregularity to report, the beneficiary country shall inform the Commission of this fact at the end of each quarter.

b.) By the Commission

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 audits by 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 may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96.

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.

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 Annex 6.
7. SPECIAL CONDITIONS

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

INFORMATION AND PUBLICITY

1. Objective and scope

Information and publicity measures concerning assistance from the European Community Phare Programme are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Phare Programme.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Specific provisions concerning ISPA are included in:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Phare programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.
The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Phare programmes are implemented, the measures set out at (a) and (b) below shall apply:

(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:
   - billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.
   - permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Phare, Ispa or Sapard:
   - measures to make potential beneficiaries and the general public aware of Phare, Ispa or Sapard assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.
   - measures targeting applicants for public aids part-financed by Phare, ISPA or SAPARD in the form of an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Phare, ISPA or SAPARD Programmes in accordance with the provisions outlined above.

4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance, which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.
4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Phare, Ispa or Sapard Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Programme in question. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Phare, ISPA or SAPARD in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events

The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Phare, Ispa or Sapard Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Phare, Ispa or Sapard should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.
Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. **Special arrangements concerning billboards, commemorative plaques and posters**

In order to ensure the visibility of measures part-financed by the Phare, Ispa or Sapard Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

**Billboards**

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

**Commemorative plaques**

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must mention the EU part financing together with a mention of the relevant Programme (Phare, Ispa or Sapard).

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. **Final provisions**

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.
In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.