Transition Facility Project Fiche Summary

1. Basic Information

1.1. CRIS number: 2004/016-925-01-01

Twinning: LT/2004/AG/01

1.2. Title: Adjustment to Common Agriculture Policy reform of the National Paying Agency under the Ministry of Agriculture

1.3. Sector: Agriculture and Fisheries

1.4. Location: National Paying Agency under the Ministry of Agriculture (NPA), Ministry of Agriculture (MoA)

2. Objectives

2.1. Overall Objective:

The overall objective of 0.727 MEUR project, of which 0.053 MEUR are provided as national co-financing, is to strengthen the institutional and technical capacities of the NPA for the implementation of the new CAP reform requirements in administration of CAP measures.

2.2. Project Purposes

With a view to preparation for proper adjustment to Common Agriculture Policy (CAP) reform requirements while:

- To strengthen the administrative capacities of NPA for administration of CAP measures after CAP reform as required in the Commission Regulations: direct support schemes (EC/1782/2003), milk quota (EC/1788/2003).
- To conform the NPA information systems (IS) to one common CAP information system.

2.3. Justification

The Comprehensive monitoring report on Lithuania’s preparations for membership notes, that although Lithuania has made good progress so far, considerable work remains to be done in establishment of NPA, implementing fully functioning Integrated Administration and Control System (IACS) till accession to EU date (written procedures, staff recruitment and training, development of IT system, in particular to ensure that proper IT systems are put in place). Also there are remarks according to preparation for administration of sugar quotas (capacity may need to be reinforced in order to ensure proper management), milk quota system (the administrative structures of the NPA, including its regional units, and of municipalities, which will be responsible for the quota system need to be substantially strengthened in order to ensure proper milk quota management).

3. Description

3.1. Background and Justification

At the date of accession to EU, the National Paying Agency under the Ministry of Agriculture (NPA) was the only accredited body for the administration of EAGGF expenditure. NPA has to make sure, that administration of all CAP measures will be executed under the requirements of the EU regulations.
29 September 2003 the European Council adopted a fundamental reform of the Common Agricultural Policy (CAP). The new CAP reform is the most radical since the foundation of the CAP and it will completely change the way the EU supports its farm sector. The new requirements of CAP are set in seven regulations and include common rules for direct support scheme under CAP and support schemes for producers of certain crops, rural development, market measures, milk quotas.

Lithuania will have to adjust to the new CAP requirements and, therefore, the NPA have to prepare new written administration procedures, to train the staff to work with new procedures and to conform earlier information systems (IS) to one common CAP IS. According to remarks of the Comprehensive monitoring report on Lithuania’s preparations for membership, the NPA wants to ensure that in adjustment to future CAP reform requirements earlier mentioned fields will be strengthened by assistance from this project.

The different elements of the reform will enter into force in 2004 and 2005. The single farm payment will enter into force in 2005. If a Member State needs a transitional period due to its specific agricultural conditions, it may apply the single farm payment from 2007 at the latest. Lithuania will adjust to new CAP reform requirements gradually. Therefore, it is possible to receive professional advice on the basis of practice in Member States during the transitional phase.

The main CAP part which have to be substantially changed in Lithuania after the reform are the direct payments. Lithuania will face real difficulties in implementation of some of the new requirements (payment entitlements, cross compliance system according to statutory management requirements). Lithuania implemented the Single Area Payment Scheme (SAPS), which differs substantially from new CAP requirements and which Lithuania have to adjust to it and there is a clear need to receive professional advices in the following matters:

- Creation of system for the identification and registration of payment entitlements, which is a new element of the Integrated Administration and Control System (payment entitlement is an absolutely new issue brought into direct payments administration by the CAP reform);
- Implementation of the system of cross compliance according to statutory management requirements set out in Annex III Council regulation (EC) No 1782/2003 (new issue);
- Implementation of aid schemes for specific crops (coupled aid) according to CAP reform rules (which will differ a lot from SAPS);
- Implementation of coupled aid for specific animals according to CAP reform rules.

CAP reform will also influence some new specific matters in administration of milk quotas. According to CAP reform requirements for milk quotas, it is a clear need for NPA specialists to receive experts advices in these matters:

- Explanation of new rules of National reserve. (Reduction in all individual quantities);
- Fat content adjustment in case when weighted average of the individual representative fat contents does not exceed national reference fat content;
- Calculation Levy on deliveries (new rules proportionately reducing in calculation of Levy).

Up till now there is no final decision according the reform on sugar sector. After final decision on that sector reform NPA and MoA specialists will also need to receive necessary experts consultations on adaptation of these requirements.

In addition, the staff of the NPA Internal Audit Department needs experts’ help to prepare for auditing of support measures, which administration will be changed according to new roles and functions. The present EU member states have bigger experience and good administration abilities in the above mentioned matters, therefore, it will be easier for their administrations to deal with the
new conditions. The provision of the assistance based on the experience of other countries will be appreciated by Lithuanian institutions and will help them to adjust and perform audit after the CAP reform in a faster and more effective way. EU financial interests will be protected in a better way if preparation for this reform is proper.

It is also very important to receive experts assistant for finance issues in administration of CAP measures according to CAP reform requirements, because changes in regulations, which are set for CAP measures administration part, also influences changes in financial regulations and financial procedures of NPA (according to ABB nomenclature, reporting to the Commission on expenditure and ctr.). Experts advices will help NPA finance specialists to adjust financial procedures for proper administration of CAP measures, according to CAP reform requirements.

Furthermore, there is a clear need to receive IT expert’s consultations in using practical experience of other countries in creating of a IS new system and preparing its specification. IT specialists have to be trained for development and implementation of the new CAP system (analysis, programming and installing).

The investment part of the project will design specification of the IS to administer CAP measures under new CAP reform requirements. SAPS and other systems (milk quota) must be analyzed in detail to fulfill all CAP requirements. Experts with deep technical knowledge should perform SAPS system analysis in order to ensure that the Lithuanian system will fit CAP reform requirements.

3.2. Linked activities:

Activities to develop CAP measures have been carried out within the framework of a number of PHARE projects:

- **LI99/IB-AG-01 “Modernization of Rural Administrative Systems”**. During the project key officials of NPA where trained to administrate direct payment scheme (payments for arable crops and animals). Experts assistance was given in preparing administration procedures and staff training for administration of market measures including initial discussions of principles for milk quotas, and assessment of the existing IACS. PHARE project LI 2000/IB-AG-01 “Strengthening the Capacity of the Ministry of Agriculture and Related Institutions to Manage and administer the EU Acquis for Agriculture (CAP) and Rural Development” continues the previous project activities for the development of CAP measures (further development of the administrative structures for the implementation of hectare and livestock premiums).

- **LT0004-01 “Strengthening the Capacity of the Ministry of Agriculture and Related Institutions to Manage and administer the EU Acquis for Agriculture (CAP) and Rural Development”**. Experts assistance was given in further development of administration procedures and staff training for administration of hectare and livestock premiums and strengthening capacities of NPA internal audit specialists to take on the challenge of auditing the full scale of CAP measures. Experts also focused their work on training and instructing staff of NPA in planning and implementation of on-the-spot control as required under IACS.

- **2002/000.601.01.01 „Strengthening the capacity to implement the EU Acquis for Agriculture (CAP)”**. During the project it is foreseen to implement the fully adopted NPA for administration of CAP measures: including preparation of a detailed work procedure manuals, checklists and instructions, preconditions of effective control systems, established payment execution, accounting, paying and reporting to EC systems and implemented information system.

3.3. Results
• NPA fully prepared for administration of CAP measures according to new CAP reform requirements in:

Direct support: in NPA created system for the identification and registration of payment entitlements, implemented the system of cross compliance according to statutory management requirements set out in Annex III Council regulation (EC) No 1782/2003, implementation of aid schemes for specific crops (coupled aid) according to CAP reform rules, implemented coupled aid for specific animals according to CAP reform rules. These matters are adopted in changed written procedures, forms of work documents, checklists, instructions of NPA.

Milk quota: NPA specialists are well prepared for adoption of new rules of National reserve, fat content adjustment in case when weighted average of the individual representative fat contents does not exceed national reference fat content, calculation Levy on deliveries. These matters are adopted in changed written procedures, forms of work documents, checklists, instructions of NPA.

• Key officials of the NPA (85 people) trained for CAP measures administration and ready for operation according to new CAP reform requirements.

• IT specialists trained for creating and implementation of CAP system (analysis, programming and installing), qualified supervising and small modification of the system.

• All information systems operative, specified and prepared to fulfill new CAP requirements.

After proper implementation of the above training program there will be the following result of trained staff in the NPA. This should be moved up under results:
Market Regulation Programs Department – 55 people;
Control Department – 10 people;
Internal Audit Department – 10 people;
Finance and Accounting Department – 5 people;
Information Technology Department – 5 people.

3.4. Activities
The project will be implemented through one Twinning Arrangement and one Service Contract.

Note: Actions, studies and all other activities eligible for support under the Structural Funds Technical Assistance measure (Articles 2.4 and 23 of Council Regulation (EC) No 1260/1999) or the Rural Development programme Technical Assistance measure (Article 33e of Council Regulation (EC) No.1257/1999 as amended by the Act of Accession) are excluded from the scope of this project.

3.4.1. Twinning and Training package
Guaranteed results/expected outputs

Scope of Twinning
In adjustment to future CAP reform requirements this project should help NPA in the following activities:

In implementation of direct support system (approx. 5 p/m):
- Prepare working procedures;
- Make review of working documents;
- Analyse, programme and install, supervise and modify new IS.

In implementation of milk quota system (approx. 2 p/m):
- Prepare working procedures;
- Make review of working documents;
- Analyse, programme and install, supervise and modify new IS.

**Required Inputs:**

1 year Pre-Accession Adviser (PAA) – 12 p/m providing general management and institutional support to the NPA for capacity building of the NPA as well as consultations on various levels (improvement of staff qualification, legal adjustments, administrative procedures), and overall project supervision.

**General profile of the PAA:**
- University degree in agricultural science;
- 10 year experience in working with the EU agricultural policy;
- Knowing CAP reform requirements in key sectors of agricultural activities;
- Project management experience;
- Fluency in English (written and spoken).

**Short - term experts (STE):**
An extensive series of short - term expert inputs (approx. 7 p/m). Short - term experts should be skilled in:
- CAP reform requirements adaptation for direct payments, milk quota system, market measures, milk products;
- Internal auditing of these support measures; experience in creating new IT system and preparing its specification according to CAP reform requirements;
- Good communication and team-building skills;
- Computer literacy and fluency in English (written and spoken).

**3.4.2. Service Contract**
One Service contract for advice on development of IS software. A Tender will be organized for preparation of specifications for adoption of the Information System to direct support, milk quotas administration to fulfill CAP requirements.

**3.5. Lessons learned**

Despite the fact that one of above mentioned project is not finished, some of the conclusions may be drawn. Previous projects helped Lithuania to obtain operational solutions within each of specific activities (direct payments, milk quotas), the NPA created well-defined structures and competent staff for CAP implementation. The results of PHARE project LI 2000/IB-AG-01 showed, that major attention have to be paid for strengthening capacities of NPA Internal audit department to perform qualified audit of CAP measures administration and practical apply full-scale audit methods.

**4. Institutional Framework**

The Project will be coordinated by the Ministry of Agriculture of the Republic of Lithuania.

- The direct beneficiaries involved in this project are the National Paying Agency under the Ministry of Agriculture and the relevant departments of the Ministry of Agriculture.

The National Paying Agency under the MoA will be the only accredited authority responsible for administration of EAGGF expenditures and will have to ensure proper administration of CAP...
measures. The institutional set-up for the administration of EAGGF expenditure in Lithuania is agreed and presented in the negotiation position of the Republic of Lithuania.

5. Budget (MEUR)

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Transition Facility Support</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investmen t Support</td>
<td>Institution Building</td>
</tr>
<tr>
<td>Twinning Component</td>
<td>0.53</td>
<td>0.53</td>
</tr>
<tr>
<td>TA(Service Contract)</td>
<td>0.144</td>
<td>0.144</td>
</tr>
<tr>
<td>TOTAL</td>
<td>0.144</td>
<td>0.53</td>
</tr>
</tbody>
</table>

7. Implementation Arrangements

7.1. Implementing Agency

The CPMA will be the Implementing Agency responsible for tendering, contracting, and accounting.
PAO: Mr. A. Vitkauskas, CPMA Director
J. Tumo- Vaizganto 8A/2- 2600 Vilnius- Lithuania
Tel: +370/2/514 400, Fax: + 370/2/514 401, e-mail: info@cpma.lt

The following officers will be responsible for technical preparation and control under the overall policy guidance by the Ministry of Agriculture:
Laimonas Čiakas, Deputy Director of Agrifood Eurointegration Department under MoA, Tel. + 370 2 39 10 97, e-mail: laimon@zum.lt
Saulius Silickas, Deputy Director of National Paying Agency, Tel.+370 2 39 13 94, e-mail: saulius@nma.lt

7.2. Twinning

The PAA and Twinning Team will be located at the National Paying Agency under the Ministry of Agriculture.
The Project’s Counterpart from Lithuanian side will be Mr. Laimonas Čiakas, Acting Director of Agrifood Eurointegration Department under the Ministry of Agriculture, Tel. + 370 2 39 10 97, e-mail: laimon@zum.lt

7.3. Non-standard aspects

None. The project will be implemented following EDIS rules.

7.4. Contracts

Value of Twinning Component: 0.53 MEUR
Value of TA (Service Contract): 0.197 MEUR, of which 0.053 MEUR is of national co-financing
8. Implementation Schedule

<table>
<thead>
<tr>
<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>3Q/04</td>
<td>1Q/05</td>
<td>1Q/06</td>
</tr>
<tr>
<td>TA (Service)</td>
<td>2Q/05</td>
<td>3Q/05</td>
<td>1Q/06</td>
</tr>
</tbody>
</table>

9. Equal Opportunity

Lithuanian Constitution, the Law on Equal Opportunity between Men and Women, and other legal acts explicitly forbid the discrimination on the basis of sex, nationality, and religion. A Controller on equal opportunities between men and women is appointed by the Seimas (Parliament). The beneficiary will also ensure equal access of men and women to the project activities and results. An inter-institutional steering group to be created for the implementation of this project will also ensure equal opportunities for both genders.

10. Environment

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

11. Rates of Return

The investment elements of the project refer to institutional development activities for which rates of return are not calculated.

### 11. Investment Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1. Catalytic effect:</td>
<td>The project will finance activities that will help the beneficiary institution to comply with EU standards and other international requirements by the end of set last date for implementation of all CAP reform requirements. With Project support, full compliance will be achieved much more fluid and quicker. The project is also catalytic, that it will strengthen the administrative capacities and facilitate the adjustment to CAP reform processes, in the agriculture sector.</td>
</tr>
<tr>
<td>11.2. Co-financing:</td>
<td>Lithuanian government institutions will contribute 0.053 MEUR of the investment component of the project.</td>
</tr>
<tr>
<td>11.3. Additionally:</td>
<td>No other financiers will be displaced by the Transition Facility intervention.</td>
</tr>
<tr>
<td>11.4. Project readiness and size:</td>
<td>The necessary strategic studies have been completed. Preparation for Transition Facility tendering and contracting can commence immediately.</td>
</tr>
<tr>
<td>11.5. Sustainability:</td>
<td>Relevant government policies ensure sustainability. Beneficiary institutions are in a position to operate the project and the procured equipment and created IT systems effectively in the long run. Funds for the operation will be provided by the budget of the Ministry of Agriculture. All created IT systems will respect the standards applicable after Lithuania’s accession to the Union.</td>
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<tr>
<td><strong>11.6. Compliance with state aids provisions:</strong></td>
<td>The state aids provisions of the Europe Agreement will be respected.</td>
</tr>
<tr>
<td><strong>11.7. Contribution to National Development Plan:</strong></td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**12. Conditionally and sequencing**

The project is conditional to the availability of national co-financing. The project also will be closely coordinated with any other related projects.
Annexes to the Project Fiche

1. Logframe Matrix.
2. Detailed Implementation Chart.
3. Cumulative Contracting and Disbursement Schedule for the Project (MEUR).
### Logframe Planning Matrix

#### for Project

**Adjustment to CAP reform in National Paying Agency under the Ministry of Agriculture**

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To strength the institutional and technical capacities of the NPA for the implementation of the new CAP reform requirements in administration of CAP measures.</td>
<td>Operating NMA for administration of CAP measures according to new CAP reform requirements</td>
<td>Records of MoA and other relevant institutions. Project reports</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purposes</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • To strengthen the administrative capacities of NPA for administration of CAP measures after CAP reform as required in the Commission Regulations: direct support schemes (EC/1782/2003), milk quota (EC/1788/2003). | Prepared working documents, written procedures for administration of direct support, milk quotas under CAP reform requirements properly documented. | EU Commission: reports; Records of MoA and other relevant institutions; New or amended national laws and Resolutions; Reports of the SAPARD Agency | • Full co-operation between staff in Ministry and it’s associated bodies as well experts carrying out the project.  
• No fundamental changes in CAP reform requirements |
| • To conform the NPA information systems (IS) to one common CAP information system. | Conformed IS for administration of CAP measures according to new CAP reform requirements fully operational | |  |

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| • NPA fully prepared for administration of direct support, milk quota system under requirements of CAP reform. | Key officials of NPA (85) trained and qualified; Working procedures, working documents, checklists, instructions prepared and properly documented; Prepared and implemented specification of IS for administration of CAP measures under CAP reform requirements | Annual Commission report and Project reports and independent assessments. | • Sufficient absorption capacity in the beneficiary institutions to effectively utilise project resources.  
• Sufficient budget funds for staffing and operational costs.  
• The trained staff will stay at the related institutions. |
<p>| • NPA specialists prepared to work according to new procedures. | | |  |
| • All information systems operative, specified and prepared to fulfill new CAP requirements | | |  |</p>
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Twinning:</strong></td>
<td><strong>Twinning package:</strong></td>
<td>• Reports on seminars and study visits</td>
<td>• Sufficient absorption capacity in the beneficiary institutions to effectively utilise project resources.</td>
</tr>
<tr>
<td></td>
<td>• PAA (12 p/m);</td>
<td>• Experts reports</td>
<td>• Sufficient budget funds for staffing and operational costs.</td>
</tr>
<tr>
<td></td>
<td>• STE support (7 p/m);</td>
<td>• Financial reports</td>
<td>• Smooth process of procedures concerning the tendering, contracting and implementation.</td>
</tr>
<tr>
<td></td>
<td>• 1 Service contract</td>
<td>• Reports on project activities and valuation</td>
<td></td>
</tr>
<tr>
<td><strong>Service:</strong></td>
<td><strong>Service contract for consultations on creating and supporting of IS software</strong></td>
<td></td>
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<td></td>
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</table>

**Preconditions**

• Co-financing available.
**Detailed Implementation Chart for the Project**

**Adjustment to Common Agriculture Policy reform in National Paying Agency under the Ministry of Agriculture**

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Twinning</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TA (Service contract)</td>
<td></td>
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<td></td>
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</tbody>
</table>

Legend:
- **Design**
- **Tendering**
- **Implementation**
Cumulative Contracting and Disbursement Schedule (Transition Facility Contribution only–0.674 MEUR)

Adjustment to Common Agriculture Policy reform in National Paying Agency under the Ministry of Agriculture

<table>
<thead>
<tr>
<th>Date</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tr>
<td></td>
<td>30/09</td>
<td>31/12</td>
<td>30/09</td>
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<tr>
<td><strong>Contracting</strong></td>
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<td></td>
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<tr>
<td>Twinning</td>
<td>0.53</td>
<td>0.53</td>
<td>0.53</td>
</tr>
<tr>
<td>TA (Service Contract)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total contracting (cumulative)</strong></td>
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<td>0.53</td>
<td>0.53</td>
</tr>
<tr>
<td><strong>Disbursement</strong></td>
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</tr>
<tr>
<td>Twinning</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>TA (Service Contract)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total disbursement (cumulative)</strong></td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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