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 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: 2003/005-809-01-01 and 2003/005-809-01-02
Title: Phare External Border Initiative 2003
Duration: Until 30/11/2005

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 2,955 M€ 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 30/11/2005 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 execution of contracts of THE EC GRANT is 30/11/2006. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the contract execution period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry date for execution of contracts of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:

for the COMMUNITY:

Mr. Michael GRAHAM  
Delegation of the European Commission to Lithuania  
Naugarduko g. 10  
2001 Vilnius  
Lithuania  
Tel: (+370) 52 31 31 91  
Fax: (+370) 52 31 31 92

for THE RECIPIENT:

Ms. Dalia GRYBAUSKAITE  
Minister of Finance  
J.Tumo-Vaizganto g. 8a/2  
2600 Vilnius  
Lithuania  
Tel: (+370) 52 61 85 37  
Fax: (+370) 52 62 07 52

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 24.12.2003

for THE RECIPIENT

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for the COMMUNITY

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Encl.
2. Special Provisions (Annex C)
3. Visibility/Publicity (Annex D)
ANNEX C

PHARE 2003/005-809-01-01—2003/005-809-01-02

1. OBJECTIVES, DESCRIPTION

The projects selected for funding within the 2003 Phare External Border Initiative for Lithuania have been defined on the basis of the Joint Declarations respectively between Lithuania and Russia (Kaliningrad) and between Lithuania and Belarus. The recently proposed joint strategies have also defined the appropriate framework, necessary for the selection of the projects mostly adequate to the aims of the 2003 Phare External Border Initiative. The project selected for funding are also fully in accordance with the Accession Partnership’s priorities and with the Lithuanian National Development Plan.

In agreement with the Lithuanian authorities, it has been decided to allocate €0.805 million of Phare funds to support local capacity building at the Lithuania borders with Belarus and Kaliningrad (future EU external borders). €2.15 million of Phare funds is allocated to an investment project (Pilot Nemunas River Tourism Route)—in the Lithuanian-Kaliningrad border region.

In Lithuania, the programme will be implemented under the authority of the Minister of Finance. The Implementing Agency is the Central Project Management Agency (CPMA). The Minister of Finance will provide financing and technical support to the CPMA to ensure that it can operate at the required level of capacity and competence.

Project 1: CRIS n° 2003/005-809-01-01 — Local capacity building to the future EU external borders

The overall regional development policy pursued by the Lithuanian Government focuses on the reduction of social and economic disparities between and within the regions as well as on the promotion of the development of the whole territory of the state.

The proposed project is designed to contribute to the achievement of the above mentioned policy goals through the support to the development of the capacities at the local level and the development of the project pipeline for LT—LV—BL border as well as the updating of the project pipeline for LT—PL—KL border, necessary for the cross-border type of activities after the Lithuania’s accession to the European Union.

This particular focus has been chosen on the following grounds:

   (1) The major constraints for the active and effective participation of regional, local authorities and euroregions in the existing cross-border and in the preparation for future INTERREG III programme in Lithuania (project development and implementation, strong cross-border links, etc.), are their weak administrative capacities and lack of experience in project preparation process.

At present there are 5 euroregions developing their activities at the future EU external borders — “Nemunas”, “Baltija”, “Saule”, “Ežerų kraštas” and “Šėšupe”. “Nemunas”, “Saule” and “Baltija” are operating in eligible areas of both above-mentioned borders. Euroregion “Šėšupe” is acting within the eligible area of LT—PL—KL border. Euroregion “Ežerų kraštas” implements its activities at LT—LV—BL border.

The above mentioned euroregions target their activities at promoting of common (for border regions) economic activities such as creation of sufficient investment basis, strengthening of industry and agriculture, development of transport and communication infrastructure, improvement of ecological situation, tourism promotion, development of cultural relation, etc.
Euroregions have well-developed joint structures as well as extensive and strong relations with border regions in neighbouring countries. “Nemunas”, “Saule” and ‘Ežeru kraštas” have separate secretariats located in Lithuania. Some euregions have already prepared strategy and have clear co-operation development vision. Due to the lack of necessary financial resources Lithuanian regions in most cases are not able to prepare and implement relevant projects. However, INTERREG III financial support will favourably affect this process in the future.

(2) The project pipeline for Lithuanian—Kaliningrad border was prepared under the Phare project LI9917-01-14 PPF support “Development of Project Pipeline for CBC between Lithuania and Kaliningrad”. This pipeline was prepared according to the Phare CBC programme requirements, therefore, it can be used as a basis for the development of a renewed pipeline for LT—PL—KL border in respect with the INTERREG IIA programme requirements as well as according to the priorities and measures which will be defined in this programme.

The absorption capacities of the border regions and successful implementation of INTERREG IIA depends on high quality relevant project pipelines. Regional, local authorities and Euro regions still lack the capacity to develop the project pipelines for LT—PL—KL and for LT—LV—BL borders. A project pipeline is the key issue in preparation for INTERREG IIA programmes, taking into account that it is foreseen to allocate up to 80% of all Lithuania’s Interreg III program to strand A (that will count up to 16 MEUR of ERDF funding in 1999 prices).

(3) In the preparation process for the administration of INTERREG III in Lithuania, the Lithuanian Government has adopted the Resolution No. 367 “On the Administration of the EU Community Initiative Programme INTERREG III in Lithuania”, dated 25th March 2003. This Resolution sets out the following institutional arrangements regarding this matter:

- the Ministry of Finance will be the co-ordinating institution, responsible for all three strands of the INTERREG III programme and the Paying Authority for the INTERREG IIA programme;
- the Ministry of Interior will be the Managing Authority, responsible for the proper and effective implementation of the Interreg IIA programme, drafting of the Programme (CIP) and Programme Complement (PC) for INTERREG IIA programme for Lithuania—Poland—Kaliningrad region (Russian Federation) border and drafting of the INTERREG IIA CIP for Lithuania—Latvia—Belarus border as a new priority to the INTERREG IIIIB programme. The Ministry of Interior is also responsible for the establishment and functioning of the joint technical secretariat (JTS). The interministerial Interreg IIA programming working group is already established and chaired by the representative of the Ministry of Interior.

Phare contribution: € 805,000

Project 2: CRIS n° 2003/005-809-01-02—Development of the Pilot Nemunas River Tourism Route

With regards to the development of water tourism routes in Lithuania, the National Tourism Development Program sets out a framework for the development of tourism sector and sets out priority measures to develop the tourism information system, tourism infrastructure and marketing. Activities proposed by the National Tourism Development Program and linked with this project are: 1.6.2. For regions (municipalities) to analyze possibilities and work out the measures necessary for the revival of water routes of the Nemunas river and jetties;
11.4.6. Development of active leisure zone in the Middle Nemunas region through small water, hunt, leisure complexes and rural tourism services;

In addition, the importance of the Nemunas water tourism route is outlined in following important development strategies:

5. Šakiai region economic and business development program till 2005

The potential for such an activity is outlined in the Feasibility study "The Nemunas river tourist route development" initiated by State Department of Tourism and implemented by Kaunas Region Development Agency and Lithuanian Regional Research Institute. The study shows feasibility of the Nemunas river water tourism route, presents preliminary technical calculations for the building of piers along the Nemunas river route and foresees the potential tourism markets.

"The conception of recreation system development in Lithuania" points out the perspective possibility of tourism navigation via Nemunas river water tourism route connection with the Poland, Augustavas, water routes to the Curonian Spit and Baltic sea.

Currently the feasibility study and environment impact assessment is carried out for the project of a new hydroelectric dam on Nemunas river up steam in Alytus. It is planned that decision on permissibility of the new dam will be made next year. The possible dam on Nemunas river by Alytus city would not influence piers which are planned. The only one pier the flood of water could influence is the Merkine pier (please see Annex 5, pier No. 24). According to the project fiche that pier will be mobile and will be easily transported and adapted in another place if needed. The new dam would have special sluice for riverboats, therefore it would not influence the length of planned river trips. The possible dam would not diminish attractiveness of nature and will not impede the entireness of river tourism route. The possibility of building any other new dam on Nemunas River is unforeseen.

The initiative of the organisation of the net of piers along Nemunas river came from municipalities. Communities of these counties are very much interested in the development of Nemunas river bank infrastructure. It will enliven visitation of these places, encourage creation of service businesses, increase the number of work places.
Representatives of all twelve municipalities took part in the consultations for selecting best and most interesting, attractive locations of piers. Development of Nemunas river tourism infrastructure is approved by local authorities and included into regional development plans of all municipalities.

The creation of tourism water route as a net of piers and infrastructure demands a complex approach and financial capability. Phare investment support to the project will make a crucial contribution to financial and technical implementation of the project.

Phare contribution: € 2,150,000

2. BUDGET
The following table specifies the EU contribution to the programme.

<table>
<thead>
<tr>
<th>CRIS No 2003/005-809</th>
<th>Project Title</th>
<th>Phare Institution Building</th>
<th>Phare Investment</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-01</td>
<td>Local capacity building to the future EU external borders</td>
<td>0.70</td>
<td>0.105</td>
<td>0.805</td>
</tr>
<tr>
<td>01-02</td>
<td>Development of the Pilot Nemunas River Tourism Route</td>
<td>0.60</td>
<td>1.55</td>
<td>2.15</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1.30</td>
<td>1.655</td>
<td>2.955</td>
</tr>
</tbody>
</table>

In accordance with the Phare Guidelines 2000-2006, as revised in 2002 [C(2002)3303-2], all investment projects supported by Phare must receive co-financing from national public funds.

The Community contribution may amount to up to 75% of the total eligible public expenditure.

Co-financing for Institution Building projects is provided by the beneficiary bearing certain infrastructure and operational implementation costs, through financing the human and other resources, required for effective and efficient absorption of Phare assistance.

3. IMPLEMENTATION ARRANGEMENTS

a) Financial and Project Management by the Candidate Countries

The programme will be managed in accordance with the Phare Extended Decentralised Implementation System (EDIS) procedures as set down in the EDIS Accreditation Decision and the Agreement on the Implementation of EDIS (EDIS Implementation Agreement; EIA) concluded between Lithuania and the Commission. Prior to the conclusion of said Agreement, implementation will exceptionally follow Phare Decentralised Implementation System (DIS) procedures. Extended Decentralisation will, however, apply from the date of accession at the latest.

The National Aid Co-ordinator (NAC) will have overall responsibility for programming and monitoring 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 EDIS Implementation Agreement and/or the DIS Manual as well as the other instructions of the Commission, and that all contracts required to implement the Financing

1 Taxes are not an element eligible for co-financing
Memorandum are awarded using the procedures and standard documents defined and most recently published by the European Commission for the implementation of External Actions.

The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD, as well as the Structural and Cohesion Funds.

The National Fund (NF) in the Lithuanian 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. This includes the responsibility of reporting all suspected and actual cases of fraud and irregularity. 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 €2.00 million, with the exception of the project 2003/005-809-01-01 which will be supported by an overall Phare of €0.805 million plus national contribution of €0.035 million

c) Contracting and disbursement deadline

All contracts must be concluded by 30 November 2005.

Execution of all contracts must end by 30 November 2006. Budgetary commitments which have not given rise to payments during three years counted from the date of the legal commitment will be decommitted.

d) Clearance of Accounts Procedure and Recovery of Funds

A clearance-of-accounts procedure in line with Art. 53 para 5 of the Financial Regulation\(^3\) and Art. 42 of the Implementing Rules to the Financial Regulation\(^4\) will be put in place.

Any proven irregularity or fraud\(^5\) 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

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\(^3\) Council Regulation 1605/2002 of 25 June 2002

\(^4\) Commission Regulation 2342/2002 of 23 December 2002

\(^5\) As defined under number 8a (Audit and Anti-fraud Measures by the Candidate Countries) of this document
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 2 months after all payments have been made, 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 on 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 a Bank agreed in advance with the Commission.

a.a.) Transfer of Funds to the National Fund

A first transfer of up to 20% of the funds to be managed locally, representing pre-financing\(^6\) will be sent to the NF following signature of the Financing Memorandum and the Financing Agreements (FAs) between the NF and the Implementing Agency (IA). 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

\[^6\text{as defined in Art. 81.1.b.i of the Financial Regulation}\]
information between the NF and the IA and the manner in which the payment function will be carried out.

Two further transfers of up to 30% each of the funds to be managed locally will be made. The second transfer will be triggered when 5% of the budget has been disbursed by the IAs and the CFCU. The third transfer may be requested when 35% of the total budget in force has been disbursed. A fourth transfer will be made when 70% of the total budget in force is disbursed and when all expenditure has been incurred (i.e. fully contracted). No later than 2 months after all payments have been made the National Fund will submit a final declaration of expenditure, which will trigger a balancing operation of all transfers against final certified expenditure incurred, which at that point will be equal to payments made. (closure of expenditure)⁷.

Exceptionally the NAO may request 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 interim payments may be made if the trigger points mentioned above have not been respected.

b.b.) Transfer of Funds to the Implementing Agencies

The National Fund will transfer funds to IAs, including the CPMA in the case of Lithuania, in accordance with Financing Agreements (FAs) signed between the NFs and the IAs. Bank accounts for sub-programmes shall be opened in the name of the relevant Implementing Agency 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.

Under DIS, each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the IA there will be no transfer of funds from the NF to the IA. 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 IA.

For those contracts with funds retained for a warranty period 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. 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.

c.c.) Interest

⁷ as defined in Art.105 of the Implementing Rules
In principle, all bank accounts\(^8\) 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.

f.) Implementing Agencies will be responsible for sub-programmes as follows:

In Lithuania, the overall responsibility for the Lithuania Phare External Border Initiative will rest with the Lithuanian Prime Minister’s Office as the Implementing Authority of all the projects of the Initiative. The Central Project Management Agency (CPMA) has been nominated as the Implementation Agency of the 2003 Lithuania Phare External Border Initiative.

g.) Environmental Impact Assessment and Nature Conservation

The procedures for environmental impact assessment as set down in the EIA-directive\(^9\) 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\(^10\).

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art. 6 of the Habitats-Directive\(^11\) must be documented\(^12\).

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.

h.) Special rules for certain components for the programme

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 CFU 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

\(^8\) in particular, but not exclusively, accounts run by the NF, the CFU and IAs  
\(^10\) in Annex EIA to the corresponding investment project fiche  
\(^11\) DIR 92/43/EEC; OJ 206/7; 22.7.1992  
\(^12\) in Annex Nature Conservation to the corresponding investment project fiche
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\(^{13}\)

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 national or Community law\(^{14}\), this Financing Memorandum or ensuing contracts or 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\(^{15}\).

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 within two months following the end of each quarter.

b.) By the Commission

\(^{13}\) in accordance with the rules set down in Art. 54 of the Financial Regulation

\(^{14}\) defined as the entirety of Community rules applicable between the Parties of the Financing Memorandum (for example the Europe Agreements, the Framework Agreement, the Memorandum of Understanding on the Establishment of the National Fund etc.).

\(^{15}\) OJ L 178; 12.7.94; p. 43-46
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 on-the-spot checks and, as long as the Extended Decentralisation System is not yet applicable to the Implementing Agencies in the Candidate Country concerned, measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned.

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\(^{16}\).

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 set down in the Annex “Visibility/Publicity”(enclosed).

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 to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.

\(^{16}\) OJ L 292; 15.11.1996; p. 2-5