

**LITHUANIA, POLAND AND KALININGRAD REGION
OF RUSSIAN FEDERATION
NEIGHBOURHOOD PROGRAMME**

This programme fulfils the role of an INTERREG IIIA programme for
the LT/PL/RU Kaliningrad border

November 2004

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1. Description, Objectives and Priorities

INTERREG, the EU Structural Funds facility for financing cross-border co-operation, is a multi-annual framework programme for co-operation between public authorities, firms and associations in border regions as defined in the Structural Funds Regulation. Its aim is to stimulate local and regional economic development through co-operation and better communications, thereby removing barriers to integration and mutual understanding

The Commission Communication "Paving the Way for a New Neighbourhood Instrument" of 1 July 2003, introduced the concept of "Neighbourhood Programmes" for the external borders of the enlarged Union for 2004-2006. This has an immediate impact on the countries which are involved in this INTERREG programme.

This programme will complement the general EU- Russia bilateral relation focusing on the border regions on both sides of the borders. Russia is the EU's strategic partner, and its largest neighbour. As agreed at the EU / Russia summit in St. Petersburg in May 2003, the EU – Russia strategic partnership will be further developed through the creation of four common spaces: a common economic space (including and with specific reference to environment and energy), a common space of freedom, security and justice, a space of co-operation in the field of external security as well as a space of research and education, including cultural aspects. It is in the common interest of the EU and Russia to draw on elements of the European Neighbourhood policy to enrich work on the common spaces. This recognises the need for the EU and Russia to work together - as neighbours – on common concerns.

For the European Union and for Russia the programming area is of particular significance, given Kaliningrad's unique situation as a part of Russia, separated geographically from the rest of the territory of Russia by Member States of the EU. This unique situation has been reflected in discussions between the EU and Russia, including at the level of Summits and is, in addition, reflected in the EU's €25 million special package of assistance for Kaliningrad, put forward in May 2003, €5 million of which will fund this Neighbourhood Programme. Kaliningrad is also mentioned as a cross cutting priority in the second Northern Dimension Action Plan adopted in October 2003 by the European Council. From a general perspective, the EU aim is to work with Russia to promote the socio-economic development of Kaliningrad, facilitate trade and tackle cross-border issues. This Neighbourhood Programme will contribute to fulfilling this aim as well as to fulfilling the objectives of both the special package and the Second Northern Dimension Action Plan, inter alia, by creating opportunities for greater co-operation in this important area.

1.1. Summary including a description of the joint programming process

The border area has a solid background of co-operation in both the official governmental level as well as the local network level.

The drafting of the programming document was a joint consultative process between the three countries involved with the lead coordinating body being the Lithuanian Ministry of Interior. The partner countries used the Commission's practical guide "The Interreg III Community Initiative – How to prepare programmes" as the basis for the programming exercise and tool for drawing up this document and took into account the Commission's Communication "Paving the Way for a New Neighbourhood Instrument".

The process began on 4 March 2003 with the first bilateral Polish-Lithuanian meeting. Subsequently all of the meetings were trilateral; these were of the so-called Poland-

Lithuania-Russia Task Force consisting of representatives of national, regional, local government institutions and euroregions of the three countries:

Russia: Ministry of Economic Development and Trade, Kaliningrad regional administration

Lithuania: Ministry of Interior, Klaipėda, Tauragė, Alytus and Marijampolė counties

Poland: Ministry of Economy and Labour (MEL), Pomorskie Region (covering Słupski, Gdański, Gdańsk-Gdynia-Sopot subregions), Warmińsko-Mazurskie Region (covering Elbląski, Olsztyński and Ełcki subregions) and Podlaskie Region (covering Białostocko-suwalski and Łomżyński sub-regions).

Commission and Tacis office (Kaliningrad) representatives participated in the meetings as well.

It was agreed that the programming process would begin by the submission of descriptive information of the programming areas and individual SWOT analyses that would be amalgamated into a joint descriptive analyses and detailed SWOT table – forming the crux of this document. This process continued through June 2003, when the Task Force agreed not only on the description and SWOT but also on the priorities and measures to be addressed by the Programme. Meetings of the Task-Force took place on a rotating basis between the three countries:

4 March 2003, Vilnius (LT)
5 May 2003, Warsaw (PL)
27 May 2003, Marijampolė (LT)
25 June 2003, Svetlogorsk (RU)
28 July 2003, Augustów (PL)
26-27 August 2003, Warsaw (PL)
12-13 November 2003, Warsaw (PL)
15 December 2003, Vilnius (LT)
10 February 2004, Olsztyn (PL)
17 March 2004, Brussels (BE)
16 April 2004, Vilnius (LT)

The Programming Document was finalised in April 2004 when the national, regional and local governments, Euroregions, and Implementing Authorities of Phare CBC of the individual countries on a joint tri-lateral level approved the document and it was submitted by the Lithuanian Ministry of Interior to the European Commission.

The Ex-ante evaluation was performed by the Centre for Strategy and Evaluation Services which is attached as an annex 3.

In the final version of the Programme the following recommendations provided in the ex-ante evaluation were taken into account:

- 1.3 History has a final paragraph (ex-ante evaluation 2.2.3)
- 1.3 Existing cooperation – Euroregions has been moved lower in the text (ex-ante evaluation 2.2.3)
- 1.3 indications of Lithuanian pollution levels have been added (ex-ante evaluation 2.2.3)
- 1.4.2 vision clarified (ex-ante evaluation, 2.2.4, part1, para 2)
- 1.4.2 performance indicators revised (ex-ante evaluation, 2.2.4, table of indicators)2.3 on numbers of structural funds (ex-ante evaluation 2.6.1)
- 2.3 on measure 1.1 (ex-ante evaluation, 2.3.1, priority 1, para2)
- 2.3 on measure 1.3 (ex-ante evaluation, 2.3.1, priority 1, para4)

- 2.3 on measure 1.4 (ex-ante evaluation, 2.3.1, priority 1, para6)
- 2.4 discrepancy in name of authority cleared up (ex-ante evaluation 2.6.1)
- 3.5 ICT has been included (ex-ante evaluation 2.6.2)
- 4.1 on previous cross border programmes (ex-ante evaluation, 2.2.4, part 1, para2)
- 4.2 on JMSC (ex-ante evaluation 2.6.1)
- 4.2 on project selection criteria (ex-ante evaluation, 2.6.2, para6)
- 4.4 on project monitoring (ex-ante evaluation, 2.6.2, para7)

Other recommendations provided in the draft Ex-ante evaluation will be taken in to account when developing the Program Complement.

1.2. Eligible areas

The areas eligible for the programme are at the NUTS III administrative level. It means for Poland: Pomorskie Region (Słupski, Gdański, Gdańsk-Gdynia-Sopot subregions), Warmińsko-Mazurskie Region (Elbląski, Olsztyński and Ełcki subregions) and Podlaskie Region (Białostocko-suwałski and Łomżyński subregions), for Lithuania: Klaipėda, Taurage, Alytus and Marijampolė counties and the whole area in case of the Kaliningrad region. The regions and counties on the Polish and Lithuanian sides of the border shall become new eastern external EU borders with Russia in 2004.

According to the Communication from the Commission to the member states of 28.04.00 “laying down guidelines for a Community Initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory – Interreg III”, in special cases funding may be granted to measures in NUTS III areas, which are adjacent to the NUTS III level areas constituting the Programme area. Using this flexibility the remainder of the Słupski NUTS III area (constituting a part of the Pomorskie region) has been included within the Programme. The main reasons for inclusion of this NUTS III are described below:

- Many local governments from Słupski subregion (19 communes and municipalities) are actively involved in cross-border cooperation within the framework of Euroregion
- Baltic covering a big part of the Programme area (Pomorskie and Warmińsko-Mazurskie regions in Poland, Klaipėda county in Lithuania as well as entire Kaliningrad District); Being a part of Programme area will enable those local



governments as well as other institutions and organisations from Słupski subregion to use an INTERREG III A Programme as an effective tool for developing cooperation links with their Lithuanian and Russian partners;

- Due to the fact, that after EU enlargement there will be no INTERREG III A Programme for Polish sea-border, there is a justified need to continue currently implemented PHARE Cross-border Cooperation (CBC) Programme for the Baltic Sea Region, in which Słupski subregion is eligible for support; Such continuation is possible through including Słupski subregion to the Programme area of Lithuanian-Polish-Russian INTERREG III A Programme.

Under the adjacency rule, the total project expenditure undertaken in this area cannot exceed 20% of the total expenditure under the Programme.)

1.3. Description and analysis of the border region

North-eastern Poland, western Lithuania and the Kaliningrad region form the area of this Interreg III A border region. The area shares a common physical geography, climate that is favourable for agriculture and tourism and other economic activities like cargo transit. The area is conducive to people-to-people cooperation having relatively large ethnic minority groups across the border. The proximity to the Baltic Sea lends the region an advantage for port and transport development, as well as being a “crossroads” between the East and West. The three nations involved in this border region have linked historical and cultural backgrounds, although marked differences in some matters remain. Due to the fact that the three regions have not only similarities but also some noticeable disparities, this section describes the region as a whole but also includes some vital statistics and data for the individual national areas.

History (modern)

The administrative structures of pre-World War II Lithuania were based on the concept of self-government. In 1919 Lithuania’s territory was divided into 20 counties. Under the soviet regime, in 1950 Lithuania’s territory was reduced to a division of 4 areas. In 1953 the 4 areas were disbanded and the main administrative units were 87 smaller regions throughout the Lithuanian territory. After Lithuania regained its independence, in 1994 the counties (10 NUTS III regions) were reinstated as the top administrative unit, which is governed by the county governor, ministries and other Government institutions.

The Kaliningrad region is the most western territory of the Russian Federation - separated from the main part of the country by overland borders and international seaways. After the dissolution of the Soviet Union in 1991, the Kaliningrad region became isolated from Russia’s mainland. The region is governed by the regional administration with elected governor as a head. In 2001, in order to coordinate the activity of territorial bodies of the Federal organs of state power, the institution of Deputy Plenipotentiary Representative of President of the Russian Federation in the North-West Federal District was established.

The idea of territorial self-government has a long tradition in Poland. Firstly the system of territorial self-government authorities was created in 1918 after the regaining of independence, but the regulations of their activities were adopted in 1933. The territorial self-government functioned until 1950 and was replaced by the unitary structure of regional boards of central administration. Poland’s territory was divided into 49 voivodships. A new administrative structure was established in 1999 to include 16 regions (NUTS II level - voivodships), 380 counties (*poviats*) and almost 2500 communes

(*gminas*). On the NUTS III level, there are 45 subregions in Poland. Subregions (NUTS III level) do not constitute administrative units in Poland.

Clearly then, the administrative institutional framework required for the proper implementation of the programme is in place in the three countries involved in the programme; no administrative reform is required in order to proceed in the implementation of the facility.

Area and Demography

The total border area covers 97 284 km² with a population of 6.730.000. The average population density of the area is of 70 inhabitants per km² with an urban to rural ratio of 64,7% to 35,3%.

The Lithuanian side of the border region is made up of 4 counties: Klaipeda, Taurage, Alytus and Marijampole with in which there are 21 municipalities. The 4-county border area has a joint territorial size of 19.508 km², a population of roughly 897.000 and a population density of an average of 46 inhabitants per km². The urban to rural ratio is 60% to 40%. On the whole, the region has a considerable number of small and medium-sized towns and a large rural distribution of the population. The city of Klaipeda is the 3rd largest city in the country and clearly impacts the demographic spread of the 4-county border region in relation to population, population density and the urban/rural distribution.

The Kaliningrad region has a population of some 940.000 with a territory of 15.100 km². The land border with Lithuania and Poland is made up of 524 km. The main residential area is Kaliningrad city with a population of about 416.000. On the whole, 76.5% of the population in the Kaliningrad region lives in urban areas. It is the most densely populated region of Russia with an average of 60 inhabitants per km².

The Polish part of the border region area is situated in the north-east part of Poland and covers 62 676 km². The area includes 3 regions: Pomorskie (with subregions: Słupski, Gdański, Gdańsk-Gdynia-Sopot), Warmińsko-Mazurskie (with subregions: Elbląski, Olsztyński, Ełcki) and Podlaskie (with subregions: Białostocko-suwałski and Łomżyński). The area has a total population of about 4 893 000 and is characterised by a relatively low population density 78 inhabitants per km²). The urban to rural ratio is 63,4% to 36,6%. The Polish side of the border region is made up of 5 main cities: Gdańsk, Gdynia and Sopot (forming agglomeration) as well as Białystok and Olsztyn.

Economic Development, Industry

The rural areas of the border region are generally agricultural (mostly dairy and meat production and processing). The region as a whole includes diverse fields of industrial activity with a large number of SMEs that are described below in a more country-specific manner. There has been a recent dynamic growth of the services sector and in some parts new technologies and quality assurance systems and standards are used in production. However, both the agricultural and industrial sectors are in need of investments for restructuring and modernisation. As it is a sea-bordering area it includes a number of international and local ice-free ports and an export-oriented economy is being developed. The labour force is relatively cheap when compared to western European countries. It should be noted that the Kaliningrad region is a special economic zone whereas goods imported to the zone and produced locally for export to Russia proper are exempt from VAT, import and other duties (customs tax notwithstanding). The entire area is favourable for trade and transit.

The economy and industry of the Lithuanian part of the border region can be characterised as two-fold. On the one hand, the area includes Klaipeda port with an annual capacity of 25-30 million tons. A modern logistics centre should be shortly developed in close proximity to the port; transit shipping makes up about 80% of all shipment flows in the county. On the other hand, Marijampole county is one of the most agriculturally inclined of the 10 Lithuanian counties with a predominant harvesting of sugar beets. Dairy and meat product production are also predominant in the region's agricultural sector. As for industry and production in the area, the following sectors are predominant: furniture, textile, refrigerator and fertilizer production, food and beverage production and processing, and stevedoring.

Industrial production, which comprises 40% of the gross regional product of the Kaliningrad region, prevails in its regional economy; trade takes 16.3%, transport – 10.7%, agriculture – 6.7%, and construction – 5%. Production of food, energy, machine parts and metal and wood processing are the predominant products. For agriculture, dairy, meat and vegetable growing as well as poultry production are notable. The region is active in sea and river waterway transport as it has international ports, ship building facilities and fish processing plants. 9% of Russia's total fish is caught there. SMEs produce 21% of total industrial production of the region. Every third TV set produced in Russia has a Kaliningrad origin.

The Polish region's economy is of multifunctional character, i.e. it has a well-developed service and manufacturing industries in major city centres, and agricultural industry in the rest of the region. Almost all types of economy branches are present here: industry (including maritime industry), agriculture and forestry, tourism and recreation, specialised services, and the infrastructure of supra-regional importance (science and education, culture, healthcare, transport, and transshipment). Sold production of industry in the Polish part of the cross border area is equivalent 2367,5 EUR per capita. The Polish part of the border region has a higher GDP per capita than the Programme area as a whole. Besides, there is a large number of SMEs but low communication accessibility especially in the east part of the region. SMEs have a high importance in the economy of the area, but they are located mainly around main urban agglomerations. The main barriers of SME development are finance shortage, lack of external capital, market barriers: low demand on domestic and international market, low competitiveness and human capital barriers.

Human Resources Development

The population of the area could be described as a rather educated, relatively young, and highly literate population. It has a comparatively qualified and educated labour force that is experienced in various industry, SMEs and agricultural activity. The figures for working men and women are comparable. The area houses a number of universities, colleges, vocational training and other institutions of education. However, there is still a need for reorganisation of school programmes as training for specialties in demand is lacking. Adult education and qualification raising and retraining systems require development. There is high rate of high school graduates continuing their studies in institutions of higher education. However, increasing unemployment, especially in rural areas, is a noticeable trend. The unemployment rate fluctuates between for example 33,7% in the Elcki subregion (PL) and 7.3% in Tauragė county (LT). Even though the large labour force is comparatively low cost, this automatically equals a low income level of the population. New workplaces for marginalised groups are needed as is a re-qualification of labour force according to market needs. On the whole the areas, especially rural ones require improved hospital/clinic networks, which would bring primary care closer to the patient. The developing market will encourage private medical practices.

The following statistics give an overview of the total cross-border area as a whole and by country:

GDP and Employment

Country	GDP (millions euro)*	GDP per capita*	Average monthly wage*	Unemployment Rate%**
Lithuania***	3 004	3 348	250	14.0
Kaliningrad region ****	870	922	72	6.9
Poland*****	18 646	3 810	478	21,1
Average total in the area	22 520	3 346	390,91	18.4
EU *****	8 524 371	22 530	3 170	7.3

* local currency equivalents in Euro

** There are some differences in calculating the unemployment rate in the particular countries as well as different definitions of the unemployed person.

*** Source: Lithuanian Department of Statistics

**** Source: Regional Committee of the State Statistics (The figures are reflecting the Russian statistic but not the Eurostat)

***** Source: Statistical Yearbook of the Regions-Poland. Warsaw 2002

***** Source: Eurostat

Education

Country	Secondary schools	Technical/vocational schools	Colleges	Higher educational institutions	Universities
Lithuania*	782	36	7	8	2
Kaliningrad region **	306	5	8	10	2
Poland***	726	747	276	339	41
Total in the area	1814	788	291	357	43

*Source: County Governors' Administrations

** Source: Regional Committee of the State Statistics

*** Source: Statistical Yearbook of the Regions-Poland. Warsaw 2002

Infrastructure and Transport

The area is characterised by varying degrees of development in infrastructure. Depending on the amount of investment in the area, roads of poor or exceptionally high quality can be found. As a generalisation, the road and other transport infrastructure in the region is quite good as investments have been made into the ports and transit facilities leading in and out of them – rail, road, customs facilities, etc. The area is located on a number of international corridors: I, IA VI, IX (Via Baltica, Via Hanseatica) and road 16 connecting the two. However, insufficient connections and poor technical road conditions in some areas create traffic problems. Transit and bypass roads are needed as traffic density fluctuates from high in the urban areas to low in rural areas. It should be added that the area includes a number of local and international airports and seaports.

The entire cross-border area has the following number of border crossing posts: Poland shares 4 road and 3 rail crossings with Kaliningrad as well as 3 road and 1 rail crossing with Lithuania. Lithuania and Kaliningrad have 6 border crossing points – 4 road and 2 rail.

The development of infrastructure can often be hampered by the lack of general plans for some of the municipalities in the area.

Roads and Utilities

Country	paved roads*	water supply*	sewage*	gas line*	Wire telephone subscribers per 1000 population(2000)
Lithuania**	19	12.8	5.6	5	283,2
Kaliningrad region ***	30.2	18.3	8.6	8.1	Not available
Poland***	42.9	46.8	13,0	11.2	272,9
Average total in the area	36.1	35.4	10.8	9.5	Cannot be calculated

*density - km per 100 km².

**Source: Lithuanian Department of Statistics

***Source: Regional Committee of the State Statistics

*** Source: Statistical Yearbook of the Regions-Poland. Warsaw 2002

Nature and environment

The landscape features of the cross-border area region are relatively similar with large forested plots containing numerous rivers and lakes. It is an area predominately of rolling hills with some marshlands and peat bogs in the river deltas and parts of the region being drier with more coniferous forests and sandier soils. The region includes a seacoast for all three of the countries involved including the unique Curonian spit and lagoon, the Vistula Spit, Vistula lagoon and Hel Peninsula with the Bay of Gdańsk. The Nemunas/Nieman River flows through the border region into the Curonian lagoon and in fact forms part of the physical border between Lithuania and Kaliningrad. The largest rivers on the Polish part are the Vistula, Narew, Biebrza, Pregoła, and Łyna. The region includes as well the unique Great Mazurian Lakes area, Suwalsko Augustowskie Lakes and Vishtinec lake as one of the regional treasure.

The Lithuanian side includes the two national and nine regional parks. The region includes Two State Strict Reserves that established for protection and research of the landscape due to its scientific and historical interest. Economic activity is prohibited in these areas.

Specially protected natural territories in the Kaliningrad region include a national park and 7 state natural reserves of regional importance. The total area of especially protected natural territories in the Kaliningrad region comprises 2 300 square meters.

Poland's border area encompasses legally protected areas possessing unique environmental value that covers 40,5% of the entire area. The largest European swamps and primeval forests are located in the border area. Six national parks and fifteen landscape-protected areas are situated here.

The Polish-Lithuanian border area – due to its tremendous forest capacity – constitutes an important part of the area called *Green Lungs of Europe*.

In the Kaliningrad Oblast the volume of produced waste increases by an average of 15% annually. The basic share of it belongs to the wood and paper industry (35%), electric power industry (28%), communal waste (20%) and fuel production (6%). In 2001, 38% of pollutant emissions in the Kaliningrad region were caught of which 14% were utilised. The high level of atmosphere pollution was observed in Kaliningrad, Gurievsk, Pravdinsk, Zelenogradsk and Svetlyi cities.

The main rivers of the area – Neman, Pregol, Lava and Deima - are estimated as “moderately polluted” (IIIa class, dirty IV). All internal water accumulations are highly polluted, mostly by Kaliningrad, Sovetsk, Cherniachovsk, Gvardeyisk etc.

Providing population with drinkable water of normative quality and in sufficient quantity remains one of the most critical problems in the Kaliningrad region. The status of superficial underground water sources and centralised water supply systems does not meet the requirements raised for drinkable water quality. The Regional plan of actions on hygiene of an environment of the Kaliningrad area for 2004–2010 has been developed. It provides measures for improvement of quality of drinkable water in the region. The Kaliningrad region possesses no solid or domestic waste handling sites. Nor does it have recycling plants. Only 5-8% of the inhabited territory of the region is provided with biological wastewater treatment.

The Lithuanian border area had 1594 tons of solid pollutants and 18.660 tons of gases and liquids emitted into the atmosphere in 2001 which in total made 21 percent of the overall figure of the pollutants nationwide. There is a steady decreasing trend of pollution in Lithuania as a whole; the figures for the total national emissions have decreased from 11800 in 1995 to 4700 tones of solid pollutants in 2002, and from 140300 to 89500 tons of gases and liquids in the respective years.

More detailed figures at the border area comparing them to the nationwide figures are the following:

- Solid pollutants: 30 % in 2001, 24 % in 2003;
 - Gas pollutants made about 20–22 % in 2001–2003;
 - Industrial and communal waste products: 1,5 % in 2001, 1,0 % in 2003;
 - Percentage of unprocessed waste emitted into the water has grown quite significantly: 75 % of the overall figure in 2001, 85 % in 2002 and 93 % in 2003;
- (*Lithuanian Department of Statistics, MoEnvironment, LT*).

In comparison to other areas of Poland, the degree of pollution in the border area is relatively low. In comparison to the rest of the country, the share of particular pollutants is:

- industrial waste produced within a year – 2,5%,
- communal waste produced within a year - 12,9%,
- dust pollution emitted by industrial plants especially hazardous to the environment – 5,7%,
- gas pollution emitted by industrial plants especially hazardous to the environment – 4,2%

The Kaliningrad region has 9 HELCOM identified “hotspots” (most polluting sources within the Baltic Sea catchment area) and the Polish part has 2. Keeping in mind that the entire border region should be perceived as a single area, the inclusion of these “hotspots” greatly influences the environmental indicators of the entire region.

The Nature 2000 areas in Lithuania were defined on April 8, 2004 by the Government decree No.399 and on April 29, 2004 by the Resolution of the Minister of Environment of Lithuania No. D1-223. In Poland the Nature 2000 areas were determined on April 16, 2004 by The Act on Nature Conservation (Journal of Laws No 92, item 880). The program will respect designated and potential Natura 2000 sites..(which is attached as an Annex 2)

Habitats Directive area in the Polish part – 11,7%; the Birds Directive area in the Polish part – 26,2%. Lithuania comprises 53 different types of preserved habitats of European

importance. This represents 24 % of the entire number of preserved habitats (218) that are recognised in the European Union and listed in the Habitats Directive. Many of these habitat types need protection. They are found within various sea, freshwater, sand, meadow, forest, and swamp areas. Full designation of sites shall only take place after Lithuania's accession to the European Union.

The conditions regarding protection of NATURA 2000 sites specified by Commissioners Margot Wallström and Michel Barnier's letter of 1 March 2004 to the Lithuanian Ministry of Environment and the Polish Ministry of Environmental Protection and Natural Resources and Forestry will be respected

Tourism

The border region is especially favourable for tourism as it includes many unique landscape features, cultural and historical landmarks, including a UNESCO world heritage object – the Curonian spit, the Castle of the Teutonic Order in Malbork, *Belovezhskaya Pushcha/Bialowieza Forest*, World reserve of Biosphere in Slowinsky National Park. One of the most important tourist attractions of the region is the coastal zone - promoted as the 'Amber Coast' - with its harbours, marinas and beaches. Also the area of the Vistula's Mouth has a huge tourist potential. The region is also famous for the Great Mazurian Lakes and Suwalsko-Augustowskie Lakes (Augustowski Channel). On a more specialised basis, the areas are attractive to ornithologists; the region has a total of 7 Baltic Sea Protected Areas, which millions of seabirds use as staging posts during migration and for breeding.

Émigrés from the region find it attractive for its ethnic traditions and cultural heritage. Additionally, the Lithuanian and Polish sides of the border area include spa treatments that are/could be a major attraction to the cross-border area. It should also be noted that the Kaliningrad region holds 90% of the global amber reserves.

Tourism is an attractive development area for the region as it has great possibilities to use the exiting natural resources that tourists find attractive. However, investments into tourism infrastructure and training of the service-oriented industry are required.

In 2001 the Polish part of the border region had 1529 tourism establishments (hotels etc.) with 156 581 beds. Accommodation was provided to 8 102 994 people. In 2001, the Lithuanian part of the region had 295 accommodation establishments with 1 688 900 people provided with accommodation services that year.

Tourism is growing in the Kaliningrad region with 223.300 tourists in 2000 and 274.700 in 2002.

Clearly then, the border area includes significant differences however there also exist common strengths to use and common weaknesses to overcome, common opportunities to employ and common threats to address. The summary SWOT analysis below (full version in Annex) gives an overview of these commonalities, which are addressed in the priorities and measures in section 1.5.

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> - Euroregions / existing cooperation network - Cooperation contacts and know-how created through Phare CBC projects - Good geographical location for developing east-west trade, free access to a whole Russian market - Comparatively educated, relatively young 	<ul style="list-style-type: none"> - EU interest on new outer borders - EU policy supportive to development in external border regions through the Neighbourhood Instrument - Increased exchange of information, student and civil servant exchange

<ul style="list-style-type: none"> - population - Valuable natural resources and landscapes 	<ul style="list-style-type: none"> - Revival of the Russian economy - Development of the international transit network - Development of the information society provides options for new services - Cooperation in tourism development - Joint Natura 2000 area
WEAKNESSES <ul style="list-style-type: none"> - Disparities in income level urban/rural, social exclusion - Lack of common language (weak language skills) - Differences in administration, legislation, cultures - Border crossing formalities (Kaliningrad) - Environmental problems in some areas 	THREATS <ul style="list-style-type: none"> - Migration of younger people, brain drain - Increasing economic disparities between urban and rural areas - Increase of social problems, social exclusion

1.4. Joint development strategy and coherence with other programmes

1.4.1. Previous experiences with cross-border activities in the border region

The Lithuanian-Polish-Russian cross border region is of unique nature due to its geopolitical situation as a node between East and West, EU and Russia. This particular CBC region includes the Kaliningrad region – a small Russian enclave wedged between the EU member states Lithuania and Poland – which is considered one of the main challenges for the EU policy towards third countries. With neighbouring EU member states, Kaliningrad region is far more exposed to the policies of the EU than any other Russian region and its development will be significantly affected by the adoption by Lithuania and Poland of the European policies and Schengen *acquis communautaire*, the introduction of a visa regime, the issue of transit traffics and quotas and the adoption of the EU trade regime.

The CBC region is characterised by very strong historical and cultural links relating the neighbouring countries. Lithuania and Poland as well as Kaliningrad region and especially the western part of Lithuania shared long common historical periods and quite large national minority communities still live across the border.

It has to be mentioned that since the collapse of the Soviet Union, political, social and economic conditions in the border areas of the three countries have been developing rather unevenly with Lithuania and Poland systematically following the main strategic aims of becoming NATO and EU members, and Kaliningrad region undergoing complex restructuring from a military garrison of the Soviet Union into a free economic zone of the Russian Federation.

The implementation of cross border activities in the region started mainly in 1994, after establishment of the PHARE Cross Border Cooperation Programme by Commission Regulation (EC) No 1628/94. Lithuania and Poland began participating in the CBC programme from its onset. From 1994 to 1999 the programme was implemented via a few different instruments: National CBC programmes, PHARE Small Project Facility, CREDO programme, ECOS-OUVERTURE, PHARE/TACIS and PHARE/INTERREG programmes. From 1994 to 1999 the CBC programme has financed the implementation of 72 projects for a total of 31.5 MEUR in Lithuania. During this period 257 projects were implemented within the Phare CBC programme in Poland for 311,15 MEUR, out of which 50 projects for 22.15 MEUR within the Phare CBC programme in the Baltic Sea Region.

The CREDO programme was designed in 1996 as being similar to an INTERREG A type programme aiming at improving good neighbourliness and promoting cooperation between CECs and CEC-NIS border regions. Under this programme, the Lithuanian-Polish-Russian Regional Border Committee, consisting of 17 members of border regions, was established in 1997 to encourage cooperation.

In 1999 the European Parliament established a special budget line for the cross border cooperation projects in the Baltic Sea Area under 'Special Action in Favour of the Baltic Sea Region' programme with an annual allocation of 3 MEUR for Lithuania and 3 MEUR for Poland for 1999-2004. From the 1999-2000 allocations, co-operation projects in the border region were mainly implemented through the Small Project Funds operating in Lithuania and Poland. For example, out of 21 projects funded by Lithuanian SPF in 1999, 2 involved partners from Poland, 6 from Kaliningrad region and 2 from both Poland and Kaliningrad region. In 2000, out of 16 projects 4 involved partners from Poland, 2 from Kaliningrad region and 4 from both countries. In Poland, within the Small Project Fund co-ordinated by the Euroregions Baltic and Nemunas-Niemen-Neman, out of 109 projects approved under the 1999 edition, 29 involved partners from Lithuania, 10 from Kaliningrad, and 3 from both Lithuania and Kaliningrad. Under the 2000 edition, out of 42 projects, 15 projects involved partners from Lithuania and 1 project from both Lithuania and Kaliningrad. Although currently the interim evaluation of the programme it is not available, the general conclusion by the implementing authorities is that the programme has been successful. The most popular areas of cooperation under the Small Project Fund were tourism development and economic and social development.

Small Infrastructure Projects Fund (SIPF) with allocation of 4MEUR will function within Polish Eastern Border PHARE Programme in 2002/2003 edition. The fund model mirrors the INTERREG approach to programming with indicative allocations identified across broad priority areas for intervention and projects selected by committees of local/regional actors, the projects shall support development in the fields of small scale infrastructure activities across the border. The SIPF will be managed by Bałtyk and Niemen Euroregions.

Business-Related Infrastructure Projects Fund (BRIPF) - included in PHARE 2003 Integrated Polish Eastern Border Programme - aims at developing business related cross border co-operation of Polish institutions situated on the eastern border with foreign partners. The fund was included in PHARE 2003 Integrated Polish Eastern Border Programme

From the national CBC programmes main investment were made for the modernisation of border, transport and environmental infrastructure.

In Kaliningrad, the EU financial aid for cross border cooperation was covered under the general TACIS regulation from 1996. Similarly to the Phare CBC programmes, the TACIS CBC Small Project Facility was established with annual allocations for Russia, Ukraine, Belarus and Moldova amounting to 4-5 MEUR. The EU funds were allocated as a total sum for the whole of Russia without making a specific allocation for the Kaliningrad Region.

To resume it can be stated that while the cooperation between Lithuania and Poland within the framework of EU cross border cooperation policies has been rather smooth during the last years, an implementation of projects involving Kaliningrad Region was difficult due to a number of reasons: 1) different rules and procedures, regulating PHARE and TACIS programmes; 2) large difference in funding sources available; 3) discrepancies in priorities of PHARE CBC and TACIS CBC programmes; 4) prohibition to

spend PHARE funds outside EU or PHARE countries; 5) different programme decentralisation level; 6) not harmonised project submission and evaluation procedures.

The cooperation among the countries forming the cross border region could also be assessed within a larger context of the whole Baltic Sea area. A large number of local institutions have been participating in international and inter-regional projects and activities. For example, the regions are actively involved in the BSR Interreg III B programme, local and regional authorities and other institutions participated in Interreg II C project, Baltic Agenda 21 and Baltic Local Agenda 21 Forums, the Union of the Baltic Cities, the Council of the Baltic Sea States, VASAB 2010 Programme, the Baltic Sea States Sub-regional Cooperation, etc. The Kaliningrad region is given particular importance within the major EU Initiative for the Baltic Sea Region – the Northern Dimension.

In addition to the above-mentioned initiatives, Lithuania, Poland and Kaliningrad Region took part in a number of EU thematic programmes providing assistance in particular areas: Fifth (Sixth as of 2003) Framework Programme for Research and Technical Development, Culture 2000, Youth for Europe, Socrates, Leonardo, Tempus III, etc. Joint activities were also funded from bilateral sources (SIDA, DEPA, IFI allocations, etc.). Common Polish and Lithuanian (as well as Latvian and Estonian) efforts were taken to prepare Joint Programming Document Phare Cross Border Co-operation for the period of 2001-2006.

Existing Co-operation – Euroregions

Three Euroregions exist in the area of which all three of the countries are members. The aims of the Euroregions are:

- To improve life conditions of the people inhabiting the area of Euroregions
- To promote mutual contacts
- To tighten bonds among local communities
- To eliminate historical prejudices
- To plan activities aimed at providing sustainable development among the members of Euroregions
- To promote actions aiming at co-operation between regional and local authorities

In February 1997, an international conference to discuss establishing the Euroregion Baltija/Baltic was organised, and the agreement on its establishment was signed in 1998. The Euroregion, one of the biggest in the Baltic Sea Region, groups towns and regions from six countries: Lithuania (Klaipėda county), Latvia (Liepāja city and region), Poland (Pomorskie and Warmińsko-Mazurskie regions), Denmark (Bornholm County), Sweden (Kalmar County, Kronoberg and Blekinge) and Russia (Kaliningrad District).

The Euroregion Saule was established in 1998 as the continuation of four Phare CREDO bilateral (Latvia-Lithuania) projects. The experience gained during the implementation of these projects is expanded on a larger territory/border region of Lithuania, Latvia and Russia (Kaliningrad), situated along the transnational highway Via Hanseatica.

In June 1997, the representatives of Lithuania, Poland and Belarus signed a trilateral agreement to establish the cross-border Euroregion Nemunas/Niemen/Neman. Three Lithuanian counties, Alytus, Marijampolė and Vilnius, the Gardin region of Belarus and the Łęcki and Białostocko-suwalski subregions of Poland are members of this Euroregion. The Cherniyhovskiy, Krasnoznamenskiy, Nesterovskiy, Gusevskiy and Ozerskiy municipalities of the Kaliningrad region joined the Euroregion in April 2002.

The newest Euroregion Šešupė was set up in April 2003 between representatives of Lithuanian, Polish and Russian municipalities. These include Šakiai, Vilkaviškis, Kazlų Rūda, Kalvarija and Jurbarkas (LT), Goldap (PL) and Krasnoznamensk (RU).

1.4.2. Vision of the region and joint development strategy

While in the past the cross border impact of measures implemented by all countries was limited due to a lack of a common strategy the implementation of ad-hoc projects, the definition of common priorities and measures is an important step towards improvement of cross border cooperation and increasing its impacts. However, based on the above-mentioned particularities, differences and experiences, as well as strengths and opportunities revealed in the SWOT analysis (see chapter 1.1.3), it is clear that setting a common development strategy for this cross border region is a demanding task. On one hand, solutions shall be found at the local and regional level for the very practical questions concerning the population's everyday life (livelihood, business, health and social sector, education and cultural environment, nature protection, etc.). On the other hand, the region has to cope with a risk of closing the borders, strengthening of differences between internal EU and external borders, the increasing socio-economic gap and political issues.

The vision of the cross border region is of an open, historically and culturally rich, environmentally clean, economically and socially prosperous and technologically developed European region, the centre of interconnection of East-West and North-South transport, trade and tourism routes.

Undoubtedly, the achievement of the vision will depend on many factors besides the INTERREG IIIA programme. The actions under this program will only complement to the similar goals set by the Objective 1 as well as the Cohesion Fund programmes and will concentrate on solving the problems that have a clear cross-border character.

This programme will help to contribute to the achievement of the set vision through mainly focusing on sustainable economic and social (including environmental) development of the whole region, elimination of the border problems hindering integration and maintenance of historical and cultural links.

The general programme objectives are as follows:

- To promote the creation and development of the new and facilitate the existing co-operation networks on either side of the border;
- To reduce the peripheral character of cross border areas, thereby increasing the living standards, and overcome specific development problems;
- To strengthen socio-economic (including environmental) cohesion of border regions.

While formulating the programme vision, objectives and priorities, the Neighbourhood Communication was taken into account.

The progress in achieving programme objectives shall be demonstrated by following indicators:

Programme level indicator	Type	Sources of information
No. of common projects funded	Output	Programme reports and ex-post evaluations
No. of cross border contacts established	Output	Programme and project reports, ex-post evaluations
No of Environment friendly projects funded	Output	Programme and project

		reports, ex-post evaluations
Improved cooperation and communication across the borders (no. of partnership links)	Result	Surveys, statistics, monitoring visits
Modernised border related physical infrastructure (no. of modernised facilities)	Result	Site visits, programme and project reports
Increased traffic flow at borders, Reduced waiting time at borders (%)	Impact	Border crossing statistics, monitoring visits
Increased tourism flows among three countries (%)	Impact	Tourism statistics

Obviously, the programme indicators as such are quite generic and wide. While implementing the programme, the emphasis will be made on specific quantitative measure and project performance indicators.

Context indicators are provided in the chapter 1.6.

The strategy is twofold: on one hand it aims at investing in cross border security and physical infrastructure, supported by economic and scientific/technological cooperation in order to increase competitiveness and productivity growth (= priority 1). The investments shall be directed towards exploration of economic potential of the region – development of cross border area of high technologies and innovations, modernization of transport and logistics as well as energy networks, environmental protection, cultural heritage and development of cross border tourism.

On the other hand, to ensure the sustainability, this development of physical environment shall be supported by strengthening of regional and local level cross border initiatives, contacts and networks in people-to-people activities, labour market and training sectors, cultural heritage and science and research (=priority 2).

The strategy shall be implemented following main cross border cooperation principles:

- wide-ranging vertical and horizontal partnership;
- subsidiarity through involving the regional and local levels and sharing responsibilities;
- preparation of joint cross border development concepts and programmes and implementation of cross border projects.

1.4.3. Linkage with wider regional development policies and other EU instruments

The joint development priorities set in this strategy do not contradict one another and are complementary to the wider development priorities of the countries forming the border region.

In particular, priority 1 complements the priority 1 'Social and economic development of the economy' and the priority 3 'Development of the production sector' of the Single Programming Document of Lithuania for 2004-2006 (the whole of Lithuania as NUTS II region is eligible under Objective 1), aiming at improving transport, energy and environmental infrastructure, promoting industrial and business development, IT development and development of tourism infrastructure. The priority 2 complements the SPD priority 2 'Human resource development' and measures 5 'Development and upgrading of health care institutions' and 6 'Development of infrastructure of labour market, education, vocational training, research and study institutions and social services' under SPD priority 1.

The selected priorities also are in line with the provisions of the National Development Plan (NDP) for Poland for the years 2004-2006. They complement the 5th development axis of the NDP: reinforcement of the development potential of the regions and counteracting the marginalization of some areas.

In addition, the priorities are in line with the Lithuanian and Polish national strategies for transport development 2000-2006 and for environmental protection 2000-2006 as well as with Cohesion Fund, Rural Development Plan 2004-2006, and gender mainstreaming programmes.

The measures in the area of human resources shall supplement the main objectives identified in the 'National Programme for Promotion of Employment during 2001-2004' of Lithuania, National strategy for increasing employment and human resources development 2000-2006 in Poland and 'Regional programme for employment of retired military personnel and members of their families in 2002-2005 in Kaliningrad Region: active labour market policy development, development of local employment initiatives, prevention of unemployment and integration of young/long-term unemployed into labour market. The INTERREG III A priority 2 shall among others focus on development of local employment initiatives across the border.

The main difference in selecting projects for Structural Funds funding and INTERREG A funding is such that for INTERREG A - an emphasis shall be made on the cross border element. Overlaps with all the other programmes (Objective 1 Operational Programmes in case of Poland, SPD in case of Lithuania, National Tacis programme in case of Russian Federation, as well as other financial instruments and programmes (i.e. rural development, environmental protection etc.) that support similar activities to those which are eligible under Interreg IIIA) shall be avoided by ensuring proper cooperation with Managing and Implementing Authorities responsible for other Community programmes and bilateral assistance. Proper coordination shall mainly be ensured by the Ministry of Finance of Lithuania, which is a National Managing Authority in close cooperation with Polish and Russian Managing Authorities. Most of the possible overlapping is also eliminated by the fact that in the Interreg IIIA programme support for the private entities is excluded.

Another financial instrument provided by European Union to Lithuania and Poland is Schengen Facility, which covers actions at the new external borders for the implementation of Schengen Acquis and external border control.

Under the Schengen Facility, the following actions can be financed between 1 May 2004 and the end of 2006: investment in construction, renovation or upgrading of border crossing infrastructure and related buildings; investments in any kind of operating equipment (e.g. laboratory equipment, detection tools, SIS II hardware and software, means of transport); training of border guards; support to costs for logistics and operations. Art. 4 of the Commission Decision C(2004)248 of 4 February 2004 on the management and monitoring of the Schengen Facility states that expenditures covered and charged to the Schengen Facility shall not be charged to any other Community financial instrument.

As one of eligible actions for financing from the Schengen facility according to the Art. 35 of Accession treaty is training of border guards on the internal side of the EU border, Interreg can well contribute to expanding similar actions to the cross border dimension.

Under the Special Kaliningrad Transit Programme, financial assistance is granted to Lithuania to implement the FTD/FRTD scheme as laid in Council Regulations (EC) No 693/2003 and 693/2003. On 30 December 2003, the Commission adopted the Decision

C(2003)5213 on financial assistance for Lithuania in implementing the FTD/FRTD scheme which lays down the eligibility criteria and procedures. The financial assistance of EUR 40 million for the time period May 2004 to December 2006 shall cover foregone (visa) fees and additional costs for investments, training and operational costs, including salaries for the staff specifically implementing the FRTD scheme.

To avoid possible overlapping between the Interreg programme on the one hand and Schengen Facility and the Special Kaliningrad Transit Programme on the other hand, in the member states close cooperation links between national authorities responsible for Interreg and Schengen Facility and Special Kaliningrad Transit Programme will be established.

The Phare CBC 2002 and 2003 programmes will be still under implementation in Lithuania and Poland in 2004. It is foreseen that they shall be implemented as preparatory programmes for the INTERREG III activities.

Lithuania, Poland and the Kaliningrad Region of the Russian Federation are also eligible for the INTERREG IIIB programme, designed to address issues of transnational co-operation and spatial development in the Baltic Sea Region, and the IIIC programme, which intends to improve the effectiveness of policies and instruments for regional development and cohesion through networking, large-scale information exchange and the sharing of experience. The geographical scope and scale of actions under IIIB and IIIC programmes is much wider than this of IIIA and the risk of possible overlapping is minimal. The set INTERREG III A programme will follow equal opportunities principles and complement the EQUAL programmes in Lithuania and Poland.

In July 2003 the EC proposed to establish a new Neighbourhood Initiative in order to improve the EU's interventions at its external border after enlargements. It shall be built on the current INTERREG IIIA programme for the border region and offer new solutions to problems faced while implementing cross border co-operation projects following enlargement. This strategy is compliant with the EC communication "Paving the Way for a New Neighbourhood Instrument".

Environmental aspects will be taken into consideration by consulting the environmental authorities during project selection process and requesting EIA for all hard infrastructure projects. National laws on EIA of Lithuania and Poland are fully in compliance with the EU regulations.

Economic competitiveness principles will be applied in accordance with the EU competitiveness policy strictly following EU public procurement requirements and guidelines.

The ensuring that there is no overlapping of the measures financed under INTERREG IIIA and the other EU Structural Funds / other instruments interventions shall be ensured through the project assessment exercise.

Cooperation with other Tacis programs

Tacis is composed of several programs addressing one country (national programs) or several countries (multi-country programs). The Neighbourhood Programs will be financed under the Tacis Cross-Border Cooperation Program (CBC), which is one of the multi-country programs, benefiting cross-border activities in the western borders of Russia, Ukraine, Moldova and Belarus. In this context, the Neighbourhood Programs replace since 2004 the CBC Small Project Facility (CBC/SPF).

However, during the period 2004-2006 the CBC program will continue financing large project related to the development of border crossing points. In addition, the national program for Russia also include for the same period the support for a Special Program for the Kaliningrad Oblast, as well as the financing of several large and small projects (such as the IBPP program) in North West Russia in sectors or areas similar to those covered by this Neighbourhood Program.

For these reasons efforts should be made to coordinate and increase cooperation between actions to be financed under this Neighbourhood Program and the other activities financed under the Tacis CBC and Russia national programs. Information on those activities should be provided in order to avoid overlapping and strengthening cooperation and synergies.

1.5. Priorities and summary description of the measures

As the INTERREG IIIA Programmes are part of EU regional development policy instruments, the general eligibility of programmes is usually limited to authorities on regional and local level. The categories of authorities, which would be eligible for participation in the programme, depend on the selected priorities and measures. The eligible institutions could be:

- regional public authorities
- local public authorities
- regional and local representations of central government bodies responsible for carrying out tasks on regional and/or local level
- regional and local public equivalent bodies
- non-governmental and non-profit institutions

Eligibility for so-called soft measure (priority 2) is open to all target groups. However, the eligibility for infrastructure measures (priority 1) should, preferably, be limited to public and public equivalent bodies. This proposal is mainly related to the financial management and control aspects of the programme. Allowing private investment into infrastructure may create more complicated approach to financial management and differentiation of co-financing rates, whereas infrastructure investments, if undertaken by non-governmental and non-profit institutions, carry higher risks in terms of recipient's financial liability and viability of the investments. However, the proposals for infrastructure-related projects shall be looked at on a case by case basis as related to the involvement of non-governmental and non-profit institutions

Priority 1. Competitiveness and productivity growth of the cooperation area through development of cross border infrastructure and border security, economic and scientific/technological cooperation

The geopolitical situation of the Lithuanian-Polish-Russian cross border region located between the EU markets in the west and large markets of the former Soviet Union to the east creates good opportunities for the development of transit related economies and businesses with high exporting potential. On the other hand, the region inherited low technologies and an industrial structure oriented towards a low qualification work-force, low level entrepreneurship and insufficiency of good quality business services as well as environmental problems from the Soviet times. The region can also be characterised by a diverse economic structure with well development urban centres (mainly in port areas) and rather underdeveloped and isolated rural areas.

This priority is targeted at diversification of the region's economy and development of high technologies and knowledge-oriented products and services. The priority mainly aims at:

- Strengthening the business environment, increasing of competitiveness and raising exporting potential through the introduction of new technologies/innovations, quality management and development of business networks
- Development and modernisation of the region's physical infrastructure in accordance with EU requirements
- Sustainable development of the cross border area, environmental protection and promotion of renewable energy sources
- Development of cross border tourism and recreation, cultural heritage issues, promotion and diversification of tourism and cultural heritage products.

Measure 1.1: Stimulating of economic and scientific/technological cooperation

Encouragement of cross border and international cooperation in the area of technology transfers and innovations, scientific and technological cooperation, networking and clustering is one of the key factors contributing to economic growth and increased competitiveness of the region's enterprises and reduction of regional disparities. This measure is mainly targeted at the improvement of conditions for the development of SME sector, which is seen as an important motor for the development of the regional economy and the most flexible and innovation-oriented sector, quickly adapting to changing market needs. The measure will support entrepreneurship and new starts-ups. The measure additionally aims at strengthening the scientific and innovation potential of the cross border region through common actions in science and research.

The beneficiaries of this measure should be public, public equivalent bodies as well as NGOs and non profit organizations. The end results of the projects must be publicly accessible and owned by public domain or partnership with the NGO or non profit organization.

Measure 1.2: Improvements in physical and border security infrastructure to encourage development of the border area

This measure is targeted at the development and modernisation of strategic infrastructure in the border area, contributing to economic growth, and sustainable development of the whole border area as well as compliance with EU standards. Based on opportunities shown in the SWOT analysis, emphasis will be placed on the development of small harbour infrastructure, activities complementing bigger projects in multimodal transport corridors as well as on local roads networks and local and regional logistic centres, in turn leading to the promotion of transit activities, improvement of border crossing permeability (in line with policy constraints on the management of the Community's borders), development of energy networks, IT and telecommunications. Taking into account limited funds of the programme, only small scale projects neither covered by national programmes nor covered by the Schengen Facility and the Special Kaliningrad Transit Programme and having a clear cross border impact will be funded. In addition, the Neighbourhood Communication encourages partners to co-operate on broader issues of border security in that framework. With this in mind the measure 1.2 includes activities in this area. Full definition of small scale projects is provided in the Programme Complement.

Measure 1.3: Environmental protection and growth of energy efficiency and promoting renewable energy sources

The cross border region is characterised by a unique environment and landscape, an abundance of natural resources, national and regional parks and considerable biodiversity. However the region (especially the Kaliningrad region) is still suffering from serious environmental problems (discharge of untreated wastewater and waste, abandoned military sites, etc.). Therefore the environmental sector is of great importance for the sustainable development of the region, preservation of biological and landscape diversity and creation of favourable conditions for social and economic development in term of stimulating economic activity, alternative sources of employment and tourism/recreational activities. Therefore this measure shall cover a large list of environmental activities in cross border water and waste management, air monitoring, biodiversity preservation, etc.

For the energy sector, possibly being one of the most harmful to the environment, this measure is also targeted at the effective use of energy and the promotion of renewable energy sources thus reducing the harmful impact on the environment and resulting in lower energy consumption costs, improvement of energy management systems and increasing compliance with the EU standards.

Taking into account the limited funds of the programme, only projects not covered by national programmes and focusing on cross border interventions will be funded.

Measure 1.4: Development of tourism and tourism infrastructure for development of cross border tourism and recreation as well as improvement of cultural heritage objects of cross border importance

Tourism is an important economic element of the border region and has the potential to become one of the main income generating sectors and a growing source of employment and investment, especially in coastal and rural areas. This measure aims at promoting recreational, ecological, cognitive, cultural heritage and business cross border tourism, targeted at the improvement of conditions for the development of SME sector.

Underdeveloped tourism infrastructure was identified as one of the main weaknesses in the sector, seriously hampering its growth and limiting the number of incoming and local tourists. Therefore one of the main activities addressed by this measure is development of cross border tourism infrastructure. The development of cross border tourism networks is another priority area for effective networking and partnerships that strongly contribute to better dissemination of tourism information and promotion of the region. In addition, tourism attractiveness and sectoral growth are strongly influenced by the diversity and quality of tourism services, the region's image and a proper seasonal spread of tourism activities. Therefore activities aiming at promotion and diversification of tourism products will be covered by this measure.

Presence of well-maintained cultural heritage objects is closely linked to the development of cross border tourism. Therefore this measure also aims at maintaining and reconstructing cultural heritage objects.

While implementing the measure, the environmental sustainability issues shall be taken into account to prevent degradation of the territory, large parts of which are protected under NATURA 2000 directives.

It is important here to show a close link between the measures 1.4 and 2.2 in relation to cultural heritage projects. While this measure is mainly focusing on supporting hard infrastructure projects, the measure 2.2 aims at financing soft activities in this area.

Priority 2. Contribution to the cooperation between populations, socio-cultural integration and the labour market

Strong cooperation between the local population of the cross border region, strengthening of the local market and encouragement of development initiatives at local and regional level are indispensable to ensuring a balanced development of the whole INTERREG IIIA area and reduction of peripheral restrictions and economic backwardness of border regions.

The three countries forming the cross border region are related by strong cultural links and shared periods in history. As shown in the SWOT, the cross border region is characterised by an educated population, a rich cultural and historical heritage, ethnic and cultural diversity, an abundance of various level educational institutions, and a relatively cheap labour force. However, the unemployment level in the cross border region is very high (reaching up to 30% in some places), mainly due to structural discrepancies between labour market supply and demand and an income rate that highly varies in urban and rural areas. Cultural infrastructure is old and educational and health care institutions suffer from poor material bases, old programmes and the lack of new technologies.

Therefore this priority aims at exploring the opportunities described in the SWOT analysis in the areas of training and education, labour market, health care, culture, education and sports, and supporting social and economic growth of the cross border region through the implementation of the 2 measures listed below.

Measure 2.1: Support of local societies' initiatives

This measure aims at strengthening the cooperation of local communities, NGOs, administrative structures and socio-economic partners, establishment of new cross border cooperation networks and structures in order to strengthen local democracy and improve administrative and managerial capacities at the local and regional levels. It aims at creating a dynamic, well-educated, safe and healthy society through the implementation of common activities in the areas of education, sports and health care, the improvement of the quality of education and increase of accessibility to life long learning, provision of high quality health and social care and promotion of cross border sports events. In parallel, the development of a cross border labour market and strengthening of cooperation shall substantially contribute to the reduction of unemployment in the region, improved integration of the marginalised groups in the labour market, promotion of equal opportunities, increasing working mobility and flexibility, improved adaptability of employees to meet market needs, enhanced qualifications, skills and self-confidence, and improved social partnerships resulting in enhancement of social cohesion, increase of revenues of the local population and attractiveness of the cross border region as a dynamic area opening good career opportunities. Projects addressing cooperation in prevention of and fight against organized crime and corruption can be covered under this measure.

Measure 2.2 Regional cultural identity and cultural heritage

One of the main arguments against the enlargement of the European Union repeated by Lithuanian and Polish so-called Euro-sceptics is a risk of losing national cultural identities and historical roots. Therefore this measure aims at preserving and promoting the cultural heritage of the cross border region's countries, strengthening of cultural links and cooperation, improving the region's image and attractiveness, and increasing the vitality of local communities.

Priority under this measure should be given to soft actions aiming at promoting cultural identity and heritage, which are closely linked to infrastructure projects financed under 1.4.

Priority 3. Technical assistance

Technical assistance from the Interreg IIIA programme funding guarantees a proper realisation of the priorities set and implementation of the programme's technical administration.

The technical assistance is divided into two measures: programme management and other activities carried out by technical assistance.

Though according to the eligibility requirements, as defined in point 2.5 of rule 11 of regulation No 1685/2000 (OJ L 193, 29.7.2000, p. 39), programme management amounts to a maximum of 5% of the Structural Funds' total contribution the programme intends to use the slightly higher amount – 5.2% for those purposes. That is linked to the additional costs the programme will cover for the Russian representatives. It is planned to set up the work places for one / two Russian representatives in JTS and to cover travel and accommodation costs for Russian participants in the JMSC as well as subcommittees meetings. The higher amount of TA should allow avoiding possible obstacles in implementation of the programme linked to the time table of the approval of TACIS funding.

Other activities carried out by the technical assistance will amount to 2.3%. In addition it is planned that TA II will cover translation costs for Russian participants in JMSC meetings

Programme Management, Implementation, Monitoring and Control of the Structural Funds

The cross-border co-operation programme consists of three partners, and also covers an EU external border area with a linked Tacis CBC programme element. This creates a challenge for the programme's management.

In accordance with the Commission Guidelines (p.21), and in order to ensure better links with the Kaliningrad region and provide more efficient information and advisory support to Russian partners, the Joint Technical Secretariat shall set up the work places for one / two Russian representatives in JTS.

The scope for the activities eligible for support in technical assistance for management, implementation, monitoring and control of the Structural Funds is as defined in points 2.1 and 2.2 in rule 11 of regulation No 1685/2000.

Scope for the activities eligible for support shall include but not be limited to the following:

- preparation, selection, appraisal and monitoring of the assistance and of operations
- participation in and organization of meetings of the JMSC as well as subcommittees relating to the implementation of assistance
- audits and on-the-spot checks of operations
- salaries of persons employed in carrying out the abovementioned tasks

Other Activities coming under Technical Assistance

The well-functioning implementation and management of the programme requires that adequate information be available about the calls for proposals fulfilling the aims of the programme, as well as the efficient promotion of project preparation and the necessary support throughout the programme stages. Another important aspect in this context is the evaluation of programmes and projects funded in the programme as a whole. The scope for the activities eligible for support under the measure of technical assistance is as defined in point 3 in rule 11 of regulation No 1685/2000.

Scope for the activities eligible for support shall include but not be limited to the following:

- studies and seminars
- information and publicity
- acquisition and installation of computerised systems for management, monitoring and evaluation
- short-term assessment expertise

The assistance would also partly cover the running of three information points in Poland – one in each of the three eligible regions as well as one full position for representative of Kaliningrad region in the JTS.. The TA contribution to the costs of the Polish information points shall be limited to the amount required for financing 1.5 full-time employee. The information to the Russian partners shall be provided through the Project Support Unit to be established in Kaliningrad and financed from Tacis.

1.6. Indicators

The indicators of achievement are the main element allowing measuring the extent to which the programme reached its aims and objectives.

However it shall be taken into account that the achievements of cross-border cooperation and social-economic cohesion often are difficult to quantify, indirect in nature and perceivable only in the long term. There is no unified statistical data available for the cross border region. Moreover, it is often difficult to distinguish between the effects attributable to the Interreg programme from those attributable to other programmes implemented in the area. Therefore the precise calculation of outputs and impacts of the programme are often impossible or require specified surveys and extensive as well as expensive follow-up procedures.

The projects to be financed by the programme will be selected following transparency rules using a rolling project application system. Therefore it is almost impossible at this stage to estimate quantifiable outputs of the programme. The set of indicators below is presented as a list of key elements the programme shall focus upon.

The quantitative and qualitative programme indicators below are defined at three levels: programme, priority and measure.

Programme level indicators are described in 1.4.

Priority level indicators

Priority 1: Competitiveness and productivity growth of the cooperation are through development of cross border infrastructure and border security, economic and scientific/technological cooperation

Indicator	Type	Sources of information
Number of implemented projects	Output	Programme and project reports
Increased use of high technologies (no of new users of high technologies)	Result	Surveys, ex-post evaluations

Improved cross border infrastructure (no of build/modernised facilities)	Result	Surveys, ex-post evaluations
Improved competitiveness of cross border enterprises (turnover of enterprises)	Impact	export-import statistics, surveys, enterprises' financial reports

Priority 2: Contribution to the cooperation between populations, socio-cultural integration and the labour market

Indicator	Type	Sources of information
Number of implemented projects	Output	Programme and project reports
Intensification of people-to-people contacts and local initiatives (no of contacts)	Result	Programme and project reports, ex-post evaluations, surveys
Improved economic and social cohesion of cross border areas (GPD, employment level)	Impact	Surveys, ex-post evaluations

Context indicators

Context indicators below provide an overview of the cross border area and cooperation in 2003.

No	Indicator	2003
1.	Number of inhabitants	6.730.000
2.	Area km ²	97.284
3.	Population density (person/ km ²)	70
4.	Number of border crossing points	17
5.	Surface area of protected areas adjacent to the border (km ²)	LT – 2072.63 PL – 1007.22 KL – 2 300 sq. m.
6.	Number of cross border cooperation projects implemented in 1999-2003 (Phare LT-Phare PL)	78

1.7. Indicative financing plan

Considering the fact that the EU territory covered by the Programme has an Objective 1 status under the EU Structural Funds regulations, the co-financing rate applied to the interventions is 75%.

The contribution from the ERDF are calculated in relation to the public expenditure.

Country	Total eligible costs	Community Participation		National Co-financing	IFIs
		ERDF	TACIS / Neighbourhood**		
2004-2006					
Priority 1	33.791.307	25.343.480		8.447.827	0
Priority 2	11.263.771	8.447.827		2.815.944	0
Priority 3	3.653.115	2.739.836		913.279	0
Total 2004-2006	48.708.193	36.531.143		12.177.050	0
Kaliningrad region (RF)	*		9.500.000	*	

2004					
Priority 1	8.937.993	6.703.496		2.234.497	0
Priority 2	2.979.331	2.234.498		744.833	0
Priority 3	966.270	724.702		241.568	0
Total 2004	12.883.594	9.662.696		3.220.898	0

2005					
Priority 1	10.910.486	8.182.864		2.727.622	0
Priority 2	3.636.830	2.727.622		909.208	0
Priority 3	1.179.512	884.634		294.878	0
Total 2005	15.726.828	11.795.120		3.931.708	0

2006					
Priority 1	13.942.828	10.457.120		3.485.708	0
Priority 2	4.647.610	3.485.707		1.161.903	0
Priority 3	1.507.333	1.130.500		376.833	0
Total 2006	20.097.771	15.073.327		5.024.444	0

* National public expenditure not known

**Indicative allocation of TACIS / Neighbourhood funds to the priorities and per years will be reflected in the Programme Complement

2. Designation of the Competent Authorities

2.1. Joint structures

The ERDF elements of the programme will be managed jointly by the two participating member states of Lithuania and Poland. The exact division of responsibilities and tasks for ensuring the successful operation of programme will be outlined in the Memorandum of Understanding between the governments of the two countries. The Memorandum shall provide details on the competent authorities for management and control of the ERDF funds. A summary description of the various authorities and committees concerned is provided in the following sections.

The Russian partners, who are equal partners in the programme, will manage the programme through the Programme Co-ordination Unit according to the guidelines of the Neighbourhood Communication.

2.2. Managing Authority

In the case of this programme, the Regional Policy Department of the Lithuanian Ministry of Interior acts as the Managing Authority (within the meaning of Article 9 (n) and Article 34 of the Council Regulation 1260/1999).

The Lithuanian Ministry of Interior was made the responsible national authority by the Lithuanian Government regulation No. 356 in March 2003.

The general Regulation¹ requires the designation of a Managing Authority with overall responsibility for managing the programme, in particular for:

- setting up a system to gather reliable **financial and statistical information on implementation**, for the monitoring indicators and for evaluation and forwarding this data in accordance with arrangements agreed between the Member State and the Commission;
- adjustment and the implementation of the **programme complement**;
- drawing up and, after obtaining the approval of the Programme Monitoring Committee, submitting to the Commission the **annual implementation report**;
- ensuring that those bodies taking part in the management and implementation of the assistance maintain either a separate **accounting system** or an adequate accounting code for all transactions relating to the assistance;
- ensuring the **correctness of operations** financed under the assistance, particularly by implementing internal controls in keeping with the principles of sound financial management and acting in response to any observations or requests for corrective measures;
- ensuring **compliance with Community policies**;
- compliance with the obligations concerning **information and publicity**;
- acting in full **compliance with the institutional, legal and financial systems of the Member State concerned**.

In addition to the above listed functions the Managing Authority shall

- host the Joint Technical Secretariat;
- conclude the contracts with the project Lead Partners.

The following table lists the institutions responsible for the implementation of this Neighbourhood Programme in all participating countries:

¹ Article 9(n) and 34 of the general Regulation.

Implementation of Regional Development Programmes Department of the Polish Ministry of Economy and Labor will be the responsible body for the coordination of the implementation of the program on the Polish side and will be the main partner on the program level for the Managing Authority.

Member state 1 Lithuania	Member state 2 Poland	Third country Kaliningrad region
Managing Authority: Ministry of Interior	Responsible body: Ministry of Economy and Labour (MEL)	Responsible bodies: Delegation of the European Commission to Russia
Regional Policy Department	Implementation of Regional Development Programmes Department	Address: Kadashevskaya nab. 14/1 119017 Moscow, Russia
Address: Sventaragio str. 2 Vilnius LT-01510 Lithuania	Address: Plac Trzech Krzyży 3/5 00-507 Warsaw Poland	Telephone: + 7 095 721 2000/1 Fax: +7 095 721 2040
Telephone: + 370 5 271 88 65 Fax: +370 5 271 85 51 e-mail: marijus.gudynas@vrm.lt	Telephone: +48 22 693 42 74 Fax: +48 22 693 40 78 e-mail: iwona.brol@mg.gov.pl	Ministry of Economic Development and Trade (MED&T) Address: 125993 Moscow A-47 1-st Tverskaya-Yamskaya str. 1-3 Telephone: + 7 095 2098105 Fax: +7 095 2000949 e-mail: Medvedeva@economy.gov.ru
		Administration of Kaliningrad region Department of International Affairs and External Economic Relations Address: D.Donskogo str. 1 Kaliningrad 236007 Russia Telephone: +7 0112 599087 Fax: +7 0112 451480 e-mail: international@gov.kaliningrad.ru

2.3. Paying and Sub-Paying authorities and the single bank account

The National Fund Department of the Ministry of Finance of Lithuania shall act as the Paying Authority and be the holder of the single bank account of the programme.

The general Regulation² requires the designation of a Paying Authority for financial administration. The function of a Paying Authority shall be carried out under the ultimate responsibility of the Managing Authority. The Paying Authority will be responsible for:

- receiving the EU Funds from the Commission;
- ensuring efficient transfers of funds from Paying Authority to the Polish Sub-Paying Authority and the Lithuanian Lead Partners;
- following-up the implementation of payments;
- gathering certified payment information from the Managing Authority based on the information delivered by the Joint Technical Secretariat (JTS) and checking the reliability and correctness of received information;
- preparing application for payment, certifying statement of expenditure and submitting them to the Commission;
- preparing payment forecasts for the year and the next year to be submitted to the Commission;
- establishing and keeping an account of amounts recoverable from payments of assistance already made and ensuring that the recoveries are done without unjustified delays;
- establishing necessary systems and procedures to pay the irregular payments recovered, together with the interest received on account of late payment and deducting the amounts from the next statement of expenditure;
- informing the Commission at least once a year about the amounts awaiting for recovery according to the Regulation (EC) No 438/2001, Article 8;
- together with the MA, Sub-Paying Authority, Intermediary Bodies and the Joint Technical Secretariat developing necessary monitoring and reporting systems and procedures to ensure sufficient and reliable information about the implementation of the CIP
- have access to documents related on the implementation of the program:
 - 1) documents presented by lead partners to JTS: receipted invoices or accounting documents of equivalent probative value (in the case of Polish lead partner – copies of these documents) and reports;
 - 2) indications (instructions) prepared in order to ensure the correctness and reliability of the use and administration of the funds.

The Paying Authority in close co-operation with Sub-Paying Authority has the right to give guidance and advice to the authorities implementing the INTERREG programme to ensure that the management of the funds have been done according the principles of sound financial management and to carry out its functions according to the requirements stated in the Regulations (EC) No 1260/1999 and 438/2001.

Sub-Paying Authority (S-PA)

For the purposes of ensuring more efficient payments to the Polish Partners, a Sub-Paying Authority (S-PA) is established in the Polish Ministry of Finance. S-PA will be responsible for:

- receiving the EU Funds from the Paying Authority;
- ensuring efficient transfers of funds from Sub-Paying Authority to the voivodship offices;
- following-up the implementation of payments.

Detailed description of the rights, responsibilities and relationship between the Paying Authority, the Sub-Paying Authority and the Intermediary Bodies will be defined in the *Memorandum of Understanding*.

² Article 9(o) and 32 of the general Regulation.

For external EU funding, in the case of centralised management, the Commission, through the EC Delegation in Moscow, will perform the functions of both contracting and paying authority.

The following table lists the institutions responsible for payments in all participating countries:

Member state 1	Member state 2	Third country
Lithuania	Poland	Kaliningrad region
<u>Paying Authority:</u> Ministry of Finance	<u>Sub-Paying Authority:</u> Ministry of Finance	Delegation of the European Commission to Russia
The National Fund Department	The Paying Authority Department	
<u>Address:</u> J.Tumo – Vaižganto 8a/2 Vilnius 2600 Lithuania Telephone: 2390014 Fax: 2390039 e-mail: a.tursiene@finmin.lt	<u>Address:</u> Swietokrzyska 12 00-916 Warsaw Poland Telephone: +48 22 694 38 43 Fax: +48 22 694 38 18 e-mail: agata.smolka@mofnet.gov.pl	<u>Address:</u> Kadashevskaya nab. 14/1 119017 Moscow, Russia Telephone: + 7 095 721 2000/1 Fax: +7 095 721 2040

2.4. Intermediary Bodies

The Voivodship Offices of the Pomorskie, Warmińsko-Mazurskie and Podlaskie voivodships shall act as the Intermediary Bodies for the programme, performing the following tasks:

- first level controls on expenditure and activities reported by Polish Partners;
- participation in the work of the Joint Monitoring and Steering Committee (as a member in the JMSC acting as a Monitoring Committee)
- preparing inputs for annual and final monitoring reports

Detailed description of the rights, responsibilities and relationship of the Intermediary Bodies with the Paying Authority, and the Sub-Paying Authority will be defined in the *Memorandum of Understanding*.

2.5. Joint Technical Secretariat

The Joint Technical Secretariat (JTS) is the body responsible for the operational management of the programme. The JTS provides the day-to-day support to the Managing Authority, assists the Paying Authority by providing the required information for the drawing up of the certificates of interim and final statements of expenditure, and ensures that the rules for project implementation are respected by the beneficiaries of the INTERREG assistance.

The JTS prepares and implements decisions of the Joint Monitoring and Steering Committee and also fulfils the usual work of a secretariat such as sending out the invitation letters including a draft agenda and supporting documents to the members of the Committees, drafting of minutes, etc.

Among its tasks and responsibilities in support to the Managing Authority the JTS:

- registers the applications submitted and manages the project application process for all projects, including providing information and advice to applicants, and advising partners of decisions; particular attention shall be given to advice/support to project partners from Kaliningrad;

- uses the system set up by the Managing Authority to gather reliable financial and statistical information on implementation required for proper monitoring of the programme as well as ex-post evaluation;
- assists the Managing Authority in drawing up the annual implementation report;
- checks the validity of operations financed under the assistance;
- advises project beneficiaries on compliance with the obligations concerning information and publicity;
- organises and co-ordinates the preparation of the decisions to be taken by the Joint Monitoring and Steering Committee, in particular for accepting, considering and giving preliminary assessment of operations proposed for financing;
- cooperates on a daily basis with the bodies related with the implementation of the neighbourhood Programme in Russia and Poland: project support body in Kaliningrad, MEL and the Polish Regional Contact Points;
- liaises with the implementing authorities, the European Commission and other related INTERREG III cooperation areas.

The JTS shall be based in Vilnius as a support to the Managing Authority, specifically the Regional Policy Department of the Ministry of Interior. Up to 7.5% of the programme's total financial allocation shall be used for Technical Assistance, a part of which shall be the establishment and running of the JTS. According to the Interreg guidelines and the Neighbourhood Communication, nationals of all three participating countries shall be represented in the JTS.

Additionally, so-called "information points", shall be set up in each of the participating Lithuanian county administrations and will be financed by national government. In each of the three Polish regions "information points" will be set up and partly co-financed from the Technical Assistance budget. Info point will also be established in Kaliningrad and will be financed from the Tacis programme. Info points will serve for provision of information to possible applicants/recipients.

2.6. Joint Monitoring and Steering Committee (JMSC)

Considering the limited size of this Neighbourhood Programme, the participating countries have decided to merge the functions of the Monitoring Committee and the Steering Committee into one single body – the Joint Monitoring and Steering Committee (JMSC).

The role of the JMSC is to decide on the internal rules of procedure for the programme while taking into account the institutional, legal and financial systems of the countries involved. Amongst its tasks and responsibilities are:

- to establish and approve its own *Rules of Procedure*;
- to approve *Rules of Procedure* of the JTS;
- to confirm or adjust the Programme Complement, including the physical and financial indicators to be used to monitor the assistance;
- to periodically review progress made towards achieving the specific objectives of the assistance;
- to examine the results of implementation particularly the achievement of the targets set for the different measures and the midterm evaluation;
- to consider and approve the annual and final implementation reports before they are sent to the Commission;
- to consider and approve any proposal to amend the content of the Commission decision on the contribution of the Funds;
- to propose to the Managing Authority any adjustment or review of the assistance;
- to approve project selection criteria;
- to make decisions on the projects to be financed from the Programme;
- to co-ordinate with other Community programmes and policies, in particular the

INTERREG B and C Programmes and the Tacis programme, including special funds available for Kaliningrad;

- to approve the work plan and budget of the Joint Technical Secretariat;
- to adopt an information and publicity plan to be implemented by the Managing Authority/Joint Technical Secretariat.

The JMSC may also set up consulting groups and Task Forces to deal with specific issues related to the implementation and evaluation of the Programme.

According to the INTERREG guidelines and the Neighbourhood Communication the composition of the JMSC includes representatives of the member states Lithuania and Poland as well as the Kaliningrad region, which will have an equal role in the Neighbourhood programme. The members of the committee will be representatives of:

- 1) National (for the Lithuanian side: the Ministry of Interior, for the Polish side: Ministry of Economy and Labour and Ministry of Finance, for the Russian side: Ministry of Economic Development and Trade),
- 2) Regional (counties for Lithuania, regions in case of Poland and Kaliningrad authorities),
- 3) Local (associated structures of local governments) authorities and
- 4) Euroregions.

It is foreseen that representatives of the Managing Authority and Paying Authority, the Joint Technical Secretariat, European Commission and the selected social and economic partners and non-governmental organisations as well as environmental authorities from all involved countries shall participate in JMSC in an advisory capacity.

Roles of different institutions in the JMSC acting in the capacity of JMC and JSC might differ. Detailed composition of JMSC (which is not limited to the above mentioned institutions and bodies) as well as roles of different institutions and bodies will be defined in the rules of procedure of the JMSC.

Participation of NGOs and socio-economic partners of the cross-border region is encouraged to accentuate and support the true local or people-to-people dimension of the programme. With respect to Tacis funds, the European Commission services act as advisor in Monitoring Committee and as observer in case of Steering Committee.

The Chairmanship of the JMSC shall be rotating on an annual basis among the member states as defined in the Art.35 of the EC Regulation 1260/1999. Rotation shall help to ensure better links between the implementing institutions and the member state institutions responsible for the Programme.

Each participating country shall have one vote in the JMSC. The JMSC shall take decisions by unanimity.

Principles of confidentiality will be observed in proceedings of the JMSC when dealing with project assessment.

The detailed description of the tasks and responsibilities of the Joint Monitoring and Steering Committee shall be laid down in its *Rules of Procedure*.

3. Programme Implementation

3.1. Programme monitoring system

The project Lead Partner will submit regular reports to the Joint Technical Secretariat. These reports will be the central information source for monitoring the progress of project

implementation. The monitoring shall be done against the list of indicators described in the *CIP*, the *Programme Complement* and the project application form.

The Managing Authority and Paying Authority will provide all relevant information to the Member States to ensure a proper monitoring of the implementation of the programme:

1. For monitoring of progress of projects, the MA / PA shall provide a programme progress report to the Joint Monitoring and Steering Committee on a regular basis.
2. At least twice a year, the MA / PA has to report to the Joint Monitoring and Steering Committee on commitments and payments at programme level as well as at project level.
3. Furthermore, the MA will draft the annual report to be submitted to the European Commission by the Managing Authority (Council Regulation (EC) 1620/1999, Art 37). The annual report is to be drawn up following the requirements set by the EC. The chairman of the joint Monitoring and Steering Committee will forward the final annual report to the EC.
4. Once a year, the Joint Monitoring and Steering Committee will receive the Joint Technical Secretariat's work plan for approval.

The above described information should be prepared in a close cooperation between institutions involved in the program implementation.

As stipulated in the Structural Funds Regulation, Art 23 c, for management, monitoring and evaluation of the programme, computerised systems shall be installed (if possible), operated and interconnected.

The database shall provide the form and content of accounting information as requested in Article 18 and Annex IV of Commission regulation (EC) No 438/2001 Also use will be made of the code given for the "Classification of Areas of Intervention" as described in the above mentioned Annex IV.

3.2. Information, publicity and consulting

The main aims of the programme information and publicity measures are to ensure adequate spread of information and transparency for potential and final recipients, economic and social partners, public authorities, non-governmental organizations, trade organizations and business groups, and general public.

The information and publicity campaigns will be carried out in accordance with Commission Regulation (EC) No 1159/2000 of 30 May 2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds (OJ L130, 31.05.2000, p.30) and following visual identity requirements.

Publicity measures will be conducted at each stage of the programme: preparation, implementation and monitoring, and the share of experiences and best practices gained. The following means of disseminating information will be used:

- official announcements and calls for proposals;
- information and training events;
- meetings, seminars and conferences;
- internet-based means of communication;
- written materials and publications;
- large media coverage
- visual identity signs

The main role in ensuring the timely and efficient implementation of information and publicity measures will be undertaken by the Managing Authority (Regional Policy Department of the Lithuanian Ministry of Interior). The national bodies responsible for the Neighbourhood

programme in Kaliningrad Region, Lithuania and Poland will also play an active part in disseminating information on the opportunities opened by the programme and its results.

The Joint Technical Secretariat will be responsible for daily provision of information on the programme and liaison and exchange of information with other Secretariats in the Baltic Sea Region and information points in the counties (Lithuania), regions (Poland) and Kaliningrad region.

3.3. Programme evaluation system

The ex-ante evaluation of the Programme has been carried out and the description of its proceedings and results are included in the Programme document as an Annex.

The programme will not be subject of a mid-term evaluation in accordance with the Commission's Practical Guide for preparing new and amending existing INTERREG III Community Initiative Programmes as a result of Enlargement.

In Compliance with Art.43 of the Structural Funds Regulation, the ex-post evaluation is the responsibility of the Commission together with the Member States and the Managing Authority. It will be carried out by an independent evaluator

3.4. Compliance with other Community policies

The notification on granting support, including all necessary data on the planned aid, will be provided to the Commission in compliance with the Council Regulation (EC) No. 659/1999. The exceptions are support *de minimis* as defined in the Regulation (EC) No. 69/2001, aid to SMEs as stipulated in the Regulation (EC) No. 70/2001, support described in the Regulation (EC) No. 994/1998, training aid as defined in the Regulation (EC) No. 68/2001 and state aid for employment is defined in the Regulation (EC) No.2204/2002.

As required in Article 12 of the General Regulation for the Structural Funds (EC) No 1260/1999 and in point 7 of the Guidelines for INTERREG III (OJ C 143), in the framework of this Programme, State aid provisions of Articles 87 and 88 of the EC Treaty will be respected. The responsible authorities of the Member States concerned confirm that any aid granted under this programme will be in conformity with the provisions laid down in one of the Commission regulations adopted under Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Articles 92 and 93 of the Treaty, establishing the European Community to certain categories of horizontal State Aid (OJ L 142, 14. 5. 1998, p.8).

So far, the Commission has adopted four such block exemption regulations. These are:

- Commission Regulation (EC) No 68/2001 of 12. 1. 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid (OJ L 10, 13. 01. 2001, p. 20)³;
- Commission Regulation (EC) No 69/2001 of 12. 1. 2001 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid (OJ L 10, 13. 01. 2001, p.30);
- Commission Regulation (EC) No 70/2001 of 12. 1. 2001 on the application of Articles 87 and 88 of the EC Treaty to State Aid to small and medium-sized enterprises (OJ L 10, 13. 01. 2001, p. 33); and
- Commission Regulation (EC) No 2204/2002 of 12. 12. 2002 on the application of Articles 87 and 88 of the EC Treaty to State Aid for employment (OJ L 337, 13. 12. 2002, p. 3).

³ Regulations (EC) No 68/2001 and No 70/2001 have recently been amended by virtue of Commission Regulations (EC) No 363/2004 and No 364/2004 respectively (OJ L 63, 28/02/2004, p.20; OJ L 63, 28/02/2004, p.22)

Special rules may apply for the following sectors: steel, coal, ship-building and repair, synthetic fibres, motor vehicle industry, transport, production, processing and marketing of agriculture and fisheries products.

Assistance going beyond this within the framework of competition related assistance guidelines or programmes is generally not envisaged. In such cases individual notification, approval by the European Commission and registration is required.

The Programme Complement will specify for each individual measure which of the block exemption regulations will be applicable. A State aid table indicating the measure's number, the title of the measure and the title of the applicable block exemption regulation will be inserted into the Programme Complement. In conformity with its duties under Article 34(1)(g) of Council Regulation No 1260/1999, the Managing Authority will keep the State aid table up-to-date and will inform the Commission of any modification of the table. The introduction of a new aid scheme or ad hoc aid requires a modification of the assistance by a formal Commission decision. Suspensive clause concerning State aid applies to measures which contain State aid that is subject to appropriate measures or has not yet been authorised by the Commission

The JMSP will ensure that the programme will adhere to compliance with various Community policies one of which is fair competition and a transparent procedure for the awarding of contracts. This will be made clear to the applicants to the programme in the guidelines giving an accurate description of the process to be used when selecting projects for funding. Additionally, any procurement within the project will have to be done in according to Polish and Lithuanian legislative rules for fair and transparent competition, elimination of any possible discrimination and for stipulation of preliminary conditions for rational use of resources from the Structural Funds. At the same time procurement rules will be compliant with the Treaty and with the relevant directives, namely The Public Services Directive 92/50/EEC, The Public Supplies Directive 93/36/EEC, The public Work Directive 93/37/EEC, The Utilities Directives 93/38/EEC, Directive 98/4/EC, and Directive 97/52/EEC.

The programme will support the objectives of Structural Funds programmes concerning the protection of natural values of the Natura 2000-sites, following the Council Directives 92/43/EEC and 79/409/EEC concerning conservation of natural habitats, fauna and flora or wild birds respectively. The new Member States Lithuania and Poland guarantee that the Interreg IIIA programme conforms to the protection of the Natura 2000 sites and will ensure that the preservation values of these areas are not negatively affected by Structural Fund-supported projects.

On the project level, an environmental impact assessment will be produced for all relevant projects, especially those containing an element of construction works or installation of equipment. Projects with a negative impact on the environment will not be funded. Environmental impact assessment of investment projects will be carried out in accordance with directives 85/337/EEC and 97/11/EEC. Waste treatment and waste water treatment projects will have to comply with the directives 75/442/EEC (Waste) and 91/271/EEC (Urban waste water treatment).

Rural development will be clearly addressed by the programme's priorities 1 and 2. The programme aims to encourage development, innovations and investments within both the urban and rural parts of the area. Improvements in employment and the quality of life of the rural population are targeted.

The development of the cross border region's population's ICT skills will be addressed through both priorities 1 and 2. Priority 1 can be used to address the cooperation of local communities by the use of appropriate ICT skills and tools. Priority 1 measure 4 could address the issues related to raising the awareness of the region(s) through development of internet sites focused on tourism destinations and on-line booking facilities.

The MSC will ensure that the programme will take into account equal opportunities for men and women and this will be looked at during the proposal assessment process. The policy on elimination of inequalities and promotion of equality between men and women is to be applied horizontally across all elements of the Programme. The main tool for achieving elimination of inequalities between men and women is the creation of sufficient numbers of job opportunities, together with improved flexibility of the labour market and accessibility and diversity of different types of employment. As stipulated in the regulation (EU) 438/2001, Annex IV, Field 39, information concerning effects on equality of opportunities will be summarized in the Scope of information on operations to be made available to the Commission on request for the purpose of documents and on-the-spot checks.

The Phare CBC 2002 and 2003 programmes may be still operating in Lithuania and Poland in 2004 and beyond as possible preparatory programmes for the INTERREG III activities. Liaison with the officials responsible for the CBC programme will be kept to ensure that there is no project duplication and that a continuity of some projects remains.

4. Implementation at project level

4.1. Submitting of project applications

The Neighbourhood Programme will operate on the basis of a single application process and a single selection process covering all sides of the border. A single application form for each project will be required, but with a clear separation of the activities to be carried out inside and outside the EU.

Projects shall be implemented according to the Lead Partner principle, which implies that in case of each project, where partnership is involved, one of the partners is appointed as a Lead Partner. The Lead Partner is considered as a Final Beneficiary in the understanding of the Article 9 of the Council Regulation 1260/1999 and Point 39 of the INTERREG Guidelines. Lead Partner undertakes full legal and financial responsibility towards the Managing Authority for the management of the ERDF funds. Lead Partner is further responsible for establishing the necessary legal and financial arrangements with other partners involved in the project.

For the purposes of receiving the payments, a Financial Partner in the EU Member State not representing the Lead Partner will have to be nominated.

For the purposes of implementing the part of the project financed from the Tacis funds, the Responsible Partner (the Lead Partner in the understanding of the Neighbourhood programme Implementation Guidelines) will have to be selected as well. The Lead Partner (Responsible Partner) will be concluding the Contract with the relevant EU institutions.

All projects will be selected through an open call for proposals.

A rolling project application system will be used by the programme – i.e. applicants can submit project applications at any time of the year. An evaluation of the project applications submitted will normally be carried out twice a year, the schedule being decided by the MSC.

Project application forms and instructions prepared by JTS and approved by JMSC will be made available at the programme internet site, and upon request at the Joint Technical Secretariat, and programme information points.

A completed project application form shall include information on project objectives and expected results/outputs, project justification, detailed description and plan of project activities, cross border impact description, information of how the project will contribute to

national/regional development strategies, information of project sustainability, information on project applicant and partners, information on budget, etc.

The Joint Technical Secretariat shall advise applicants on programme requirements and provide consultations on project preparation.

Project applications shall be submitted directly to the Joint Technical Secretariat by the Lead Partner. Upon receipt, the Joint Technical Secretariat will encode the applications into the programme administration system and notify the applicant.

4.2. Selection of project applications

Evaluation of project proposals shall be carried out in two steps:

1. Assessment of administrative compliance and eligibility of applicants, partners and activities (eligibility criteria) carried out by the Joint Technical Secretariat.
2. Technical and financial evaluation (selection criteria) carried out by the Joint Technical Secretariat supported with the national experts representing the participating countries.

The main categories of the project selection criteria are as follows:

- Contribution to objectives of the programme,
- Cross border impact,
- Realism in project plan,
- Innovation of ideas and activities,
- Sustainability and multiplier effect,
- Cost efficiency of the project budget,
- Added value,
- Quality of partnership,
- Management capacity and experience.

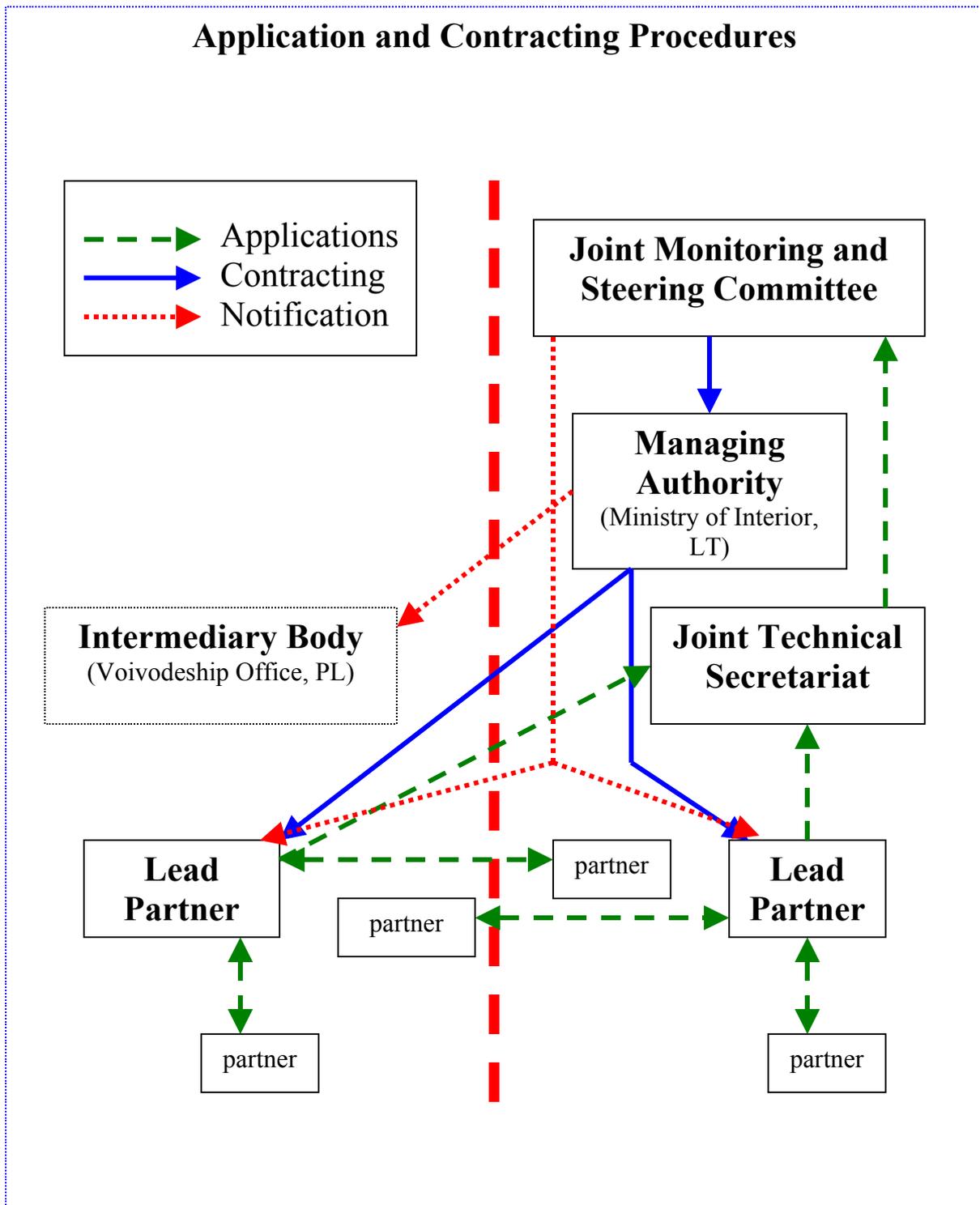
The detailed eligibility and selection criteria shall be provided in the *Programme Complement*.

A ranked list of projects will be produced according to the results of the evaluation. The projects to be financed will be those that fit into the amount available for the programme, starting from the top of the list (highest scoring project). The final decision regarding each project will be made by the Steering Committee unanimously and shall contain the reasons for project approval or rejection.

The Managing Authority for the Neighbourhood Programme will then conclude the contract with the Lead Partner on the European Union side of the border⁴. As regards the external component of the projects, the Delegation of the European Commission to Russian Federation, acting as Contracting Authority, will formally confirm the decision of the Steering Committee, but retains the right of final approval of the external elements of the project. In case a proposal is rejected it should provide well reasoned explanations. The Contracting Authority will prepare and sign the contacts with lead partners for the external component of the project. The contract should be signed within one month of the decision of the Committee, however if the JMSC approves the project under certain conditions the contract should be signed within one month after all the conditions are met. The contract for external funding should normally be signed by Commission within 3 months of the decision of the Joint Steering Committee.

⁴ In case of projects involving Polish Lead Partner or Polish partners, if it is necessary the Intermediary Body will co-sign the contract.

Flow-chart 1. Application and contracting procedures between Poland and Lithuania



4.3. Co-financing decisions

On the basis of decisions concerning the selection of projects by the Joint Monitoring and Steering Committee, the grant contract will be signed between the Managing Authority and the Lead Partner. The Joint Technical Secretariat shall send copies of contracts to the Polish Intermediary Bodies.

The Final Beneficiary shall be the partner in charge of the operation, which will undertake financial management and coordinate the various partners in the operation (the Lead Partner). The Lead Partner will bear full financial and legal responsibility to the Managing Authority. The partner in charge shall establish a division of the mutual responsibilities with other project partners in the form of an agreement.

Local / regional co-funding shall be allocated by a formal decision of responsible bodies of project partners. This decision shall be enclosed with the project proposal in the form of a duly signed letter of commitment, clearly indicating the amount of the co-funding.

The contracts for the grants assigned from the Tacis programme shall be concluded between the Contracting Authority, which is the Delegation of the European Commission to Russia and the responsible partner.

4.4. Project monitoring system

Project monitoring (including site visits) will be carried out by the Managing Authority, the Joint Technical Secretariat and the Intermediary Bodies.

The establishment of a project Steering Group comprising of the decision makers of involved project partners is advisable but not imperative, especially for small-scale "people to people" soft projects.

Projects will be requested to prepare technical and financial reports (i.e. Interim Reports) following the reporting format elaborated by the Joint Technical Secretariat. The interim technical reports shall contain a presentation on activities carried out and outputs achieved during the reporting period and planned for the next reporting period. The interim financial reports shall contain a detailed financial table showing the expenditure during the reporting period and expenditure to date according to the project budget headings. For Lithuanian partners in case of large scale projects, the Interim Reports shall include the signed control check list issued by an audit company approved by the Managing Authority and in case of small scale projects the signed control check list will be issued by the Managing Authority. The thresholds for large and small scale projects to be determined in the Program Complement. In case of Polish partners for all the projects the signed control check list will be issued by the Intermediary bodies who are responsible for the 1st level controls.

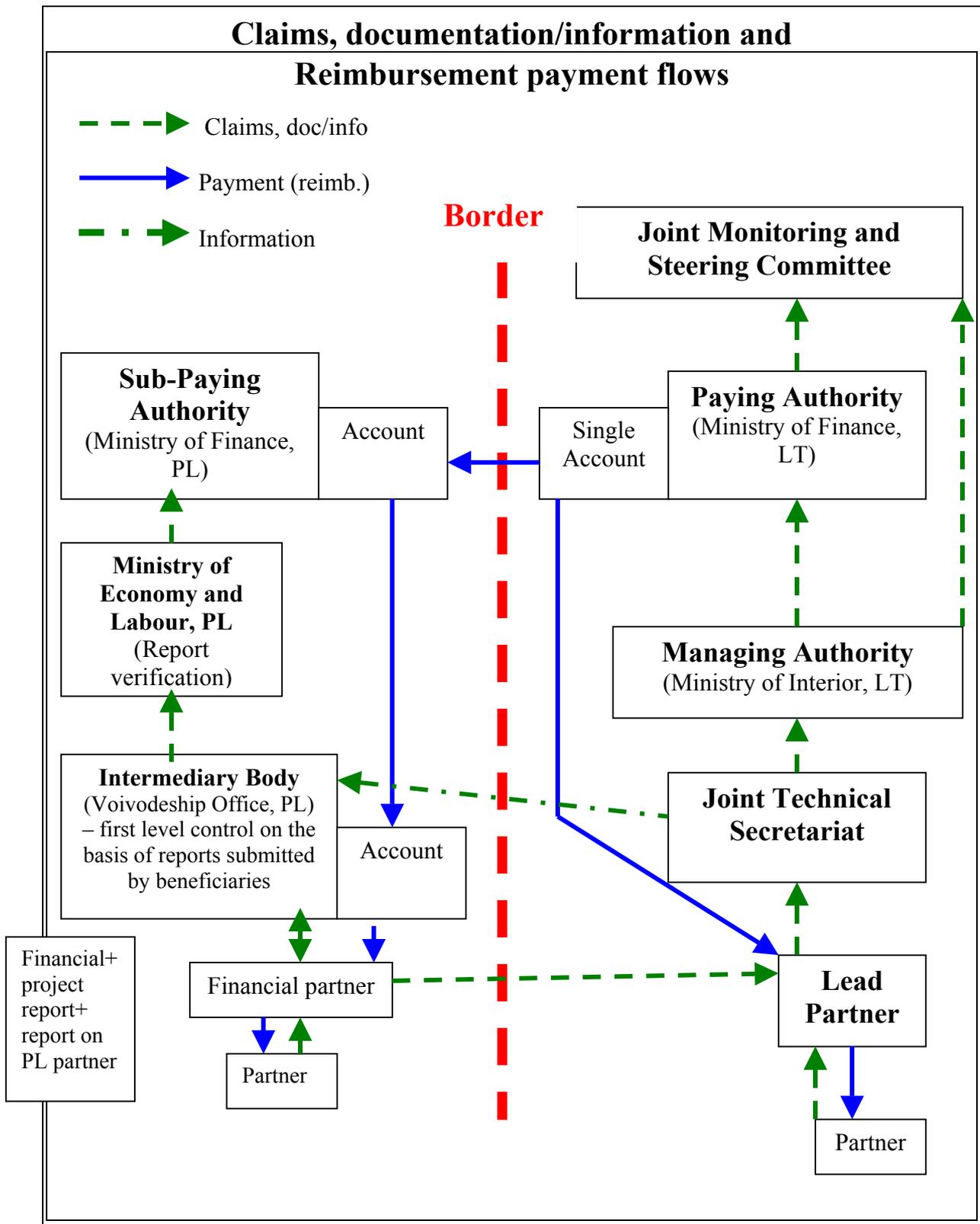
The final technical reports shall contain a detailed description and demonstrate the quantitative indicators of project outputs achieved and objectives met, an evaluation of the cross border impact and a plan for ensuring project sustainability and continuity. The final financial reports shall contain comprehensive presentation of the disbursements made, indicating any outstanding money repayable.

The reporting procedures will be defined in the contract and in project implementation guidance documents prepared by the Joint Technical Secretariat.

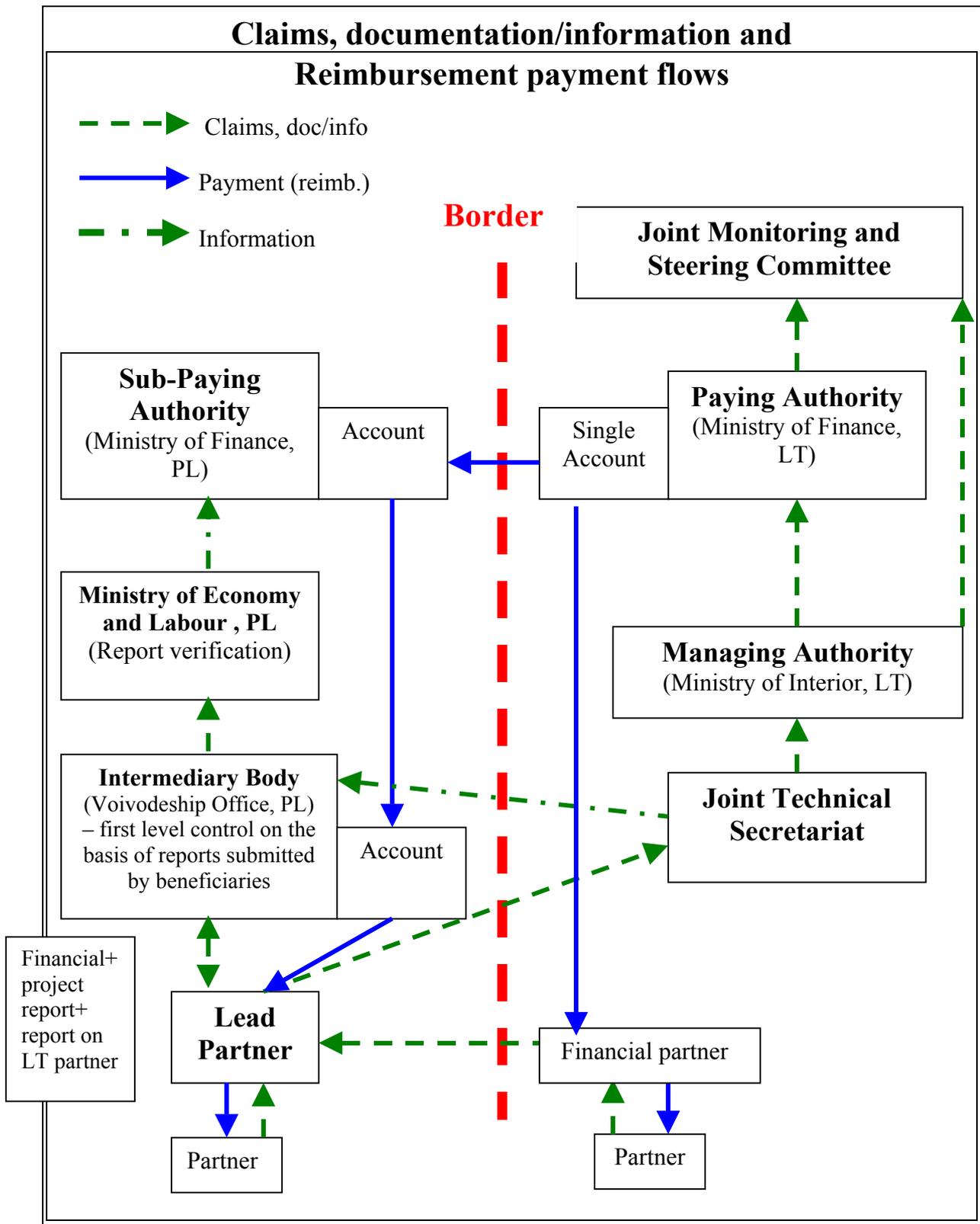
The monitoring of the implementation of activities financed from Tacis funds shall be done in accordance with the requirements established by Tacis programme. However, the reporting

forms used for monitoring the INTERREG expenditure shall include fields for describing the activities and costs incurred on the Tacis side of the project.

Flow-chart 2a. Project monitoring scheme (when the Lead Partner is from Lithuania)



Flow-chart 2b. Project monitoring scheme (when the Lead Partner is from Poland)



5. Financial implementation and control when the partners are from EU Member States

5.1. Single bank account

Receipts from the European Commission will be received in separate bank account for INTERREG held by Paying Authority (National Fund Department of the Ministry of Finance) at the Bank of Lithuania.

Payments to projects will be made according to certified payment requests. Payments will be linked to reports and approved reports shall serve as payment requests. For all projects, final payments are not made until projects have been completed and after first level control is performed. The Managing Authority from the reports of the bank could check whether the payments are the same as in the SFM information system.

5.2. Payment claims and forecasts

The certificates of interim and final expenditure as required by Article 9 of Commission Regulation (EC) No 438/2001 will be drawn up by the Paying Authority - the National Fund Department (ERDF) in the Ministry of Finance.

5.3. Financial implementation on project level

The procedure for verification and validation of claims for reimbursement is the following:

There are three function levels involved in this process:

- Project Lead Partners and partners, i.e. the bodies commissioning operations and/or implementing the activity (Level 1);
- The Joint Technical Secretariat (Level 2) and;
- The Managing Authority (Level 3).

Level 1 will be responsible for implementing the project activities, paying the costs and reporting to Level 2. Before reports are sent to Level 2, the 100% controls on project expenditure and controls on the activities shall be performed (in Poland – by voivodship offices, in Lithuania – by the Managing Authority in case of small scale projects and by the selected auditor for the large scale projects). Control of Tacis funds will be performed according to the requirements to be defined by the European Commission in the New Neighbourhood Regulation.

Level 2 will be responsible for aggregating information coming from Level 1, as well as for verifying it. This level will certify that management and control procedures described in the guidelines for project implementations are in place at level 1 and that steps have been taken to give reasonable assurance that the amount of expenditure returned is correct, before certifying and reporting the expenditure to Level 3. After having performed these verifications, the JTS shall notify the Polish Intermediary Bodies on their results.

Level 3 will be responsible for aggregating information coming from Level 2, where appropriate. This level will certify that management and control procedures described in the reporting Body's procedural manual are in place at level 1 and that steps have been taken to give reasonable assurance that the amount of expenditure returned is correct, before certifying and reporting the expenditure to the Paying Authority. When declaring expenditure to the Paying Authority, the Managing Authority will be required to draw up and submit a statement of expenditure in the form prescribed at Annex 2 of Commission Regulation 438/2001.

Only after all the levels of control have been completed and no irregularities have been detected the Paying Authority shall transfer funds to the Lithuanian lead partner, Sub-Paying

Authority and Lithuanian financial partner. If the results of the level 2 control are positive the Polish Intermediary Bodies on their own risk are able to transfer the money to the Polish lead partner or financial partner.

5.4. Financial control

The first level controls regarding the expenditure of final beneficiaries in Lithuania will be performed by the Managing Authority for the small scale projects and by the selected external auditors in cases of the large scale projects (amounts corresponding to small scale as well as large scale projects to be defined in the *Program Complement* and depicted in further Programme guidance documents). Taking into account that the Managing Authority, which will be located in Lithuania, has no competence to check the proper utilisation of the Community funds on the territory of Poland, the 100% controls on project expenditure will be performed by the relevant Intermediary Bodies.. Verification of the project activities shall be conducted by the relevant Intermediary Bodies.

The system audit will be focused on the compliance of the management and control systems of the Community Initiative Programme "Lithuania – Poland – Kaliningrad region (Russian Federation) Neighbourhood program" with the relevant rules, in particular Chapter IV of Commission Regulation (EC) No. 438/2001. The Managing Authority and the Joint Technical Secretariat will be regularly audited and controlled by the Audit Unit of the Ministry of the Interior of the Republic of Lithuania. The Bureau for International Treasury Relations, Ministry of Finance in Poland will be responsible for audit of Polish part of the management and control systems of the CIP. Detailed rules for the system audit shall be laid down in the Memorandum of Understanding. If needed the consultations might be carried between relevant national control bodies of Lithuania and Poland.

Sample checks on operations according to Chapter IV of Commission Regulation (EC) No. 438/2001 will be carried out at even intervals, spread over the years 2004 to 2008. The basis for the selection of projects checked will be a risk analysis. Based on this risk analysis, a representative sample of approved projects will be selected by a joint Task Force, composed of the representatives of the participating Member States. The method for selecting projects for sample checks will be described in more detail in the consultations between the participating Member States. The sample checks on operations will be carried out by the following authorities: the Audit Unit of the Ministry of the Interior of the Republic of Lithuania in Lithuania and Bureau for International Treasury Relations, Ministry of Finance in Poland – each being responsible for carrying out the controls in the national territory of the respective Member State.

The checks on operations will proceed under the guidance of the appropriate authority, in the country, in which the Lead Partner has its seat. The reports of the sample checks will be made available to both institutions responsible for the sample checks and sent to the authorities designated to issue declarations on winding up of the assistance.

The body responsible for providing the Commission with the information in accordance with Article 13 Commission Regulation (EC) No 438/2001 concerning the whole programme shall be the Ministry of Interior in Lithuania. It shall be supplied with information concerning the Polish side by the Bureau for International Treasury Relations in the Ministry of Finance of Poland.

Irregularities detected at any level of performed financial controls will be communicated to OLAF.

The issuing declaration on winding-up of the assistance in the context of Article 38 of Council Regulation (EC) No. 1260/1999 as implemented in Article 15 of Commission Regulation (EC) No. 438/2001 is the responsibility of the following institutions:

a) on Lithuanian side:

State control of the Republic of Lithuania
Pamenkalnio g. 27,
LT-2669 Vilnius
Lithuania
Tel. +370 5 2622580
Fax. +370 5 2625092

b) on Polish side:

Body for Certifying and Issuing Declarations on Winding-up
of EU Assistance
Ministry of Finance
ul. Świętokrzyska 12
00-916 Warsaw
Poland
Tel. + 48 22 694-51-16
Fax. + 48 22 694-36-12
E-mail: piotr.skiba@mofnet.gov.pl

The winding-up body from the lead state (State control of the Republic of Lithuania) will compile these two declarations into one joint declaration sent to the European Commission. In order to ensure that each project selected will be entirely audited, there should be a close co-operation among the respective winding-up bodies (i.e. methodology of audits, sampling of projects).

Annex 1 Cross Border Co-operation SWOT summary analysis table

FIELD	STRENGTHS	OPPORTUNITIES
Economy	<ul style="list-style-type: none"> • Euroregions / existing cooperation network • Cooperation contacts and know-how created through Phare CBC –projects • Agricultural region which includes diverse fields of industry activity • Growing number of small and medium-sized enterprises • Good geographical location for developing trade relations and being a transit area for production going East-West and North-South • Availability of ice-free ports year round • In many parts new technologies and quality assurance systems and standards used in production • Relatively cheap labour force • Stable growth of regional economy • Free access to a whole Russian market • Existence of Free Economic Zones in Kaliningrad region 	<ul style="list-style-type: none"> • EU interest on new outer borders • EU policy supportive to development in external border regions through the Neighbourhood Instrument • Favourable geographic location may encourage trade, cooperation between business and science especially with the Baltic Sea countries • Development of export oriented economy • Development of services infrastructure near transit corridors • Development of activities linked to information, multimedia, new technologies in industry, IT, untraditional business development in rural areas • Revival of Russian economy and growth of the transit cargo flow • Strength of global tendency to build knowledge-based economy, • Multifunctional development of rural and coastal areas, • Increasing of outside demand for ecologically produced food.
Infrastructure	<ul style="list-style-type: none"> • Via Baltica and Via Hanseatica running through the region, as well as their connection – national road nr 16 • Relatively well developed road network • Developed infrastructure system for electricity transmission and distribution, natural gas supply in urban areas • International airports • Sufficient resources and volumes of drinking and industrial water and wastewater treating enterprises, satisfying the needs of the consumers in most urban areas. • Availability of international ice free sea ports 	<ul style="list-style-type: none"> • Development of small port, marina infrastructure and its importance to the intensive development of the region • Development of international and transit roads and other transport means (Via Baltica, Via Hanseatica, railways, airports, river routes, border crossing points) • Development of logistical/ modal networks and combination of air/sea/road transport means • Via Baltica and Via Hanseatica running through the region, as well as their connection – national road nr 16
Environment	<ul style="list-style-type: none"> • Proximity of the Baltic Sea • Numerous protected territories, landscapes, reserves for birds and fish • Low levels of pollution in both air and water in Polish-Lithuanian area • Large biodiversity • Relatively large amount of clean rivers and lakes, forested territories • Not overpopulated 	<ul style="list-style-type: none"> • Establishment of cross border waste and wastewater management system and collaboration of border areas in water treatment, waste handling, protected areas, international parks • Development of cross border environment monitoring systems • Join programme area to the ecological system ECONET and NATURA 2000 • Development of ecology oriented technologies • Development of environmentally friendly economy (small and medium environmentally friendly enterprises)
Tourism	<ul style="list-style-type: none"> • Clean environment, natural resources and landscape quality, • Tourism potential (nature, sightseeing, 	<ul style="list-style-type: none"> • Establishment of cross border tourist routes and products • Creation of cross border tourist areas

	<p>history), diversity of culture and nationalities</p> <ul style="list-style-type: none"> • UNESCO World heritage objects • Good environmental conditions for development of spas • Existence of unique areas for tourism - sand dunes on the coast, peninsulas, bogs, primeval forest and lake areas. 	<ul style="list-style-type: none"> • Development of eco-tourism (rural tourism, bicycle, water tourism and hiking) • Development of cultural and business tourism • Development of tourism infrastructure • Development of recreational areas
Social-Demographic Situation, Culture, Education and Health	<ul style="list-style-type: none"> • Comparatively educated, relatively young, highly literate population • Rich cultural heritage, high number of cultural, historical landmarks, developed traditions • Ethnic and cultural diversity of population • High rate of high school graduates going on to higher education institutions • Presence of universities, colleges, vocational training and other institutions • Relatively large ethnic minority groups across the border 	<ul style="list-style-type: none"> • To develop economies based on balanced usage of the sources of the landscape and biological diversity of the region • Development of NGO sector and strengthening of urban communities • Improvement of access to IT and IT skills • Reorganization of school programs; training for specialties in demand, development of adult education, qualification raising and retraining system • Improved hospital/clinic networks, bringing primary care closer to the patient • Market will encourage private medical practices • Strengthening of cooperation of the minority groups
Labour Market	<ul style="list-style-type: none"> • Comparatively qualified and educated labour force experienced in industry, SMEs and agricultural activity • Comparatively low cost large labour force • Active involvement of women in various sectors • Intensive development of regional economy leading to increasing demand for qualified personnel • Active labour market training centres • Relatively cheap labour force 	<ul style="list-style-type: none"> • Development of the private sector in various fields, increased investments, will provide new areas for employment (accountancy, management, IT, etc.) • Intensive development of regional economy leading to increasing demand for qualified personnel • New workplaces for youth, women, the disabled and other marginalized groups • Increased employment in services through tourism and transport development • Re-qualification of labour force according to market needs

FIELD	WEAKNESSES	THREATS
Economy	<ul style="list-style-type: none"> • Some industrial sectors in need of restructuring; low investment levels • Outdated technologies still in use in some sectors, new technology slowly being used on a wide level • Service industry not equally distributed and of unequal quality especially in rural areas. • Low IT development in business • Proliferation of small and multi-sector farms that are uncompetitive • Introduction of visa regime for Kaliningrad population • Large disparities in income level of urban and rural population 	<ul style="list-style-type: none"> • Increase in competition and requirements upon EU accession • Inability to use EU funds; lack of domestic and foreign investment capital • Low usage of new technologies in production, processing lessens the area's competitiveness • Overproduction agricultural products • Increasing economic disparities between urban centres and rural areas • Increasing obstacles to trade and transit to and from Kaliningrad Region
Infrastructure	<ul style="list-style-type: none"> • Lack of general plans for some municipalities in the area • Limited use of sea ports • The technical state of the international corridors is not satisfactory and does 	<ul style="list-style-type: none"> • Insufficient capacity of public administration to prepare and implement infrastructure development projects • Inability to meet tougher EU environmental requirements

	<p>not correspond to the technical and traffic safety requirements of the EU; lack of bypasses, express roads</p> <ul style="list-style-type: none"> • Basic infrastructure (water, wastewater, gas, electricity) in rural areas poorly developed • Water supply systems require renewal; low number of wastewater treatment plants in smaller towns and rural areas • Infrastructure of border crossings and border road network underdeveloped • Decapitalisation of rail infrastructure • Lack of the fixed ferry links between Poland, Kaliningrad Region and Lithuania • Insufficiently organised and developed system of marinas and yacht ports 	<ul style="list-style-type: none"> • Insufficient funding for modernisation of utilities, communication systems, border crossing points, road (re)surfacing and permeability of border crossing points • Increasing competitiveness from other Baltic Sea ports
Environment	<ul style="list-style-type: none"> • Insufficient funds for environment protection investment projects • Lack of waste sorting and recycling system in many areas • Lack of biological wastewater treatment facilities in many areas • High levels of industrial waste in cities • Environmental degradation of coastal areas • Lack of the coherent monitoring system of the environment 	<ul style="list-style-type: none"> • Increased pollution due to industrial growth, road traffic • Availability of waste storage and dumps, wastewater treatment not meeting growing demand • Low financing for environmental projects • Increasing pollution of the Baltic Sea
Tourism	<ul style="list-style-type: none"> • Low standard of tourism facilities , underdeveloped tourism infrastructure and sightseeing • Lack of tourism information in foreign languages • Poor quality tourism product and services • Lack of integrated tourism information system and promotion • Insufficient number of border-crossings for tourists • Low communication accessibility in rural areas 	<ul style="list-style-type: none"> • Not enough level of investment in tourism • Lack of legal, economic and financial priorities for tourism infrastructure • Increasing competitiveness from neighbouring countries • Obstacles to cross border tourism development with Kaliningrad Region
Social-Demographic Situation, Culture, Education and Health	<ul style="list-style-type: none"> • Low birth rate and increasing percentage of pensioners, senior citizens • Cultural infrastructure is old, low investments into cultural and recreational needs • Introduction of visa regime for Kaliningrad population to Lithuania and Poland and vice versa • Increasing concentration of population in large urban areas • Low level of computer literacy especially in rural areas • Unsatisfactory access to IT • Low incomes especially in rural areas • The system of vocational training is not integrated and adjusted to the development of the human resources 	<ul style="list-style-type: none"> • Outward migration of younger population; ageing population; increased need for social aid • Insufficient funding for cultural sector • Uniqueness of culture and heritage will be lost due to time and lack of funds for preservation and maintenance and lack of interest by youth • Insufficient financing of education and health institutions • Increase in social problems and social exclusion (alcoholism, drug abuse, domestic violence) • Limited access to high level education in rural areas • Obstacles to people-to-people contacts (visas, physical barriers, economics)

	<p>and satisfaction of the regional needs of the labour market</p> <ul style="list-style-type: none"> • Poor material state of the educational institutions, lack of modern teaching aids • Supply oriented educational programmes • Large disparities in access to high quality education and health care in urban centres and rural areas • Lack of new medical technologies and updated practices • Limited exchange between cultural centres 	
Labour Market	<ul style="list-style-type: none"> • High unemployment; high long term unemployment, structural unemployment • Employment problems for certain marginalized groups (handicapped, older population, youth, etc.) • Increasing unemployment in rural areas • Low income level 	<ul style="list-style-type: none"> • Lack of qualified, specialised professionals, overabundance of specialists in fields that do not require many • Social aid and compensation, amount of minimum wage offer no incentive to seek employment • Little targeted action to increase employability of marginalized groups • “Brain drain” to more developed regions

Annex 2 NATURA 2000 SITES

NATURA 2000 sites in POLAND

Special Protection Areas (SPA),
Special areas of Conservation (SAC)

Pomorskie region

Birds Directive – name of the area SPA	Habitats Directive – name of the area SAC
BIELAWSKIE BŁOTA	ZATOKA PUCKA I PÓLWYSEP HELSKI
PUSZCZA DARŻLUBSKA	BORY TUCHOLSKIE
LASY LĘBORSKIE	SŁOWIŃSKI PARK NARODOWY
DOLINA SŁUPI	DOLINA SŁUPI
OSTOJA SŁOWIŃSKA	PRZYMORSKIE BŁOTA
JEZIORA RADUŃSKIE	MIERZEJA SERBSKA
BORY TUCHOLSKIE	BIAŁOGÓRA
UJŚCIE WISŁY	PIAŚNICKIE ŁĄKI
ZATOKA PUCKA	TRZY MŁYNY
ZALEW WIŚLANY	ORLE
OBSZAR PLB 040003	MAWRA – BAGNO BAŁA
	PEŁCZNICA
	PARASZYŃSKIE BUCZYNY
	BIAŁE BŁOTO
	STANISZEWSKIE BŁOTO
	KURZE GRZĘDY
	DOLINA GÓRNEJ LĘBY
	BAGNA IZBICKIE
	JEZIORKA CHOJNICKIE
	MECHOWISKA SULECZYŃSKIE
	JEZIORA RADUŃSKO – OSTRZYCKIE
	PLYWAJĄCE WYSPIY POD REKOWEM
	STUDZIENICKIE TORFOWISKA
	JEZIORO KRASNE
	JEZIORO PIASEK
	SANDR BRDY
	MŁOSINO
	JEZIORA WDZYDZKIE
	BRZEZIANEK
	WDA KOŁO KREPEK
	JAR RZEKI RADUNI
	DOLINA REKNICY
	DOLINA KŁODAWY
	DOLINA ŚRODKOWEJ WIETCISY
	DOLINA DOLNEJ WISŁY
	ZALEW WIŚLANY I MIERZEJA WIŚLANA
	JANIEWSKIE BAGNO
	DOLINA GRABOWEJ
	DOLINA RADWI, CHOTLI I CHOCIELI
	JEZIORA BOBOLICKIE
	JEZIORA SZCZECINECKIE
	LASY IŁAWSKIE
	WYSOCZYNA ELBŁĄSKA

Województwo warmińsko-mazurskie

Birds Directive – name of the area SPA	Habitats Directive – name of the area SAC
BAGNA NIETLICKIE	DOLINA RZĘKI DRWĘCY
DOLINA PASŁĘKI	GIERŁOŻ
JEZIORO DOBSKIE	GÓRZNIENSKO – LIDZBARKI KOMPLEKS LEŚNY
JEZIORO DRUŻNO	JEZIORO DRUŻNO
JEZIORO KARAŚ	JEZIORO KARAŚ
JEZIORO ŁUKNAJNO	LASY IŁAWSKIE
JEZIORO OŚWIN I OKOLICE	MAMERKI
LASY IŁAWSKIE	POJEZIERZE BRODNICKIE
LASY SKALISKIE	PUSZCZA BORECKA
PUSZCZA BORECKA	PUSZCZA NAPIWODZKO-RAMUCKA
PUSZCZA NAPIWODZKO-RAMUCKA	PUSZCZA PISKA
PUSZCZA PISKA	PUSZCZA ROMINCKA
PUSZCZA ROMINCKA	RZĘKA PASŁĘKA
WARMIŃSKIE BOCIANY	WYSOCZYŻNA ELBLĄSKA
ZALEW WIŚLANY	ZAKOLE RZĘKI WEL
	ZALEW WIŚLANY I MIERZEJA WIŚLANA

Województwo podlaskie

Birds Directive – name of the area SPA	Habitats Directive – name of the area SAC
BIAGIENNA DOLINA NARWI	DOLINA BIEBRZY
DOLINA BIEBRZY	DOLINA DOLNEGO BUGU
DOLINA DOLNEGO BUGU	DOLINA GÓRNEJ NARWI
DOLINA DOLNEJ NARWI	NARWIANSKI PARK NARODOWY
DOLINA GÓRNEJ NARWI	PRZEŁOMOWA DOLINA NARWI
PRZEŁOMOWA DOLINA NARWI	PUSZCZA AUGUSTOWSKA
PUSZCZA AUGUSTOWSKA	PUSZCZA BIAŁOWIESKA
PUSZCZA BIAŁOWIESKA	PUSZCZA KNYSZYŃSKA
PUSZCZA KNYSZYŃSKA	SUWAŁSKI PARK KRAJOBRAZOWY
PUSZCZA PISKA	WIGIERSKI PARK NARODOWY
	PUSZCZA PISKA

NATURA 2000 sites in LITHUANIA

Special Protection Areas (SPA),
Special areas of Conservation (SAC)

Alytus county

Code in „Natura 2000“ data base	Birds Directive (name of the area SPA)	Code in „Natura 2000“ data base	Habitats Directive (name of the area SAC)
LTVARB002	Čepkelių pelkė	LTALY0001	Vidzgirio apylinkės
LTVARB005	Dainavos giria	LTALY0002	Norūnų miškas
LTVARB007	Grybaulios žuvininkystės tvenkiniai	LTALY0003	Obelijos miškas
LTVARB004	Karaviškių miškas	LTALY0004	Punios šilas
LTALYB001	Metelių, Dusios ir Obelijos ežerai	LTALY0005	Žuvinto ežeras ir Buktos miškas
LTPRIB006	Nemunas tarp Pelėšiškių ir Balbieriškio	LTLAZ0028	Metelių ir Obelijos ežerai
LTALYB003	Žuvinto, Žaltyčio ir Amalvo pelkės	LTLAZ0032	Obelijos apyežerė
		LTPRI0010	Nemuno kilpos
		LTLAZ0001	Kučiuliškių apylinkės
		LTLAZ0002	Stračiūnų apylinkės
		LTLAZ0003	Krakinio pelkė
		LTLAZ0004	Didžio pelkė
		LTLAZ0005	Juodabalė
		LTLAZ0007	Prelomciškių apylinkės
		LTLAZ0008	Rinkoto miškas
		LTLAZ0009	Širvinto miškas
		LTLAZ0010	Diferencijos miškas
		LTLAZ0012	Bakšių ežeras
		LTLAZ0013	Koplyčkalnis
		LTLAZ0014	Trako miškas
		LTLAZ0015	Liubelio miškas
		LTLAZ0016	Balsis
		LTLAZ0017	Morkavo slėnis
		LTLAZ0019	Liūnelio ežeras ir apyežerės
		LTLAZ0020	Petroškų miškas
		LTLAZ0021	Ančios ežero šiaurinė dalis ir apyežerės
		LTLAZ0022	Šlavantėlės slėnis
		LTLAZ0023	Dainaviškių apylinkės
		LTLAZ0025	Ilgininkų miškas ties Jezdo kaimu
		LTLAZ0026	Ilgis
		LTLAZ0027	Baltoji Ančia
		LTLAZ0028	Metelių ir Obelijos ežerai
		LTLAZ0029	Dusios apyežerė
		LTLAZ0030	Buckūnų apylinkės
		LTLAZ0001	Kučiuliškių apylinkės
		LTVAR0001	Spengla
		LTVAR0002	Netiesio ežero apyežerės
		LTVAR0003	Merkinės pievos
		LTVAR0004	Pasturulės miškas
		LTVAR0005	Bižų pievos
		LTVAR0008	Povilnio ežeras ir Aukštakalnio miškas
		LTVAR0009	Čepkeliai

		LTVAR0010	Nemunas
		LTVAR0011	Merkys
		LTVAR0012	Ūla žemiau Rudnios
		LTVAR0013	Grūda žemiau Darželių
		LTVAR0014	Skroblus
		LTVAR0015	Derežna
		LTVAR0016	Verseka

Klaipėda county

Code in „Natura 2000“ data base	Birds Directive (name of the area SPA)	Code in „Natura 2000“ data base	Habitats Directive (name of the area SAC)
LTSKUB002	Erlas ir Salanto upių senslėniai	LTKLA0001	Svencelės pelkė
LTKLAB001	Kuršių nerijos nacionalinis parkas	LTKLA0002	Tyrų pelkė
LTKLAB005	Minijos upės slėnis	LTKLA0003	Minijos slėnis
LTKREB001	Nemirsetos smiltpievės	LTKLA0005	Kliošių apylinkės
LTSLUB001	Nemuno delta	LTKLA0006	Veiviržo slėnis
LTKLAB002	Tyrų pelkė	LTKLA0007	Minija
LTPLUB001	Žemaitijos nacionalinis parkas	LTKLA0009	Pajūrio kopos
		LTKLA0010	Veiviržo ir Šalpės upės
		LTKLA0007	Minija
		LTKLA0009	Pajūrio kopos
		LTKRE0001	Sudėnų pievos
		LTKRE0002	Minijos slėnis ties Dyburiais
		LTKRE0003	Nasrėnų apylinkės
		LTNER0001	Juodkrantės miškas
		LTNER0002	Naglių apylinkės
		LTNER0003	Parnidžio kopa
		LTNER0004	Baltijos jūra ties Kuršių nerija
		LTSKU0001	Šventosios slėnis ties Margininkais
		LTSKU0002	Šauklių riedulynas
		LTSKU0003	Kulalių riedulynas
		LTSKU0004	Šniūkčių apylinkės
		LTKLA0001	Svencelės pelkė
		LTKLA0004	Kintų pievos ir miškai
		LTKLA0006	Veiviržo slėnis
		LTKLA0007	Minija
		LTSIU0001	Pleinės pelkė
		LTSIU0002	Bitėnų miško vakarinė dalis
		LTSIU0003	Ragainės vingis
		LTSIU0004	Šereitlaukio miškas
		LTSIU0005	Aukštumalės pelkė
		LTSIU0006	Kroko lankos ežeras
		LTSIU0007	Nemuno žiotys
		LTSIU0008	Žiogio apyežerės
		LTSIU0009	Žalgirių miškas
		LTSIU0010	Jūra žemiau Tauragės
		LTSIU0011	Nemunas žemiau Gilijos
		LTSIU0012	Kuršių marių dalis

Marijampolė county

Code in „Natura 2000“ data base	Birds Directive (name of the area SPA)	Code in „Natura 2000“ data base	Habitats Directive (name of the area SAC)
LTSAKB001	Novaraistis	LTALY0005	Žuvinto ežeras ir Buktos miškas
LTVLKB001	Širvintos upės slėnis	LTMAR0001	Ažuolų būdos miškas
		LTSAK0001	Nemuno slėnio skroblynai nuo Kriukių iki Gelgaudiškio
		LTVIK0001	Virbalgirio miškas
		LTVIK0002	Drausgirio miškas
		LTVIK0003	Pavištyčio apylinkės
		LTVIK0004	Grybingirio miškas

Tauragė county

Code in „Natura 2000“ data base	Birds Directive (name of the area SPA)	Code in „Natura 2000“ data base	Habitats Directive (name of the area SAC)
LTRASB001	Dubysos upės slėnis	LTJUR0001	Seredžiaus pievos
LTJURB002	Nemuno slėnio pievos tarp Raudonės ir Gelgaudiškio	LTJUR0002	Gystaus slėnis
LTTAUB004	Nemuno slėnio pievos ties Viešvile	LTJUR0003	Šilinės apylinkės
LTTAUB001	Šešuvies ir Jūros upių slėniai	LTJUR0004	Pakalniškių apylinkės
		LTRAS0002	Dubysa žemiau Lyduvėnų
		LTTAU0006	Viešvilė
		LTSIL0001	Akmenos slėnis
		LTSIL0001	Akmenos slėnis
		LTSIU0010	Jūra žemiau Tauragės
		LTTAU0001	Ančios slėnis
		LTTAU0003	Plynoji pelkė
		LTTAU0005	Akmenos žiotys
		LTTAU0006	Viešvilė
		LTTAU0007	Šešuvis žemiau Pašešuvio

Final Report

Ex Ante Evaluation of the Lithuania- Poland - Kaliningrad INTERREG IIIA Community Initiative

December 2003



Centre for
**Strategy & Evaluation
Services**

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INTRODUCTION

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This document contains the final report on the ex-ante evaluation of the Lithuania-Poland-Kaliningrad Interreg IIIA Community Initiative Programme. The assessment was carried out by the Centre for Strategy and Evaluation Services (CSES) on behalf of the Lithuanian Ministry of Interior between October and December 2003.

1.1 Purpose of Ex Ante Evaluation

The purpose of the ex ante evaluation, as defined in the terms of reference, was to:

- Assess whether the programme was an appropriate means for addressing the identified problems and objectives to be reached/issues confronting the area;
- Establish whether the CIP had well defined strategic axes, priorities and objectives;
- Contribute to the quantification of objectives and the establishment of a basis for monitoring and future evaluations;
- Examine the adequacy of implementation and monitoring arrangements.

In accordance with Article 41 of General Regulation 1260/99, an ex-ante assessment of the Community Initiative Programme must be undertaken and a summary included in the CIP. However, beyond fulfilling formal requirements, the ex ante evaluation exercise has contributed to improving the quality of programme documents by offering advice on specific issues and through the making of recommendations in the interim ex-ante evaluation report – many of which were taken on board and subsequently included in the November 03 version of the CIP. Improvements and amendments stemming from comments made by the ex-ante team mostly related to the baseline assessment.

1.2 Background, Key Issues and Methodology

Below, we briefly outline the background to the Lithuania-Poland-Kaliningrad INTERREG Community Initiative Programme, together with the methodological approach adopted for carrying out the ex ante evaluation.

INTERREG is the Community Initiative to promote cross-border and transnational co-operation and is funded under the European Regional Development Fund (ERDF). INTERREG III (“trans-European co-operation intended to encourage harmonious and balanced development of the European territory”) has three strands. Strand A – under which the programme examined in this document is being funded - concerns ‘cross-border co-operation’ with the aim of ‘promoting integrated regional development between neighbouring border regions, including external and certain maritime borders’.

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Lithuania will participate in two INTERREG IIIA programmes in 2004-06. The first (which this evaluation relates to) involves Lithuania, Poland and Russia (Kaliningrad Oblast) while the second involves Lithuania, Latvia and Belarus.

In terms of resources, the LT-PL-KL INTERREG IIIA programme (according to the November 2003 version of the CIP) has indicatively been allocated €62m of resources (EU and national financing) for 2004-06, broken down as follows: 16.5m euros for Lithuania, of which three-quarters will come from ERDF, 32.2m euros for the Polish side, of which two-thirds will come from ERDF - the remainder in each instance will come from national public co-financing. With regard to Kaliningrad, the new Neighbourhood Programme provides substantial additional financial resources to fund cross-border projects. In total, 5m euros will be available under the Neighbourhood Programme with a further 4.5m euros provided under TACIS – a total of 9.5m euros.

Key Issues and Methodology

In addition to the specific aims of this assignment outlined above, there were a number of other key issues common to any evaluation of EU-funded programmes:

- **Relevance** - the extent to which the programme's objectives are pertinent to the evolving needs and priorities of the region(s);
- **Effectiveness** - the extent to which the outputs, results and impacts are likely to contribute to achieving specific and general objectives of the programme.
- **Efficiency** - how economically the various programme inputs are likely to be converted into outputs and results, as well as the wider question of how efficiently programme implementation arrangements are likely to be.
- **Impacts and Added value**- extent to which interventions are likely to achieve outcomes that could not be achieved at national/ regional level alone.
- **Sustainability** – the extent to which the achievements of the programme are likely to last beyond the programming period.

The methodological approach involved reviewing and commenting on programme documentation, a review of previous evaluation material in respect of previous cross-border co-operation programmes supported in Lithuania, as well as an interview programme with key stakeholders. The following organisations/ institutions were interviewed during the course of the ex-ante evaluation:



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Table 1.1: Interviewees – Ex-ante Evaluation of Interreg

<ul style="list-style-type: none"> • Ministry of Interior – key officials responsible for the LT-KL-PL INTERREG IIIA programme. • Representatives from the Interreg IIIA Task Force from Poland and Kaliningrad • Staff from the Small Projects Facility Secretariat. • The Commission desk officer responsible for the LT-PL-KL Interreg IIIA programme • Other key stakeholders (e.g. regional authorities, Euroregions). More specifically, interviews at a regional/ local level included the following: <ul style="list-style-type: none"> ▪ Kęstutis Kieras, Director of Regional Development Department, Alytus County Governor’s Administration ▪ Valdas Tumelis, Director of Regional Development Department, Marijampolė County Governor’s Administration ▪ Simas Einikis, Director of Regional Development Department, Tauragė County Governor’s Administration; also, Member of the Council of Euroregion “Saulė” (Russia/Lithuania/Latvia/Sweden) ▪ Gintaras Skamaročius, Director of the Secretariat, Euroregion “Nemunas” (Belarus/Lithuania/Poland/Russia) ▪ Vitas Girdauskas, Euroregion “Šešupė” (Russia/Lithuania/Poland)

In addition to undertaking interviews on a face to face and telephone basis, the ex-ante team was also represented at a meeting of the Interreg Task Force on the 12th and 13th November 2003 held in Warsaw. This meeting provided an opportunity to present key preliminary findings from the ex-ante evaluation. CSES Consultant Mark Whittle made a presentation at the meeting which was followed by an opportunity for those stakeholders present (including representatives from the Euroregions) to discuss the ex-ante evaluation process and to provide feedback on the ex-ante report - which had been circulated to key stakeholders in advance of the meeting.

Feedback received on the report was generally positive with suggestions made by the ex-ante team in the interim report perceived as having added value. The discussion at the Task Force meeting identified a number of areas where further work was needed on the CIP – such as additional text setting out the difficulties encountered when compiling the baseline assessment in terms of data compatibility – particularly on the Kaliningrad side where statistics do not correlate with Eurostat data. An additional issue was the ongoing uncertainty surrounding implementation arrangements – particularly in respect of the unresolved question as to whether or not a sub-paying authority will be set up in Poland.

A number of important issues were also highlighted that have yet to be resolved on the Kaliningrad side – notably how the new Neighbourhood Programme will be managed, co-ordinated and implemented. While indicative financing amounts are known, little information has been provided by the Commission

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to date in terms of the role, tasks and responsibilities of the Programme Co-ordination Unit that will be responsible for implementing the Neighbourhood Programme. Further guidance is however expected in January 2004 which should clarify the position.

While most of the recommendations made by the ex-ante team have now been taken on board, there were some instances where stakeholders took a different view from ex-ante – for example, in respect of splitting Priority 2, Measure 1 into two separate measures. It was argued by participants that the labour market dimension of this measure was a relatively small part of the measure overall. Therefore, in the interest of keeping the programme as straight forward as possible, (and limiting the number of measures supported) participants in the Task Force meeting felt that this measure should be left as a single measure.

1.3 Structure of the Report

The report is structured as follows:

Section 2: - highlights lessons from past experience, provides comments on the baseline assessment and SWOT analysis, assesses proposed Priorities and Measures, examines the indicative financial allocations, and assesses proposed implementation arrangements and other key ex ante evaluation issues.

Section 3: - highlights key findings from the interview programme. The section is sub-divided into two parts, the first summarising key messages from the interview work with stakeholders at a national and European level, the second summarising key findings from the interview programme with key stakeholders at regional and local level e.g. with municipalities and Euroregions.

Section 4: - contains a summary of key findings, conclusions and recommendations from the ex ante evaluation. We also provide a summary of outstanding issues related to programme implementation.

REVIEW OF KEY ISSUES

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In this section we review key ex ante evaluation issues and identify areas of the CIP where further improvements were in our view possible. Our comments relate to the 30th September version of the CIP. A new version of the CIP has now been produced dated 12th November 2003 which takes into account many of the recommendations made by the ex-ante team at interim report stage, particularly those relating to the baseline assessment.

2.1 Lessons from Past Experience

There are a number of features unique to INTERREG:

- The dualism of its objectives, which cover both regional development and cross-border co-operation and integration;
- The transnational character of the institutional systems involved in the preparation and implementation of programmes, together with other complications such as differences in data availability;
- In the case of external borders, differences in regulations and complications arising from the existence of frontier controls.

These and other factors mean that there are particular challenges with the design and implementation of INTERREG programmes. Evaluation feedback on how these challenges have been tackled is to be found in mid-term evaluations of predecessor INTERREG IIA programmes and, in some cases, the ex post evaluations of programmes of INTERREG I.

There are a number of key points to be learnt from past experience. Firstly, the design of INTERREG programmes needs to be rooted in a strategic perspective with contribution of the role of cross-border initiatives to wider regional development aims clearly identified. In some cases, this role may lie in helping to overcome physical barriers (e.g. maritime or mountainous borders) by developing transport links. In other cases, the contribution of INTERREG programmes to regional development aims may, for example, have more to do with developing clusters of economic activity that are more sustainable if combining elements from different countries, in helping to integrate labour markets, or simply in improving contact between populations that have been historically divided by frontiers.

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Complications arising from the transnational nature of programme implementation structures and procedures are also highlighted by INTERREG evaluations. Successful programmes have a strong emphasis on cross-border partnership building at every level – managing authority, local and regional organisations, individual project sponsors. Previous experience suggests that for this to come about, there is a need for considerable investment in capacity building and facilitation (for example, working with partners from different countries to identify project opportunities and to prepare tender documents). Similar considerations apply with regard to ensuring that cross-border projects are implemented in a genuinely integrated fashion rather than, for example, simply involving parallel initiatives in the different regions with perhaps some contact between partners to help identify good practices. From a programme management perspective, there can, given the nature of INTERREG interventions, be difficulties in devising appropriate performance measurement systems. Conventional Structural Fund indicators (for example, creating employment, raising GDP) are unlikely to be suitable although INTERREG interventions may have an indirect and long-term impact on such factors.

Previous experience suggests that the complications involved in implementing INTERREG programmes are accentuated where there is an external EU border. For example, there have been considerable problems in getting joint projects off the ground on the Finnish/ Russian border due to different rules, procedures and financing levels between INTERREG and TACIS. There have been similar problems between PHARE and TACIS border regions during the implementation of PHARE CBC programmes – for example in the implementation of the programme between Lithuania and Kaliningrad.

The new ‘neighbourhood programme’ whereby funding arrangements, rules and procedures will be harmonised should help overcome some of these problems. The Commission announced the new programme in July 2003 – some €955m will be available to boost cooperation with the new neighbours of the enlarged European Union – Russia, Ukraine, Belarus and Moldova, as well as with Balkan countries and in the Mediterranean. The new Neighbourhood Programme is designed to better coordinate existing cooperation agreements such as "INTERREG", "CARDS" and "MEDA". Lithuania is the first country to attempt to incorporate the neighbourhood programme dimension into programme documentation and is being used as a pilot by the Commission in this respect. The new Neighbourhood Programme will bring an additional indicative €5m of funding for Kaliningrad – which will clearly have a major impact on the ability to take forward and implement joint projects

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The CIP refers to previous experiences with cross-border activities in the area concerned. Reference is made to the differing formal rules of various instruments (PHARE CBC, TACIS CBC) as one of the main obstacles for more intensive and effective cross-border co-operation using EU funds. Nevertheless, contacts with main stakeholders suggest that a long running (i.e., from 1994) PHARE CBC and other affiliated initiatives established a good basis for cross-border co-operation amongst the local authorities, NGOs and other public entities within the border areas (at least in the case of Polish and Lithuanian entities). The interview programme with regional authorities suggested that cross-border initiatives supported under PHARE CBC have contributed significantly to the development of informal networking and have helped to improve cross-border co-operation between local and regional partners located in border areas at an institutional level.

A fully fledged ex-post evaluation of PHARE CBC activities is not yet available. However an analysis of other existing evaluations (for example, PHARE interim evaluations reports) and information acquired through contacts with former administrators and final beneficiaries of the programme suggests that the most popular types of cross-border projects under these initiatives were *tourism promotion, environmental protection, the development of cultural contact* on a cross-border basis. Also of importance was investment in infrastructure to improve the security of border-crossing points. While such initiatives generally had positive results, there was some evidence of duplication with a number of very similar projects being supported, although this is partly attributable to the restrictive formal rules (e.g., co-financing requirements, limitations on types of expenditures, etc.).

The PHARE CBC Small Project Facility is one of the oldest grant issuing facilities under the PHARE programme, which were run in a highly decentralised manner (i.e., national authorities were in charge of most administration tasks, with European Commission tasks limited to ex-ante control). As such, this initiative had a positive impact on the administrative capacity of national/regional authorities to administer EU assistance and also accustomed final beneficiaries with how grant projects operate.

2.2 Baseline Assessment and SWOT

Below, we review the baseline assessment and SWOT contained in Section 1 of the Lithuania-Poland-Kaliningrad INTERREG CIP dated September 2003. This part of the CIP provides the rationale for interventions and the basis for defining priorities.

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2.2.1 Summary and Description of Joint Programming Process

Section 1.1 provides a summary of the work undertaken to prepare the INTERREG CIP. This began in March 2003 and was coordinated by a Task Force consisting of representatives from each of the three participant countries.

There is a close working relationship between the various partners involved in Interreg IIIA with Interreg Task Force meetings being held on a regular basis. The engagement of sub-regional partners in helping to prepare the baseline assessment and SWOT analysis and to help identify priorities, is a commendable aspect of the way in which preparation of the CIP has been approached. The Euroregions have also participated in the process of defining priorities and preparing programme documentation – with some Euroregions more active than others.

At the Interreg Task Force meeting held in Warsaw in November 2003 for example, several Euroregions were represented. This is clearly encouraging going forward – since commitment to the principle of partnership in implementation is likely to be critical to the overall success of the Interreg IIIA programme and will help to maximise potential impacts.

2.2.2 Eligible Areas

Section 2.2 defines the proposed geographical coverage of the INTERREG programme - western Lithuania, north eastern Poland and the whole of the Kaliningrad region.

In the earlier version of the CIP, there was uncertainty as whether the INTERREG proximity rules would be used to extend the Programme's coverage to include the whole of the Slupski NUTS III sub-region in Poland. In the current version this has been done. The justification for the sub-region's inclusion – to enable existing EU-supported cross-border cooperation schemes to continue - seems reasonable.

2.2.3 Description and Analysis of the Border Regions

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Section 1.3 of the CIP provides a descriptive analysis of the present situation in the areas that will be covered by the INTERREG programme. This analysis is supported by a summary SWOT table with a more complete version in the appendices.⁵

Overall Comments

In assessing this section of the CIP, we focused on three questions:

- Does the assessment in the CIP provide balanced coverage of the three regions and countries covered by the programme?
- Is the analysis comprehensive in terms of its thematic coverage of issues confronting the regions?
- Viewed from a different perspective, is it possible to link the various CIP goals back to issues discussed in the baseline assessment?

In our view the CIP provides balanced coverage with roughly equal amounts of text devoted to describing the key features of the regions from the three countries to be covered by the Programme. From a thematic perspective, the assessment provides coverage of demographic, economic, human resources, physical infrastructure, and environmental features and is, as such, sufficiently comprehensive in scope for the purposes of the programme document.

Each of these sub-sections could, however, be improved by providing a short paragraph at the end with conclusions – drawing out similarities (and differences) between the regions, common priorities, etc. The assessment would also benefit from comparisons between the various regions to be covered by INTERREG and the respective countries as a whole, specifically with the aim of highlighting factors (e.g. peripherality, lagging conditions) that justify the additional aid to be provided under INTERREG.

In the November 2003 version of the CIP, this recommendation had yet to be taken on board – mainly due to lack of time. However, changes were made in response to CSES' comments on specific sub-sections particularly in relation to the baseline assessment.

Comments on Specific Sub Sections

⁵ According to the Commission's guidelines, "In order to achieve the aim of Strand A of "promoting an integrated regional development between neighbouring border regions" it is important to understand the dimensions of integration and also to link them closely together. Understanding the extent to which the border is a factor in a region's development problems which could be overcome through co-operation and greater integration, and by exploiting common potential, is a precondition for a successful intervention through Interreg. In other words, cross-border co-operation and regional integration are of paramount importance for creating or strengthening conditions for regional development."

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Turning to the individual parts of the analysis, Section 1.3 of the CIP starts with a review of the administrative structures in those parts of the three countries covered by the Programme ('History'). Whilst this text is helpful in confirming that there are distinct regional identities and administrative structures, it is not entirely clear what message the authors of the document are seeking to convey. If the intention is to make the point that there is an appropriate institutional framework for the implementation of INTERREG, then this should be made explicit in a final paragraph setting out conclusions.

With regard to the remaining parts of Section 1:

In the sub-section on '**Area and Demography**' it would be helpful to have some indication of trends, e.g. whether there is a problem or not of de-population in the eligible regions. Wording could be improved as presently text refers to the urban/rural disparity when talking about ratio between urban and rural population.

With regard to the '**Economic Development & Industry**' text, it would again be preferable to have a concluding paragraph indicating the extent to which the various regional economies are or could be inter-linked. For example, is there scope for developing clusters spanning the borders that combine complementary economic activities from the different regions, or are the regions basically competing against each other in the same fields? As with other aspects of the baseline assessment, it would also be helpful to know how the economic situation in the eligible regions compares with the countries as a whole. For example, the existing text highlights the disparity in unemployment rates between different regions that will be covered by INTERREG but does not indicate how this compares with the situations nationally.

We have no comments on the next sub-section ('**Infrastructure and Transport**'). With regard to the text on '**Nature and Environment**', it is not clear whether there is a problem or not. For example, the statement is made that 'The Lithuanian border area had 1594 tons of solid pollutants ...' but there is no indication as to whether this is higher or lower than other regions.

In the sub-section on 'Tourism' a distinction could usefully be made between the potential to attract more visitors to the area from within the three countries as opposed to attracting tourists from other countries. For example, the text points out that the number of visitors to Kaliningrad increased from 223,000 in 2000 to 274,000 in 2002. It is not, however, clear whether this increase is (largely) accounted for by Russians visiting the region from elsewhere in the country or visitors from elsewhere. If the emphasis is on developing the tourism potential of the regions to be covered by INTERREG by attracting visitors from other countries, this will have implications for the type of facilities

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and services provided, as well as for transport links between the three regions and international gateways.

This particular issue was discussed at the Interreg Task Force meeting in Warsaw at which ex-ante was present. There was not felt amongst participants to be a need to differentiate between the provenance of tourists in the tourism strategy for the cross-border area. CSES would still argue however that there would be merit in considering a differentiated approach since the accommodation needs, areas of interest and budget of tourists are likely to differ markedly between tourists from EU15 countries, tourists from Russia and tourists from the local area.

Section 1 concludes with a SWOT analysis (supported by a more detailed version in the appendices). This seems to us to be a good summary of the situation in the regions. It could, however, be strengthened by giving more emphasis to the social dimension (extent of social exclusion, position with regard to national minorities living in border areas, equal opportunities, etc). This comment has to some extent now been taken on board in the latest version of the CIP.

2.2.4 Joint Development Strategy and Coherence with Other Programmes

Section 1.4 of the CIP provides a review of previous cross-border programme experience, and then sets out a 'joint development strategy' for the INTERREG programme.

Previous Cross Border Programmes

The CIP contains a useful summary of previous cross-border cooperation schemes. However, apart from details of the financial allocations and number of projects supported, there could still be more information as to how successfully these schemes have operated.

It would, for example, be helpful to include an assessment of the type (i.e. not just the number) of projects that were supported, the extent to which project objectives have been achieved, what seems to have worked well/not so well in promoting cross-border cooperation, the effectiveness of partnership structures, and how the current INTERREG programme can build on past activities. The absence of this type of analysis can be attributed to the fact that there has been little evaluation activity.⁶ However, notwithstanding this, it would not be unreasonable to expect the authors of the CIP to draw on their own knowledge to provide at least some general impressions on how successful previous cross-border programmes have operated. This would reinforce the rationale for the INTERREG programme and indicate more precisely how it can add value.

While some of the problems encountered in respect of previous cross-border co-operation between Lithuania and Kaliningrad Oblast are highlighted (differences in funding streams and procedures between PHARE CBC (Lithuania) and TACIS (Kaliningrad) as an external EU border, an analysis of lessons learned (both positive and negative) from cross-border co-operation with Poland is currently missing.

⁶ We understand that the only cross-border programme that has so far been subject to evaluation is the PHARE CBC scheme. An interim evaluation of this programme was carried out for the EC Delegation. CSES is currently seeking to obtain copies of such documents in Poland and Lithuania.

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Vision, Joint Development Strategy and Performance Indicators

The vision itself seems to us to be appropriate. However, it is very ambitious and would benefit from some additional text making it clear that achievement of the vision will depend on many factors of which the INTERREG programme is only one. This could then be followed by an explanation of precisely how INTERREG will contribute to the vision's achievement.

The development strategy outlined in the CIP is defined in terms of the INTERREG programme's two Priorities and combines investment in physical infrastructure, the environment and the productive environment (P1) with support for 'softer' interventions to promote cross-border networking, cultural heritage and tourism (P2). The proposed strategy addresses the priorities set out in the baseline assessment but there is a risk of the relatively modest resources available being spread too thinly across a large number of different types of interventions.

Performance Indicators

Section 1.4 of the CIP contains a number of proposed programme-level 'output' and 'results' indicators.⁷ Our comments in respect of performance indicators are as follows:

- As recognised in the Commission's working paper on the ex-ante evaluation of Interreg, there are inherent difficulties in selecting suitably quantified indicators for Interreg due to the nature of interventions and the difficulties in measuring impacts and in attributing wider pan-regional socio-economic changes directly to interventions funded through Interreg
- Nevertheless, those responsible for the CIP have made a good start in attempting to devise suitable quantified indicators
- The proposed performance measurement framework will require further development with more emphasis on Priority and project-specific indicators rather than a reliance on high level and generic indicators.
- Further consideration should be given to the feasibility of collecting data required to quantify indicators and the selection of indicators made in light of this.

In the table on the next page, we provide more detailed comments on the performance indicators set out in the CIP.

⁷ These are supported by Priority level indicators in Section 1.6. We would suggest that the text on performance indicators in these two sections is brought together.

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CSES Comments on Proposed CIP Performance Indicators

Proposed CIP Indicators	Comment
No. measures implemented	Not clear how this differs from next indicator 'No. common projects funded'.
No. common projects funded	Yes – this is a basic 'output' indicator but in addition to the number of projects, the geographical coverage, value and type of project together with the number/type of beneficiaries should be monitored.
No. cross-border contacts established	The term 'contacts' needs to be defined. Otherwise of little value and unlikely to be possible to monitor on an accurate basis.
No. new businesses/activities across the border	No – the number of cross-border (business) activities would be a useful 'results' indicator if data can be collected. BUT, given that SMEs will not be direct beneficiaries, can new businesses set up on a cross-border basis be directly attributable to Interreg IIIA?
Improved cooperation and communication across the border (no. of links)	Not clear how this differs from the other proposed indicators. If the emphasis is on cross-border partnerships ('links'), then it could be a useful indicator.
Increased traffic flow at borders. Reduce the waiting time at borders (%)	Yes although it will be difficult to attribute increased traffic flows to Interreg. Probably best as a context indicator.

With regard to the fourth suggested programme level indicator (number new businesses / activities created on cross-border basis) - given that SMEs will not be supported directly through the Interreg IIIA programme combined with the difficulty in establishing clear causality (i.e. ascertaining that business has been set up on a cross-border basis as a direct result of the Interreg programme), we suggest that this indicator is dropped.

According to the guidance issued by the Commission services responsible for EU regional policy, there is no need for output indicators to be defined at a programme level, i.e. programme level indicators can be confined to result and impact indicators.

Similarly, context indicators provided in the Section 1.6. could be re-assessed. Context indicators measure something on which programme is likely to have an impact (even though the programme will not be the sole source influencing the context indicators). However, presently some context indicators refer to rather constant variables, such as the geographical area covered by the programme. On the other hand, context indicators dealing with population can be useful if the CIP includes an attempt to deal with depopulation issues (if such exists).

Experience elsewhere suggests that given the difficulties in quantifying the impacts of interventions funded through Interreg, survey work with project sponsors can help the Interreg IIIA joint technical secretariat and Managing Authority gain more detailed insights to the benefits of INTERREG than can be obtained simply from a set of quantitative and generic performance indicators.

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Issues that might be examined include: what, if anything, would have happened in the absence of INTERREG funding (project additionality), what sort of activities are underway, the number and type of beneficiaries, views on programme management procedures, etc. Survey work of this type is undertaken as part of Structural Fund evaluations in many countries and can prove extremely useful in not only shedding light on a programme's performance and impacts, but also provide useful feedback on programme management issues. Survey work is usually undertaken by independent evaluators as part of mid-term or ex post appraisals but there is no reason why it should not be undertaken by programme managers as part of their monitoring role (indeed, there are some good examples of this being done).

Running through all types of monitoring and evaluation activity should be the basic aim of establishing the difference between the 'world with INTERREG' and the 'world without INTERREG'. This presupposes having an accurate baseline in place and in this respect further work may be needed.

Linkages with Wider Regional Development Policies and EU Instruments

Assessing the extent of synergies ('external coherence') with other national and EU-funded programmes is a key requirement of the ex ante evaluation.⁸

Taking coherence with other programmes first, the earlier version of the CIP's coverage was limited to those with a cross-border dimension, i.e. the Euroregions, the PHARE Cross Border Cooperation (CBC) programme and related EU-funded initiatives such as CREDO, the TACIS CBC programme, and the 'Special Action in Favour of the Baltic Sea Region'. Specifically on these programmes, some additional information has been provided on the number of projects supported but, as pointed out earlier, there is a need for this to be supplemented by feedback on what has been achieved/not achieved and how the INTERREG programme can add value.

The current version of the CIP also includes a helpful description of how INTERREG will support other EU-funded programmes that start operating after May 2004. However, this aspect of the assessment is limited to the Lithuanian programmes and needs to be extended to cover the Polish EU-funded schemes and TACIS programmes in Kaliningrad. Specifically in relation to the text on linkages with the Lithuanian EU-funded programmes, the text includes a number of statements to the effect that INTERREG will be complementary but does not explain why this should be so.⁹ Also, the emphasis is on how INTERREG will

⁸ According to the Commission's Guidelines, "In the case of Interreg programmes the *ex ante* evaluation should specifically aim to understand and to help state clearly the strategic links between the Interreg programme and any other regional development interventions pursued through the Structural Funds (and possibly other, national/regional, structural policy instruments).

⁹ The ex ante evaluation of the Lithuanian Objective 1 programme carried out by CSES highlighted the lack in of a regional development dimension to the SPD and this is one example of INTERREG complementarity. From our discussions with the Ministry of the Interior in Lithuania, we understand that there are no nationally-funded regional development measures for the areas covered by INTERREG. If as seems to be the case in Lithuania, there are few if any policies specifically focusing on regional development in the eligible areas of Poland and Kaliningrad, then this would point to an important gap that

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support the aims of other programmes; it is equally pertinent – and perhaps more so given its relatively small size – to ask how other EU-funded programmes can support INTERREG aims.

In the case of Lithuania, key strategic priorities for the mainstream Structural Funds programmes are set out in the Lithuanian Single Programming Document 2004-06 while in the case of Poland these are set out in the Polish National Development Plan 2004-06. Broadly speaking, the two Objective 1 programmes (PL and LT) pursue broadly similar strategic aims with investment being prioritised in a number of key areas including infrastructure, HRD, the productive environment (i.e. to improve the business climate and encourage entrepreneurship) and the agricultural sector. Evidently, the mainstream Objective 1 programmes in Lithuania and Poland respectively will play an important complementary role in spearheading economic development in border regions. Further support for regional development in border regions as well as for increased (cross-border) co-operation at an administrative and institutional level will be available through the Interreg IIIA programme.

The sorts of activities likely to be supported appear to ex-ante to be complementary rather than duplicative – although there is potential overlap at least thematically. For example, both the Objective 1 programme and the Interreg programme provide support for environmental protection. Evidently, due care should be taken by programme managers in each of the three participant countries to ensure that the risk of overlap and duplication is minimised. This might be achieved through the sharing of information with regard to projects supported between those responsible for Interreg and those responsible for Objective 1 / other publicly funded programmes, the inclusion of a clause in the Interreg application form stating that applicants should only submit an application for project funding through one funding source e.g. Interreg or Objective 1 but not both.

2.3 Priorities and Measures

Section 1.5 of the CIP outlines the INTERREG Priorities and Measures. Below, we provide comments on these.¹⁰

2.3.1 Priorities and Description of Measures

There are two main Priorities and eight Measures. These are summarised below:

can be filled by INTERREG. At this stage in the ex ante evaluation, the position is uncertain and further research will be needed to examine this question.

¹⁰ According to the Commission's Guidelines, "the *ex ante* evaluation should help understand how and to what extent individual parts of the programme (priorities / measures) correspond to the identified needs of the border regions concerned. It should also show how the priorities/measures of the programme will contribute to the aims of Strand A of Interreg, and will not merely be additional but identical actions to those included in mainstream Structural Funds programmes."

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<p>P1 – Competitiveness and productivity growth</p> <p>M1 – Economic and technological cooperation M2 – Physical and border security infrastructure M3 – Environmental protection/energy efficiency M4 – Tourism and cultural heritage</p>	<p>P2 – Cooperation between populations</p> <p>M1 – Support for local societies M2 – Regional cultural identity</p> <p>P3 – Technical assistance</p> <p>M1 – Programme management M2 – Other actions</p>
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An earlier (September 2003) version of the CIP included a list of actions to support each of the Priorities and Measures. These have now been mostly transferred to the Programme Complement. However, irrespective of where they appear in the programme documentation, there is a need for prioritisation. There are several ways in which this might be achieved, the most obvious possibility being according to the perceived importance of the issues being addressed. At a project level, the appraisal criteria that are developed will also need to include some method of prioritisation but this more should, in our view, be undertaken within the context of an overall framework at programme level.

Priority 1 – Stimulating Economic and Scientific/Technological Cooperation

Priority 1 consists of measures that are designed to promote competitiveness and productivity growth and is supported by four Measures covering a wide range of different types of interventions – technology transfer, investment in physical infrastructure, environment and energy, and tourism promotion. The rationale supporting P1 – exploiting the potential for job and wealth creation from transit-related economies – is appropriate. Taken together, the various P1 Measures follow on from this rationale and comprehensively address key development priorities set out in earlier sections of the CIP.

Measure 1.2 aims to improve physical and border security infrastructure. The emphasis in the CIP is on small scale projects that complement national programmes and this is entirely appropriate given earlier comments about the danger of spreading limited financial resources too thinly. More could perhaps be said about tackling the issue – identified earlier in the CIP – of reconciling INTERREG aims with the fact that there will be a new external EU border with one of the three partners in the programme.

The aim of **Measure 1.3** is to promote environmental protection and the more efficient use of energy/greater use of renewable energy sources. The case for intervention in this field is well developed in the CIP and linked to factors such as the potential for developing tourism. The CIP recognizes the fact that with limited financial resources, INTERREG interventions will need to be limited to “Projects not covered by national programmes and having a clear cross border impact”. Since most interventions aimed at

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reducing environmental pollution are likely to have a cross-border impact given the relatively small area covered by the programme, there is a case for this statement being amended to focus on “cross-border interventions” rather than impacts. This recommendation has now been taken on board.

The last P1 Measure seeks to promote tourism and cultural heritage “objects”. The case for **Measure 1.4** is set out in the earlier baseline assessment although, as noted earlier, it would be helpful to distinguish between visitors from the three countries covered by the INTERREG programme and visitors from elsewhere since this could have implications for the type of interventions supported. Otherwise, the description in the CIP of the Measure is good – promotion of the tourism offer, improving quality standards amongst operators, etc are the type of interventions that have proved to be essential elsewhere in developing this sector. The CIP is helpful in distinguishing between P1/M4 and P2/M2 by saying that the first will concentrate on improving the physical state of culture and heritage “objects” whilst the second will tackle “softer” issues.

Moreover, a reference could be made to environmental sustainability since increasing flows of tourists within the area, which is referred to as the “Lungs of Europe” and features substantial parts of the territory protected under NATURA 2000 directives, should be tackled with great care and ensuring the sustainability of the development processes.

Priority 2 – Cooperation Between Populations, Socio Cultural Integration and the Labour Market

Priority 2 of the INTERREG programme concentrates on promoting cross-border contact at a ‘grass-roots’ level. In an earlier version of the CIP reviewed by CSES, the text on Priority 2 was relatively weak compared with Priority 1. To some extent this is to be expected given that Priority 1 is far more significant financially than Priority 2. However, notwithstanding this consideration, within Priority 2 itself, we felt there was an imbalance with the Human Resources Development dimension not being developed to the extent that was manifest with other aspects of the Priority. These shortcomings have to some extent been rectified in the current version.

Measure 2.1 focuses on ‘support for local societies’ initiatives’ (this title could perhaps be improved by calling the measure ‘support for cross-border partnerships’ or ‘support for cross-border contact between communities’). Whilst the scope of the envisaged cross-border ‘initiatives’ (education, sport, health, etc) is well-defined, the nature of potential initiatives could be spelt out more clearly. A link could perhaps be made between P2/M2 and P1/M1 by emphasizing that skills development initiatives will have a focus on supporting other INTERREG interventions aimed at promoting innovation and a ‘knowledge-driven’ economy.

The second Priority 2 Measure aims to promote a regional cultural identity. The justification for **Measure 2.2** is stated as being to counter accusations from “so-called Euro-sceptics [that there is] a risk of losing national cultural identities and historical roots”. Whilst this may be so, it would in our view be preferable to stress the linkages with P1/M4 and the promotion of tourism.

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Priority 3 – Technical Assistance

The CIP contains a short section on technical assistance. **Measure 3.2** could be further developed. Given the complications of developing cross-border partnerships and schemes, technical assistance is likely play an important role with regard to capacity-building. In this context, a number of specific initiatives could be envisaged.

In the first place, the INTERREG programme would be strengthened by helping local communities in the eligible regions to prepare development strategies ('local/regional action plans') to build on the SWOT analyses. As noted earlier, a large number of INTERREG interventions are envisaged in the CIP and there is, at least in our view, a need to bring about increased focus on a more limited number of key aims and schemes. Secondly, priorities at a local and regional level will vary. Thirdly, there is a need to ensure that the selection of projects is based on strategic rather than ad hoc criteria. The development of 'local action plans' would address these considerations.

Secondly, in many cases, feasibility studies will need to be carried out to identify the best course of action with regard to INTERREG cross-border initiatives. Technical assistance will be important in providing the resources to enable this type of preparatory work to be undertaken. Last and not least, there is a strong case for a special effort to be made to develop more effective INTERREG monitoring and evaluation procedures, and technical assistance could also be used for this purpose (this is acknowledged in the CIP but the text could be further developed).

2.4 Proposed Financial Allocations

Section 1.7 of the November 03 version of the CIP provides an indicative financing plan of how resources will be divided between the three countries and between the three priorities.

The intention is to devote 69.6% of INTERREG resources to Priority 1. In our view, this is clearly appropriate given the nature of interventions envisaged under Priority 1 – mainly small-scale, relatively capital intensive infrastructure projects. An additional 23.2% of resources has been allocated to Priority 2 – which will mainly be devoted to smaller-scale cross-border 'people to people' activities such as cultural, educational and sporting exchanges/ visits. Finally, 7.2% of assistance will be devoted to Technical Assistance. The amount devoted to TA appears to be broadly comparable with the approach adopted elsewhere and within the limits stipulated by the Commission.

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2.5 Quantification of Objectives

A key role of Structural Fund ex ante evaluation is to help quantify targets.¹¹ The methodology CSES has adopted to do this, for example in the case of the Lithuania Objective 1 programme, involves a number of steps:

Methodology for Estimating Programme Outputs, Results and Impacts	
<ul style="list-style-type: none"> • <i>Step 1</i> – review suggested output, results and impact indicators for different Priorities and Measures. Where appropriate, suggest additional indicators to fill gaps in coverage and changes to indicators that are unquantifiable/ inappropriate. • <i>Step 2</i> – analyse the indicative breakdown of financial commitments at Priority and Measure levels. • <i>Step 3</i> – identify benchmarks (cost per unit of output) for Structural Fund outputs across different indicators based on evaluations of previous programmes in EU15. Where appropriate, make adjustments to benchmarks to give the net present value and to reflect the different cost base compared with where other programmes operated (e.g. using differences in GDP/ capita as a basis for adjustments). • <i>Step 4</i> – apply the benchmarks to the programme to produce an estimate of likely outputs, results and impacts. Finalise the estimates after discussion with local organisations to take into account their views on how realistic the estimates are and/or to take into account special factors. 	

The Commission recognises that there are inherent difficulties in quantifying outputs, results and impacts under the Community Initiative Programmes in general and Interreg in particular due to the type of interventions that are typically supported and the difficulty in attributing socio-economic impacts to Interreg as opposed to other factors such as wider macro-economic developments and other types of Structural Fund interventions such as Objective 1. Whilst it is clearly important to set some quantitative targets, therefore, in many respects equal attention should be given to the qualitative assessment of outcomes.

While the priority level indicators proposed in the CIP dated 12th November 03 seem broadly appropriate, it should be recognised that many of these indicators are largely qualitative in nature. Only two quantitative indicators are proposed – 1) number of projects implemented – an output indicator - and 2) number of participants in “people to people” activities -results indicator.

¹¹ According to the Commission’s guidelines, “For all Structural Funds programmes the quantification of objectives is a crucial step that allows “the establishment of what a programme is supposed to achieve”. Past experience shows that this is much more difficult to achieve for Interreg programmes than for any other category of Structural Funds programmes. In the case of relatively small Interreg programmes, which are clearly focused on achieving greater cross-border co-operation and integration, it will therefore be more appropriate to ask for impacts in terms of changes in development conditions rather than development itself (i.e. intermediate impacts).

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From an ex-ante perspective, given that it is impossible to ascertain in advance the average size of project likely to be supported, it is very difficult to anticipate at a priority level how many projects are likely to be supported. Similarly, the numbers of participants in cross-border “people to people” activities is impossible to quantify without knowing more details about the nature of activities likely to be supported.

Other indicators such as the increased use of high technologies – Priority 1 – can only be assessed qualitatively and given that there will be no individual SME beneficiaries, in our view the impact of Interreg in influencing the extent to which SMEs are using high technologies will be extremely difficult to assess because of problems in establishing causality.

With regard to programme level indicators such as the number of cross-border projects supported and the number of cross-border contacts established, again, these seem broadly appropriate however it would not in our view to be a useful exercise to attempt to quantify these in advance of the programme commencing since.

2.6 Programme Implementation Arrangements

Section 2 of the CIP sets out proposed programme management arrangements. In this regard, the Commission’s guidelines for ex ante evaluation of INTERREG programmes place emphasis on assessing the extent to which integrated cross-border procedures and structures are in place.¹²

2.6.1 Programme Management

The programme arrangements set out in the CIP can be summarised as follows:

- The **Managing Authority** will be the Lithuania Ministry of Interior. The Paying Authority will be the Lithuanian Ministry of Finance. The Neighbourhood Programme (Kaliningrad) will be managed by the Programme Coordination Unit¹³ and the TACIS dimension of the programme (Kaliningrad) will be managed by the TACIS office.

¹² According to the Commission’s guidelines, “Ex ante evaluation should assess whether an integrated implementation system has been set up that is adequately prepared to operate effectively and efficiently from the start of the implementation period. In cases where such integrated arrangements are put in place for the first time under Interreg IIIA, adequate technical assistance provision should also be made.”

¹³ Guidelines have yet to be provided by the Commission as to the exact role, tasks and responsibilities of this latter body but are expected in Jan 2004

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- Day-to-day programme management will be provided by a **Joint Technical Secretariat (JTS)** which will be based in Vilnius as a support to the Regional Policy Department of the Ministry of Interior. The JTS will be appointed based on the principle of balanced representation between the three partner countries
- A **Joint Monitoring and Steering Committee (JMSC)** will be established to provide strategic direction (i.e. the PMC function in other Structural Fund programmes) and will also have final decision-making responsibility in terms of project approval. This will consist of representatives from the Commission, regional and national authorities, as well as non-governmental bodies.

Overall these arrangements seem appropriate and reflect practices elsewhere. However, there are still outstanding issues in respect of programme implementation arrangements. If these remain unresolved, there are potential ramifications in terms of the slippage of the timescale for implementation. We outline the main issues below:

The Polish partners in the Interreg programme envisage establishing sub-Paying Authorities on a regional basis (according to the Polish administrative system of *voivodships*). While there is nothing in the Structural Fund regulation to prevent the setting up of a sub-paying authority to disburse funds at national level, the Lithuanian Ministry of Interior as the Managing Authority still has ultimate responsibility for EU monies disbursed through the Interreg IIIA programme. Contracts should not therefore be signed unilaterally but should be co-signed in Vilnius before the paying authority (Lithuanian Ministry of Finance) can make any payments. Under the Structural Fund regulation, money must be disbursed by the Paying Authority on notification from the Managing Authority which is responsible for checking (and signing) contracts prior to payments being made. This process would still need to take place prior to the distribution of funds to any potential 'sub-paying authority'. Therefore, it appears that the setting up of a sub-paying authority would only serve to add an unnecessary layer of bureaucracy to the contracting and disbursement process since regardless of the existence or otherwise of a sub-paying authority, contracts will have to be sent to Vilnius.

Secondly, there is also evidently a need for clear lines of accountability in the programme hierarchy so that it is manifestly clear to participants in the programme how financial flows will function and how contracting, financial control and audit procedures will operate.

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Another area of the programme where issues are still outstanding is the question of how programme management will operate on the Kaliningrad side. Given that the Neighbourhood Programme is a new initiative designed to eradicate many of the problems that were associated with operating cross-border programmes which involved different types of funding programmes (e.g. CARDS, TACIS, PHARE CBC etc. and INTERREG) with different eligibility rules and procedures there remain uncertainties as to how programme implementation arrangements will work on the Kaliningrad side and in turn how Kaliningrad will work with its partners on the Polish and Lithuanian sides in managing and implementing Interreg at a programme and project level.

Learning from experience elsewhere, it will be important to ensure that the Joint Monitoring and Steering Committee does not have so many members as to become unwieldy and incapable of taking decisions (we understand that the current proposal is that each country will have only one vote in the JMST). In this regard, the suggestion that consultative committees/working groups might be established to examine particular issues/undertake particular functions is sensible. The use of working groups could also help to ensure that the JMST focuses on strategic issues.

Finally, programme management structures appear to integrate partners from the three countries. In this regard, the decision to earmark some technical assistance funds to cover the travel expenses of partners from Kaliningrad should be helpful in ensuring the full participation of all partners. Experience elsewhere suggests that when Interreg programmes involve EU external borders, there are often difficulties ensuring the full co-operation and participation of external border partners in meetings due to lack of funding – with a knock-on impact in terms of programme impacts and the extent of collaboration.

2.6.2 Programme and Project Implementation

Section 3.1 of the CIP describes programme management procedures, in particular how the INTERREG programme will be monitored including **reporting lines** and the development of a **computerised data management system** for storing project and programme information. As described in the CIP, it is envisaged that this system will be mainly used to store basic information on projects (e.g. contact details for project sponsors, commitments and payments) and consideration might be given to extending it to include information on project targets and outcomes.

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The CIP places considerable emphasis on **promotional activity** (Section 3.2) and this will clearly be important in raising awareness at a local level of the support available under INTERREG. Elsewhere in the document, mention is made of the intention to establish three Information Points. The ex-ante team suggested that under the TA budget, there may be scope for funding ‘Project Facilitators’ at the three Information Points whose objective would be to work directly with potential project beneficiaries in improving the quality of applications, suggesting new ideas for projects (i.e. assisting in respect of project pipeline development) as well as in more traditional activities associated with InfoPoints such as the provision of basic information, advise and guidance in respect of funding possibilities under Interreg, how to submit an application etc.

Sections 3.4 confirms that the programme will operate in compliance with other Community policies (public procurement, state aids, etc). Specifically on the **‘horizontal’ themes**, the CIP argues that the “main tool for achieving the elimination of inequalities between men and women is the creation of sufficient numbers of job opportunities, together with improved flexibility of the labour market and accessibility and diversity of different types of employment”. It is debatable whether these considerations are relevant to the INTERREG programme since it is unlikely to directly create many new jobs. What would be more appropriate is to stress that the project selection criteria will ensure that INTERREG schemes encourage the participation of both men and women. There could also be a case for positive measures, e.g. supporting schemes that specifically target disadvantaged groups and extending the definition of these to include (for example) young people, national minorities, and the elderly.

Whilst the horizontal themes of equal opportunities and the environment are addressed in the CIP, there is no consideration of information society. This omission should be rectified. For example, there is certainly scope under Priority 2/Measure 2 to use ICT to promote contact between the populations of the different border regions. Similarly, in relation to Priority 1/Measure 4, an internet web site could be established using INTERREG funding to raise awareness of the region as a visitor destination, or funding could be allocated to help tourism operators to develop on-line booking systems.

Section 4 describes project level implementation procedures. With regard to **project applications**, the CIP states that there will be a rolling system of calls for proposals with applications being appraised by the JTS and then submitted to the JMSC for decision. Developing a good quality project pipeline will almost certainly be one of the most

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challenging aspects of the INTERREG programme's implementation. To enhance the likelihood of projects coming forward, consideration might be given to:

- Publishing a 'Prospectus' setting out INTERREG priorities and the type of projects that can be supported;
- Appointing a small number of 'Project Facilitators', i.e. locally-based individuals who can work with organisations in their regions to identify possible projects and help with the preparation of tender documents;
- Simplifying project application and appraisal procedures, and perhaps introducing a 'fast track' system for smaller project tenders that fall below a certain financial threshold.

Section 4.2 outlines the **project selection criteria** (more detailed criteria are to be set out in the Programme Complement). The sort of criteria that are likely to be used seem appropriate to us but there is one important omission – financial additionality/added value, i.e. that projects should be able to demonstrate that they would not proceed (at all, on the same scale or at the same time) without INTERREG support.

With regard to **project monitoring** (Section 4.4) the CIP specifies that project sponsors will be required to submit an interim report describing the activities undertaken, financial details, and results achieved. A final report will be required at the end of the project. This approach seems appropriate but could be strengthened by adopting the suggestions made in this report with regard to evaluation (see Section 2.2.4 – Performance Indicators). The CIP should also include provision for site visits by the JTS covering at least a proportion of the supported projects. The final section of the CIP (Section 5) provides details of proposed **financial implementation/control** arrangements for the INTERREG programme. We have no comments on these arrangements other than that they appear to be in line with procedures elsewhere.

FEEDBACK FROM INTERVIEW PROGRAMME 3

As part of the ex-ante evaluation, an interview programme was carried out with key stakeholders at national, regional and local level as well as with the Euroregions. The objective of the interview programme was twofold – firstly to gauge views on key issues relating to the LT-PL-KL Interreg IIIA programme and secondly to ensure that key stakeholders had the opportunity to comment during the ex-ante evaluation process – one of whose key hallmarks is its interactive nature.

3.1 Summary of Feedback from Interviews with Key Stakeholders at National and European Level

At a national level, interviews have been held with officials from the Ministry of Interior in Vilnius – the future Managing Authority - and with representatives from the Ministry of Economy, ~~and Labour and Social Affairs~~ on the Polish side and representatives from the TACIS office on the Kaliningrad side. CSES furthermore took the opportunity to meet with the responsible Interreg IIIA desk officer at DG REGIO in Brussels to get the Commission's perspective on proposed implementation and financial management arrangements for the Interreg IIIA programme.

Below we provide feedback from key stakeholders on these issues:

1. Preparation of the Community Initiative Programme/ Neighbourhood Programme, scope of its priorities and measures

Interviewees broadly felt that the draft CIP and proposed priorities and measures were appropriate in light of the economic and social development needs of the cross-border programme area. All partners interviewed felt that they had been able to successfully influence the preparation of the CIP and feed into the process of selecting Priorities and Measures. The holding of regular Interreg Task Force meetings between key partners was felt to have been important in strengthening joint working and in helping colleagues from each of the three countries to develop closer working relationships.

While recommendations made in the ex-ante evaluation team's interim report in respect of improving the description of Priorities and Measures were felt to have been helpful, there was disagreement with the suggestion to separate Priority 2, Measure 1 into two separate measures on the basis that firstly it was too late to make changes and secondly activities to support the labour market only constitute a small part of Priority 2, Measure 1. Secondly, it was pointed out that ESF funding under Objective 1 will be available to support labour market measures across the programme area. CSES accepted these points.

2. Views on Programme Management and Implementation arrangements

Key outstanding programme management and implementation issues include whether or not there should be a sub-paying authority on the Polish side and whether subcontracting arrangements proposed on the Polish side are acceptable. In respect of the latter suggestion, the proposal is that the Voivodship acting as the lead partner on a given project could enter into subcontracting agreements with other partners involved in the project.

A meeting was held with the Polish representatives responsible for Interreg in mid-December 2003 to try and resolve these issues. The standpoint of the Lithuanian Ministry of Interior is that it would not be advisable to have a sub-paying authority in Poland nor to delegate subcontracting powers to the Voivods.

FEEDBACK FROM INTERVIEW

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Our interview with the desk officer responsible for the Interreg IIIA programme at the Commission suggests that there are real concerns with the suggested approach on the Polish side for two main reasons, as set out below:

1. The Managing Authority must have ultimate responsibility for the program
2. Project managers (i.e. Lead Partners) need to be able to manage and take responsibility for projects. In order to take full responsibility for managing projects funded through Interreg, the Lead Partner/ project manager must verify that the costs incurred correspond with the project plan and to actions agreed between project partners. Lead Partners have an important role in verifying and confirming costs before payments are made to project partners.

The views of the ex-ante team on this issue tend towards those of the Lithuanian Ministry of Interior and the Commission: There would potentially be significant problems if clear lines of management accountability in the programme hierarchy are lacking. Ultimately, the Managing Authority i.e. the Ministry of Interior in Vilnius is responsible for EU funds. Therefore, if a sub-paying authority on the Polish side were to have the contracting powers to sign contracts unilaterally without a co-signing requirement by the Ministry of Interior it would be very difficult to set up sufficiently rigorous financial control procedures. Similarly, if the Voivodships were able to enter into subcontracting arrangements without the consent and joint signing by the responsible Managing Authority, there would again be problems from a financial control and accountability perspective.

With regard to the question of having a single paying authority, rather than a paying and a sub-paying authority, while the Commission's rules allow this to happen, the ex-ante team can foresee problems if this approach is adopted in that implementation arrangements will become over-cumbersome and complex – with potential time delays in the making of payments to project partners linked to the creation of an additional administrative tier. While a sub-paying authority could be set up, the Commission would still require the lead partner to verify all payment claims relating to the project before money can be paid to project partners. Given this basic requirement, it is therefore difficult to identify any tangible merits in having a sub-paying authority - checks would still have to be undertaken in Vilnius before payments can be made.

The management structure and payment arrangements should be as simple and transparent as possible with clear lines of accountability. The setting up of a sub-paying authority may lead to delays in terms of payment downtimes with potential knock-on negative impacts in terms of making commitments within the necessary timeframe – a major issue in light of the N+2 rules.

Other outstanding issues in respect of implementation/ programme management relate to the role that Kaliningrad will play in the Interreg IIIA programme. The TACIS office is waiting for further clarification from the Commission (expected in Jan 04) in respect of the role of the Programme Co-ordination Unit which will be responsible for implementing the new Neighbourhood Programme. It would evidently be helpful if guidance could be made available as soon as possible by the Commission – since there is currently great uncertainty as to how joint projects will operate. There is also an unresolved question in terms of how the national public co-financing obligation will be met on the KL side.

3. Project pipeline issues, dominant types of projects

In order to develop the project pipeline in the run up to the implementation of Interreg, the Lithuanian authorities believe that there should be scope under PHARE CBC to fund a number of studies looking at

FEEDBACK FROM INTERVIEW PROGRAMME 3

the needs of different sectors and of different areas within the programme area. This should help identify emerging strategic developmental and thematic priorities across border areas in the programme area and help in respect of project pipeline identification.

Projects will essentially fall into two main categories – small-scale infrastructure projects on the one hand – which will absorb medium amounts of financing and ‘people to people’ “soft” projects for which small grants from 5,000 euros upwards will be available.

4. Ensuring project pipeline in the future

There was a high level of awareness amongst key stakeholders at national level of the potential importance of Technical Assistance in helping to develop the project pipeline. The three information points will help disseminate information to potential project sponsors in terms of funding possibilities under EQUAL and will provide guidance on project applications/ eligibility criteria etc.

A representative from one of the Polish Voivods welcomed the ex-ante proposal to use project facilitators funded through TA to improve the quality of applications and of projects. The Lithuanian side suggested that the co-ordinators working in information points could fulfil this role using TA money

3.2 Feedback from Interviews with Key Stakeholders at local / regional level

The summary is based on interviews held with representatives of regional authorities and Euroregions (see list below) as well as information provided by representatives of Tauragė District municipality and Šakiai District municipality. The summary is structured according to the programme cycle and main issues raised.

1. Preparation of the Community Initiative Programme/ Neighbourhood Programme, scope of its priorities and measures

All the respondents were very positive about the process of drafting the Community Initiative Programme (CIP) in general. Most of them have declared that they have been actively involved in the drafting process (mainly through a specialised meetings organised for that purpose), and emphasised their satisfaction that most of their comments concerning the content of the priorities and measures as well as their financial weighting have been taken on board in the drafting process.

In general all the respondents agreed that priorities and measures as they are described in the present draft CIP cover all their needs, mainly due to the fact that they are formulated in a quite broad and flexible manner. According to some respondents, practically all their cross-border projects appear to be eligible to be granted assistance from the Programme under consideration. Subsequently, there were no specific comments voiced as to the content of the priorities and measures in the CIP.

2. Present availability of project pipeline, dominant types of projects

In general presently available project pipeline, according to all interviewed officials, is quite extensive (some referred to several hundreds of projects), although predominantly

FEEDBACK FROM INTERVIEW PROGRAMME 3

projects are still at the level of ideas/identification (i.e., they still require to be formulated and their tender documentation prepared). There are some projects which have short summaries prepared and partners across the border are already in contact and in the process of further elaboration. Still very few projects have feasibility studies and further tender documentation and therefore are ready for implementation.

However, there appears to be some synergy with the support still offered by the PHARE Cross-Border Co-operation (CBC) programme. The call for proposals to receive grants from PHARE CBC 2002 allocation is to be launched in January 2004. Some respondents have indicated that a number of projects will have their documentation prepared for this tender, and the ones which will not be granted PHARE CBC assistance will become ready for application to the Interreg IIIA programme. Moreover, PHARE CBC itself has a priority to assist the preparations for implementation of Interreg programme; hence some of the projects to be supported from PHARE CBC 2002 allocation could be aimed at generating further project pipeline for Interreg programme.

Interviews revealed that most of the projects which are indented to be submitted for the assistance are in the field of tourism (info centres, development of tourism routes and other tourism products, especially in the field of water tourism, bicycle roads), community (i.e., cultural, sports, social, etc.) co-operation (i.e., youth conventions, various common events). There are also several environmental projects (mainly dealing with drinking water supply and waste-water treatment in villages with population under 500, but also some projects dealing with prevention of natural disasters/mainly floods), transport infrastructure projects (e.g., to reconstruct the road going across the border between Lithuania and Kaliningrad oblast). Finally, there were some projects the eligibility of which to be financed under the CIP has to be further assessed (e.g., plans to construct a hidro-power plant on Šešupė river). In general, there seemed to be an adequate mixture between 'hard' (i.e., infrastructure related, potentially to be financed under the Priority 1 of the CIP) and 'soft' (i.e., people-to-people type, potentially to be financed under the Priority 2 of the CIP) projects/projects ideas.

3. Ensuring project pipeline in the future

All the interviewed respondents agreed that adequate information and facilitation of potential applicants is one of the key ingredients for ensuring a sufficient project pipeline in the future. Hence the need for programme facilitators in the regions was emphasised by most of the interviewed. In some cases Euroregions were perceived as bodies which could serve the aforementioned role of a facilitator, while in other there was an understanding that some people could be hired specifically for this function using the allocation for technical assistance in the CIP.

Moreover, as development level of some of the regions (e.g., Tauragė, Marijampolė) is substantially below the national average, their representatives perceive the CIP as an important opportunity to attract more investment into their region. Related was the fact that some regions sought for assurance that money will be distribute rather evenly along the border so that every region receives its share. There was also a proposal voiced that regions could serve as filters for various projects ideas, which would ensure guidance to

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the potential applicants and prevent them from developing ideas, which do not meet the needs and priorities of a region.

4. Implementation structure and arrangements, role of regional authorities and Euroregions in the process

According to the interviewed, implementation mechanism for the CIP remains somewhat unclear, lacks final detail. Moreover, exactly implementation (i.e., not programming/planning) of the programme is commonly viewed as the most challenging part of the Interreg/Neighbourhood process. Some interviewed officials referred to their experience in managing the grant schemes under the Social and Economic Cohesion component of PHARE 2000 programme: they emphasised that definition of clear rules (prior to the start of implementation) and having a sufficient amount of people who could ensure that these rules are followed in the projects assisted is absolutely instrumental to the effective implementation of the Programme. In this respect, there is an understanding that planned establishment of Info centres in the county governors administration should have a positive effect, however, there are some doubts as to whether one person per Centre (as it is planned) would be able to meet all the needs. At the same time all the interviewed emphasised the need for effectively functioning Info Points as it would be inefficient for various potential applicants and especially successful ones which are already involved in the implementation of their projects to have to contact the Joint Technical Secretariat in Vilnius every time they have a (small) question. At the same time there was some discontent that administrative capacity which was accumulated in the Regional Programme Implementation Units (RPIUs) which have been established in the county governors' administrations of the target regions to assist administration of the grant schemes under PHARE 2000 Economic and Social Cohesion component are about to be lost.

Overall the attitudes concerning centralisation/decentralisation of administrative responsibilities in implementation of the Programme have somewhat diverged. Some respondents argued for more active involvement of regional partners in the implementation process (more extensive decentralisation, for example, by allowing the regions to perform some initial assessment of the projects). While others maintained that only information/publicity and other basic functions shall rest with county governors administrations and the planned Information Points within them. Again, unwillingness to be granted a more extensive management role emerges from previous experience in management of PHARE 2000 Economic and Social Cohesion grant schemes, where management issues proved to be extremely complicated. Therefore, it was preferred that any management role at the regional level would be limited to information and publicity actions, collecting applications and delivering them to the JTC in Vilnius, and other similar basic functions.

Some interviewed officials indicated that they would need support from the technical assistance allocation in the CIP to enable their active participation in the programme management (e.g., attendance to the Joint Steering Committee).

The self-perceived role of Euroregions in the process of implementing the CIP differed. Euroregion "Šešupė" views itself more as facilitators, which generate and gather project ideas, develop them, ensure and sustain participation of involved municipalities throughout the project cycle. Euroregion "Nemunas" indicated that it could function both as facilitator and as applicant to the Programme: it was stated that Euroregion would be ready to undertake any role foreseen to it by the CIP.

Euroregion "Saulė" expressed dissatisfaction that their geographical composition (i.e., Russia/Lithuania/Latvia/Sweden) prevents them from effective participation in the Interreg IIIA programmes as its members are split between two (i.e.,

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Lithuania/Poland/Kaliningrad and Lithuania/Latvia /Belarus) programmes. Consequently it was indicated that the Euroregion might devote more attention to the possibilities offered by the Interreg III B Baltic Sea programme.

Finally, the issue of language was raised. It was argued that some smaller municipalities have difficulties in communicating in the English language (although they are able to communicate well in either Russian or Polish). Therefore, they were not able to be fully involved in the programming process, and there could be some similar complications in the upcoming implementation process as well.

5. Financing issues

By some the provision of co-financing to the projects assisted under the CIP was not viewed as any major constraint, especially so that there are hopes that central government will provide half of the required national co-financing (the latter promise is understood as a positive sign). In any case, ability of local and regional actors to provide their share of co-financing is not viewed as a limiting factor or obstacle to apply to the CIP.

However, there was one interviewed official who perceived issue of financing as one of the most possible constraints in the implementation process. It was argued that since most of the municipalities are among poorest ones in Lithuania, they would face serious difficulties in finding the working capital to initially finance their projects (only to be compensated by Interreg money at the later date). It was argued that therefore advance payments to projects are absolutely necessary. Or otherwise it was suggested that the Government could make a deal with one of the commercial banks so that it agrees to issue short- to medium-termed loans to the projects at more affordable interest rate.

Below we provide a list of officials interviewed as part of the ex-ante evaluation at a local/ regional level:

<i>List of Interviewees: INTERREG IIIA Programme</i>
<ul style="list-style-type: none"> ▪ Kęstutis Kieras, Director of Regional Development Department, Alytus County Governor's Administration ▪ Valdas Tumelis, Director of Regional Development Department, Marijampolė County Governor's Administration ▪ Simas Einikis, Director of Regional Development Department, Tauragė County Governor's Administration; also, Member of the Council of Euroregion "Saulė" (Russia/Lithuania/Latvia/Sweden) ▪ Gintaras Skamaročius, Director of the Secretariat, Euroregion "Nemunas" (Belarus/Lithuania/Poland/Russia) ▪ Vitas Girdauskas, Euroregion "Šešupė" (Russia/Lithuania/Poland)

Below, we provide a summary of key findings from the ex ante evaluation, conclusions and recommendations. We then set out outstanding issues as at the end of December 2004.

4.1 Conclusions and Recommendations

4.1.1 Baseline Analysis and SWOT

In our view the CIP provides balanced coverage of the **key features of the regions** from the three countries to be covered by the Programme. From a thematic perspective, the CIP is also comprehensive in scope. In the interim ex-ante evaluation, we recommended that each of the sub-sections making up the baseline assessment could be improved by providing a short paragraph at the end with conclusions – drawing out similarities (and differences) between the regions, common priorities, etc. This particular recommendation has not been taken on board because of the difficulties in producing additional text within the timeframe.

The ex ante evaluation report reviews the various aspects of the baseline analysis. In the sub-section on ‘Tourism’ a distinction could usefully be made between the potential to attract more visitors to the area from within the three countries as opposed to attracting tourists from other countries. If the emphasis is on developing the tourism potential of the regions to be covered by INTERREG by attracting visitors from other countries, this will have implications for the type of facilities and services provided, as well as for transport links between the three regions and international gateways – where funding from the mainstream Objective 1 programme could be drawn upon.

Section 1 concludes with a **SWOT analysis** (supported by a more detailed version in the appendices). This seems to us to be a good summary of the situation in the regions.

4.1.2 Previous Cross Border Programmes

The CIP contains a useful summary of **previous cross-border cooperation schemes**. However, apart from details of the financial allocations and number of projects supported, more information could usefully be provided on how successfully these schemes have operated.

It would, for example, be helpful to include an assessment of the type (i.e. not just the number) of projects that were supported, the extent to which project objectives have been achieved, what seems to have worked well/not so well in promoting cross-border cooperation, the effectiveness of partnership structures, and how the current INTERREG programme can build on past activities.

4.1.3 Vision, Joint Development Strategy and Performance Indicators

The **vision** itself seems to us to be appropriate. However, it is very ambitious and would benefit from some additional text making it clear that achievement of the vision will depend on many factors of which the INTERREG programme is only one. This could then be followed by an explanation of precisely how INTERREG will contribute to the vision’s achievement.

The CIP describes the relationship with **other EU-funded programmes** and it might be appropriate to further develop this section so that it is clearer how the INTERREG strategy (e.g. investment in physical infrastructure) could be funded by other programmes.

Section 1.4 of the CIP contains a number of proposed **programme-level ‘output’ and ‘results’ indicators**. Overall, we consider that the proposed performance measurement framework will require further development. In particular, more emphasis should be put on Priority and project-specific indicators rather than on very high level and generic indicators. Also, consideration should be given to the feasibility of collecting data required to quantify indicators and the selection of indicators made in light of this.

With the exception of a limited number of ‘common/core’ indicators (e.g. ‘number and type of projects supported’) that are defined by the authorities, the emphasis might be placed on asking project sponsors to suggest an evaluation plan (including indicators) for their particular schemes as part of the project appraisal process.

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A further possibility is to undertake a survey of project sponsors as a way of gaining more detailed insights to the benefits of INTERREG than can be obtained simply from a set of quantitative and generic performance indicators.

4.1.4 Priorities and Description of Measures

The CIP is very ambitious in terms of its aims and the envisaged scope of the interventions, and that given the relatively small amount of funding available, there is a case for more clearly prioritising the list of activities to be supported set out in the CIP.

Priority 1 – Stimulating Economic and Scientific/Technological Cooperation

With regard to **Measure 1.2** more could perhaps be said about tackling the issue – identified earlier in the CIP – of reconciling INTERREG aims with the fact that there will be a new external EU border with one of the three partners in the programme.

In the case of **Measure 1.3**, the CIP recognizes that with limited financial resources, INTERREG interventions will need to be limited to “Projects not covered by national programmes and having a clear cross border impact”. Since most interventions aimed at reducing environmental pollution are likely to have a cross-border impact given the relatively small area covered by the programme, there is a case for this statement being amended to focus on “cross-border interventions” rather than impacts.

With regard to **Measure 1.4**, a reference could be made to the importance of environmental sustainability since increasing flows of tourists within the area, which is referred to as the “Lungs of Europe” and features substantial parts of the territory protected under NATURA 2000 directives, should be tackled with great care and ensuring the sustainability of development processes.

Priority 2 - Cooperation Between Populations, Socio Cultural Integration and the Labour Market

Measure 2.1 focuses on ‘support for local societies’ initiatives’. This title could perhaps be improved by calling the measure ‘support for cross-border partnerships’ or ‘support for cross-border contact between communities’.

The second Priority 2 Measure aims to promote a regional cultural identity. The justification for **Measure 2.2** is stated as being to counter accusations from “so-called Euro-sceptics [that there is] a risk of losing national cultural identities and historical roots”. Whilst this may be so, it would in our view be preferable to stress the linkages with P1/M4 and the promotion of tourism.

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Priority 3 – Technical Assistance

The CIP contains a short section on technical assistance. Whilst the purpose of **Measure 3.1** (programme management) is largely self-explanatory, the description of **Measure 3.2** (other activities) could be further developed.

More specifically, given the complications of developing cross-border partnerships and schemes, technical assistance is likely play an important role with regard to capacity-building. In this context, a number of specific initiatives such as investing in ‘project facilitators’ to help with regard to capacity building might be envisaged.

Horizontal Themes

On the **equal opportunities** ‘horizontal’ themes, the CIP argues that “main tool for achieving elimination of inequalities between men and women is the creation of sufficient numbers of job opportunities, together with improved flexibility of the labour market and accessibility and diversity of different types of employment”. It is debatable whether these considerations are relevant to the INTERREG programme since it is unlikely to directly create many new jobs. What would be more appropriate is to stress that the project selection criteria will ensure that INTERREG schemes encourage the participation of both men and women.

Whilst the horizontal themes of equal opportunities and the **environment** are addressed in the CIP, there is no consideration of **information society**. This omission should be rectified. For example, there is scope under Priority 2/Measure 2 to use ICT to promote contact between the populations of the different border regions. Similarly, in relation to Priority 1/Measure 4, an internet web site could be established using INTERREG funding to raise awareness of the region as a visitor destination, or funding could be allocated to help tourism operators to develop on-line booking systems.

Proposed Financial Allocations

CSES have now looked over the **indicative financial plan** contained in the Nov 03 version of the CIP. In our view the intention to devote approximately 70% of available INTERREG resources to Priority 1 is appropriate given the nature of the interventions envisaged – predominantly smallscale infrastructure development projects. Just over 20% of resources will be devoted to Priority 2. Again, this seems appropriate given that the average size of intervention is likely to be much lower for “people to people” or soft interventions than for hard infrastructure-oriented interventions – with a minimum size threshold being proposed of 5,000 euros.

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The proportion of resources dedicated to Technical Assistance – 7.2% also seems broadly appropriate. It is likely that TA will play a critical role during the current programming period since this is the first time that Lithuania has implemented Interreg – which represents a significant uplift in financial resources over PHARE CBC – with implications in terms of the resources needed to help build capacity at local and regional level amongst key institutions/ public sector organisations.

Quantification of Objectives and Proposed Indicators

There are well known difficulties which are well understood at the Commission in terms of quantifying the objectives of Interreg programmes due to the special nature of Interreg interventions – particularly those involving institutional co-operation and people to people contact. We have not therefore attempted to make predictions for outputs such as the number of projects supported since these in our view will be impossible to predict.

It may however, in light of achievements during the imminent (and short) programming period 2004-06 to make projections for the next programming period based on outcomes from this period – for example in respect of the number of cultural and sporting events held on a cross-border basis.

While most of the indicators proposed at a programme and priority level appear appropriate, some indicators – particularly those relating to business activity – appear problematic. It will be very difficult to ascertain whether or not an increase in cross-border business activity or indeed the number of businesses being established across borders is directly linked to Interreg. Direct support for SMEs is not foreseen in the CIP - therefore any impact on business or business activity (e.g. take-up of high technologies) will be indirect not direct.

Programme Management and Implementation Arrangements

Overall the arrangements seem appropriate and reflect practices elsewhere. There are still however unresolved issues relating to whether a sub-paying authority should be set up on the Polish side and whether the lead *voivodship* on a given project should have the power to sub-contract to other voivodships. In our view, neither of these suggestions would be sensible. Given the need for the lead body to check all payment claims before the paying authority in Vilnius can make payments, all contracts will still need to be checked by the Managing Authority (and Joint Technical Steering Committee) in Vilnius regardless of

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whether a sub-paying authority has been set up. Such a body would merely serve to add another layer of bureaucracy in the proposed implementation arrangements and could lead to delays in financial flows with consequent impacts in terms of N+2. There also need to be clear lines of accountability back to the Managing Authority which would be more difficult if a sub-paying authority were set up.

The ex-ante recommendation is that the management structure and payment arrangements should be as simple and transparent as possible and have clear lines of accountability.

On the Kaliningrad side, there are difficulties in making an assessment as to whether there is likely to be a repeat of the difficulties encountered during PHARE CBC with regard to working with EU external border countries. More precise guidance in respect of the new Neighbourhood Programme is not expected to be available until Jan 2004. However, one of the objectives for introducing the Neighbourhood Programme was to try and ensure that rules, procedures and financing between EU member states and external border countries were more closely aligned in order to eradicate problems experienced during previous programming periods whereby external border countries experienced great difficulties participating in cross-border programmes – particularly with regard to getting genuine joint cross-border projects off the ground. We therefore assume that once clarification with regard to the management and implementation dimension of the Neighbourhood Programme is provided to the Kaliningrad side, there is every chance that Kaliningrad will have the opportunity to fully participate in the Interreg IIIA programme – given the additional 5m euros of funding that eligibility for the new Neighbourhood Programme brings to the 4.5m allocation under TACIS CBC.

Progress is now beginning to be made in respect of the development of a computerised **data management and monitoring system** for storing project and programme information. The system will be mainly used to store basic information on projects (e.g. contact details for project sponsors, commitments and payments) and information on project outcomes. The monitoring system is being closely based on the monitoring database being set up for the Lithuanian Objective 1 programme which seems entirely logical in order to avoid reinventing the wheel. At this stage, it is too early in the development of the monitoring database to assess how effective monitoring systems might be or to consider whether or not there will be problems across borders in compiling information into a joint, cross-border database.

With regard to **project applications**, the CIP states that there will be a rolling system of calls for proposals with applications being appraised by the JTS and then submitted to the JMSC for decision. Developing a good quality project pipeline will almost certainly be one of the most challenging aspects of the INTERREG programme's implementation. To enhance the likelihood of projects coming forward, consideration might be given to a number of initiatives outlined in the ex ante evaluation report - publishing a 'Prospectus', appointing a small number of 'Project Facilitators', and simplifying project application and appraisal procedures, and perhaps introducing a 'fast track' system for smaller project tenders.

The sort of **project selection criteria** set out in the CIP seem appropriate but there is an important omission – financial additionality/added value, i.e. that projects should be able to demonstrate that they would not proceed (at all, on the same scale or at the same time) without INTERREG support.

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4.2 Outstanding Issues Prior to Programme Implementation

We now review outstanding issues in respect of the Interreg IIIA programme:

In mid-December 2003, a conference on the LT-PL-KL Interreg IIIA programme was held in Vilnius. While the initial intention had been to launch the Interreg programme with participation from all key stakeholders as well as politicians etc. a major unresolved problem appears to be the issue of whether or not a Sub-Paying Authority was possible on the Polish side. However, there were high hopes that a compromise solution to this problem. To this end, a series of meetings were held on the 16th December 2003 in Vilnius between the Lithuanian and the Polish side.

The Lithuanian side was prepared in principle to agree to the Polish suggestion of having a sub-paying authority on the Polish side - provided that contracts were still sent for checking, co-signing and final approval to the Paying Authority in Vilnius. However, the Polish authorities also wanted to have the power to sign contracts on a unilateral basis. However, ultimately, the Managing Authority in Vilnius is responsible for the disbursement of EU funds. In ex-ante's view, therefore, such an approach would create problems from accountability, transparency and financial control perspectives.

Otherwise, the ex-ante team understands that preparations for programme implementation are more or less on track with preliminary steps being taken to put in place a Memorandum of Understanding between the Polish and Lithuanian governments outlining the designation of competent authorities to fulfil the financial control and audit functions etc.

The Interreg monitoring system is also now under development. Ex-ante understands that a computerised monitoring database will be developed as part of an integrated monitoring database system currently under development in Lithuania to capture financial information and physical output data in respect of the mainstream Objective 1 programme.

As mentioned earlier, there are also issues that have yet to be resolved on the Kaliningrad side in terms of how the new Neighbourhood Programme will be managed, co-ordinated and implemented. While financing amounts are known, very little information has been provided by the Commission to date in terms of the role, tasks and responsibilities of the Programme Co-ordination Unit responsible for implementing the Neighbourhood

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Programme. Further guidance is expected in January 2004 – outside the timeframe of the ex-ante evaluation – but which should nevertheless be important in helping to clarify how co-operation will work in respect of cross-border projects and co-operation more widely between the KL and LT and KL and PL sides.