

European Regional Development Fund 2007 - 2013

# **Cross Border Cooperation Programme**

## **Lithuania-Poland**

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# 1 Programme Summary and Description of Programming Process

For 2007-2013 the INTERREG III programmes at the internal EU borders shall act through the EU Structural Funds for European Territorial Co-operation Objective. In this case the border area between Lithuania and Poland. In this document it is addressed as the Cross-Border Co-operation (CBC) Operational Programme (OP).

The legal bases for the 2007–2013 OP are:

- 11 July 2006 Regulation (EC) No. 1083/2006 on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1260/1999 (General regulation);
- 5 July 2006 Regulation (EC) 1080/2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1783/1999 (ERDF regulation);
- 5 July 2006 Regulation (EC) No. 1081/2006 on the European Social Fund and repealing Regulation (EC) No. 1784/1999;
- July 11 2006 Regulation (EC) No. 1084/2006 on the Cohesion Fund repealing Regulation (EC) No. 1164/94;
- 5 July 2006 Regulation (EC) No. 1082/2006 on the European Grouping of Territorial Cooperation (EGTC regulation)

Based on the ERDF regulation's article 6, the ERDF shall focus its assistance on "the development of cross-border economic, social and environmental activities through joint strategies for sustainable territorial development, and primarily:

- a) by encouraging entrepreneurship in particular the development of SMEs, tourism, culture, and cross-border trade;
- b) by encouraging and improving the joint protection and management of natural and cultural resources, as well as the prevention of natural and technological risks;
- c) by supporting links between urban and rural areas;
- d) by reducing isolation through improved access to transport, information and communication networks and services, and cross-border water, waste and energy systems and facilities;
- e) by developing collaboration, capacity and joint use of infrastructure, in particular in sectors such as health, culture, tourism and education.

In addition, the ERDF may contribute to promoting legal and administrative co-operation, the integration of cross-border labour markets, local employment initiatives, gender equality and equal opportunities, training and social inclusions, and sharing of human resources and facilities for RT&D."

The OP addresses this particular part of the ERDF regulation in section 3. Programme Strategy; the Programme's objectives and types of interventions reflect the requirements of the ERDF's regulation for CBC activity.

The ERDF regulation's article 12 provides the requirements for the content of an OP for European territorial co-operation. To summarise, this includes:

1. a situation analysis of the area;
2. a list of eligible areas including the flexibility areas;
3. a justification of the chosen priorities;
4. information on the priority axes and their targets;

5. an indicative financial breakdown;
6. a single financing plan including an annual breakdown and specific amount for each priority axis;
7. information on complementarity with other community initiatives;
8. implementation provisions; and
9. an indicative list of major projects.

The General regulation's article 32 states that "each operational programme shall be drawn up by the MS or any authority designated by the MS...". The drafting of this OP was a joint consultative process between Lithuanian and Polish Programme partners. The lead coordinating bodies were the Lithuanian Ministry of Interior on one side and the Polish Ministry for Regional Development on the other.

A Joint Task Force made up of representatives from Lithuania, Poland and the EC was formed in mid-2006 for the drawing up and later for endorsing the OP before submission for European Commission approval. It is the most important means for exchanges of information and opinions and decision-making for the content of the OP. The Task Force met on a regular basis:

- 28 July 2006 Mragowo, Poland. The first meeting of the Joint Task Force took place. The process and timetable for the preparation of the OP was agreed and the OP's main principles were discussed
- 14 September 2006 Vištytis, Lithuania. The second meeting of the Joint Task Force – discussions on the OP's eligible and flexibility areas, situation analysis, and level of co-financing. It was agreed that the Lithuanian Ministry of Interior should procure the preparation and ex ante evaluation of the OP.
- 21 November 2006 Warsaw, Poland. The third meeting of the Joint Task Force – first draft of the OP was presented and it was the subject of discussions, as well as priorities and SEA procedure within the Programme. The Small Project Fund scheme was agreed.

After numerous discussions and amendments, the Joint Task Force endorsed the 2007-2013 Lithuania – Poland Cross Border Co-operation Operational Programme on xxx and it was formally submitted to the European Commission on xxx.

## 2 The Lithuanian – Polish Border Region

### 2.1 Eligible Area

The regions eligible for the participation in the Programme on the Polish side are the following NUTS administrative regions on level III:

- Białostocko-Suwalski Subregion (11 municipalities);
- Elcki Subregion (6 municipalities)
- Lomżyński Subregion as an adjacent region (6 municipalities)
- Olsztynski Subregion as an adjacent region (7 municipalities).

On the Lithuanian side 2 counties and two adjacent areas shall participate in the Programme:

- Marijampole county (5 municipalities)
- Alytus county (5 municipalities) counties
- Taurage county as an adjacent region (4 municipalities)
- Kaunas county as an adjacent region (8 municipalities)

Under the adjacency rule of the ERDF regulation's Article 21 point 1, the total project expenditure undertaken in the adjacent areas cannot exceed 20% of the total expenditure under the Programme.

**Map 1 – Programme Area**



## **2.2 Description and Analysis of the Border Region**

This Lithuanian-Polish cross border co-operation border region is comprised of the counties forming north-eastern Poland and south-western Lithuania. The area shares a common physical geography, climate that is favourable for agriculture and tourism and vital economic activities like cargo transit. The area is conducive to people-to-people cooperation having relatively considerable ethnic minority groups across the border. The areas involved in this border region have linked historical and cultural backgrounds, although marked differences in some matters remain. The length of the border is 104 km.

The following sections make an effort to describe the cross border region as a single area. However, as the Lithuanian and Polish national statistics administrations do not always collect data for the same indicators, or where the differences are marked, information on the individual regions and/or countries is given in selected parts of the analysis.

### **2.2.1 Area and Demography**

The demographic situation is such as shown in Table 1. The nearly 3.3 million residents of the 59.000 km<sup>2</sup> are almost equally spread between the rural and urban areas, with a somewhat larger ratio in Alytus county and the Białostocko-Suwalski and Olsztynski Subregions and especially in Kaunas county.

The population density of only 55 inhabitants per km<sup>2</sup> is partly due to the areas agricultural environment and makes it an attractive region for investment, with many open areas that can be developed, and for tourism. More on this can be read in the later sections.

**Table 1: Area and Population - 2005**

<i>Region</i>	<i>Area km<sup>2</sup></i>	<i>Population</i>	<i>Population density – inh/km<sup>2</sup></i>	<i>Urban %</i>	<i>Rural %</i>
Alytus county	5.425	183.873	33.7	58.7	41.3
Marijampole county	4.463	180.794	41.5	49.3	50.7
Taurage county	4.411	129.978	29.8	40.8	59.2
Kaunas county	8.089	685.766	84.8	72	28
Białostocko-Suwalski Subregion	14 .871	892.000	59.9	63.4	36.6
Elcki Subregion	5.316	310.400	58.7	57.8	42.2
Lomżyński Subregion	6.346	284.302	44.8	47.1	52.9
Olsztynski Subregion	10.332	612.078	59	62.2	37.8
<b>TOTAL</b>	<b>59.253</b>	<b>3.279.191</b>	<b>55</b>	<b>61.1</b>	<b>38.9</b>

The border area contains nine main urban areas: Białystok (300.000 inhabitants), Suwałki (69.000), Łomża (64.000), Ełk (56.000), Olsztyn (xxx), Marijampole (48.700), Alytus (77.300), Taurage (52.700) and Kaunas (364.000). Therefore the total urban population for the area, including four towns in the adjacent areas, is some 1.031.700.

According to the 2001 census, 8.166 ethnic Poles reside in the Lithuanian border counties. The ethnic Lithuanian population living in the Polish Podlaskie region is 5.156, which is 0,42 % of the total population.

The demographic situation of the border region as shown in Table 2 reflects the general changes of the past five years in both Lithuania and Poland on national levels: the percentage of children and teenagers has fallen dramatically in all regions; the percentage of working age persons is growing and the percentage of pensioners is decreasing.

**Table 2: Demographic situation**

<i>Region</i>	<b>2001</b>			<b>2005</b>		
	<i>Under working age (0-15) (%)</i>	<i>Of working age (%)</i>	<i>Over working age (%)</i>	<i>Under working age (0-15) (%)</i>	<i>Of working age (%)</i>	<i>Over working age (%)</i>
Alytus county	21.8	55.8	22.4	19.0	59.2	21.8
Marijampole county	23.6	54.4	22.0	21.4	60.2	18.4
Taurage county	22.2	56.5	21.3	21.5	59.1	19.4
Kaunas county	20	59.8	20.2	18.2	61.9	19.9
Białostocko-Suwalski Subregion	24	58.9	16.4	18.4	67	14.6

Elcki Subregion	27.5	59.5	13.0	23.2	63.1	13.7
Lomżyński Subregion	26.9	58	15	21	65.5	13.5
Olsztynski Subregion	24.9	62.2	13.9	21	65.3	13.7

## 2.2.2 Economic Development, Industry

The region as a whole includes diverse fields of economic activity, which are described below in a more country and county/subregion-specific manner and show in Table 3. The rural areas of the border region are generally agricultural (mostly dairy and meat production and processing), but there has been a recent dynamic growth of the service sector, as it is the main employer of the region, and a decrease in the agriculture sector.

The border 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 other areas. Advances have been made in quality assurance systems and production. However, the economic structure of the region still requires transformation; both the agricultural and industrial sectors are still in need of investments for restructuring and modernisation, and specifically the role of services should increase. The labour force is relatively cheap when compared to the older EU member-states.

Agriculture - Marijampole county is one of the most agriculturally inclined of all the Lithuanian counties with a predominant harvesting of sugar beets. Dairy and meat product production are also predominant in the border region's agricultural sector. Hunting, forestry and fisheries also provide for much of the border region's agro-industry.

Industry - As for industry and production in the border region, a wide variety of sectors are covered including: construction, textiles, furniture assembly, refrigerator production, food and beverage production and processing, chemical plants.

Services - almost all types of economic activity fall under the service sector: tourism and recreation; specialised services like SPA tourism, agro-eco and heritage and cultural tourism.

The numbers of SMEs dealing with innovations are particularly low and IT needs to be further developed in businesses. Links between enterprises and R&D institutions for the development of new products and services are weak, as is the reaction to some businesses to a more competitive market. However the Marijampole Regional Science and Technology Park, set up in 2005, should urge co-operation between business and R&D institutions.

In this border area, especially in the relevant subregions of Podlaskie and Warmińsko-Mazurskie voivodeships, the number of SMEs is marginal in comparison to other Polish regions. The main barriers of SME development in the entire border region are lack of funds and external capital, market barriers: low demand on domestic and international market, low competitiveness and human capital barriers. The economic structure of the border area, as well as the relatively low attractiveness for investors in some areas, indicates that it might be difficult to create new job opportunities.

**Table 3: Main sectors of employment, thousands.**

	<b>2002</b>	<b>2005</b>
<b><i>Agriculture</i></b>		
Alytus county	11.1	10.6
Marijampole county	27.2	22.9
Taurage county	26.7	25.2
Kaunas county	35.6	33.3
Białostocko-Suwalski Subregion	90.2	90.3
Elcki Subregion	15.9	15.9
Lomżyński Subregion	47.9	48.7
Olsztynski Subregion	24.7	24.3
<b><i>Industry</i></b>		
Alytus county	20.2	16.3
Marijampole county	14.8	12.3
Taurage county	6.3	7.7
Kaunas county	63.7	60.5
Białostocko-Suwalski Subregion	45.7	46.6
Elcki Subregion	13.7	15.4
Lomżyński Subregion	12.1	12.1
Olsztynski Subregion	40.5	42.5
<b><i>Services</i></b>		
Alytus county	31.6	40.3
Marijampole county	32.6	33.9
Taurage county	19.3	20.1
Kaunas county	168.6	165.7
Białostocko-Suwalski Subregion	101.9	93.9
Elcki Subregion	23.2	25.8
Lomżyński Subregion	24.6	22.6
Olsztynski Subregion	77.3	79.4

The level of FDI in the CBC border region is low. FDI per capita for the Lithuanian counties is far less than the Lithuania average of € 2.034. As seen in Table 4, FDI has grown considerably in Alytus and Kaunas counties since 2001, however Marijampole and Taurage counties, despite a slight growth, lag way behind.

**Table 4: Foreign Direct Investment per capita in €**

<i>Region</i>	<b>2001</b>	<b>2005</b>
Alytus county	227	635
Marijampole county	94	159
Taurage county	42	60
Kaunas county	543	1099

FDI to Poland in 2005 was USD 7.7 billion. This ranks Poland as a regional leader within Central and Eastern Europe. Similarly as in Lithuania however, there are large regional disparities within the whole country. Regional investment attractiveness for foreign investors of Polish border region (Podlaskie and Warmińsko-Mazurskie regions) is very low in comparison to other Polish Voivodeships. In 2006 Podlaskie Voivodeship was recognised the least attractive Polish region. The share of foreign investments in Podlaskie region is marginal and each year it is no more than 0,5% of total investments.

The GDP per capita in the border regions counties are well below the national (with the exception of Kaunas county) and EU average. Although monetarily the GDP itself is slightly increasing year by year, it still lags behind the national averages and indeed its ratio is decreasing, as Table 5 shows.

**Table 5: GDP per capita**

<i>Region</i>	Thousands €		Compared with National Averages %	
	2001	2004	2001	2004
Alytus county	3.246	3.739	80.2	71.1
Marijampole county	2.725	3.420	67.7	65.1
Taurage county	2.464	2.899	60.8	55.0
Kaunas county	3.968	5.040	97.9	95.7
Bialostocko-suwalski subregion	3.652	4.224	73.4	70
Lomzynski subregion	1.124	1.211	22.6	20
Ełcki subregion	3.158	3.902	63.5	64.6
Olsztynski subregion	4.351	5.307	85.4	87.8

### 2.2.3 Human Resources Development

The population of the area could be described as an educated, relatively young, and highly literate. It is 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 colleges, vocational training and other institutions of education. However, there is still a need for reorganisation of secondary school programmes as training for specialties in demand is lacking. Adult education and qualification raising and retraining systems require development and the share of population with a higher education is low. Although 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.

When analyzing the situation on the labour market the statistics on the both side of the border differ significantly.

In Lithuania, the unemployment rate has decreased considerably during the last few years. This process was common for the whole country. In fact unemployment in Alytus at 8.2% is similar to Lithuania average of 8.3% and Marijampole county at 3.0% is markedly below it. However the main reason for the change is not due to an increase in the availability of jobs, but to growing emigration to more prosperous EU countries.

In the Polish border regions, however, unemployment is one of the most significant problems. Many districts of the eligible region are characterised by a high unemployment rate, in some cases significantly higher than respective national average. According to 2005 data, the average unemployment rate for Poland was 17.6%. Only the Białostocko-suwalski subregion, out of all the Polish border subregions, had an unemployment rate lower than the national average. The worst situation was noted in the Elcki subregion, where the registered unemployment rate was as high as 33.3%. Despite a growth in GDP, the rate of unemployment has remained very high for the past few years and in the Lomzynski subregion it has even doubled.

**Table 6: Unemployment**

Region	<i>Unemployed, thousands</i>		<i>Unemployment rate, %</i>	
	<b>2001</b>	<b>2005</b>	<b>2001</b>	<b>2005</b>
Alytus county	14.0	7.6	22.6	8.2
Marijampole county	15.6	5.8	18.5	3.0
Taurage county	10.8	5.5	16.4	6.0
Kaunas county	33.8	15.0	17.8	8.9
Bialostocko-suwalski subregion	60.4	52.7	14.8	14.6
Lomzynski subregion	25.6	23.4	8.2	17.8
Elcki subregion	40.8	35.3	34.1	33.3
Olsztynski subregion	68.4	58.7	25.6	24.2

## 2.2.4 Infrastructure and Accessibility

The border 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. The area is located on a number of international corridors: I and IX (Via Baltica, Via Hanseatica). However, insufficient connections and poor technical road conditions in some areas tend to create traffic problems.

Road infrastructure in Poland and Lithuania has significantly improved over the last 5 years. However, major investments in transport infrastructure, including motorways, are clearly still required in the border regions. Some roads do not meet the carrying capacity and throughput requirements. The situation of local roads is not sufficient: many of them are not paved. In Lithuania, the most developed are the regional roads.

Road infrastructure is not sufficiently developed for successful co-operation, with the exception of from the Lazdijai municipality crossing (Alytus county) – the number of road and pedestrian border crossings is insufficient. Poland and Lithuania share 2 road and one rail border crossing in the Programme area.

The potential for railroad use is high in the area but not used sufficiently; there is no European standard track/gauge from the border to the I and IX rail corridor intersection – a relic from the Soviet times. Old rail infrastructure limits train speed and makes travelling by rail unattractive for potential passengers due to a lengthy journey and a long wait at the border required for track/gauge changing.

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

## 2.2.5 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 parts of the region being drier with more coniferous forests and sandier soils. The Nemunas, Sesupe, Jura, Narew, Biebrza, Pisa and Ełk rivers flow through the border area, along with many smaller rivers and many streams. The region includes the unique Great Mazurian Lakes area, Suwalsko Augustowskie Lakes, Zuvintas and Vistytis Lakes, to name a few.

The border area includes 5 National and 8 Regional Parks, two State Strict Reserves and a number of landscape-protected areas that were established for protection and research of the landscape due to its scientific and historical interest. Economic activity is prohibited in some of these areas. The border area contains 61 NATURA 2000 sites.

The Polish border region has been classified as part of the area called "*Green Lungs of Europe*". and in fact encompasses legally protected areas that (in 2004) covered 32,5% of the total territory of Poland (over 10 million ha).

Even though the quality of the environment has improved over the preceding years, and the rate of emissions and their amounts have steadily decreased, still much has to be done in the field of environment protection. First of all, investment expenditures on environmental protection are still unsatisfactory. Furthermore, many other activities should be undertaken in order to improve the quality of the environment in the cross-border area, for example the reduction of pollution emissions by implementing new cleaner technologies in industry.

## 2.2.6 Tourism

Tourism is an attractive development area for the cross-border region as it has great possibilities to use the existing natural resources – rivers and lakes for water tourism, and forests and farmsteads for eco and agro-tourism. However, further investments into tourism infrastructure, dissemination of high quality information and especially in training of service providers are required. As shown in table 7, the number of nights spent in accommodation enterprises has markedly risen in all of the cross-border area from 2001 to 2005.

Of particular interest on the Lithuanian side is the town of Druskininkai in Alytus county which has a long history of spa treatments and is already a major attraction for tourist flows. Many spa providers are renovating existing facilities, though most remain outdated and investments are still needed to improve the quality of services and information about their availability. A water park shall open in Druskininkai at the end of 2006 and is seen as a future centre of interest for family and group (weekend and off-season) holidays. Birštonas, in Kaunas county, also had the status of a spa town, though not as modern or developed as Druskininkai and investments are required to bring it up to par on a national and European level.

The Polish side is especially favourable for nature tourism as it includes vast forested territories. Worth noting especially is Belovezhskaya Pushcha/Bialowieza Forest - Poland's oldest national park. It preserves the last path of natural lowland forests in Europe preserved within the zone of deciduous and mixed forests. Also Biebrza National Park occupies one of the largest marshy areas in Central Europe. A great attraction is also Augustowski Channel – 101 km long, built in the first half of the XIX century merges the catchment area of Wisla and Niemen rivers together with the contiguous lakes accounts for an attractive waterway. There are also sailings organised by different routes, among which the "Pope's route" is the most popular.

**Table 7: Accommodation establishments in 2005**

<i>Region</i>	<i>Facilities</i>	<i>Tourists accommodated</i>	<i>Nights spent 2001</i>	<i>Nights spent 2005</i>
Alytus county	47	134.800	632.900	902.000
Marijampole county	13	21.100	19.700	46.800
Taurage county	14	7.700	3.400	16.300
Kaunas county	73	122.400	292.900	356.500
Bialostocko-suwalski subregion	149	350.700	315.000	687.000
Lomzynski subregion	26	45.500	53.000	110.000
Elcki subregion*	85	118.400	275.743	475.000
Olsztynski subregion	167	485.633	1.274.244	1.149.311

\* 2004 data

## 2.2.7 Information and Communication Technologies

Usage of the internet is high in the countries participating in this CBC programme - 30% of the Lithuanian population and 29% of the Polish population use it on a regular basis. However, the figures vary a great deal within the countries and some of the eligible territories fall well below the national averages, especially in the more rural areas.

Therefore a further increase in the use of ICT technologies is needed in the home, in the workplace and especially in schools and other learning institutions. This could lead to greater competitiveness for local SMEs, an increase in distance learning and possibilities for home employment for the disabled, working mothers and pensioners.

## 2.3 Summary SWOT

Clearly then, in the border area despite certain differences, there exist common strengths to use and common weaknesses to overcome, common opportunities to employ and common threats to tackle. The summary SWOT analysis below (full version in Annex) gives an overview of these commonalities, which are addressed in the Chapter 4 on priorities.

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Active existing cooperation network, esp. between Euroregion members and municipalities</li> <li>- Comparatively educated, relatively young population</li> <li>- Agricultural region which includes diverse fields of industry and service activity</li> <li>- Clean environment, natural resources and landscape quality</li> </ul>	<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>- Development of environmentally friendly economy (environmentally friendly SMEs)</li> <li>- Development of eco-tourism (rural tourism, bicycle, water tourism and hiking)</li> <li>- Development of logistical/ modal networks</li> </ul>
<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>- R&amp;D co-operation with business and public sectors underdeveloped</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>- Emigration of younger people, brain drain</li> <li>- Increasing economic disparities between</li> </ul>

<ul style="list-style-type: none"> <li>- Insufficient use of railway potential; old rail infrastructure and no European gauge</li> <li>- Insufficient number of border-crossings for tourists</li> </ul>	<ul style="list-style-type: none"> <li>- urban and rural areas</li> <li>- Increase of social problems, social exclusion</li> </ul>
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## **2.4 Lessons learned and previous co-operation experience**

The Lithuanian-Polish CBC region has had a long and successful history of co-operation, which was consulted for the development of this document. 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 the present, the programme was implemented via a few different instruments: National CBC programmes, PHARE Small Project Facility and later Small Project Fund, CREDO programme, ECOS-OUVERTURE, PHARE/TACIS and PHARE/INTERREG programmes. Projects aiming at tourism, economic and social development as well as modernisation of border, transport and environment infrastructure were implemented.

One of the main channels for co-operation is the Euroregion Nemunas/Niemen/Neman. In June 1997, the representatives of Lithuania, Poland and Belarus signed a trilateral agreement for its establishment. The operational area of the Euroregion is:

- 1) Poland: the Białostocko-suwalski and Elcki subregions;
- 2) Lithuania: the Marijampole, Alytus and Vilnius counties;
- 3) Belarus: the Gardin region;
- 4) Russia (Kaliningrad Region): the Cherniyhovskiy, Krasnoznamenskiy, Nesterovskiy, Gusevskiy and Ozerskiy municipalities (joined the Euroregion in April 2002).

The aims of the Euroregion are:

- to improve life conditions of the people inhabiting the area of Euroregion;
- 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 Euroregion;
- to promote actions aiming at co-operation between regional and local authorities.

In the early years of the Euroregion's operation, mainly non-financial factors added to the development of co-operation, such as: breaking psychological barriers, opening up to new co-operation forms and opportunities, identification of joint problems and needs of the partners. The next co-operation development period was the implementation of specific CBC projects. In that period besides the aforementioned factors, the financial ones started to play a part. Since the co-operation partners (municipalities and non-governmental organisations (NGOs)) had limited financial means, the need to get access to external sources of financing for implementation of common projects was urgent. On Euroregion's Niemen/ Nemunas /Neman initiative over 250 cross-border projects of various sizes were co-financed from EU funds – a true success story in cross-border co-operation.

The INTERREG IIIA/Neighbourhood Programme for Lithuania, Poland and the Russian Federation's Kaliningrad Region (2004-2006) can be named as the precursor of this OP. Here we shall address the information relevant for the present 2007-2013 OP - the Polish-Lithuanian parts

only. The ERDF allocated 12.3 MEUR for Lithuania and 24.2 MEUR for Poland, for participation on the Programme.

At the time of writing the OP, five Calls for Proposals (CfP) had been announced for the INTERREG IIIA/Neighbourhood Programme, with the evaluation and contracting phase for the fifth CfP still on-going. A total of 379 proposals were submitted. Most of these – 130 – were received from the Polish Warmińsko-Mazurskie Region, 77 from the Podlaskie Region, and 65 from the Pomorskie Region. On the Lithuanian side, the Alytus county was the most active with 35 proposals, Marijampole county – 22, and Taurage county – 5.

The applicants were most interested in Measure 2.1 (Support of local societies' initiatives). 90 applications – that is 24% of all proposals – were received for that measure. Secondly, 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) with 75 proposals or 20%. The least proposals were received for Measure 1.1 (Stimulating of economic and scientific/technological cooperation) with 43 applications or 11%.

54 projects addressing Priority 1 (Competitiveness and productivity growth of the cooperation area through development of cross border infrastructure and border security, economic and scientific/technological cooperation) were contracted, and 69 addressing Priority 2 (Contribution to the cooperation between populations, socio-cultural integration and the labour market). The breakdown according to the individual Measures for contracted projects is the following:

- Measure 2.2 Regional cultural identity and cultural heritage - 37 projects
- Measure 2.1 Support of local societies' initiatives - 32 projects
- Measure 1.1 Stimulating of economic and scientific/technological cooperation - 15 projects
- Measure 1.2 Improvements in physical and border security infrastructure to encourage development of the border area - 15 projects
- 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 - 14 projects
- Measure 1.3 Environmental protection and growth of energy efficiency and promoting renewable energy sources - 10 projects

The main conclusions from the prior INTERREG IIIA/Neighbourhood Programme programming period are the following:

1. There is a larger demand for infrastructure projects than for 'soft' projects – Priority 1 received many more proposals (234), than Priority 2 (145).
2. Most proposals were for improvement of tourism infrastructure and co-operation in the tourism and cultural sectors
3. Partnerships are being formed with the assistance of CBC. For example, Alytus city and Suwalki, Alytus region and Punska, Lazdijai and Punska submitted numerous joint proposals.
4. There is a lack of projects in the research and technology sector. There are few organisations/institutions in the eligible area (especially on the Lithuanian side) that deal in the sector.
5. The most qualitative proposals were submitted for Measure 2.2 with a 67 % success rate and Measure 1.1 with 53 %. The least successful were Measure 1.3 with 17 % and Measure 1.4 with 19%.
6. Proposals submitted for Priority 2 were prepared better (46 % success rate) than those for Priority 1 (32 % success rate).

The main problems that could be addressed by the new period are the following:

1. The language issue. During the proposals preparation phase, the partners often do not understand one another's documents; there is a general lack of communication. During the evaluation phase, one of the two evaluators reads an English language summary,

which often does not reflect the crux of the project. Lastly, during the contracting phase – all project documentation must be translated into Polish in order for the contract to be signed; otherwise the Polish co-financing is not put in place.

2. Difficulties related to conversion of data. Within the prior INTERREG IIIA/Neighbourhood Programme the applicants had the possibility to submit the AFs in English or in national languages. In consequence, the eligible costs were given in euro or in national currency. It caused the necessity of converting some values with different exchange rates.
3. Implementation - the implementation structure is very complicated, i.e. too many different institutions are involved in the implementation of the Programme.
4. Continuity in information must be better guaranteed by the Regional Info Points.

## 3 Programme Strategy

This chapter provides a programme strategy build on the analysis carried out in Chapter 2. It aims at the best use of existing strengths and attainable opportunities as well as presenting a coherent and effective response to the identified weaknesses.

This chapter defines the main goal and objectives of the programme and identifies priority axes for cross-border co-operation. Also the main findings of the ex-ante evaluation are presented here.

### 3.1 Overall Strategic Goal

The Lithuanian-Polish CBC programme shall attempt to contribute to the better integration of the two countries into the wider European political and economical space in so doing preserving their national identity and addressing the challenges of the Lisbon and Gothenburg strategies. The CBC programme shall facilitate the socio-economic cohesion of the border regions, promote their sustainable development, increase competitiveness and ensure social welfare by jointly addressing identified weaknesses, sharing knowledge and experiences and applying the synergy effect. The programme shall address issues that need intervention on both sides on the border. It is also important that the programme becomes an integral part of Lithuanian and Polish regional policies contributing to the achievement of their strategic goals and objectives. In addition, attempts shall be made to focus on the needs and interests of the local population, improvement of their living environment and welfare and ensuring that people may benefit from tangible results of the programme, which is not always the case of large national programmes.

**The overall strategic goal** of the programme is to foster the sustainable economic and technological growth of the border region, secure economic and social welfare for its inhabitants and reduce regional disparities

### 3.2 Specific Objectives

The overall strategic goal of the programme can be further developed into a number of specific objectives contributing to the achievement of the main goal. These objectives more precisely specify the programme intervention areas and tools.

It is expected that the broad range of activities aimed at the improvement of physical, road/railway and environmental infrastructure, tourism, socio-economic cohesion, business support, innovation, employment promotion measures shall be financed from the Structural/Cohesion Fund programmes on national basis.

Being small and specific, this CBC programme shall concentrate on solving the problems and exploring the opportunities of a clear cross-border character, focusing on support of cross-border synergies, networks, partnerships, people-to-people contacts and institutional cooperation.

The programme shall address the following **specific objectives**:

- **To increase the competitiveness of the border regions and improve access to markets across the border** (this objective emphasises encouragement of technology transfers and innovations, common actions in science and research, development of the SME sector, introduction of EU quality standards, economical diversification, business co-operation and networking, promotion of tourism, etc);

- **To eliminate the physical obstacles to cross-border co-operation, to facilitate the joint improvement of infrastructure located on both sides of the border and to tackle common challenges** (this objective emphasises the development and modernisation of strategic infrastructure and networks in the border area, improvement of accessibility, effective use of energy resources, solution of environmental problems, etc);
- **To reduce the peripheral character of cross-border areas, thereby improving living standards, and to overcome specific development problems** (this objective emphasises the development of new and strengthening of existing co-operation networks in the areas of education, public health care and social security, culture, sports, tackling unemployment, minority and migration problems, elaboration of joint development strategies and documents, improving co-operation, etc.)
- **To preserve and promote the historical and cultural identity of the cross-border area** (this objective emphasises the preservation and promotion of cultural and historical heritage, cultural and historical studies and research activities, strengthening of links and co-operation in this area, organisation of cross-border cultural events, promotion of the region's image, increasing vitality of local communities, etc.)

### **3.3 Priority Axes**

The socio-economic analysis of the border region (Chapter 2) outlines good opportunities to actively develop Lithuanian–Polish cross-border co-operation due to the following main factors: a relatively equal level of economic development, good geographical position, valuable natural resources, active Euroregions, minority populations across the border. The countries also have a common historical and cultural heritage as well as religious identity. Also a substantial experience of already implemented common programmes and lessons learned from the earlier Neighbourhood Programme are favourable factors in developing bilateral cross-border co-operation.

One of the main strengths of the border region is a favourable geographical location on South-North and East-West transport and transit routes, but currently the border region can not be considered as economically advantageous and faces the usual socio-economic problems of periphery areas: vague business development (underdeveloped SME's sector, sharp differences in entrepreneurship between counties/regions), low development of innovations and technology, globalisation trends, outdated infrastructure, emigration of the population (mainly the young and well educated) to larger towns and more developed regions, social, health and environmental problems, and low living standards compared to central cities.

Taking into account the SWOT analysis and lessons from previous programmes, two broad priority axes can be established:

1. Investment in cross-border physical infrastructure, supported by economic and scientific/technological co-operation in order to increase competitiveness and growth of productivity in the region and improve living standards.

This priority axis could cover modernisation of infrastructure networks/objects located close to the border, implementation of joint initiatives aiming at business promotion, improvement of the investment climate, strengthening of business contacts, development of high technologies and innovations, introduction of EU quality standards, economical diversification, business co-operation and networking, promotion of tourism, effective use of energy resources, solution of environmental problems, elaboration of joint regional development documentation.

2. Strengthening of cross-border cohesion and solution of social problems through the promotion of regional and local level cross-border initiatives and community contacts; preservation of cultural and historical identity

This priority axis could cover human resources development, establishment/improvement of joint services and infrastructure in the labour market, education, health and security (police, fire-fighters) areas, development of new and strengthening of existing co-operation networks in these areas, joint actions in tackling unemployment, emigration and minority issues; preservation of cultural and historical heritage. In addition, activities undertaken within priority 2. will support small-size local initiatives and promote cross-border cooperation through the implementation of micro projects based on “people to people” actions.

The implementation of priority axes is further developed in Chapter 4 “Priorities of the Programme”. It is intended that both priority axes may be implemented through combined projects, which could involve both “soft” and “hard” (supply+works) components.

### **3.4 Guiding Principles for Implementation**

This CBC programme shall be implemented taking into account the EU principles for assistance and horizontal policies. The guiding principles for the implementation of the programme are:

#### ➤ **Cross-border partnership**

In striving to achieve the programme’s objectives, it is strategically important to emphasise the cross-border character of the programme in order to avoid it becoming an alternative funding source for large scale infrastructure projects of clearly national (and not cross-border) relevance and importance.

Therefore clear criteria in selecting operations shall be applied. All operations must:

1. have a clear element of partnership, co-operation or joint activity across the border;
2. be of local/regional importance;
3. imply at least two of the following principles: joint development, joint implementation, joint staffing and joint financing;
4. be implemented by at least two eligible partners from different countries

In addition, infrastructure operations must:

1. have a clear physical impact on both sides of the border;
2. be located (Option 1: within 50/100 km from the border; Option 2: in border municipalities/voivodships).

**PL: The proposed options should be discussed and decided during the next Task Force Meeting in Lithuania.** Polish proposal is to have mixed Option 1 and Option 2., i.e. due to the potential difficulties with counting exact distance from the border, we strongly state that the infrastructure projects should be located in the exact municipalities!!! In our understanding the eligible municipalities could be **not only the border municipalities** . We propose to point out the exact municipalities, i.e. these municipalities, which are ca. 100 km away from border. The list of eligible municipalities will be attached to the OP document or described in the document for the applicants?!

#### ➤ **Gender equality and equal opportunity:**

This principle should be integrated into every stage of implementation of operations: design, implementation, monitoring and evaluation. The programme managing and monitoring structures

should have equally balanced staff. The managing and monitoring institutions shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or disability, age or sexual orientation. In particular, accessibility for disabled persons shall be one of the criteria to be observed in selecting operations for financing.

➤ **Sustainable development**

This principle corresponds to the main strategic goal of the programme. The programme is placing great importance to the Lisbon and Gothenburg strategies by aiming at strengthening socio-economic growth, competitiveness and employment, securing social inclusion, as well as at improving quality of life and the natural environment of the cross-border region. Durable and continuous economic, social and ecological benefits shall be criteria to be observed in selecting operations for funding.

### **3.5 Types of Interventions**

The programme shall be implemented through 3 types of intervention:

#### **1. Open call operations**

This is the most common type of operation and it is estimated that the majority of the programme's funds shall be distributed to finance such projects under both programme priorities. The operations shall be selected on a competitive basis through regular open calls for applications. The detailed description of the application and selection process is provided in Chapter 8. "Provisions on the implementation of operations".

#### **2. Strategic projects**

The operations solving essential problems, important for the stable development of the whole cross-border area and having a strong political backup at the national level can be considered of strategic importance. A list of such project may be established on an **annual basis** and approved by the Joint Monitoring and Steering Committee. Strategic projects must have a clear cross-border impact, be ready for implementation and address the objectives of the programme priorities and eligibility rules. Strategic projects shall be financed without competition with other applications submitted through the open calls for applications. The co-financing rate for these projects shall be determined by the Joint Monitoring and Steering Committee on a case-by-case basis.

#### **3. Small Project Fund(s) (SPF)**

Small operations (the grant size per operation being up to €100.000) can be implemented through the Small Project Fund(s), using simplified application forms and ensuring a quicker decision taking process. The management of such fund(s) shall be delegated to a regional/local level public or non-profit organisation(s) (or consortium), involving representatives from both Lithuania and Poland thereby implying the principle of subsidiarity. The managing institution(s) shall be nominated by the Joint Monitoring and Steering Committee (JMSC) on the basis of an application for an "umbrella" project.

The selected institution(s) shall be responsible for preparation of fund management guidelines, guidelines/manuals for applicants and application materials as well as administrating open calls for applications and organising evaluations. The fund administration costs shall be considered in the umbrella project budget

Operations funded through the SPF(s) shall be "soft" (with a limited supply element), comply with the objectives of programme priorities and all eligibility rules. All the particular provisions concerning the acceptable percentage of supply element should be described in the Guidelines

for applicants. Preparatory activities for infrastructure projects can be eligible for assistance through micro projects.

Specific provisions for SPF are outlined in Chapter 8 “Provisions for the implementation of operations”

Taking into account the shortage of financial resources of non-governmental organizations in the border region and lack of possibilities for obtaining bank loans, it is intended to introduce the **opportunity of advanced payments** within the Small Project Fund.

## **3.6 Compliance with Community Strategies and Guidelines**

### **3.6.1 The Lisbon and Gothenburg Strategy**

This CBC Programme is compliant with the main EU strategic documents, notably with the Lisbon and Gothenburg strategies.

The Lisbon strategy, adopted in March 2000 in Lisbon, aims at:

- Preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market;
- Modernising the European social model, investing in people and combating social exclusion;
- Sustaining the healthy economic outlook and favourable growth prospect by applying an appropriate macro-economic policy mix.

In June 2001 in Gothenburg the EU agreed a strategy for sustainable development which completes the Union's political commitment to economic and social renewal, adding an environmental dimension to the Lisbon strategy.

In March 2005 the strategy was renewed taking into account a new Partnership for Growth and Jobs, proposed by the Commission. This renewed effort required that “the Union must mobilise all appropriate national and Community resources, including cohesion policy”. In addition, it concluded that greater ownership of the Lisbon objectives on the ground was necessary, involving regional and local actors and social partners. This is of particular importance in areas where greater proximity is essential, such as innovation and the knowledge economy, employment, human capital, entrepreneurship, support for SMEs or access to risk capital financing.

As a next step the European Commission published, as one of the instruments to deliver the Lisbon Strategy, a project of a strategic document indicating the directions for the implementation of the EU cohesion policy in 2007-2013, i.e. Communication on Cohesion Policy in Support of Growth and Jobs: **Community Strategic Guidelines, 2007-2013**<sup>1</sup>. This document proposed the guidelines, and within them the structure of the cohesion policy priorities at the Community level, constituting the basis for the preparation of the strategic and programming documents by the Member States.

In January 2006, in the first Annual Progress Report on the Lisbon strategy it was recommended that Member States ensure that Community cohesion and rural development investment is targeted towards supporting the Lisbon strategy in general and that the new generation of cohesion policy programmes address the following priority actions: 1) investing more in

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<sup>1</sup> *Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013*, COM (2005) 299, 11 July 2005.

knowledge and innovation; 2) unlocking business potential, particularly of SMEs; 3) responding to globalisation and ageing; 4) moving towards an efficient and integrated EU energy policy.

Priority axes of this CBC programme are fully compliant with the main objectives and priority areas of the Lisbon and Gothenburg strategies, targeting innovation and knowledge, SME development, social and people-to-people actions, sustainable growth and environmental protection.

The CBC strategy is also compliant with Lithuania's National programme for the adoption of the Lisbon strategy, contributing to the achievement of the main strategic objectives of this programme:

- Support rapid economic growth and microeconomic stability, and seek membership in the EU economic and monetary union;
- Strengthen the competitiveness of Lithuanian enterprises;
- Promote employment and investment in human capital.

The National programme also emphasises the sustainable use of energy sources and preservation of landscape and biodiversity.

In Poland, the recommendations included in the Community Strategic Guidelines (CSG) 2007-2013 are transposed to the national level by the National Strategic Reference Framework for 2007-2013, which is a strategic document containing the description and justification of the selected priorities in the context of objectives and priorities provided for in the CSG, delivered by the particular operational programmes.

### **3.6.2 The EU Cohesion Policy 2007-2013**

When looking at separate policies that together form the Lisbon ambitions in relation to innovation and the knowledge economy, one can observe many regional imbalances that characterise the present situation. The Fourth Progress Report on Cohesion adopted in February 2006 confirmed that the enlargement of the Union presents an unprecedented opportunity to reinforce both economic competitiveness and the internal cohesion in Europe.

More broadly concerning the territorial aspect, the pattern of development perspectives challenging regional development policy in the coming decade is likely to include:

- A continuation of the catching up process in central and eastern Europe;
- A stronger development of metropolitan areas in the East and West and growing pressures on a number of rural areas;
- Growing negative impacts of the demographic progression (ageing population) on regional labour markets.

This overall situation represents significant challenges for the EU's territorial cohesion and undoubtedly calls for more intensive cross-border and interregional co-operation to improve the quality of EU regional policy interventions.

This territorial component shall be fully part of the 2007-2013 EU Cohesion policy. In that respect, the Rotterdam Agenda on territorial cohesion, due to be adopted in May 2007, emphasises the need for reinforced European co-operation. In light of the Lisbon strategy for sustainable economic growth, the key challenge for strengthening territorial cohesion implies enhancing the territorial capital and potentials of all EU regions and promoting territorial integration, i.a. promoting trans-European synergies and clusters of competitive and innovative activities.

According to the 2007-2013 Community Strategic Guidelines on Cohesion, adopted in October 2006, programmes co-financed through a cohesion policy should seek to target resources on the following three priorities:

- Improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving the environment;
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies;
- Creating more and better jobs by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

The new strategic framework is articulated around three objectives, namely convergence, regional competitiveness and employment, and European territorial co-operation. The latter aims at promoting stronger integration of the territory of the Union in its entire dimension, including cross-border co-operation.

This CBC programme contributes to the above listed priorities at the micro-level; strengthening integration and promoting development of the Lithuanian and Polish border regions.

### **3.7 Compliance with National Strategies and Programmes**

This overall strategic goal and the priority axes of this CBC programme are fully compliant with main Lithuanian and Polish national strategies and programmes. The most important documents are the following:

- Long Term Development Strategy for the State (Lithuania)
- Long Term Economic Development Strategy of Lithuania until 2015
- Strategy for the use of structural funds for 2007-2013 (Lithuania)
- Regional Policy Strategy of Lithuania until 2013
- National Strategic Reference Framework 2007-2013 (Poland)
- National Development Strategy for 2007-2015 (Poland)

In addition, the priorities of the CBC programme are in compliance with the national sectoral strategies and programmes (which, in their turn, are compliant with the above listed main strategic documents).

#### **3.7.1 Long Term Development Strategy of the State (Lithuania)**

This Strategy was adopted by the Lithuanian Parliament in November 2002. It covers the main policy areas, including state policies such as finance, foreign policy, legislation, public administration, etc. In addition, the Strategy sets development objectives for the main sectors of the Lithuanian economy. The CBC programme complies with a number of objectives in different sectors, in particular:

- **Regional Development:** develop a technical and social infrastructure of the regions on the basis of the principles of sustainable development; increase the competence of human resources of the regions; promote co-operation project of the regions, including the Baltic Sea Region; develop the information infrastructure of the regions
- **Environmental protection:** implement the principle of sustainable development; create preconditions for a rational use, preservation and recovery of national resources; ensure adequate quality of the environment having regard to EU norms and standards;

- **Social security:** increase employment and improve job quality; develop social assistance and eradicate poverty and social exclusion; improve the quality of life and strengthen social partnership;
- **Health:** form the principles of a healthy lifestyle and healthcare in society; promote physical culture and sport;
- **Business industry:** develop (regional) SMEs; develop science and technologies; improve qualifications of employees of SMEs;
- **Energy:** use indigenous and renewable energy sources; increase energy efficiency;
- **Knowledge economics and e-business:** develop international cooperation by creating and spreading virtual centres of science and innovation,
- **Tourism:** actively create an image of Lithuania as an attractive tourism country; expand the diversity of the sector of accommodation, tourist services and entertainment at tourism centres and recreational areas.
- **Culture:** preserve and foster the identity of national culture; promote openness of national culture; provide conditions for the participation of the public in cultural activities; develop the information society

### 3.7.2 Long term Economic Development Strategy of Lithuania until 2015

This Strategy was prepared on 2002 and elaborates the vision of the national economy, state economic development mission and strategic objectives (such as political, social and economic goals) by the year 2015. The strategy is broad and covers all sectors of the economy as well as state policy, economic reforms, key actions and main measures for implementing the vision, mission and strategic objectives.

The Strategy outlines the following main strategic goals:

- stable economic development;
- healthy natural environment at present and for future generations;
- personal safety in terms of physical, legal and social aspects;
- development of human capital;
- development of civil society

The Lithuanian-Polish CBC programme for 2007-2013 is mostly consistent with the objectives described under the economic development policy of regions, in particular:

- **Assurance of favourable conditions for investments into regional economy** through the development of investment attractiveness of regions, development of the networks of collaboration and cooperation between regional industrial companies;
- **Development of technical and social infrastructure of regions on the basis of principles of sustainable development** through the provision of indirect local financial support for business (support for the organisation of conferences, fairs, business missions, dissemination of business information), development of infrastructure of support for small and middle scale business (business information centres, etc.), arrangement of programmes on harmonious quality management and introduction of ecologically clean manufacturing at regional companies.
- **Boosting of competence of regional human resources** through the support of projects of development of business and human resources in regions, arrangement and implementation of programmes on consulting and training of economic entities, elaboration of special purpose programmes for professional training and boosting of employment, support of regional cooperation projects, including the region of the Baltic Sea.
- **Creation of information society through the development of information infrastructure of the region** through the encouragement of creation of economic development centres: business incubators, parks of science and technologies, industrial zones, development of information infrastructure and expansion of the network of science

and education institutions in regions, implementation of programmes for the use of modern information technologies for the improvement of the business environment.

### 3.7.3 Strategy for the use of Structural Funds for 2007-2013 (Lithuania)

This strategy identifies three main priority axes for the EU funding for 2007-2013:

1. **Productive human resources for the knowledge economy:** this priority aims to attract the population to the labour market through the establishment of new good quality working places, to promote active life-long learning, to develop a highly qualified labour force and ensure more effective public administration to prevent “brain drain” to foreign countries;
2. **Competitive economy:** this priority emphasises the development of high added-value businesses, SME development, investment into innovation and new technologies, strengthening of the economic infrastructure;
3. **Quality of life and cohesion:** this priority aims at the better use of regional and local natural and cultural resources, tourism development and improvement of tourism services, improvement of regional infrastructure for better quality of life, improvement of quality and accessibility of public services (mainly in education and health areas), promotion of use of renewable energy sources, environmental protection, strengthening of social inclusion.

This CBC programme shall contribute to the achievement of the above priorities at the regional level.

### 3.7.4 Regional Policy Strategy of Lithuania until 2013

This Strategy was adopted by the Lithuanian Government in May 2005. It sets up the strategic goal, priorities, objectives and measures of Lithuania’s regional policy and development until the year 2013. Among 5 regional centres, the strategy identifies Alytus, Marijampole and Taurage as the main regional centres for the development and implementation of the measures and achievement of the objectives outlined in this strategy. These centres as priority areas were chosen mainly due to their location in the most poorly socially developed counties of Lithuania.

This Strategy aims at:

- Strengthening the competitiveness of industry and businesses of the regional centres through the implementation of innovations and new technologies;
- Establishing favourable conditions for business development, cooperation and clustering in the regional centres;
- Promoting the supply of services for business in the regional centres;
- Supporting the development of human resources;
- Fostering the integration of the regional centres and surrounding areas

The CBC strategy is compliant with the above objectives.

### 3.7.5 National Strategic Reference Framework 2007-2013 (Poland)

The “National Strategic Reference Framework (NSRF) in support of growth and jobs” was adopted by the Council of Ministers on 29 of November 2006. The NSRF constitutes a basis for programming of interventions of the European Regional Development Fund (ERDF), the European Social Fund, (ESF) and the Cohesion Fund. At the same time the document should ensure that the assistance granted from the Funds is consistent with the CSG and identify a link between the Community priorities on the one hand and the National Reform Programme, on the other hand.

The “National Strategic Reference Framework in support of growth and jobs” is the document defining development measures that are to be undertaken by the Polish government in the period of 2007-2013 in terms of promoting sustainable economic growth, increase of competitiveness and growth of employment. At the same time the NSRF serves to ensure effective assistance for regions and vulnerable social groups, and assistance in restructuring sectors and regions with problems.

The strategic goal of the National Strategic Reference Framework is the creation of the conditions for the growth of competitiveness of the Polish economy based on knowledge and entrepreneurship assuring an increase in employment and in the level of social, economic and territorial cohesion of Poland within the European Union and inside the country.

The strategic objective shall be achieved through the delivery of horizontal specific objectives which means that all programmes, activities and projects taken up under the NSRF are implemented simultaneously, however in a different scope<sup>2</sup>.

The horizontal objectives of the NSRF are:

- Improvement of quality of functioning of the public institutions and development of partnership mechanisms;
- Improvement of human capital and increase of social cohesion;
- Development and modernisation of technical and social infrastructure which has the fundamental importance for growth of the competitiveness of Poland;
- Improvement of the competitiveness and innovation of Polish enterprises, including in particular productive (manufacturing??) sector with a high level of added value and development of the service sector;
- Increase of the competitiveness of Polish regions and prevention of their social, economic and territorial marginalisation;
- Alignment of development opportunities and support for structural changes in the rural areas..

### **3.7.6 National Development Strategy for the years 2007-2015 (Poland)**

The National Development Strategy (NDS) is a basic strategic document that determines objectives and priorities of the Polish development strategy in the perspective of the years to 2015, as well as the conditions, which should facilitate said development. It shall constitute a reference basis for other governmental strategies and programmes and those elaborated by local-government units. On 2006 June 27, the Council of Ministers accepted the above-mentioned draft document.

The Strategy outlines the following priorities to be implemented:

- Increase of competitiveness and innovation of the economy;
- Improvement of technical and social infrastructure;
- Growth of employment and improvement of its quality;
- Development of integrated social community and its security;
- Rural areas development
- Regional development and increase of territorial cohesion.

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<sup>2</sup> POLAND - National Strategic Reference Framework 2007-2013 in support of growth and jobs, Ministry of Regional Development, Warsaw, November 2006, p. 4, 41-42).

### **3.7.7 Other national strategies and programmes (Poland)**

The National Strategic Reference Framework (NSRF) for the years 2007-2013 and the Development Strategy of Poland 2007-2015 are the key strategic Polish documents in the new financial perspective. These documents are superior to other strategies and programmes at the national, regional and local level.

The most significant strategies, from the OP point of view, would be the following documents:

- National Strategy for Regional Development for 2007-2013;
- Strategy of Socio-Economic Development of Eastern Poland up to 2020;
- Strategy of Podlaskie Voivodeship Development;
- Strategy of Warmińsko-Mazurskie Voivodeship Development.

The OP document should also comply with the provisions and actions carried out under Polish Operational Programmes, in particular:

- Draft Operational Programme Development of Eastern Poland 2007-2013 – which covers the following voivodeships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie, Warmińsko-Mazurskie;
- Draft Regional Operational Programme (ROP) of Podlaskie Voivodeship 2007-2013;
- Draft Regional Operational Programme (ROP) of Warmińsko-Mazurskie 2007-2013.

### **3.8 Indicative Breakdown by Category**

<to be completed>

### **3.9 Summary of the Ex-ante Evaluation**

<to be completed>

## 4 Priorities of the Programme

### **4.1 Priority 1: Competitiveness and productivity growth of the cross-border region through the development of cross-border infrastructure and business co-operation (PL propose to spend 50 % on this Priority)**

#### **4.1.1 Description**

The geopolitical situation of the Lithuanian-Polish cross-border region located between the EU markets in the west and large markets of the CIS countries to the east creates good opportunities for the development of transit related economies and businesses with high exporting potential. However, the socio-economic analysis shows that the competitiveness and growth of the border area is hampered by underdeveloped infrastructure, an industrial structure oriented towards a poorly qualified work-force, old technologies, large differences in entrepreneurship between counties/regions and insufficiency of good quality business services, not fully used tourism potential as well as environmental problems.

Therefore this priority is oriented at the:

- **Modernisation of infrastructure networks/objects located close to the border and contributing to the economic growth and sustainable development of the whole border**

Emphasis shall be placed on the development of local transport, logistics, energy, environment, IT infrastructure and networks, local roads networks and local and regional logistic centres, in turn leading to the promotion of transit activities, improvement of border crossing permeability activities, elaboration and implementation of joint spatial and regional development plans and strategies, sectoral activity plans (environment, energy, etc.);

- **Promotion of business co-operation and entrepreneurship**

Emphasis shall be placed on the encouragement of co-operation, building of new contacts and exchange of experiences, implementation of joint initiatives aiming at business promotion, economical diversification, scientific and technological cooperation, improvement of the investment climate and SME conditions as well as other actions contributing to economic growth and increased competitiveness of the region's enterprises and reduction of regional disparities through the application of the synergy effect;

- **Development of sustainable cross-border tourism**

Emphasis shall be placed on the development and improvement of quality of joint tourism products and services and their diversification, joint tourism marketing, promotion of the region's image, improvement/establishment of small-scale tourism related cross border infrastructure and renovation of cultural/historical heritage objects of cross border importance.

This priority shall mainly support "hard" infrastructure projects as well as preparatory activities for such projects (development plans, joint strategies, feasibility studies, design documentation). However the support of "soft" activities mainly under "promotion of business cooperation and entrepreneurship" and "development of sustainable cross border tourism" shall also be eligible.

#### **4.1.2 Main Objectives**

The main objectives of this priority are:

- To promote sustainable economic growth of the cross-border region;
- To develop and modernise the region's physical infrastructure in accordance with EU requirements;

- To strengthen the business environment, increase competitiveness and export potential;
- To promote cross border tourism and recreation.

### 4.1.3 Supported Activities

The following activities can be supported (**non-exhaustive list**):

- Elaboration and implementation of joint spatial development plans, regional and sectoral development studies, programmes and strategies, project design documentation;
- Development and modernisation of cross-border small-scale transport, environment, energy, IT infrastructure and networks;
- Establishment of cross-border monitoring, management systems and databases;
- Common management of water/land resources and protected territories;
- Co-operation and networking between sectoral associated business structures;
- Joint development of specialised programmes to meet business needs, exchange business knowledge and experience;
- Implementation of cross-border projects and activities in the areas of innovation and introduction of new technologies;
- Development of GIS;
- Development of cross-border tourism infrastructure and networks;
- Promotion and diversification of tourism products;
- Renovation of cultural/historical infrastructure.

### 4.1.4 Target Groups

The main target groups are:

- Regional and local authorities; bodies providing public services commissioned by these authorities; other legal entities with the participation of these authorities or acting on their behalf;
- Central bodies on behalf of regional and local representations responsible for carrying out public tasks at a regional/local level;
- Regional and local representations of central government responsible for carrying out public tasks at a regional/local level;
- European Groupings of Territorial Cooperation (EGTC)
- Cross-border organisations (i.e. euroregions);
- Business associations and structures, Chambers of Commerce;
- Cultural, scientific, research and educational institutions;
- NGOs – associations, foundations and other non-profit organisations;
- National and Regional Parks, Landscape Parks;
- Tourism organisations and centres;
- Officially registered state institutions not having legal personality (in case of Poland).

## **4.2 Priority 2: Strengthening of cross-border cohesion and improvement of living standards (PL propose to spend 44 % on this Priority)**

### 4.2.1 Description

Strong co-operation between the local population of the cross-border region, a solution to social problems, the creation of an attractive living environment, strengthening of the local market and encouragement of development initiatives at local and regional levels are all indispensable to ensuring balanced development, reduction of peripheral restrictions and economic backwardness. Both countries forming the cross-border region are connected 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, many various-level educational institutions, and a relatively cheap labour force. However, living standards are quite low; the region suffers from social problems, underdeveloped material bases in education and health care institutions, a lack of attractive activities and occupations for young people, high rate of unemployment in the Polish part of the region, etc.

Therefore this priority is oriented at the:

➤ **Development of new and strengthening of existing co-operation networks in the areas of education and labour, social and health care, culture and sports**

Emphasis shall be placed on strengthening the co-operation of local communities, NGOs, administrative structures and socio-economic partners, establishment of new cross-border co-operation networks and structures in order to improve administrative and managerial capacities at the local and regional levels, improvement of the quality of education and an increase of accessibility to life long learning, provision of high quality health and social care, promotion of equal opportunities, work mobility and flexibility, improvement of adaptability of employees to meet market needs, enhancement of qualifications, skills and self-confidence, and improved social partnerships resulting in enhancement of social cohesion.

➤ **Improvement of living environment**

Emphasis shall be placed in particular on the preservation and joint management of natural resources and protected areas, promotion of renewable energy sources, improvement of education, health and social infrastructure and development of joint public services

➤ **Preservation of regional cultural/historical identity and heritage**

Emphasis shall be placed on the preservation and promotion of the cultural and historical heritage of the cross-border region's countries, strengthening of cultural links and co-operation, support of cultural and sport events across the border, improvement of the region's image and its attractiveness, integration of minority populations across the border and increasing the vitality of local communities.

## 4.2.2 Main Objectives

The main objectives of this priority are:

- To promote regional and local level cross-border initiatives and community contacts through acknowledging their diversities and strengthening of existing co-operation networks;
- To establish an attractive and secure living environment for the local population;
- To reduce peripheral backwardness and social exclusion.

## 4.2.3 Supported Activities

The following activities can be supported (**non-exhaustive list**):

- training, skill raising, re-qualification, on the job training activities and common education programmes (including distance education);
- development of cross-border employment initiatives and integration of socially vulnerable groups into the labour market;
- establishment of networks involving various level and sector regional and local institutions;
- implementation of joint strategies, cross-border activities, visits and exchanges of experience in the areas of human resource development, civil protection, crime prevention, social care, health, sports, and culture;
- establishment/improvement of cross-border health, social and educational infrastructure and establishment of common public services, databases, registers, strategies, etc.;

- common training, monitoring and management of natural resources and protected territories, ecological corridors;
- common projects/activities in the promotion and use of biomass energy resources, geothermal, hydro, wind and solar energy;
- development of energy saving strategies and facilities;
- planning and management of common activities and measures for emergency situations (natural and technological catastrophes and accidents, pollution, etc.);
- exchange of experience and joint training for crime prevention and security;
- cultural and historical studies and research activities, establishment of common databases of cultural and historical objects;
- exchanges of experience in renovation of architectural historical monuments/objects

#### **4.2.4 Target Groups**

The main target groups are:

- Regional and local authorities; bodies providing public services commissioned by these authorities; other legal entities with the participation of these authorities or acting on their behalf;
- Central bodies on behalf of regional and local representations responsible for carrying out public tasks at a regional/local level;
- Regional and local representations of central government responsible for carrying out public tasks at a regional/local level;
- European Groupings of Territorial Cooperation (EGTC)
- Cross-border organisations (i.e. euroregions);
- Cultural, sports, labour market and educational institutions and associations;
- Environmental and energy organisations
- NGOs – associations, foundations and other non-profit organisations;
- Local communities
- National and Regional Parks, Landscape Parks;
- Officially registered state institutions not having legal personality (in case of Poland).

### **4.3 Priority 3: Technical Assistance**

#### **4.3.1 Description**

Technical Assistance (TA) from the Cross-Border Co-operation Programme shall be used to finance costs related to the preparation, administration and management, information, publicity and training, development and operation of computerised data exchange systems, acquisition of necessary equipment, monitoring, evaluation and control of the programme. The Joint Technical Secretariat of the programme shall be financed from the TA budget.

In accordance with Article 46 of General Regulation, 6% of the total amount allocated under the European territorial co-operation objective shall be used for the TA purposes.

#### **4.3.2 Main Objectives**

The main objectives of this priority are:

- To ensure a smooth and effective management of the programme;
- To ensure timely and efficient commitment and disbursement of programme funds;
- To advise/train applicants and beneficiaries;
- To ensure widespread information about the programme and dissemination of results.

### **4.3.3 Supported Activities**

The following activities can be supported (**non-exhaustive list**):

- Assistance for generation, preparation and assessment of operations (meetings and activities of institutions responsible for programme administration and management, JMSC, Task Forces and working groups, external expertise and studies, seminars/training of potential applicants, equipment, documentation, etc.);
- Administration and management of the programme (meetings and activities of institutions responsible for programme administration and management, external expertise and studies, seminars/training to beneficiaries, equipment, documentation, etc.);
- Evaluation and control (evaluations, external expertise and studies, audits and on-the-spot checks, seminars and trainings, documentation, etc.);
- Information, publicity and awareness raising measures (publications, events, networking, websites, media, visual identity, equipment, documentation, exchange of experience, etc.);
- Elaboration of relevant studies and databases;
- Installation, operation and interconnection of computerised data exchange systems.

### **4.3.4 Target Groups**

The main target groups are:

- Programme management, administration and monitoring institutions and structures;
- Applicants and beneficiaries of operations.

## ➤ Programme Indicators

This chapter describes the indicators that measure the achievement of the set objectives for each priority. Mainly output and result indicators are used.

### 4.4 Programme Core Indicators: Degree of Co-operation (PL: the drafter should provide and propose the values of each indicator)

Indicator	Baseline value (where relevant)	Target (for 2013) (where relevant)	Information source
No of projects representing <b>two</b> of the main CBC criteria*	-	Min. xxx	Programme reports
No of projects representing <b>three</b> of the main CBC criteria*	-	Min. xxx	Programme reports
No of projects representing <b>four</b> of the main CBC criteria*	-	Min. xxx	Programme reports

Main CBC criteria: joint development, joint implementation, joint staffing, joint financing

### 4.5 Indicators by Priority

Priority 1: Competitiveness and productivity growth of the cross-border region through the development of cross-border infrastructure and business co-operation				
Type	Indicator	Baseline value (where relevant)	Target (for 2013) (where relevant)	Information source
<b>Output</b>	No of projects developing joint infrastructure and/or joint use of infrastructure (transport, environment, energy, IT)	-	Min. xxx	Programme and project reports
	No of projects encouraging the development of cross-border business co-operation	-	Min. xxx	Programme and project reports
	No of projects developing joint cross-border tourism/cultural/historical infrastructure	-	Min. xxx	Programme and project reports
	No of elaborated spatial/regional development plans for the CBC region		Min. xxx	Programme and project reports
<b>Result</b>	Increased no of modernised border infrastructure objects	xxx	Xxx%	Programme and project reports, statistics
	Increased no of permanent business contacts	xxx	Xxx%	Programme and project reports, surveys, studies, statistics
	Increased no of common strategies and plans	xxx	Xxx %	Programme and project reports, surveys

	Increased no of CBC tourists	xxx	Xxx %	Statistics, surveys
<b>Impact</b>	Growing competitiveness of the CBC region: - increase in exports - increase in GPD - new working places	Xxx Xxx xxx	Xxx% Xxx% Xxx%	Statistics, studies, surveys, ex-post evaluation

<b>Priority 2: Strengthening of cross-border cohesion and improvement of living standards</b>				
Type	Indicator	Baseline value (where relevant)	Target (for 2013) (where relevant)	Information source
<b>Output</b>	No of people participating in joint training/re-qualification activities	-	Min. xxx	Programme and project reports
	No of people participating in joint activities and events across the border	-	Min. xxx	Programme and project reports
	No of projects developing collaboration in the field of public services	-	Min. xxx	Programme and project reports
	No of projects promoting common monitoring and management of natural resources and protected territories	-	Min. xxx	Programme and project reports
	No of projects promoting the use of renewable energy sources	-	Min. xxx	Programme and project reports
	No of projects developing cultural/historical studies and/or exchange of experiences	-	Min. xxx	Programme and project reports
<b>Result</b>	Increased no of people benefiting from CBC activities	Xxx%	X %	Programme reports, studies, surveys
	Increased no of local communities involved in CBC activities	Xxx %	X %	Programme reports, studies, surveys
	Increased no of people served and reached by public services	xxx %	X %	Programme reports, studies, surveys
	Increased use of renewable energy sources	Xxx	X%	Programme reports, studies, surveys
<b>Impact</b>	Improved living standards: - reduction of migration - reduction of unemployment - reduction of pollution (air/water) - increased no of people satisfied with their quality of life	Xxx Xxx Xxx xxx	X% X% X% X%	Statistics, surveys, studies, ex-post evaluation

## 5 Financial Plan

<to be completed>

	Total eligible cost	Public expenditure				Private	Other	Loans from EIB*
		Total public financing	ERDF	Rate of ERDF contribution (%)	National public contribution			
<b>2007-2013</b>								
Priority 1				85%				
Priority 2				85%				
Priority 3				85%				
<b>Total 2007-2013</b>								

Country Allocation	2007	2008	2009	2010	2011	2012	2013	<b>Total</b>
Lithuania	4 250 000	4 000 000	4 000 000	4 100 000	4 449 165	4 450 912	4 721 300	<b>29 971 377</b>
Poland	6 153 945	5 584 292	5 617 749	5 809 691	6 007 057	6 182 396	6 362 323	<b>41 717 453</b>
<b>Total</b>	10 403 945	9 584 292	9 617 749	9 909 691	10 456 222	10 633 308	11 083 623	<b>71 688 830</b>

## 6 Implementing Provisions for the Programme

This chapter aims at describing the bodies responsible for the programme's management and defining the tasks and functions of each of these bodies. The chapter also describes the interconnections between the different bodies, the programme monitoring, control and evaluation system and information and publicity measures. It also contains the section on financial flows and payments.

PL comment: we would like to underline once again that some provisions of this chapter, especially concerning management structure and monitoring and control issues, will be discussed between the partners during the next JTF meetings.

### 6.1 Management Structures

The Management of this Programme follows the provisions applicable for the management structure in accordance with Article 59 of the General Regulation<sup>3</sup> and is made up of:

- A single Managing Authority within the Meaning of Articles 59 and 60 of the General Regulation and Articles 14(1) and 15 of the ERDF regulation<sup>4</sup>;
- A single Certifying Authority within the Meaning of Articles 59 and 61 of the General Regulation;
- A single Audit Authority within the Meaning of Articles 59 and 62 of the General Regulation;
- A Joint Monitoring and Steering Committee (JMSC) within the Meaning of Article 63 of the General Regulation;
- A Joint Technical Secretariat for the operational management of the programme within the Meaning of Article 14(1) of the ERDF regulation.

Lithuania and Poland shall lay down rules governing their relations with the Managing Authority, the Certifying Authority and the Audit Authority and their relations with the European Commission.

#### 6.1.1 The Managing Authority

The Lithuanian and Polish programme partners agree that the function of the Managing Authority shall be delegated to the **Regional Policy Department** of the **Lithuanian Ministry of Interior**.

##### Contact details:

Address:	Sventaragio str. 2, Vilnius, LT-01510 Lithuania
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Fax:	+370 5 xxx
E-mail:	gediminas.cesonis@vrm.lt

The General Regulation (Article 60) requires the designation of a Managing Authority with overall responsibility for efficiency and correctness of management and implementation of the Programme, in particular for:

<sup>3</sup> Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

<sup>4</sup> Council regulation (EC) No1080/2006 of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999

- a. ensuring that operations are selected for funding in accordance with the criteria applicable to the operational programme and that they comply with applicable Community and national rules for the whole of their implementation period;
- b. verifying that the co-financed products and services are delivered;
- c. ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the operational Programme and that the data on implementation necessary for financial management, monitoring, verification, audits and evaluation are collected;
- d. ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- e. ensuring that the evaluation of operational Programmes referred to in Article 48(3) are carried out in accordance with Article 47 of the General Regulation;
- f. setting up procedures to ensure that all document regarding expenditure and audits required to ensure and adequate audit trail are held in accordance with the requirements of Article 90 of the General Regulation;
- g. ensuring that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- h. guiding the work of the Joint Monitoring and Steering Committee and ensuring that the Committee is provided with the documents required to permit the quality of the implementation of the operational programme to be monitored in the light of its specific goals;
- i. after approval by the Joint Monitoring and Steering Committee, submitting to the Commission the annual and final reports on implementation (the drawing up of these reports shall be delegated to the JTS);
- j. ensuring compliance with the information and publicity requirements laid down in Article 69 of the General Regulation.

Following the ERDF regulation, the Managing Authority shall also:

- ensure that the expenditure of each beneficiary participating in an operation has been validated by the controller referred to in **chapter xxx** of this Programme (Article 15(1));
- lay down the implementing arrangements for each operation in an agreement with the Lead Beneficiary (Article 15(2));
- set up the Joint Technical Secretariat (Article 14(1)).

The implementation of responsibilities of the Managing Authority shall comply with the Implementation Regulation<sup>5</sup>, in particular with reference to Articles 2, 3, 4, 5, 6, 7, 10, 13(1), 14(1), 15.

Furthermore the Managing Authority shall carry out the Monitoring functions referred to in **chapter xxx** of this Programme.

In carrying out its functions, the Managing Authority shall be assisted by the Joint Technical Secretariat. Where one or more tasks of the Managing Authority are delegated to the Joint Technical Secretariat the relevant agreements shall be formally recorded in writing.

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<sup>5</sup> Commission Regulation Nr. **Xxx/2006 of xxx** setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund

The **Polish Ministry of Regional Development** shall be the responsible body for the co-ordination of the implementation of the programme on the Polish side and shall be the main partner on the programme level for the Managing Authority.

**Contact details**

**Address:** Wspólna 2/4 00-926 Warsaw, Poland

**Telephone:** + 48 22 461-

**Fax:** + 48 22 461-

**E-mai:**

The main tasks of Polish Ministry for Regional Development shall be co-ordination, implementation and monitoring of the Programme and projects on the Polish side of the border area, i.e. in particular::

- gathering the reliable financial and statistical information on implementation, for the monitoring indicators and for evaluation, and forwarding these data in accordance with arrangements agreed between the Member State and the Commission;
- preparation of reliable reports concerning the Polish part of the eligible area in accordance with arrangements agreed between the Member State and the Commission;
- ensuring compliance with the obligations concerning information and publicity;
- ensuring compliance with Community policies;
- acting in full compliance with the institutional, legal and financial systems of the Member State concerned.
- ... to be completed

### 6.1.2 The Certifying Authority

The Lithuanian and Polish programme partners agree that the function of the Certifying Authority shall be delegated to the National Fund Department of the **Lithuanian Ministry of Finance**.

**Contact details:**

**Address:**

**Telephone:** +

**Fax:** +

**E-mail:**

The Certifying Authority shall be responsible for 1<sup>st</sup> level controls: certifying the overall reliability and quality of the operation's implementation before making payment claims to the European Commission.

Following Article 61 of the General Regulation, the Certifying Authority shall be responsible in particular for:

- a. drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b. certifying that:
  - (i) The statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
  - (ii) The expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the programme and complying with Community and national rules;
- c. ensuring for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditures;

- d. taking account for certification purposes of the results of all audits carried out under the responsibility of the Audit Authority;
- e. maintaining accounting records in computerised form of expenditure declared to the Commission;
- f. keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the operational Programme by deducting them from the next statement of expenditure.

Furthermore the Certifying Authority shall be responsible for the following function referred to in the General Regulation:

- at the latest by 30 April every year sending the Commission a provisional forecast of its likely payment applications for the current financial year and the subsequent financial year (Article 76(3));
- posting any interest generated by the pre-financing to the programme, being regarded as resource for the Member States participating in the programme in a form of a national public contribution. It shall be declared to the Commission at the time of the final closure of the programme (Article 83);
- sending requests for interim payments, as far as possible, on three separate occasions a year (Article 87(1));
- ensuring that the Lead Beneficiaries receive the total amount of the public contribution as quickly as possible and in full (Article 80).

Following the ERDF regulation, the Certifying Authority shall:

- receive the payments made by the Commission and make the payments to the Lead Beneficiary (Article 14);
- without prejudice to the Member States' responsibility for detecting and correcting irregularities and for recovering amounts unduly paid, ensure that any amount paid as a result of an irregularity is recovered from the Lead Beneficiary (Article 17(2)).

The implementation of responsibilities of the Certifying Authority shall comply with the Implementation Regulation, in particular with reference to Article 20.

### 6.1.3 The Audit Authority

The Lithuanian and Polish programme partners agree that the function of the Audit Authority shall be delegated to the **xxxx Lithuanian Ministry of xxx.**

**Contact details:**

**Address:**

**Telephone: +**

**Fax: +**

**E-mail:**

Following Article 62 of the General Regulation, the Audit Authority shall be responsible in particular for:

- a. ensuring that audits are carried out to verify the effective functioning of the management and control system of the programme;
- b. ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- c. presenting to the Commission within nine months of the approval of the programme an audit strategy covering the bodies which shall perform the audits referred to under

- paragraphs a) and b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period;
- d. by 31 December each year from 2008 to 2015:
- (i) submitting to the Commission an annual control report setting out the findings of the audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the programme and reporting any shortcomings found in the systems for the management and control of the programme. The first report to be submitted by 31 December 2008 shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration referred to in point (e);
  - (ii) issuing an opinion, on the basis of the controls and audits that have been carried out under the responsibility of the Audit Authority, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular;
  - (iii) submitting, where applicable under Article 86 of the General Regulation, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;
- e. submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

The implementation of responsibilities of the Audit Authority shall comply with the Implementation Regulation, in particular with reference to Articles 16, 17 and 18.

The Audit Authority shall ensure that the audit takes into account internationally accepted audit standards. Where the audits and controls referred to in paragraphs (a) and (b) are carried out by a body other than the Audit Authority, the Audit Authority shall ensure that such bodies have the necessary functional independence.

The Audit Authority shall be functionally independent of the Managing and Certifying Authorities. Pursuant to Article 14(2) of the ERDF regulation, the auditors shall be independent from the control system referred to in Article 16(1) and Chapter xxx of this programme.

#### Option 1 <to be decided>

Following the Article 14(2) of ERDF Regulation, the Audit Authority shall be assisted by a group of auditors comprising xxx representatives of each Lithuania and Poland. The group of auditors shall act pursuant to the rules of procedure xxx. and be chaired by the Audit Authority. The group of auditors shall set up within three months of the decision approving the CBC Programme.

(PL: Option no. 1 seems to be favourable, but the final decision has not been taken yet.)

#### Option 2

Following the Article 14(2) of the ERDF Regulation, The participating Member States may decide by unanimity that the audit authority is authorised to carry out directly the duties provided for in Article 62 of Regulation (EC) No 1083/2006 in the whole of the territory covered by the programme without the need for a group of auditors as defined in the first subparagraph.

#### 6.1.4 The Joint Technical Secretariat

In accordance with Article 14(1) of the ERDF Regulation, the Managing Authority shall set up a Joint Technical Secretariat.

Contact details:

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Telephone: +370 5 261 0497  
Fax: +370 5 261 0498  
E-mail: [info@interreg3a.org](mailto:info@interreg3a.org)  
WWW: [www.interreg3a.org](http://www.interreg3a.org)

The Joint Technical Secretariat shall be in charge of the day-to-day operational management of the programme and shall act as secretariat for the Joint Monitoring and Steering Committee (JMSC) and task forces set up by the JMSC.

The main tasks of the JTS shall be:

- assistance to the Managing Authority and the Joint Monitoring and Steering Committee, and, where appropriate, the Certifying Authority and the Audit Authority, in carrying out their respective duties;
- collection and provision of reliable financial and statistical information on implementation required for proper monitoring of the programme and evaluations;
- drawing up the annual implementation reports;
- distribution of information and implementation of publicity measures on the programme and its operations, including running of programme's website;
- organisation of activities to promote the programme and to support generation, preparation and implementation of operations;
- provision of information and advice to applicants, beneficiaries and the general public;
- preparation and making available of application forms and guidelines, manuals for applicants/beneficiaries and reporting templates;
- registration of the applications submitted and implementation of the assessment on their administrative compliance and eligibility;
- preparation of contract agreements;
- monitoring of progress made by operations through collecting and checking reports, monitoring outputs, results and financial implementation;
- carrying out the usual work of a secretariat, i.e. organisation of meetings, drafting of minutes, etc.;
- co-operation with organisations, institutions and networks relevant for meeting the objectives of the programme.

The JTS shall have international staff, representing nationals of both participating countries. The number and qualification of staff shall correspond to the functions described above.

The JTS shall be funded from the Technical Assistance budget.

#### 6.1.5 Other Bodies (PL proposal)

Given that the JTS would be placed in Lithuania, there should be some Polish regional institutions in order to assure direct contact with the applicants.

Within the Programme on the Polish side of the border Regional Contact (Info) Points shall be appointed in order to provide an effective programme promotion and information system. They shall be located in the Marshal Offices of the Podlaskie and Warmińsko-Mazurskie Voivodeships.

The main responsibilities of the Regional Contact Points shall be:

- regional consultations of potential beneficiaries (organisation of training, seminars, etc. targeted at potential applicants);
- assistance for potential project applicants in preparation of the application form;
- receiving copies of applications and carrying out the application completeness check (before they are sent to the JTS);
- information and advisory services on a local scale;
- co-operation with the Joint Technical Secretariat in programme promotion and publicity;
- regional “public relations”.

## **6.2 Programme Monitoring, Control and Evaluation Systems**

### **6.2.1 The Joint Monitoring and Steering Committee (JMSC)**

*(Following the General Regulation the JMSC is not a Managing but a Monitoring Structure, therefore it is described in this chapter)*

In accordance with Article 63 of the General Regulation, within three months from the date of the notification of the decision approving the OP, the Lithuanian and Polish partners shall set up a Monitoring Committee. Considering the limited size of this Cross- Border Co-operation 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 overall task of the JMSC is to ensure the quality and effectiveness of implementation and accountability of the programme’s operations.

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.

#### **6.2.1.1 Tasks of the JMSC**

In accordance with Article 65 of the General Regulation, the main tasks of the JMSC shall be to:

- a. consider and approve the criteria for selecting the operations financed within six months of the approval of the CBC programme and approve any revision of those criteria in accordance with programming needs;
- b. periodically review progress made towards achieving the specific targets of the operational programme on the basis of documents submitted by the Managing Authority;
- c. examine the results of implementation particularly the achievement of the targets set for each priority and the evaluations referred to in Article 48(3) of the General regulation;
- d. consider and approve annual and final reports on implementation referred to in Article 6 of the General Regulation;
- e. be informed of the annual control report, or of the part of the report referring to this CBC programme, and of any relevant comments the Commission may make after examining that report or that part of the report;
- f. may propose to the Managing Authority any revision or examination of the CBC programme likely to make possible the attainment of the Funds’ objectives referred to in Article 3 of the General Regulation or to improve its management, including its financial management;

- g. consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

Furthermore the Monitoring and Steering Committee shall:

- approve the application package before the first call for applications is launched by the Joint Technical Secretariat. The Committee shall be informed about amendments made to this application package and may additionally comment on it;
- select operations for funding (Article 19(3) of the ERDF Regulation), including the list of Strategic Operations;
- decide on the execution of evaluations as referred to in Article 46(3) of the General Regulation to be financed from the budget for technical assistance (Article 47(4) of the General Regulation);
- approve the communication plan (Article 2(2) of the Implementation Regulation);
- confirm the draft description of the management and control systems of the programme as required by Article 71(1) of the General Regulation and Article 23 of the Implementation Regulation before it is submitted to the European Commission by the Audit Authority (cf. chapter xxx);
- approve the Rules of Procedure, the work plan and the budget of the JTS;
- co-ordinate with other Community Programmes and Policies.

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.

#### **6.2.1.2 Composition and Procedures**

Pursuant to Article 14(3) of the ERDF regulation, each Member State participating in the OP shall appoint representatives to sit on the Joint Monitoring and Steering Committee. **Its composition shall be decided in agreement between the Member States participating in the Programme.** The JMSC shall draw up its own Rules of Procedure, laying down the detailed description of its tasks, responsibilities, composition, chairmanship and rules for decision making. The JMSC shall meet at least **twice?** a year.

To ensure efficiency and equal representation, the Lithuanian-Polish JMSC shall be composed of representatives from both the national and regional/local levels. The JMSC shall be composed of:

- a minimum of **three(?)** representatives per participating country;
- representatives of the European Commission, the Managing Authority, the Audit Authority, the Certifying Authority and the Joint Technical Secretariat may participate in an advisory capacity.

Selected social and economic partners and NGOs as well as environmental authorities from both involved countries may participate as observers or advisors to the JMSC. A representative of the EIB and the EIF may participate in an advisory capacity if the Bank/Fund is making a contribution to the Programme.

The JMSC shall be chaired by **<to be decided>**

**Option 1: representatives of the Member States applying the rotation principle (for example, change annually);**

PL: Option no 1.

The JMSC shall be chaired by representatives of the national authorities responsible for implementation of the CBC Programme in the Member States. In the case of Lithuania – the representative of the Ministry of Interior shall act as the chairman in the meetings of the JMSC and in the case of Poland – the representative of the Ministry for Regional Development shall act as chairman. Chairmanship would change annually.

## Option 2: the Managing Authority

Decisions by the JMSC shall be made by consensus on issues related to programme implementation. As far as decisions on operations are concerned, majority voting may apply. Decisions may be taken via written procedure. Principles of confidentiality shall be observed in proceedings of the JMSC when dealing with project assessment.

The JMSC shall be assisted by the Joint Technical Secretariat. The Secretariat shall be responsible for the preparation of all documentation relating to the meetings.

### 6.2.2 Monitoring System

The overall quality of the implementation of this programme shall be ensured by the Managing Authority and the Joint Monitoring and Steering Committee. Following Article 66(2) of the General Regulation, they shall carry out monitoring by reference to financial indicators and the indicators for output and results specified in this programme, chapter xxx (with reference to Article 12(4) of the ERDF Regulation). When the nature of assistance permits, statistics shall be broken down by gender and by size of the recipient undertakings.

Monitoring shall make use of the contract agreements with beneficiaries (setting up quantifiable outputs and results as well as indicators for their achievement for each operation), regular reports from the Lead Beneficiaries and the finding of the on-the-spot checks to assess the progress of operations against the programme objectives.

Progress reports (technical and financial) by the Lead Beneficiaries shall be submitted to the Joint Technical Secretariat on a regular basis. The JTS shall collect and compile the data coming from these reports as well as data available on commitments and disbursements of programme funds in order to allow for conclusions at the programme level. This information shall be used to draft the annual and final implementation reports.

Pursuant to Article 68(1) of the General Regulation, every year when the annual report is submitted, the European Commission and the MA shall examine the progress made in implementing the programme, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.

The Monitoring system shall provide the information to the Commission as required in the Implementation Regulation.

### 6.2.3 Annual and Final Implementation Reports

Following Article 67(1) of the General Regulation, for the first time in 2008 and by 30 June each year, the Managing Authority shall send the European Commission an annual report and by March 2017 a final report on the implementation of the CBC programme. The annual reports shall be drawn up by the Joint Technical Secretariat and approved by the Managing Authority and the JMSC before that are sent to the Commission. These reports shall be drawn up in accordance with the requirements set by the EC and contain the information outlined in Article 67(2) of the General Regulation. The annual implementation reports shall be based on the information provided by the Monitoring System described above.

The comments to the annual reports made by the Commission to the Managing Authority shall be communicated to the JMSC and actions taken in response to these comments. The Managing Authority shall inform the Commission on these actions.

By 31 March 2017 a final report on the implementation of the CBC programme shall be submitted to the Commission following the same rules as the annual implementation reports.

#### 6.2.4 Control System

The main objective of the control system is to prevent, detect and correct irregularities and recover amounts unduly paid together with interest on late payment where appropriate. Following Article 71 of the General Regulation, the description of the control system accompanied by a report setting out the result of an assessment of the system set up and giving an opinion of their compliance with Articles 58 to 62 of the General Regulation shall be submitted to the Commission before the submission of the first interim application for payment or at the latest within twelve months of the approval of this CBC programme. It shall comply with Article 25 of the Implementation Regulation. Following Article 21(2) of the Implementation Regulation, the description of control systems of an OP under the European territorial cooperation objective shall be provided by the Member State on whose territory the managing authority is located, i. e. by Lithuania.

The above mentioned report and the opinion shall be drawn up by the Audit Authority. The Audit Authority shall carry out main control functions in accordance with Article 62 of the General Regulation.

In addition to the control functions carried out by the Audit Authority and following Article 16(1) of the ERDF regulation, in order to validate the expenditure, an additional level of the control system (so called **controllers**) shall be established by each Member State. It shall make it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented on the territory of each Member State, and the compliance of such expenditure and of related operations, or parts of those operations, with Community rules and its national rules.

For this purpose <to be decided>:

Option 1: each member state shall designate the controllers responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation in its territory.

PL: in favour of first option

Option 2: designate a single controller for the whole programme area

Where the delivery of the products and services co-financed can be verified only in respect of the entire operation, the verification shall be performed by the controller of the Member State where the Lead Beneficiary is located or by the Managing Authority. Particular provisions on the institution performing such control will be described in the detailed document.

Following Article 16(2) of the ERDF regulation, each Member State shall ensure that the expenditure can be validated by the controllers within a period of three months.

Following Article 62(d) of the General Regulation, each year by 31 December the Audit Authority shall submit an annual control report and opinion setting out the findings of the audits carried out during the previous 12 month period, ending on 30 June of the year concerned. It shall be elaborated according to the requirements set in Article 18 of the Implementation regulation and shall cover both Lithuania and Poland.

## 6.2.5 Exchange of Computerised Data

As stipulated in Articles 66(3) and 76(4) of the General Regulation, the data exchange between the European Commission and the Member States for payment, monitoring and evaluation requirements shall be carried out electronically.

For these purposes a computerised data exchange system shall be established by the Commission for this CBC programme. It shall permit the secure exchange of data between the Commission and each Member State. Lithuania and Poland shall be involved in further development of the computer system.

The computer system shall contain:

- information necessary for financial transactions as stipulated in Article 40(1) of the Implementation Regulation;
- information enabling monitoring as stipulated in Article 40(2) of the Implementation Regulation.

The Commission and the responsible authorities of the Member States to which this task has been delegated <to be decided which authorities?> shall record into the computer system the documents for which they are responsible, and any updates thereto, in the format required. The code given for the “categories for expenditure” as described in the Annex IV of the General Regulation shall be used.

Pursuant to Article 42(1) of the Implementation Regulation, the computer system shall be accessible to the Member States and the Commission either directly or via an interface for automatic synchronisation and recording of data with national, regional and local computer management systems.

According to Article 41(3) of the Implementation Regulation, exchanges of data and transactions shall bear an electronic signature within the meaning of the Directive of the European Parliament and Council 1999/93/EC<sup>6</sup>.

The cost of developing the computer system for data exchange shall be financed by the general budget of the European Communities under Article 45 of the General Regulation. Any costs of an interface between the common computer system and national, regional and local computer systems, and any costs of adapting national, regional and local systems to requirements under the General Regulation, can be financed from the Technical Assistance budget.

## 6.2.6 Evaluation System

The programme evaluations shall aim at improving the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of the CBC programme.

Following Article 47(2) of the General Regulation, evaluations may be of:

- strategic nature, in order to examine the evolution of a programme or groups of programmes in relation to Community and national priorities, or;
- operational nature in order to support the monitoring of the operational programme, in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of the programme.

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<sup>6</sup> OJ L 13, 19.1.2000, p.12

In accordance with Article 48(2) of the General Regulation, the ex-ante evaluation of the Programme has been carried out by xxx and the description of its proceedings and results are included in the Programme document as an Annex.

During the programme implementation period it is planned to carry out 1-2 evaluations. The nature and timing of evaluations shall be decided by the JMSC. In accordance with Article 47(3) of the General Regulation they shall be carried out by experts of bodies, internal or external, functionally independent of the Certifying and the Audit Authorities. The information required for evaluations shall be provided by the Joint Technical Secretariat. The evaluations shall provide recommendations for the remainder of the programme and consider cross-cutting fields of equal opportunities and environment/sustainable development. The results of the evaluations shall be sent to the JMSC and to the Commission.

In compliance with Article 49 of the General Regulation, the ex-post evaluation is the responsibility of the Commission in close cooperation with the Member States and the Managing Authority. It shall be carried out by an independent evaluator and completed by 31 December 2015.

The evaluations shall be carried out in accordance with the Commission's indicative guidance on evaluation methods, including quality standards. They shall be funded from the Technical Assistance budget.

## **6.2.7 Information and Publicity**

The main aims of the programme information and communication measures are to highlight the role of the European Community and to ensure that assistance from EC and national funds are transparent.

These measures shall also aim at ensuring adequate spread of information for EU citizens, potential and final beneficiaries, economic and social partners, public authorities, non-governmental organisations, trade organisations and business groups, and the general public.

### **6.2.7.1 Communication Plan**

As stipulated in Article 2(1) of the Implementation Regulation, a communication plan, as well as any major amendments to it, shall be drawn up by the Managing Authority. The content of the communication plan shall comply with the requirements set up in Article 2(2) of the Implementation Regulation and include at least the following:

- the aims and target groups;
- the strategy and content of the information and publicity measures to be taken by the Member States or the Managing Authority, aimed at potential beneficiaries and the public, having regard to the added value of Community assistance at national, regional and local level;
- the indicative budget for implementation of the plan;
- the administrative departments or bodies responsible for implementation information and publicity measures;
- an indication of how the information and publicity measures are to be evaluated in terms of visibility and awareness of this operational programme and of the role played by the Community.

The Managing Authority shall submit the communication plan to the Commission within four months of the date of adoption of the OP.

In accordance with Article 4 of the Implementation Regulation, the annual reports and the final report on implementation of the CBC programme shall include information on implementation and monitoring of the communication plan.

#### **6.2.7.2 Information Measures for Potential Beneficiaries**

According to Article 69(1) of the General Regulation, the participating Member States and the Managing Authority shall provide information on and publicise operations co-financed by this programme. It is planned that routine tasks in ensuring timely and efficient implementation of information and publicity measures shall be delegated to the Joint Technical Secretariat, which will be supported by the Regional Contact (Info) Points on the Polish side of the border.

The national bodies responsible for the Programme Lithuania and Poland, regional and local authorities and development agencies of the border regions, Euroregions, economic and social partners and non-governmental organisations shall also actively participate in disseminating information on the opportunities opened by the programme. The information about calls for proposals shall be disseminated as widely as possible.

The potential beneficiaries shall be informed on the following main issues:

- the financial allocations for the CBC programme;
- the conditions of eligibility to be met in order to qualify for financing;
- a description of the procedures for examining applications for funding and of the time periods involved;
- the criteria for selecting the operations to be financed;
- the contacts at national, regional or local level who can provide information on the operational programmes;
- the main rules governing the implementation of operations.

Publicity measures shall 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 shall be used:

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

#### **6.2.7.3 Information and Publicity Measures for the Public**

As stipulated in Article 7 of the Implementation Regulation, the Managing Authority shall ensure that the information and publicity measures are implemented in accordance with the communication plan aiming at the widest possible media coverage using suitable forms and methods of communication at the appropriate territorial level.

The following main information and publicity measures shall be implemented:

- a major information campaign publicising the launch of an Operational Programme, even in the absence of the final version of the communication plan;
- at least one major information campaign a year, as set out in the communication plan, presenting the achievements of the operational programme(s);

- flying the European flag during one week starting 9 May, in front of the premises of the Managing Authority;
- the publication, electronically or otherwise, of the list of beneficiaries, the names of the operations and the amount of public funding allocated to the operations.

## **6.3 Payments and Financial Flows**

### **6.3.1 Competent Body for Receiving the Payments**

The Certifying Authority shall be responsible for receiving the ERDF funds from the Commission and making payments to the Lead Beneficiary. The statements of expenditure as required by Article 78 of the General Regulation shall be drawn up by the Certifying Authority.

Following Article 17(1) of the ERDF regulation, receipts from the European Commission shall be received in a separate single bank account with no national sub-accounts. The account shall be held by the Certifying Authority at the Bank of Lithuania.

### **6.3.2 Financial Flows**

Each operation shall be financed by the ERDF contribution and contribution/co-financing by the beneficiaries following the co-financing rates set up for each priority (cf. Chapter xxx). The same eligibility principles shall be applied to both ERDF contribution and beneficiaries' contribution.

Payments to operations from the ERDF contribution shall be made following the approved payment requests, applying the co-financing rate laid down in the contract agreement with the Lead Beneficiary. All payments shall be made to the Lead Beneficiary. Other beneficiaries shall receive their funding from the Lead Beneficiary in accordance with terms of the agreement signed between them.

The beneficiaries shall be responsible for implementing the activities under the operation and paying costs. To be eligible for reimbursement, the expenditure paid by beneficiaries shall be supported by receipted invoices or accounting documents of equivalent probative value in accordance with EU and national laws and regulations.

The legality and regularity of the expenditure (including the beneficiary's contribution/co-financing) declared by each beneficiary (also the Lead Beneficiary) participating in the operation shall be verified by the controllers, designed following Article 16(1) of the ERDF Regulation.

Payments to beneficiaries shall be linked to their payment requests (verified by the controllers) submitted to the Joint Technical Secretariat. Payments to the Lead Beneficiary shall be made further to approval of these payment requests by the Managing Authority. According to Article 15(1) of the ERDF Regulation, the Managing Authority is not required to verify itself that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries has actually been incurred and complies with Community and national rules; it shall satisfy itself that the expenditure of each beneficiary participating in an operation has been validated by the controller.

The payment requests approved by the Managing Authority shall be submitted to the Certifying Authority which shall issue payment to the Lead Beneficiary.

Pursuant to the Article 17 of the ERDF regulation, the Certifying Authority shall ensure that any amount paid as a result of an irregularity is recovered from the Lead Beneficiary. The beneficiaries shall repay the Lead Beneficiary any amounts unduly paid in accordance with the agreement existing between them.

If the Lead Beneficiary does not succeed in securing repayment from a Beneficiary, the Member State on whose territory the Beneficiary concerned is located shall reimburse the Certifying Authority for the amount unduly paid to that Beneficiary.

## 7 Provisions for the Implementation of Operations

This Chapter describes the general principles of the application process and selection of applications for funding as well as the main rules for the implementation of selected operations.

### 7.1 Beneficiaries

Following Article 19(1) of the ERDF regulation, the operations selected for the CBC programme shall include beneficiaries from both countries (i.e. each application shall involve at least two Beneficiaries: one from Lithuania and one from Poland).

As a general rule, all beneficiaries must be located in the eligible programme area (as referred to in Chapter 2) to be entitled to receive ERDF funding from the programme. Expenditure incurred by beneficiaries outside the eligible programme area may be eligible if the operation would have difficulty in achieving its objectives without that beneficiary's participation (Article 21(1) of the ERDF regulation)

Following Article 21(1) of the ERDF regulation, in duly justified cases, the ERDF may finance expenditure incurred in implementing operations or parts of operations up to a limit of 20% of the amount of its contribution to the operation programme concerned in NUTS level 3 areas adjacent to the eligible area (Taurage and Kaunas counties on the Lithuanian side of the border and Lomzynski and Olsztynski on the Polish side of the border). PL think it is essential to include Vilnius county as an adjacent subregion.

The detailed eligibility criteria for potential beneficiaries shall be defined in the documentation for applicants.

#### 7.1.1 The Lead Beneficiary

For each Operation, a Lead Beneficiary shall be appointed by the beneficiaries among themselves. The Lead Beneficiary shall act as Lead Applicant in the application phase.

Following Article 20(1) of the ERDF regulation, the Lead Beneficiary shall assume the following responsibilities:

- lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement (*i.e. partnership agreement*) comprising, *inter alia*, provisions guaranteeing the sound financial management of the fund allocated to the operation, including the arrangements for recovering amounts unduly paid;
- be responsible for ensuring the implementation of the entire operation;
- ensure that the expenditure presented by other beneficiaries in the operation has been incurred for the purpose of implementing the operation and corresponds to the activities agreed between those beneficiaries;
- verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers;
- be responsible for transferring the ERDF contribution to the beneficiaries, participating in the operation.

The Lead Beneficiary shall undertake full legal and financial responsibility towards the Managing Authority for the management of the ERDF funds. The agreement for the implementation of the operation shall be concluded with the Lead Beneficiary for the entire operation.

The Lead Beneficiary shall also be responsible for the collection of information from other beneficiaries, general supervision of all activities under the operation and preparation of technical and financial progress reports.

### **7.1.2 Other Beneficiaries**

Each beneficiary participating in the operation shall:

- assume responsibility in the event of any irregularity in the expenditure which it has declared (Article 20(2) of the ERDF Regulation);
- repay the Lead Beneficiary the amounts unduly paid in accordance with the agreement existing between them (Article 17(2) of the ERDF Regulation);
- be responsible for information and publicity measures for the public as laid down in Article 8 of the Implementation Regulation;
- provide timely and correct information on the implementation of operation to the Lead Beneficiary;
- comply with other arrangements set up in the agreement with the Lead Beneficiary.

## **7.2 Lifecycle of Operations**

### **7.2.1 Generation of Applications**

The CBC Programme shall operate on the basis of a single application process and a single selection process covering both sides of the border. All applications shall be selected through open calls for proposals with an exemption for the Strategic Projects and “umbrella” projects for managing the SPF as described in the **Chapter 3**. A single application form for each operation shall be required.

The potential beneficiaries shall be provided with information about funding possibilities following Article 5 of the Implementation Regulations (cf. **Chapter 7** of this programme).

Application packages (including application forms) and guidelines for potential beneficiaries shall be elaborated by the Joint Technical Secretariat. They shall be made available for download at the programme website and upon request at the Joint Technical Secretariat, Lithuanian Ministry of Interior and Polish Ministry for Regional Development.

Applications for funding shall include at least one beneficiary from each participating country - Lithuania and Poland. According to Article 19(1) of ERDF Regulation, these beneficiaries shall co-operate in at least two of the following ways for each operation:

- joint development;
- joint implementation;
- joint staffing;
- joint financing.

Selected operations fulfilling these conditions may be implemented in a single participating country provided that they have been presented by entities belonging to both Member States and have a significant cross-border impact.

Calls for applications shall be launched by the Joint Technical Secretariat. The number of calls per year shall be flexible depending on the progress of the programme. Other application

procedures (i.e. continuous application) are possible with the approval of the JMSC. In addition, targeted calls might be used for specific purposes, e.g. focusing on missing themes of the programme objectives.

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

The Joint Technical Secretariat shall proactively support the potential beneficiaries during the application generation period. The following main measures shall be carried out:

- Advising of applicants (through phone, fax, e-mail) on technical issues, such as eligibility of ideas, beneficiaries, activities, co-financing, budgetary aspects, procurements, etc.
- Regularly updating the programme website, including a section on frequently asked questions (FAQ) and the partner database;
- Organising information seminars and partner search forums;
- Organising training events on the preparation of applications and supporting documents.
- The JTS will be supported in above activities by the Regional Contact (Info) Points on the Polish side of the border.

#### Specific provisions for the Small Project Fund

The application package and guidelines for applicants shall be elaborated, the calls for applications launched and the support/assistance to applicants provided by the institution(s) responsible for the SPF administration. Simplified application forms shall be used.

## **7.2.2 Assessment of Applications**

The assessment of applications shall be carried out in two stages:

1. Assessment of administrative compliance and eligibility of applicants, expenditure and activities (on the basis of administrative and eligibility criteria) carried out by the Joint Technical Secretariat.
2. Quality assessment of eligible applications (on the basis of strategic relevance and quality criteria) carried out by the JMSC or its designated Task Force. The JMSC/Task Force may be supported by sectoral experts representing the participating countries.

The criteria laid down in the Application package (guidelines for applicants) shall be used for the assessment of applications.

The assessment process shall be coordinated by the Joint Technical Secretariat. Upon the completion of the 1<sup>st</sup> stage, the Secretariat shall submit for the JMSC's approval a list of eligible applications and a list of non-eligible applications with justifications of their non-eligibility.

Upon the completion of the 2<sup>nd</sup> stage, the Secretariat shall submit for the JMSC's approval a ranked list of applications with summary assessment reports for each application, including comments from the assessors.

#### Specific provisions for the Small Project Fund

The functions of the Joint Technical Secretariat shall be performed by the institution(s), responsible for the SPF administration. **Quality assessment shall be organised by this institution, involving external evaluations.**

## **7.2.3 Selection of Operations and Contracting**

Operations for funding shall be selected and the funding amount for each operation decided by the JMSC. The Committee can either approve or reject an application, or approve it conditionally. Conditions should cover technical aspects only and not change the content or objectives, main outputs or activities of the proposed operation. Funding decisions shall be made at the JMSC based on majority voting. Detailed rules on decision making shall be included in the rules of procedure of the JMSC.

Following funding decisions, the Lead Beneficiary shall be informed immediately by the Joint Technical Secretariat.

The contract agreement between the Managing Authority and the Lead Beneficiary should normally be signed within **one month** following the funding decision. The contract documentation shall be elaborated by the Joint Technical Secretariat.

Specific provisions for the Small Project Fund

The functions of the Joint Technical Secretariat shall be performed by the institution(s), responsible for the SPF administration. Contract agreements shall be signed between the Lead Beneficiary and the institution(s), responsible for the SPF administration.

## 7.2.4 Implementation of Operations

Operations shall be implemented by the beneficiaries under the general co-ordination of the Lead Beneficiary in accordance with EU and national rules and regulations. National procurement rules shall be applied for the procurement of services, supplies and works under the operations. All expenditure incurred by Beneficiaries (including beneficiary's contribution/co-financing) shall be eligible and justified by accounting documents following Article 56 of the General Regulation.

The Joint Technical Secretariat shall take an active role in supporting beneficiaries during the operation implementation phase. The following main support measures are envisaged:

- Consultation/advise to beneficiaries (via phone, fax, e-mail or consultation meetings);
- Training seminars on operation management (including financial management, procurement, reporting requirements);
- Elaboration of manuals on operation management for beneficiaries
- Ad-hoc meetings with operation Managers and Financial Managers;
- On-the-spot visits, etc.

Specific provisions for the Small Project Fund

The functions of the Joint Technical Secretariat shall be performed by the institution(s), responsible for the SPF administration.

## Annex 1: SWOT Analysis

FIELD	STRENGTHS	OPPORTUNITIES
Economic Development, Industry	<ul style="list-style-type: none"> <li>• Agricultural region which includes diverse fields of industry and service activity</li> <li>• Good geographical location for developing transit related business</li> <li>• In many parts new quality assurance systems and standards used in production</li> <li>• Relatively cheap labour force</li> <li>• Low level of unemployment in some regions</li> <li>• Growing GDP</li> <li>• Employment rate rising esp. in service sector and decreasing in agricultural sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Favourable geographic location may encourage trade, co-operation between business and science</li> <li>• Development of activities linked to information, technologies in industry, IT, untraditional business development in rural areas</li> <li>• Strength of global tendency to build knowledge-based economy</li> <li>• Multifunctional development of rural areas</li> <li>•</li> </ul>
Demography and Human Resources Development	<ul style="list-style-type: none"> <li>• Active existing cooperation network, esp. between Euroregion members and municipalities</li> <li>• Cooperation contacts and know-how created through past CBC – projects</li> <li>• Comparatively educated, relatively young, literate population</li> <li>• Rich cultural heritage, high number of cultural, historical landmarks</li> <li>• Presence of universities, colleges, vocational training and other institutions</li> <li>• Active involvement of women in various sectors</li> <li>• Ethnic and cultural diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Development of NGO sector and strengthening of local communities</li> <li>• Improvement of access to IT and IT skills</li> <li>• Reorganisation of school programs; training for specialties in demand, development of adult education, qualification raising and retraining system</li> <li>• New workplaces for youth, women, the disabled and other marginalised groups</li> <li>• Increased employment in services through tourism and transport development</li> <li>• Re-qualification of labour force according to market needs</li> </ul>
Infrastructure and ICT	<ul style="list-style-type: none"> <li>• Via Baltica and Via Hanseatica running through the region,</li> <li>• Relatively well developed road network</li> <li>• Increase of public financing esp. EU funds for infrastructure</li> <li>• High use of internet – computer literate society</li> </ul>	<ul style="list-style-type: none"> <li>• Development of international and transit roads and other transport</li> <li>• Development of logistical/ modal networks</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Numerous protected territories, landscapes, reserves, NATURA 2000 sites.</li> <li>• Low levels of pollution in both air and water</li> <li>• Large biodiversity</li> <li>• Many clean rivers and lakes, highly forested territories</li> <li>• Not overpopulated</li> </ul>	<ul style="list-style-type: none"> <li>• Development of cross border environment monitoring systems</li> <li>• Development of ecology oriented technologies</li> <li>• Development of environmentally friendly economy (environmentally friendly SMEs)</li> <li>• Eco-friendly farming</li> </ul>

Tourism	<ul style="list-style-type: none"> <li>• Clean environment, natural resources and landscape quality,</li> <li>• Tourism potential (nature, sightseeing, history)</li> <li>• Good environmental conditions for development of agro and eco tourism</li> <li>• Newly renovated spas</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of cross border tourist routes and products</li> <li>• Creation of cross border tourist areas</li> <li>• Development of eco-tourism (rural tourism, bicycle, water tourism and hiking)</li> <li>• Development of tourism infrastructure</li> <li>• Development of recreational areas</li> </ul>
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FIELD	WEAKNESSES	THREATS
Economic Development, Industry	<ul style="list-style-type: none"> <li>• Some industrial sectors in need of restructuring; low investment levels</li> <li>• Outdated technologies still in use in some sectors</li> <li>• Service industry not equally distributed and of unequal quality especially in rural areas.</li> <li>• Large disparities in income level of urban and rural population</li> <li>• Sharp differences in entrepreneurship between counties/regions</li> <li>• High level of population employed in agriculture sector</li> <li>• Low GDP and FDI per capita</li> <li>• Decreased numbers of qualified labour force</li> <li>• SME sector underdeveloped</li> <li>• R&amp;D co-operation with business and public sectors underdeveloped</li> </ul>	<ul style="list-style-type: none"> <li>• Inability to use and absorb available EU funds; lack of domestic and foreign investment capital</li> <li>• Low usage of new technologies in production, processing - lessens the area's competitiveness</li> <li>• Increasing economic disparities between urban centres and rural areas</li> </ul>
Demography and Human Resources Development	<ul style="list-style-type: none"> <li>• Increasing concentration of population in large urban areas</li> <li>• Low incomes especially in rural areas</li> <li>• Poor material state of the educational institutions, lack of modern teaching aids</li> <li>• Large disparities in access to high quality education and health care</li> <li>• Growing emigration</li> <li>• Employment problems for certain marginalized groups (handicapped, older population, youth, etc.)</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Emigration of younger population; ageing population; increased need for social aid</li> <li>• Insufficient financing of education and health institutions</li> <li>• Increase in social problems and social exclusion (alcoholism, drug abuse, domestic violence)</li> <li>• Limited access to high level education in rural areas</li> <li>• Lack of qualified, specialised professionals, overabundance of specialists in fields that do not require many</li> <li>• "Brain drain" to more developed regions</li> </ul>
Infrastructure and ICT	<ul style="list-style-type: none"> <li>• Lack of general plans for some municipalities in the area</li> <li>• Insufficient connections and poor technical road conditions in some areas tend to create traffic problem</li> <li>• Infrastructure of border crossings and border road network</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient capacity of public administration to prepare and implement infrastructure development projects</li> <li>• Insufficient funding for modernisation of border crossing points</li> </ul>

	<p>underdeveloped</p> <ul style="list-style-type: none"> <li>• Insufficient use of railway potential; old rail infrastructure and no European gauge</li> <li>• Low level of development of broadband Internet in rural areas</li> <li>• Low IT development in rural business and homes</li> </ul>	
Environment	<ul style="list-style-type: none"> <li>• Insufficient funds for environmental protection investment projects</li> <li>• Lack of waste sorting and recycling system in many areas</li> <li>• Intense farming leads to polluted ground water and soils</li> <li>• Unused potential for alternative energy sources</li> </ul>	<ul style="list-style-type: none"> <li>• Increased pollution due to industrial growth, road traffic</li> <li>• Low financing for environmental projects</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>• Low standard of tourism facilities , infrastructure, services</li> <li>• Poor quality tourism information, product and services</li> <li>• Insufficient number of border-crossings for tourists</li> <li>• Insufficient number of campgrounds and other accommodation facilities</li> <li>• Low communication accessibility in rural areas</li> <li>• Seasonality has large impact to tourist flows</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient level of investment in tourism</li> </ul>