



Phare



Programme and contract information 1995

Lithuania

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Introduction

With this brochure Phare aims to provide the interested public with clear and concise summaries of the programmes to be implemented by the partner countries with Phare support. It also aims to point the business community in the direction of potential opportunities.

The programmes described in the following pages are the logical consequences of the priorities expressed by Lithuania in its Indicative Programme. They have been given a favourable opinion by Phare's Management Committee and have been approved by the Commission. Phare programme and contract information brochures are published after each Management Committee meeting.

This copy contains summaries of the programmes approved by the Committee at its 37th meeting held on 5 July 1995 for the benefit of Lithuania.

Please bear in mind, however, that the publication of the business-related information in these pages does not commit the partner country or the Commission either to adhere to a fixed timetable for implementation or to follow exactly the outlines traced below. Individuals or companies wishing to obtain more detail on the contractual implications of these programmes should contact the relevant Programme Management Unit that is responsible for the implementation of the approved programme. Only individuals or companies registered and resident in European Union Member States or Phare partner countries will be considered for implementing the tasks set out.

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What is Phare?

The Phare Programme is a European Community initiative which supports the development of a larger democratic family of nations within a prosperous and stable Europe. Its aim is to help the countries of central and eastern Europe rejoin the mainstream of European development through future membership of the European Union.

Phare does this by providing grant finance to support its partner countries through the process of economic transformation and strengthening of democracy to the stage where they are ready to assume the obligations of membership of the European Union.

In its first five years of operation to 1994, Phare has made available ECU 4,248.5 million to 11 partner countries, making Phare the largest assistance programme of its kind.

Phare works in close cooperation with its partner countries to decide how funds are to be spent, within a framework agreed with the European Community. This ensures that Phare funding is relevant to each government's own reform policies and priorities.

Phare provides know-how from a wide range of non-commercial, public and private organisations to its partner countries. It acts as a multiplier by stimulating investment and responding to needs that cannot be met by others. Phare acts as a powerful catalyst by unlocking funds for important projects from other donors through studies, capital grants, guarantee schemes and credit lines. It also invests directly in infrastructure, which will account for more Phare funds as the integration process progresses.

The main priorities for Phare funding are common to all countries, although every one is at a different stage of transformation. The key areas include restructuring of state enterprises including agriculture, private sector development, reform of institutions, legislation and public administration, reform of social services, employment, education and health, development of energy, transport and telecommunications infrastructure, and environment and nuclear safety.

For countries which have signed Europe Agreements, Phare funding is also focused on meeting the conditions required for membership of the European Community. In particular this concerns preparation for participation in the European Union's internal market and development of infrastructure, especially in border regions.

Economic development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1997

EU contribution ECU 9.6 million

Implementing body

Ministry of Agriculture
Gedimino ave 19, 2025 Vilnius
Tel (+370-2) 62 99 94
Fax (+372-2) 62 04 20
Mr Rimas Varkulevicius,
Head of Department

Ministry of Industry and Trade
J. Tumo-Vaizganto 8a/2,
2739 Vilnius
Tel (+370-2) 62 56 07
Fax (+370-2) 22 60 32
Mr A Ignotas, Under-Secretary

Ministry of Finance, International
Organisations and Technical
Assistance Division
A. Juozapaviciaus 9, 2600 Vilnius
Tel (+370-2) 62 81 33
Fax (+370-2) 22 75 24
Mrs N Guseva, Head of Division

Lithuanian Investment Agency
Sv. Jono str 3, 2201 Vilnius
Tel (+370-2) 62 74 38
Fax (+370-2) 22 01 60
Mr Miskinis, Acting Director

Tourism Department
Gedimino ave 30/1, 2694 Vilnius
Tel (+370-2) 62 26 10
Fax (+370-2) 22 68 19
Mr Anatans Petrauskas,
General Director

Bank of Lithuania
Totoriu 4, 2629 Vilnius
Tel (+370-2) 61 7813
Fax (+370-2) 22 48 43
Mr Stasys Kropas, Director

Main components

Agriculture ECU 1.9 million

Human resources development programme
Land cadastration, mapping and assessment
Extension, research and development services
development
Preparation of future programmes

Privatisation ECU 1 million

Ad hoc support for the privatisation of
medium-sized and large companies
Drafting of privatisation legislation
Setting up a system to regulate natural monopolies
Resident privatisation advisor

Industrial restructuring ECU 1.4 million

Resident advisor at the Ministry of Industry
Restructuring support
Study and launch of the export expansion agency

SME development ECU 1.3 million

Strengthen the Business Advisory Centre - Europe
Information Centre (BAS EIC) network
Support for the proposed SME development agency
General policy advice

Investment promotion ECU 500,000

Support for the Lithuanian Investment Promotion
Agency.

Tourism development ECU 500,000

Support for the State Tourism Board

Banking ECU 3 million

Support for the Bank of Lithuania
Institutional support for banks
Training.

Background

Agriculture employs about 22 per cent of the working population and provides about 20 per cent of current gross domestic product (GDP). Although the sector has suffered a precipitous decline over the past few years, it is still the second largest sector of the economy. The privatisation of holdings has led to a break-up of the land into small parcels. This, together with the limited availability of capital, business skills and know-how, continues to depress the sector. Policies are being developed to strengthen economic planning in the sector and to deliver business and technical advice and credit and loan finance. Seasonal credits have been provided locally. Phare has so far given priority to land issues and the restructuring of agro-industrial businesses.

The privatisation process has been reasonably fast for small companies. A new privatisation law is being discussed which would place the responsibility for restructuring and privatising the remaining state-owned enterprises with the ministries and municipalities that own them, which might slow things down. There is no state property fund or privatisation agency.

The Government is currently defining a legal framework for SMEs and might set up an SME Development Agency. The lack of finance for capital formation is the main problem facing entrepreneurs. Phare has helped launch a network of Business Advisory Centres and a Euro-correspondence Centre in Vilnius and has provided a resident advisor.

The level of foreign investment in Lithuania is growing quickly (700 per cent growth from an admittedly tiny base, from 1992 to 1994). A range of laws regulates foreign investment, but the basic problem remaining is that foreigners may not buy land. The Lithuanian Investment Promotion Agency was set up in 1993 to promote the country. Phare has helped by providing long-term advisory services, which started functioning in April 1994.

Tourism, for which the Ministry of Public Administration Reform and Local Authorities is responsible, shows good potential, especially for spreading economic growth outside the capital. Operational matters are handled by the State Tourism Department, which currently has neither a Board nor premises separate from the Ministry.

Although there are now 28 independent banks in Lithuania, the sector is still dominated by three state-owned banks. Many of the other banks are very small and under-capitalised. Commercial and central banking laws have recently been amended. Institutional and infrastructural improvements are urgently required.

Programme objectives

To develop the skills of the staff of the Ministry of Agriculture and related institutions.

To increase the number of privatisations.

To improve the management of state-owned enterprises.

To increase the number and profitability of SMEs.

To help the Lithuanian Investment Promotion Agency develop its skills.

To increase the professionalism of the State Tourism Board.

Programme description

Agriculture

Support will be provided for train-the-trainer programmes and educational material enabling the Ministry of Agriculture, the Agro-Business Training Unit and the Export Development Agency to respond to the needs of private farmers.

Short-term expertise and equipment will be provided to accelerate the processing of land cadastre casework, to help develop policies to consolidate uneconomic units, and to plan for further land mapping, use and cadastration projects.

To help farmers make better production decisions and run their businesses more efficiently, training programmes will be provided for the development of extension, research and development services. Help will also be available to plan future agricultural reform programmes.

Privatisation, restructuring and business development

Phare will help the country develop its privatisation process by providing legal training, legal drafting support, a long-term advisor, help for the development of regulatory mechanisms for natural monopolies like utilities and ad hoc support to the various privatising bodies.

For restructuring purposes Phare will provide support, training and a resident advisor to the Ministry of Industry and Trade to complement work funded by a World Bank loan.

This component will also define a work programme for the projected export promotion agency.

The SME programme, including the resident advisor, will be continued. A network linking the six Business Advisory Centres and the Euro-correspondence Centre will be funded. One or two Business Innovation Centres might be established. Funds will be available to help the SME Development Agency should the Ministry of the Economy decide to launch it.

Investment promotion

The staff of the Lithuanian Investment Promotion Agency will receive further training. Advisory services and money will be provided to prepare sector-specific investment and export studies and to advise the Government on pro-investment policies. Promotional activities will be supported. Help will also be provided for institutional and legal strengthening and for attracting financial support.

Tourism development

Current support will result in a tourism master plan, the contents of which will influence the shape of tourism development. Broadly speaking, it will deliver training, structural and marketing support and help set up regional tourist information offices.

Banking

A long-term advisor will be provided to the Bank of Lithuania, who will act as project manager for all banking projects. The Bank of Lithuania will receive advice and technical support to establish a new clearing system and to develop its role as banking supervisor.

Commercial banks, private or state-owned, will receive help through Phare-funded twinning projects. There will also be advice on how to deal with bad-loan portfolios.

The Lithuanian Banking Institute will receive support to develop training programmes and for its institutional training capacity. Support will also be available for the in-house development of the skills of bank staff.

Implementation

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Lithuanian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the European Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Human resources development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration	to 31 December 1998
EU contribution	ECU 4.4 million
Implementing body	<p>Ministry of Health Gedimino ave 27, 2682 Vilnius Tel (+370-2) 22 61 71 Fax (+370-2) 22 75 87 Dr Danguole Jankauskiene, Deputy Director</p> <p>Ministry of Public Administration Reform Gedimino str 11, Vilnius Tel (+370-2) 62 70 14 Fax (+370-2) 62 69 35 Dr Julijus Novickas, State Secretary</p> <p>Ministry of Welfare A. Vivulskio 11, Vilnius Tel (+370-2) 65 26 81 Fax (+370-2) 65 24 63 Mr Kairelis</p>

Main components

Public administration reform	ECU 1 million
Central government strategy implementation	ECU 400,000
Decentralised government reforms	ECU 250,000
Information network development	ECU 150,000
Public service training programme	ECU 200,000
Health sector	ECU 1.4 million
Primary health care: implementation	ECU 600,000
Primary health care: training	ECU 600,000
Pharmaceutical sector restructuring	ECU 200,000
Social sector and labour markets	ECU 2 million
Strengthening the Ministry of Social Security and Labour	ECU 900,000
Active labour market strategy	ECU 600,000
Strengthening of social care	ECU 500,000

Background

Public administration

Public administration reform is being managed by the newly created Ministry of Public Administration Reform. Central government reform was slow until quite recently, but legislation concerning the status, rights, responsibilities etc. of civil servants has now been put in place. Phare has helped with this reform process through its first Public Administration Reform Programme, which was completed in March 1995. This programme consisted of policy design support to the Prime Minister's Office and the Ministry of Finance and two pilot projects, at Klaipeda (urban) and Varena (rural). While the process of reform has received a strong boost lately and the capacity to evaluate projects is now in place, there is still a need for a range of legal and technical skills.

Health sector

Health indicators have deteriorated in recent years. Current problems include a lack of primary health care (PHC) provision, too many hospital beds, an over-stretched network of small hospitals and large polyclinics with serious quality problems, overstaffing and too much specialisation, low quality equipment in low quantities, the lack of modern financing and management systems, and the use of hospitals as dumping grounds for people whose problems are social rather than medical. A National Health Concept was launched in 1991 and was followed by the Health Care Systems Law of 1994. A Health Reform Management Group (HRMG) was set up in 1993. A primary health care policy document is being prepared. It will give general practitioners a key role, but is likely to be difficult to implement.

Pharmaceuticals distribution is mostly organised on a private basis. There is a legal vacuum with regards to pricing, reimbursement etc, limiting access to drugs. The Department of Pharmacy of the Ministry of Health is not yet capable of developing the strategy and policies to reform the sector. Despite this constraint, legislation is being prepared.

Social sector and labour markets

The reform of the social safety net started soon after independence with the reorganisation of the social insurance system in 1991. This led to the creation of the Social Insurance and Employment Funds and the SoDra, the national insurance body. In 1994, the pension system was

reformed and became a contributory, flat-rate model. A minimum income guarantee was introduced in 1990 and is being implemented by the local authorities. Resources for the managing of these systems are inadequate (staff numbers are low and work-loads high), which leads to many ad hoc solutions and a short-term attitude. There are strong doubts about the long-term financial viability of all these components, which explains the Government's desire for fresh strategic input.

Social care is carried out in an obsolete legal context and delivery quality is variable. The Government wishes to decentralise the provision of social welfare, which will require new legislation and training measures.

A 1992 Phare programme has helped Lithuania to develop a labour market strategy. Further efforts are needed to reduce the weaknesses arising from an inadequate definition of unemployment. Adult vocational training is likely to be particularly important.

Programme objectives

To help develop an ethical, efficient and accountable public service.

To develop and implement a PHC system.

To develop human resources for PHC.

To reorganise the Department of Pharmacy.

To design a complete reform strategy for the pharmaceutical sector.

To reinforce the process of strategy reform at the Ministry of Labour and Social Security.

To enhance the performance of the labour exchange offices.

To train key social services staff at ministerial, municipal and NGO levels.

Programme description

Public administration

This component will support central government administrative reforms by developing an implementation strategy for the new law on the status of civil servants. Phare will also deliver advice, training and equipment to every Ministry involved. It will develop an information policy and familiarise key officials with European Union best practice.

There will also be support for the implementation of decentralised government reforms (practical expertise, training, information material, equipment). Help may be available to develop centre-periphery communications channels. A study on the role of NGOs may be financed. A feasibility study on municipal credit facilities will be completed.

Finally, help will be available to develop a multi-annual training strategy. Support and training material will be provided for its implementation.

Health sector

The PHC component will be implemented centrally, through HRMG and a PHC working group, and decentrally, through projects in pilot districts and training programmes.

Pilot districts project: a comprehensive PHC implementation plan based on national policy guidelines will be developed. It will be implemented in two pilot districts, according to an action plan to be developed for each district. These two pilot projects will test the feasibility and the acceptability of the proposed reform. The results will be transmitted to the Ministry of Health to feed an amendment process.

Training programmes: a core group of General Practitioners (GPs) will be trained as trainers. Curricula aiming to retrain doctors will be designed. Recycling courses will be offered, targeting pilot district personnel. GP education courses will be designed for universities. Training in PHC skills will be offered to paramedical staff.

The pharmaceutical restructuring component will consist of know-how, training, study visits and training equipment to be delivered to the Department of Pharmacy to address the following topics: reorganisation, legislation, pricing schemes, monitoring, computerisation and drug registration.

Social sector

This component will strengthen the Ministry's programme management and strategic planning capacity through the creation of a Programme Management Unit, an analysis of organisational structures, know-how transfer, legal drafting skills, staff training and the improvement of information systems.

The labour market will receive help in the following ways: support for labour exchanges, training of senior personnel within labour exchanges, a train-the-trainer programme and the improvement of statistical systems.

Social welfare services will be upgraded by helping the Social Work Training Centre to become fully effective, and developing an outreach programme to municipal organisations and NGOs.

Implementation

The health and social sector components will each be directed by their own Steering Committee, to be set up by their respective ministries.

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Lithuanian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the European Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Infrastructure development programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration	to 31 December 1997
EU contribution	ECU 9.5 million
Implementing body	<p>Ministry of Environmental Protection Juozapaviciaus 9, Vilnius Tel (+370-2) 62 16 46 Fax (+370-2) 62 50 92 Mr A Kondrotas</p> <p>Ministry of Transport Gedimino ave 17, 2679 Vilnius Tel (+370-2) 62 68 18 Fax (+370-2) 62 68 18 Mr A Sakalys, State Secretary</p> <p>Lithuanian Energy Agency Zveju str 14, 2600 Vilnius Tel (+370-2) 22 52 08 Fax (+370-2) 22 52 08 Mr M Franckevicius, PIU Director</p>

Main components

Environment	ECU 3.7 million
Strategy implementation	ECU 2.3 million
Protection of bio-diversity	ECU 750,000
Hazardous waste programme	ECU 300,000
Management support	ECU 350,000
Transport	ECU 3 million
Institutional development and privatisation	ECU 1.8 million
Pre-investment activities	ECU 800,000
Management	ECU 200,000
Contingencies and evaluation	ECU 200,000
Energy	ECU 2.8 million
Energy efficiency programme	ECU 1 million
Energy sector restructuring	ECU 700,000
Energy sector rehabilitation	ECU 600,000
Energy diversification	ECU 500,000

Background

Environment

Water pollution is considered to be Lithuania's worst environmental problem; treatment facilities are inadequate, but the construction of five waste-water treatment plants is in progress. Most of Lithuania's production of hazardous waste is left untreated. A bio-diversity protection plan is being implemented; once complete, its network of nature reserves, national and regional parks will cover 10 per cent of the national territory. The country's environmental institutions are new and still weak and the legal framework is primitive.

However, the Government takes environmental matters seriously: over 40 per cent of the state's investment budget is allocated to environmental projects. The Ministry of Environmental Protection, born in 1994 from the ashes of the Supreme Seima's Department of Environmental Protection, has almost finished drafting its National Environmental Strategy and the related action plans, but needs help to overcome its institutional weaknesses. Policy is being redirected from the building of environmental infrastructure to source-oriented policies. A legislative reform programme is hampered by the lack of legal specialists.

Phare committed ECU 1 million in 1993 to environmental protection programmes. Another million followed in 1994. These funds were used to compile an inventory of former military sites, to set up a Programme Implementation Unit, to draft a National Environmental Strategy, to provide institutional support, to boost the management capacity of water utilities and to run a pilot project to clean up a contaminated site.

Transport

Lithuania is located on two main Baltic transit corridors: the east-west axis, with the port of Klaipeda linked by road and rail to Minsk and thence to Moscow and to Kaunas-Kaliningrad; and the north-south axis, by motorway and rail from Helsinki to Warsaw.

The transport infrastructure is relatively well developed, but suffers from a lack of maintenance and is deteriorating rapidly.

The key transport priorities identified by the Government are: to restructure Lithuanian Railways, to harmonise legislation to European Union norms, to integrate the transport networks into European transport corridors, to maintain the existing infrastructure, and to make sure that basic urban public transport systems are available. Strategically important operations will remain in state hands.

Specific government plans include

- developing the infrastructure of Klaipeda port
- resurfacing the road network, modernising the Via Baltica motorway and building bypasses
- investing in the efficiency of railways
- modernising Vilnius airport
- repairing the Vilnius public transport system.

Between 1991 and 1994, Phare has committed ECU 6.5 million to Lithuanian transport programmes.

Energy

Lithuania has almost no indigenous energy resources. On the other hand, it has far more electricity and refining capacity than it needs, a legacy from Soviet days. This points naturally to transnational cooperation in this area. A National Energy Strategy, prepared with Phare support, was adopted in 1994. It has four aims:

- to introduce commercial relationships
- to develop energy efficiency in all sectors
- to carry out the least-cost rehabilitation of selected infrastructure
- to stimulate Baltic cooperation on the supply of oil, gas and nuclear fuel to diversify the sources of supply.

No major energy supply investments are foreseen.

An Energy Agency was created in 1993. Energy production and distribution are handled by different state-owned companies. The Government has adjusted energy tariffs to reflect costs, except for domestic heating, which continues to be subsidised.

Phare's involvement has been extensive. In addition to a number of multi-country initiatives, Phare has committed ECU 8.75 million to energy projects since 1991.

Programme objectives

Environment

To strengthen environmental institutions and harmonise them with European Union models.

To develop pollution prevention policies.

To support priority investment projects with a regional character.

Transport

To help the Government implement its National Transport Development Programme.

To develop the institutional and legal framework.

To upgrade management and planning skills.

To help mobilise financial resources for investment projects.

Energy

To promote market reforms in the energy sector.

To implement projects listed in the National Energy Strategy.

To improve technical and economic energy efficiency.

To promote the institutional development of the sector.

Programme description

Environment

There are four parts to this component.

The first part will finance the implementation of the National Environmental Strategy, prepared with Phare support. The main instruments will be the transfer of know-how and the creation of tools to finance waste-minimising techniques and cleaner technology programmes. A detailed work programme will be developed from the Strategy.

The second part will help prepare a realistic programme to deal with the problem of hazardous waste. It will consist of a needs assessment of treatment facilities, the drafting of a medium-term action plan and training.

The third part will help protect the protected areas by helping the authorities enforce them: they are threatened by uncontrolled development. This will take the form of regulatory design, a review of enforcement mechanisms, the development of compensation mechanisms and an administrative review.

The fourth part will help the Programme Implementation Unit (PIU) take up greater responsibilities by providing it with help in project appraisal, management and evaluation as well as procurement tactics. Know-how transfer and training will continue.

Transport

There are two groups of activities. The first handles problems of institutional strengthening, reorganisation

and privatisation. The second group deals with pre-investment activities.

Institutional strengthening, reorganisation and privatisation projects include

- help to restructure Lithuania Railways on the basis of the recommendations of the completed restructuring study
- know-how transfer, training and other support to the Road Administration
- implementation of the recommendations of the master plan of Lithuanian Airports to include help with policy formulation, legislation help and training
- implementation of the recommendations of the master plan study of Urban Transport and Intercity Buses.

Pre-investment activities include the following feasibility studies:

- Kaunas as a multi-transport junction
- infrastructure development of Klaipeda port
- development of a section of the Via Baltica highway.

Energy

The Energy Efficiency Fund, which gives out grants and loans, will be replenished. The Energy Agency will receive help to develop a conservation policy. This means compiling statistics, running an information campaign, training sessions and carrying out energy audits. An energy savings strategy will be developed for the construction industry.

Advisory support will be provided to commercialise energy utilities, develop their institutional framework, improve management and human resources skills, and develop a privatisation plan for non-core businesses.

Phare will also fund a technical audit of the district heating sector and will fund the second phase of implementing an energy geographical information system.

This component will complement Phare's multi-country programme on the interconnection of gas and electricity grids by developing the use of local energy resources. Specifically, Phare will help to increase local oil production and implement a variety of completed studies on the exploitation of local energy resources.

Implementation

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Lithuanian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

Public investment financing programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1998

EU contribution ECU 5.5 million

Implementing body

Lithuanian Energy Agency
Zveju str 14, 2600 Vilnius
Tel (+370-2) 22 52 08
Fax (+370-2) 22 52 08
Mr M Franckevicius,
PIU Director

Ministry of Environmental
Protection
Juozapaviciaus 9, 2600 Vilnius
Tel (+370-2) 62 16 46
Fax (+370-2) 62 50 92
Mr A Sakalys, Secretary to the
Minister of Transport

Main components

**Panevezys-Siauliai
gas pipeline** ECU 2.5 million

**Kaunas waste water
treatment plant** ECU 3 million

Background

This programme concerns two public investment projects identified as priority areas in the Public Investment Programme (PIP). It was approved by both Government and Parliament in early 1995. Phare helped the Ministry of Finance to draw it up. Both projects were presented at a G-24 donor conference in May 1995 and have attracted substantial additional funding.

Gas pipeline

The share of natural gas in the national energy balance is to be increased. The gas distribution network is extensive and geared to the delivery of Russian gas. A single pipeline supplies the network from Belarus. This pipeline needs to be reinforced: demand is expected to exceed current capacity by the year 2000. Lithuanian Gas, the operator, has therefore decided to build a 115 km pipeline segment from Panevezys to the Akmene branch and from there onwards in order to increase capacity. Total project cost is estimated at US\$43.1 million. A financial cost-benefit analysis has

been carried out. Lithuanian Gas will design and manage the project. The Ministry of Finance will manage the disbursement of funds, an area in which it gained experience through the European Bank of Reconstruction and Development (EBRD) and World Bank energy loans.

Kaunas waste water treatment plant

Kaunas (pop. 430,000) is the second largest city in Lithuania. It does not have a waste water treatment plant. Its discharges represent 90 per cent of the country's untreated sewage. The Government has therefore designated Kaunas as a pollution 'hot spot' and the city has been ranked as a top priority by the Baltic Sea Action Programme. This programme forms part of the Kaunas Environment Project, an EBRD-initiated four-year programme to complete the waste water treatment plant. The plant will use mechanical treatment and waste flocculation before discharging the treated water through an 8 km-long outlet pipe.

The State Budget will contribute significant sums to this project: some ECU 5.6 million in 1995, ECU 9.3 million in 1996 and ECU 11.2 million in 1997.¹ Local investment costs will be covered by raising water rates, which have already increased significantly from Soviet days.

Programme objectives

To help increase the capacity of the gas network in line with extrapolated demand.

To help stop the discharge of untreated sewage from Kaunas.

Programme description

Gas pipeline

Phare funding will be granted to the Lithuanian Government to be lent on to Lithuanian Gas. The money will be used to co-finance the completion of the section between Km8 and Siauliai, which represents 72 km of the total 115 km that needs to be built. Co-financing partners will be the State Budget, the Kuwait Fund for Economic and Social Development, and Lithuanian Gas.

Kaunas waste water treatment plant

Phare will build two sewage pumping stations on a turn-key basis. These two new stations will pump about 20 per cent of the city's sewage to the plant. This project was chosen because it has a high priority, is clearly stand-alone, does not require on-site Phare contracts, is simple to manage and easy to disburse.

¹ Indicative figures only, converted from LTL amounts at mid-1995 exchange rates.

Implementation

The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Lithuanian Government will provide counterpart and support staff and facilities. It also undertakes to carry out the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.

European integration programme

Approved by the Phare Management Committee at meeting N° 37 on 5 July 1995.

Duration to 31 December 1995

EU contribution ECU 5.5 million

Implementing body
Ministry of Foreign Affairs,
European Integration Support Unit
J. Tumo-Vaizganto 8a/2, 2739
Vilnius
Tel (+370-2) 22 64 00
Fax (+370-2) 22 68 92
Mr D Dobrovoljec,
Programme Manager

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Gedimino ave 19 (room 364),
2025 Vilnius
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Fax (+370-2) 62 04 20
Dr Danguole Jankauskiene,
Deputy Director

Ministry of Environmental
Protection
A Juozapaviciaus 9, 2600 Vilnius
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Mr A Sakalys, Secretary to the
Minister of Transport

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Zveju str 14, 2600 Vilnius
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Mr M Franckevicius,
PIU Director

Statistics Department
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Tel (+370-2) 61 96 56
Fax (+370-2) 61 71 23
Dr Kestutis Zabovskas,
Director General

Main components

Programme coordination	ECU 650,000
Short-term support and work programme development	ECU 450,000
Public awareness campaign	ECU 200,000

Agricultural standards	ECU 2 million
Setting up laboratory	ECU 1.5 million
Short-term support	ECU 250,000
Training	ECU 250,000
Economic legislation	ECU 700,000
Statistics	ECU 800,000
Environmental standards	ECU 500,000
Energy legislation	ECU 300,000
Civil society	ECU 300,000
Reserve	ECU 250,000

Background

A Free Trade Agreement was concluded with the European Union in 1994. In the recently signed Europe Agreement, Phare is defined as the key support instrument for the Agreement's implementation. According to the conclusions of the European Council held at Essen, Phare must help the associated countries prepare for membership of the European Union. It will do so by providing support for the adoption by Latvia of the "acquis communautaire", the establishment of institutional frameworks and the completion of economic restructuring.

Coordination

The present institutional set-up of government is not well geared to integration. Few ministries or government departments are equipped to deal with the demands that integration will place on them. The Government and the European Commission both realise that radical work in virtually every sector of activity will be required to create the conditions for smooth accession to the European Union. The Government wishes to use Phare to support the process of harmonisation.

A start was made in 1994 when Phare provided funds to establish the European Integration Support Unit at the Ministry of Foreign Affairs. The Ministry is setting up a European Affairs Department; the Integration Unit's main job is to provide support to the new department. An ancillary task for the Unit will be to run training programmes for key civil servants.

The present programme will have to be coordinated closely with the 1995 public administration reform programme, which handles the training of civil servants in a variety of integration-related topics.

Economic legislation

Phare started to help with the process of preparing new economic legislation in 1993. This concerned six legal fields and was funded with ECU 800,000. Although much has been accomplished, most areas of civil and commercial legislation require further support.

Agriculture

The Government wants Lithuania to use European Union (EU) quality standards for all agricultural products. The importance of the resulting monitoring tasks is such that it is essential to set up one central, state-approved institute dedicated to this. This institute will be independent of the Ministry of Agriculture and will work on commercial terms.

This is an example of a more generally valid point recognised by the Europe Agreements and the pre-accession strategy: to further the process of integration, it is not enough merely to adopt EU standards, it is also necessary to set up the institutional infrastructure to enforce these.

Statistics

Standard international classifications are essential to obtain internationally comparable statistical data. Soviet classifications are not compatible with international standards and must be replaced in all spheres of activity. Currently, different authorities are involved in the process (which is one of specialist translation and adaptation). This is detrimental to its efficiency; it must be brought under one roof. The following standard classifications are the most urgently required: CPA, CPC-COM, SITC and PRODCOM.

Environmental standards

There is a need to harmonise environmental standards with those of EU countries. Standards to be dealt with include those for emissions, air and water quality, for the handling of hazardous and non-hazardous waste, for soil and contaminated sites, for transport etc. It will be important to pay attention to the authorisation process at local level, as the new standards will only become effective if they are used in conjunction with better local monitoring and enforcement capacities.

Phare funded a small project on air and water standards from its 1992 programme.

Energy standards and legislation

The only body of laws concerning energy that was in use until recently was the Soviet technical code. An Energy Act became law in March 1995. It acts as a

broad framework; specific sub-sector legislation still needs to be developed. The Energy Act has two main aims: to separate policy and regulatory activity from economic and commercial functions, and to introduce price and tariff reforms. Further legislative work is required following Lithuania's signature of the European Energy Charter. This legislation should promote the use of European Union technical regulations and standards and encourage Lithuania's regular participation at international fora.

Civil society

A large proportion of the population is not participating fully in the social and political life of the country. 'Grass-roots' organisations have yet to take hold. Non-governmental organisations (NGOs) are rare, weak and badly organised. The lack of a vibrant civil society endangers the long-term development of Lithuanian democracy. There is thus an urgent need to help the NGO, voluntary and civil sector grow.

Programme objectives

To help Lithuania implement its Free Trade and Europe Agreements.

To lay the foundations of Lithuania's accession to the Union.

Coordination

To provide a framework for policy formulation.

To prepare the European Integration Work Programme.

To launch a public awareness campaign.

Economic legislation

To help define priorities.

To provide legal expertise not found in other programmes.

To advise the Government about the consistency of economic legislation.

To help coordinate legal assistance from all donors.

To help harmonise national legislation to EU standards.

To help divide responsibilities for lawmaking between Parliament and Government.

To provide training programmes for lawmakers and judges.

To provide legal documentation.

Agriculture

To introduce European Union food and animal feed standards.

To set up a national state-authorized food and feed laboratory.

To enable Lithuania to be certified as a supplier of approved quality products to international markets.

Statistics

To translate the standard classifications and adapt them to Lithuanian conditions.

To translate and implement economic standards simultaneously.

Environmental standards

To create an adequate institutional and legal framework for environmental protection.

To introduce harmonised standards.

To train those involved in enforcing the new standards.

Energy standards and legislation

To support the development of energy legislation.

To help separate regulatory and policy functions from economic and commercial ones.

Civil society

To extend the role of the civic sector in society.

To strengthen the capacity of Lithuanian NGOs.

To help build a vibrant participatory democracy.

Programme description

Coordination

This component will offer support in addition to that provided by the European Integration Unit. There are four parts to this component. They are

- the development of a multi-annual rolling work programme that will identify the adaptations that government departments must make. The work programme will establish any interdependence between these adaptations, prioritise their implementation, set out a critical path network, and specify the sequence of implementation over the next five years
- the launching of a public awareness campaign aimed both at civil servants and at the wider public. Its aim will be to explain the European Union, the Europe Agreement and the accession strategy
- training courses in European integration for civil servants to complement the specific courses outlined below

- additional short-term expertise for the European Integration Unit.

Economic legislation

This component will finance a review of ongoing economic legislation programmes. Subject to the findings of that review, this component will help with the following legal areas:

- financial services legislation
- commercial law
- labour law
- European Union law
- constitutional and administrative law
- international law.

The support will be delivered through a resident EU lawyer on a short-term basis. Three kinds of help will be offered: general legal and legislative planning, legal input with specific texts, and legal training to lawmakers and judges.

Agriculture

This component will co-finance the establishment of a brand new food and feed laboratory at Kaunas. It will be established alongside a new laboratory for the entire agro-food industry. Phare will finance training actions, the transfer of know-how and the preparation of several export-oriented strategic studies.

Statistics

Phare will finance a support programme for the translation, editing, adaptation and reproduction of international and EU standard classifications.

Environmental standards

Phare will provide the following elements:

- a detailed implementation plan
- implementation actions, including disseminating the information
- training on emissions, monitoring and enforcement
- institutional strengthening of regional and local agencies to include management training, automation and the preparation of manuals.

Energy standards and legislation

This component will help develop and harmonise energy legislation and standards to EU requirements. This will be done through the provision of advice, seminars, training, study visits and the translation of European Union legislation and other texts.

Civil society

This component aims to

- improve general awareness of the role of NGOs
- provide NGOs with information and services
- enhance the ability of NGOs to influence policy
- develop NGOs' PR, marketing and fund-raising skills
- promote voluntary work
- promote cooperation between NGOs.

The assistance will be provided through a grant scheme that will be used to finance information and service activities, training and project work.

Typical areas of eligibility will be ecology, health, social services, human rights, minority rights and so forth. Areas that will not be eligible are political parties, professional organisations, employers' federations, trade unions etc. The overriding criteria of choice will be the organisation's capacity to meet important social needs.

Implementation

The various implementation bodies are listed at the beginning of this summary. The contracting agency for this programme will be the European Commission on behalf of the national authorities. The Lithuanian Government will provide counterpart and support staff and facilities. It also undertakes to take the appropriate legislative and institutional steps.

The usual procurement rules apply.

The implementation will be monitored by the Commission through regular work reports provided by the recipients. Biannual assessment meetings will be organised. Independent experts may be hired to carry out mid-term and 'ex post' programme assessments.



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