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Development Fund 2007–2013

Objective 3: European Territorial  
Cooperation

# CROSS BORDER COOPERATION PROGRAMME LITHUANIA-POLAND



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## ABBREVIATIONS

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<b>CBC</b>	Cross-border Co-operation
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>FDI</b>	Foreign direct investment
<b>ICT</b>	Information and communication technologies
<b>JMSC</b>	Joint Monitoring and Steering Committee
<b>JTF</b>	Joint Task Force
<b>JTS</b>	Joint Technical Secretariat
<b>OP</b>	Operational Programme
<b>SME</b>	Small and medium enterprises
<b>SPF</b>	Small Project Fund
<b>R&amp;D&amp;I</b>	Research and development and innovation
<b>VET</b>	Vocational education and training

# 1. PROGRAMME SUMMARY AND DESCRIPTION OF PROGRAMMING PROCESS

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For 2007-2013 the INTERREG 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 regulation's for CBC activities.

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 complementarities 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 of national, regional and local levels 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 Joint 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 – the 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.
- 13 February 2007 Vilnius, Lithuania. The fourth meeting of the Joint Task Force – an updated draft of the OP and the SEA report were presented and discussed.

#### Public consultations

For Lithuania, the first step of consultations was putting the information in the national press and website of INTERREG ([www.interreg.lt](http://www.interreg.lt)) with the short description of the Programme and invitation for public to participate in the public consultations on the Programme document project. The public consultations were held on 27<sup>th</sup> of March 2007 at the premises of the Ministry of the Interior of the Republic of Lithuania, but representatives of society didn't deliver any reasoned proposals for Programme's document project and Strategic Environmental Assessment (SEA) report. The second step was consultations with the relevant stakeholders and their comments on Programme document project and SEA report were taken into account in the following drafts of the documents.

In case of Poland, the first stage of consultations was putting the draft of the Operational Programme on the websites of the Polish Ministry of Regional Development and the Marshall Offices of Podlaskie and Warmińsko-Mazurskie Voivodeships. At the same time the Polish Ministry of Regional Development organised a regional conference in the Marshall Office of Podlaskie Voivodeship in Bialystok, in which some 70 participants took part. The conference was aiming at presenting the main subjects of the OP (eligible area, priorities, potential beneficiaries, budget, etc.). The next step was conducting public consultations between the Polish Ministry of Regional of Development on one hand, and the Polish Ministry of Environment and General Sanitary Inspector on the other hand. Within these consultations two main documents – the draft of the OP and SEA report - were sent to these institutions for approval. The comments provided by all the parties were taken into account in the following drafts of the OP.

After numerous discussions and amendments, the Joint Task Force endorsed the 2007-2013 Lithuania – Poland Cross Border Co-operation Operational Programme on 13<sup>th</sup> of February, 2007 and it was formally submitted to the European Commission on 14<sup>th</sup> of August, 2007.

## 2. THE LITHUANIAN – POLISH BORDER REGION

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### 2.1. Eligible Area

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

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

On the Lithuanian side 2 counties and 3 adjacent areas shall participate in the Programme:

- Marijampole County (5 municipalities)
- Alytus County (5 municipalities)
- Taurage County as an adjacent area (4 municipalities)
- Kaunas County as an adjacent area (8 municipalities)
- Vilnius County as an adjacent area (7 municipalities – for the purposes of this OP Vilnius city municipality is not included as one of the municipalities that are eligible)

As noted above, Vilnius city municipality is not included in the programme area, although Vilnius County is. Given the fact that Vilnius city municipality is the wealthiest of all Lithuanian municipalities, its socio-economic statistics are well over the national averages and that it receives the bulk of both national and foreign direct investments, it has been decided not to include it as eligible. For example, FDI per capita in Vilnius city in 2004 was € 5090 while the national average was only € 1369. The ERDF's assistance is geared towards "reducing isolation through improved access to transport, information and communication networks and services". In this case, this CBC type of assistance is not required and the remaining 7 municipalities within Vilnius County remain as eligible areas.

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.

The Olsztynski Subregion is included as an adjacent area as the Polish Voivodeship of Warminsko-Mazurskie signed an agreement on co-operation with the Lithuanian Taurage County in 2005; participation in this cross-border co-operation Programme shall help to further strengthen the ties between both regions, especially by implementing projects based on people-to-people actions. Additionally the University of Olsztyn, which has numerous bilateral co-operation agreements with Lithuanian partners, and other higher education institutions in the Olsztynski Subregion have a great potential in implementation of education co-operation projects and research activities with Lithuanian institutions.

As a part of Podlaskie voivodeship, Łomżyński Subregion has a co-operation agreement signed with Kaunas County, and should be active in generating soft projects especially those related to people-to-people contacts, supporting culture heritage and other 'soft' actions.

Taking into account the fact that Vilnius County is a member of Euroregion Niemen/Nemunas, its inclusion into the Programme as an adjacent area should lead to an increase of projects submitted by the Euroregion. Salcininkai municipality in Vilnius County has 18 agreements on co-operation in culture and tourism with Polish municipalities from bordering subregions. Most of this co-operation has been ongoing for over 10 years and participation in the Programme will enable

to extend in new topics and let implement more varied soft projects. And of course, the cultural and historical ties of Vilnius County to Poland are long-standing.

These are therefore included as adjacent areas.

In duly justified cases and only if it is for the benefit of the Programme, up to a limit of 10 % of the Programme's budget might be used outside the Programme area and European Community.

### 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, possesses rich natural resources which make an important resource for endogenous development of such activities as tourism as well as geographical position which is advantageous to such vital economic activities as 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.

The information provided in the tables gives comparisons of the statistics for 2001 and 2005 to show the most current trends. However, sometimes statistics for these years were not available and data for the next most recent years was used.

### 2.2.1. Area and Demography

The demographic situation is shown in Table 1. The nearly 3.6 million residents of the 68.583 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 52 inhabitants per km<sup>2</sup> is partly due to the area's agricultural environment and makes it an attractive region for investment, with many open areas that can be developed, and for tourism. On the other hand, dispersed population requires relatively larger inputs into development of basic infrastructure, which would ensure territorial cohesion of the targeted area. 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	72.0	28.0
Vilnius County*	9.330	295.494	31.7	37.2	62.8
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	59.0	62.2	37.8
<b>TOTAL</b>	<b>68.583</b>	<b>3.574.685</b>	<b>52</b>	<b>59.1</b>	<b>40.9</b>

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality

The border area contains nine main urban areas: Białystok (300.000 inhabitants), Suwałki (69.000), Łomża (64.000), Elk (56.000), Olsztyn (173 000), 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 1.204.700.

According to the 2001 census, 119.732 ethnic Poles reside in the Lithuanian border counties of the Programme area. Most live in Vilnius County – 111.566 (not including Vilnius city). 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. Due to that statistically the percentage of working age population is growing, while the share of population over working age remains somewhat stable, with slight decrease in Lithuanian counties and minor increases in Polish sub-regions.

**Table 2. Demographic situation**

Region	2001			2005		
	Under working age (0-15) (%)	Of working age (%)	Over working age (%)	Under working age (0-15) (%)	Of working age (%)	Over working age (%)
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	20.0	59.8	20.2	18.2	61.9	19.9
Vilnius County*	21.5	56.0	22.5	18.6	60.7	20.7
Białostocko-Suwalski Subregion	24.0	58.9	16.4	21.0	62.0	17.0
Elcki Subregion	27.5	59.5	13.0	23.8	62.8	13.5
Lomżyński Subregion	26.9	58.0	15.0	23.6	60.8	15.5
Olsztynski Subregion	24.9	62.2	13.9	22.2	64.4	13.4

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality

## 2.2.2. Economic Development, Industry and SMEs

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** - Dairy and meat product production are 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. Lithuania's second largest power plant is located in Elektrenai in Vilnius County.

**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 economically active population is concentrated in urban centres thereby creating less favourable conditions for the socio-economic and social development in rural areas.

**Table 3. Main sectors of employment (in thousands)**

	2002	2005
<b>Agriculture</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
Vilnius County*	-	-
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>Industry</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
Vilnius County*	-	-
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>Services</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
Vilnius County*	-	-
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

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* statistics on Vilnius County not including Vilnius city are not available

**The GDP per capita** in the border regions counties are well below the national and EU averages. However Lithuanian regions have developed very rapidly. The average annual growth rate of the real GDP per person between 2000 and 2005 varied from 12.07 percent in Kaunas county down to 5.97 percent in Taurage county. The growth rate of Polish regions was less impressive due to the economic slowdown at the beginning of the current decade. However some regions are considered as the fastest developing in the country, e.g. Olsztynski subregion.

**Table 4. GDP per capita**

Region	EUR		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
Vilnius County*	-	-	-	-
Białostocko-suwalski Subregion	3.652	4.224	73.4	70
Lomzynski Subregion	3.518	3.892	70.7	64.5
Elcki Subregion	3.158	3.902	63.5	64.6
Olsztynski Subregion	4.351	5.307	85.4	87.8

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* statistics on Vilnius County not including Vilnius city are not available

Majority of employees of the programme area are employed in small and medium size enterprises. In 2005 on the Lithuanian side of the programme area was registered 19,98 thousand SMEs and on the Polish side 160,68 thousand (the figures largely differ due to different national laws on enterprise status. The density of SMEs largely varies: for example, from 11 761 enterprises in Kaunas county to 1 371 in Taurage county. However SMEs themselves are rarely involved in the cross border cooperation and cooperation with foreign partners due to insufficient capacity and knowledge.

The main barriers of SME development in the entire border region are lack of funds and external capital, changing laws and market barriers.

The cross border cooperation could contribute to the removal of cooperation barriers by establishing SMEs support system in relation to cross border cooperation and networking, exchange of experience and removal of administrative barriers.

**The level of FDI (Foreign Direct Investments)** in the CBC border region is low, especially in the agricultural parts and areas with a low population density. Much of it is concentrated in either in the nearby Lithuanian capital or the ports in Poland.

FDI per capita for the Lithuanian counties is far less than the Lithuania average of € 2.034. Only Kaunas County is close at € 1099 in 2005. FDI has grown considerably in Alytus and Kaunas Counties since 2001, for example from € 227 in 2001 to € 635 in 2005 for Alytus; however Marijampole and Taurage Counties, despite a slight growth, lag way behind with € 94 and € 160, and € 42 and € 60 for the same years respectively. Vilnius County, on the whole including Vilnius city, is way above with €13.576, but most of this is concentrated in the city and not on the programme area; the regional municipalities of Vilnius County receive far less.

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. According to the data of Gdansk Institute for Market Economics, in 2006 Podlaskie Voivodeship was recognised the least attractive Polish region for foreign investors. The share of foreign investments in Podlaskie region is marginal and each year it is no more than 0,5% of total investments.

### 2.2.3. Labour market and unemployment

The labour market shows substantial disparities between the Polish and the Lithuanian part of the programme area.

Unemployment rate in Lithuania is moderate and has decreased considerably during the last few years. Similar process was observed for the whole country (in 2005, the average rate for Lithuania was 8.3 percent, i.e. less than EU average of 8.8 percent). In the programme area the highest unemployment level was observed in Kaunas county (8.9%) and the lowest in Marijampole County (3.0%). The main reason for the change was due to economic growth of the country and to growing emigration to more prosperous EU countries.

In the Polish border region, however, unemployment is one of the most significant problems. Despite a growth in GDP, the rate of unemployment has remained very high for the past few years. Many districts of the eligible regions 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-suwałski 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 32.5%.

Howeve positive changes were observed during the two years. Starting 2004, the unemployment in Poland began to fall down (from 20.4 percent in February 2004 to 14.4. percent in March 2007).

**Table 5. 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
Vilnius County*	22.2	7.8	-	-
Bialostocko-suwalki Subregion	60.0	51.3	14.3	14.8
Lomzynski Subregion	26.5	21.9	17.3	17.9
Ełcki Subregion	40.8	35.3	33.7	32.5
Olsztynski Subregion	68.4	58.7	25.6	24.2

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality, unemployment rate figures not available

The labour market of the programme area is negatively affected by continuous and growing economic migration and brain drain from the rural territories to larger urban centres and/or abroad. During the last years the emigration of a workforce to other European countries (mainly UK, Spain and Scandinavian countries) has become a significant problem. The main reason for this is a comparatively low salary level, which automatically equals a low income level of the population as seen in Table 6. New workplaces for marginalised groups are needed as is a re-qualification of labour force according to market needs.

**Table 6. Average Gross Monthly Salary (euro equivalent)**

<i>Region</i>	<i>2002</i>	<i>2005</i>
Alytus County	256	310
Marijampole County	237	290
Taurage County	222	271
Kaunas County	273	345
Vilnius County*	234	286
Bialostocko-suwalki Subregion	508	571
Lomzynski Subregion	483	533
Ełcki Subregion	458	507
Olsztynski Subregion	520	580

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality

This CBC programme should contribute to the intensification of economic relations between the two countries and support the improvement of employment conditions and establishment of new employment opportunities across the border. Improved accessibility and infrastructure of the border area as well as strengthening of the business sector might create important preconditions for that.

## 2.2.4. Education, Research and Development and Innovation

The network of secondary schools and professional education institutions is rather well developed in the programme area. However due deteriorative demographic indicators and education reform the number of secondary schools in the eligible regions of Lithuania decreased by 38% from 1139 in 2001 to 706 in 2005, and the number of pupils from 257.5 thousand to 231.2 thousand (10,2%). A similar process was observed in Poland: from 421 schools in 2001 to 305 in 2005 (27.6%) and from 82.1 thousand pupils to 62.1 thousand (24.4%). Both Lithuania and Poland locate a number

of secondary education institutions with foreign taught language (Polish in Lithuania and Lithuanian in Poland).

Number of adult/vocational training institutions and their participants remained rather stable on the Lithuanian side: 32 institutions and 18.953 participants in 2001 and 31 institutions and 19.513 participants in 2005 on the Lithuanian side, but decreased by almost two times on the Polish side: from 227 institutions and 24.004 participants in 2001 to 151 institutions and 14.217 participants in 2005.

Among main objectives of the education sector is to better adjust to the changing market needs. Opening of the EU borders has increased economic emigration and demonstrated shortage of technical workers and engineering professions. Therefore a life long education and training shall be strengthened and qualification raising and retraining systems introduced and/or readjusted to satisfy demands of the labour market. The sector still requires large investment into modernisation of infrastructure and equipment.

In the recent year the higher education has become an important development factor. This is demonstrated by sharp increase of higher education institutions and students during the last years. The number of students in Lithuanian side of the border (including Vilnius city) increased by almost 56 percent. The increase on the Polish was more moderate and amounted to 11% percent.

**Table 7. Higher education institutions and students**

Region	Number of institutions		Number of students	
	2001	2005	2001	2005
Alytus County	1	1	754	1611
Marijampole County	1	1	394	2 270
Taurage County	-	-	-	400
Kaunas County	10	13	41 155	59 194
Vilnius County*	13	18	55 383	88 903
Bialostocko-suwalski Subregion	11	16	46 187	49 240
Lomzynski Subregion	2	3	2 962	3 312
Etcki Subregion	3	2	5 058	4 834
Olsztynski Subregion	5	5	39 989	47 159

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\*including Vilnius city

A small number of students in Vilnius (Lithuania) undertake their studies in Polish language; the figure has dropped from 254 students in 2001 to 188 students in 2005.

Yet the average number of students in universities or equivalent institutions located in the programme area is below other European regions. The biggest concentration of university students is in Bialostocko-Suwalski subregion (49,240 students, 55.32 per 1,000 inhabitants), followed by Kaunas county (47,385 students, 69.10 per 1.000 inhabitants and Olsztynski subregion 47,159 students, 76.98 per 1,000 inhabitants). The problem of special accessibility to higher education is actual in the programme area, whereas there are no universities located in Alytus, Marijampole and Taurage counties. This problem could partially be solved by the development of more flexible forms of education (e.g. e-learning).

The CBC programme could contribute to the youth/student cooperation and strengthening of the education sector by the exchange of experience, elaboration of joint education and training

programmes, strengthening of neighbour's language teaching, introduction of distance education and educations networks. Small scale investments into infrastructure could also be supported.

The universities of Kaunas, Olzstyn, Bialystok cover almost all faculties of education and research. They actively participate in international projects and innovation development, especially in fields of laser, bio and nano technologies.

The science/technology ratio with GDP in Lithuania increased from 0.67 in 2001 to 0.76; in Poland the ration decreased from 0.62 in 2001 to 0.57 in 2005 (national figures). Both figures are largely below the EU 27 average (1.84 in 2005) and, the more so, from Barcelona's objective of approaching 3% of GDP by 2010.

Similarly, the introduction of innovations into business in the programme area is very slow. The science/technology ration with GDP in 2005 in business sector in Lithuania amounted to 0.17 out of 0.76. According to the summary innovation index (SII) published in the European Commission's document "European Innovation Scoreboard 2005"<sup>1</sup>, Lithuania's innovation performance has been rated as 0.27 and Poland's innovation performance has been rated as 0.23. According to its score Lithuania is as low as on the 19th position and Poland on the 21st position among EU-25 group. Lithuania's and Poland's score is markedly below the EU-25 average and, the more so, from the average indicator of EU-15 (0.42 and 0.46 respectively). 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.

It is expected that the development of R&D&I sector and mainly it's interrelation with business will be strengthened by the development of integrated science, study and business centres in Lithuania (programme launched in 2007). Additionally, the Polish and Lithuanian regions are now at the implementation stage of their regional innovative strategies and creation of regional R&D support systems; in 2005, the Regional Science and Technology park was opened in Marijampole. The sector supported by EU funding under Lithuanian and Polish OPs.

The cross border cooperation programme might bring the cross border dimension to the improvement of the co-operation between scientific/academic institutions and the business community on both sides of the border and encourage joint efforts in innovation sector as well as facilitate procurement of innovations from abroad.

## 2.2.5. Social Care and Health

As reflected in the section about demography, the population of the cross border area is rapidly ageing, hereby determining increasing needs to develop adequate services for elderly people. The situation is quite serious on the Polish side. In 2001 there was not a single nursery home for elderly people in the whole Warminsko-Mazurskie voivodeship (8 institutions registered in 2005). In total the number of nursery homes in Polish border regions increased from 6 in 2001 to 19 in 2005). On the Lithuanian side the number of such institutions was increasing very slightly: from 49 in 2001 to 51 in 2005. Although the needs are rising rapidly, the capacity of these institutions to accommodate people remains limited (from 1.939 people in 2001 to 2.063 in 2005 in Lithuanian border regions; from 203 to 828 in Polish). In addition to nursery homes, a demand for social care and nursery at home has grown rapidly. However the system of social care at home is not sufficiently developed and lack experienced social workers.

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<sup>1</sup> *European Innovation Scoreboard 2005: Comparative analysis of Innovation Performance*. The summary innovation index (SII) is obtained by recalculating 18 most popular statistical indicators used to compare innovation status in different countries. According to the methodology of calculation of the index, the lowest possible evaluation for EU-25 group is 0 and the highest - 1 score.

Inhabitants of border areas experience difficulties in trying to combine work and children care. The network of pre-school child care institutions is not sufficiently developed (especially in the rural areas) and their working methods are not flexible (e.g. impossible to leave a child for a few hours or few days a week). This situation significantly hampers the (re)integration of young parents (especially women) into the labour market.

Therefore there is an urgent need to improve the situation in the social care area by strengthening social care infrastructure, introducing flexible schemes and possibilities to combine employment and children care. Private initiatives must be strongly encouraged. Positive changes are expected in the upcoming years due to increasing concern of political and governmental authorities (e.g. in autumn 2007 Lithuanian government has adopted the pre-school care and education strategy for 2007-2012).

The accessibility of health care is another important issue that the programme shall to address the improvement of the quality of life of the border population. Because incomes in the programme area are relatively low and unemployment high in some Polish subregions, the provision and close proximity/accessibility of public primary health care is important for the population, which may not be able to afford private health care services. In recent years a tendency for a drop in public ambulatory health care providers and medical points can be seen as shown in Table 7. In addition there is an important need to improve the quality of health care services.

**Table 8. Ambulatory health care providers and medical points**

Region	2001 Public	2001 Private	2005 Public	2005 Private
Alytus County	105	97	95	80
Marijampole County	101	71	92	91
Taurage County	96	60	87	55
Kaunas County	213	384	198	352
Vilnius County*	172	150	43	45
Bialostocko-Suwalski Subregion	131	47	20	105
Lomzynski Subregion	11	13	39	46
Elcki Subregion	4	16	8	46
Olsztynski Subregion	20	105	33	168

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality

The cross border cooperation opens a large scope of opportunities for the exchange of experience and professionals as well as joint strategies and joint actions in the aforementioned fields.

## 2.2.6. 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 (Via Baltica, Rail Baltica) and IX. However, the programme area is poorly connected internally. Many regions are characterised by the lowest multimodal potential accessibility in Europe. For instance the accessibility of Elcki subregion is one of the lowest in Europe. Insufficient connections and poor technical road conditions in some areas tend to create traffic problems. Better situation is in Kaunas county.

Although the road infrastructure in Poland and Lithuania has significantly improved over the last 5 years, 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 existing local roads do not offer sufficient connections and are characterised by poor technical conditions.. The quality of roads on the Polish side is assessed lower than the national average, which is much below EU standards.

The potential for rail transport in the analysed area is definitely higher than its currently usage. In Lithuania rail tracks are 1520 mm wide, while in Poland – 1435 mm; it causes the necessity of reloading of goods on the border and the necessity of usage of automatic technology to change the wheelbase in passenger rail transport. 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.

Passenger transport in the programme area is dominated by car and buses, trains are not popular due to the lack of direct connection (for example between Kaunas and Olsztyn) and extremely lengthy journeys and long waiting time on the border. The long distance bus system is not sufficiently developed and not internally connected; there is little or no co-operation between different bus operators. The important challenge to address in the area is the development of single ticket connecting different means of transport (bus and train for instance), which could be used in both countries.

Poland and Lithuania share 2 road and one rail border crossing in the Programme area. In 2006 a new road crossing in Berzniki, which is seasonal, was opened. The roads leading to the border crossing points are not sufficiently developed. There is a shortage of border crossings for pedestrian and bike drivers.

Majority of energy in Polish part of the programme area is produced from fossil fuels; in Lithuania the nuclear energy is predominant. Much is still be done in the region to increase energy efficiency and promote environmentally friendly energy sources. The Ignalina nuclear power plant in Lithuania should be decommissioned by 2009. The building of a new modern nuclear power plant by 2015 by joint efforts and funding of Baltic States and Poland is foreseen. Preliminary agreements have been made by Lithuanian and Polish authorities regarding the establishment of the “Power bridge” energy networks, which would facilitate integration into EU energy market, diversify energy supply sources and cut dependence from one supplier,

Further development of the regional economy requires also improvement in the density and quality of the telecommunication infrastructure. Its accessibility has a great impact on regional development in the long run. Despite of large investments of the last years, the accessibility in some regions (mainly rural) is poor. 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. One of the main barriers of the access to the Internet is its price, which is established by the main national operator.

**Table 9. Share of households furnished with computers and with Internet access, %**

Region	Year	Share of households furnished with computers	Share of households with computers connected to Internet
Alytus County	2005	20.6	6.8
Marijampole County	2005	22.4	9.2

Taurage County	2005	20.9	9.1
Kaunas County	2005	30.1	15.9
Vilnius County	2003	29.7	16.6
Bialostocko-Suwalski Subregion	2003	27.2	12.5
Lomzynski Subregion	2005	20.6	6.8
Etcki Subregion	2005	22.4	9.2
Olsztynski Subregion	2005	20.9	9.1

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

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.

The development of economic infrastructure is often hampered by the lack of adequate general and detailed plans for some of the municipalities in the area.

Cross border cooperation could contribute to the improvement of internal connectivity and accessibility of the border area through the investment into border infrastructure, mainly the local roads, border crossing points for pedestrian and cyclists (hereby supporting environmentally friendly transport), communication and ITC networks and preparatory activities for the “Power Bridge” between Lithuania and Poland. Another important area to be addressed is the development of an interconnected public transport system for the whole cross border area. The programme may support the elaboration/implementation of joint development plans and strategies.

## 2.2.7. 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, Neris, Sesupe, Jura, Narew, Biebrza, Pisa and Etka 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 7 National and 16 Regional Parks, 3 State Strict Reserves (Cepkeliai, Viesvile, Zuvintas), 1 State Historical-Cultural (Kernave) Strict Reserves and a number of protected areas established under national legislation as well as 200 NATURA 2000 sites 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 multiple European Ecological Network NATURA 2000 sites.

However, activities in these protected territories do not strictly comply with international conventions and programmes, and EU as well as national legal acts; the environment, natural heritage and biodiversity are not adequately protected and there is a lack of sufficient conditions for research and environmental monitoring.

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). The area protected under the NATURA 2000 network is more than 13,5 million km<sup>2</sup>.

The quality of the environment has improved over the preceding years - especially the level of emissions of air pollution has greatly decreased in the Programme Area. In some regions it has decreased two or even three-fold since 2001. The emission of sulphur dioxide is given as an example in Table 8 (2004 figures only are given as comparative figures from both countries are not available).

**Table 10. Air pollution – sulphur dioxide emission**

Region	2004 (thousand tonnes)
Alytus County	0.26
Marijampole County	0.38
Taurage County	0.4
Kaunas County	2.1
Vilnius County	3.2
Bialostocko-Suwalski Subregion	4.1
Lomzynski Subregion	1.3
Ēłcki Subregion	1.1
Olsztynski Subregion	2.3

Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\* does not include Vilnius city municipality

Although the rate of emissions and their amounts have steadily decreased, still much has to be done in the field of environment protection. Many types of the pollution are of cross border character. Therefore, joint cross-border actions are necessary in order to curb them.

First of all, investment expenditures on environmental protection are still unsatisfactory (environmental investments per capita in the programme area have been much lower than the EU averages). Furthermore, many other activities should be undertaken in order to improve the quality of the environment in the cross-border area, for example the further reduction of pollution emissions (air and water) by implementing new cleaner technologies in industry.

Development of sustainable energy sources are also lagging behind in the programme area. The area has a large potential for the development of clean energy. The cross border cooperation could contribute to the investments into renewable energy sources, pressure on industry and agriculture to reduce emissions to the atmosphere and promotion of moderate consumption across the border.

## 2.2.8. Tourism and Cultural Heritage

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 9 below, the number of nights spent in accommodation enterprises has risen in the whole cross-border area from 2001 to 2005 with somewhat more mixed progress in the case of the Polish regions.

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 in Druskininkai opened at the end of 2006 and is already a centre of interest for family and group (weekend and off-season) holidays. Birštonas, in Kaunas County, also has 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.

Cultural heritage objects of international importance are located in the programme area. Among them are, the towns of Trakai – with its island castle - and Kernave are located in Vilnius County – the towns were Lithuania’s capitals at various times in the middle ages and both are the most popular day-trip tourist attraction from Vilnius city. The Kernave archaeological site is an UNESCO world heritage site. Many historical monuments, and cultural objects are located in the border region. Elektrenai municipality includes an international standard 18-hole golf course.

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. It should be emphasized that part of Bialowieza National Park is on the UNESCO world heritage site. 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.

One of the main attractions in the region is Swieta Lipka – famous Marian sanctuary established in the Middle Ages and later rebuilt. It is one of the most magnificent objects of late Baroque in Poland. The architectural complex consisting of a church, cloisters and a monastery has preserved rich and varied ornamentation in an almost unchanged state.

The territories near Nidzica include three 14<sup>th</sup> century sites: the magnificent Castle of the Teutonic Knights, the Small Monastery, with its impressive gothic fortified structure and Saint Adalbert’s Church, which was included in the town’s fortification system a part of which has been preserved.

**Table 11. Accommodation establishments in 2005**

<b>Region</b>	<b>Facilities</b>	<b>Tourists accommodated</b>	<b>Nights spent 2001</b>	<b>Nights spent 2005</b>
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
Vilnius County*	35	42.800	17.100	105.100
Bialostocko-Suwalski Subregion	149	350.700	675.400	687.100
Lomzynski Subregion	31	47.500	135.600	119.000
Etcki Subregion	4	16	8	46

Olsztynski Subregion	20	105	33	168
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Sources: Polish Statistical Yearbook, Lithuanian Department of Statistics

\*does not include Vilnius city municipality

Tourist traffic in the programme area has been growing rapidly during the last years. However the main obstacle for further growth is inadequate tourism infrastructure in less popular destinations, language barrier (information in tourism and culture objects), lack of joint tourism products and uncoordinated marketing activities. There is a need to preserve and renovate cultural heritage objects located close to the main tourism routes.

### 2.3. SWOT Analysis

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 SWOT analysis below gives an overview of these commonalities, which are addressed in the Section 4 on priorities.

Potential	STRENGTHS	OPPORTUNITIES
Economic	<ul style="list-style-type: none"> <li>- favourable geographic location (Via Baltica and Via Hanseatica routes);</li> <li>- rapidly growing GDP;</li> <li>- economic growth predominantly generated by SMEs;</li> <li>- competitive position due to relatively low labour costs;</li> <li>- decreasing level of unemployment;</li> <li>- high achievements of universities in R&amp;D&amp;I area;</li> <li>- abundance of natural resources cultural/historical heritage objects</li> </ul>	<ul style="list-style-type: none"> <li>- better linkage of existing potential in the programme area</li> <li>- development of transit related business;</li> <li>- development of logistical/multimodal networks;</li> <li>- development of integrated public transport systems;</li> <li>- support of SME's cooperation and internalization;</li> <li>- improvement of employment conditions, development of cross border employment</li> <li>- enhancement of R&amp;D&amp;I linkages between universities and businesses;</li> <li>- development of cross border tourism products and infrastructure;</li> </ul>
Ecological	<ul style="list-style-type: none"> <li>- high quality natural resources and large biodiversity;</li> <li>- low population density;</li> <li>- high potential for renewable energy sources;</li> </ul>	<ul style="list-style-type: none"> <li>- inclusion of region's environmental benefits into tourism offers;</li> <li>- joint management of the protected territories;</li> <li>- increased investment in the renewable sources of energy;</li> <li>- promotion of environmentally friendly transport and ecology-oriented technologies;</li> <li>- elimination of pollution sources</li> </ul>
Human/social	<ul style="list-style-type: none"> <li>- well developed network of secondary education and adult</li> </ul>	<ul style="list-style-type: none"> <li>- re-qualification of labour force to better meet business needs;</li> </ul>

	<p>education institutions;</p> <ul style="list-style-type: none"> <li>- increasing number of university students;</li> <li>- high number of higher education institutions, covering nearly all aspects of sciences and arts;</li> <li>- rather high number of health care institutions</li> <li>- ethnic and cultural diversity</li> </ul>	<ul style="list-style-type: none"> <li>- promotion of life-long learning and introduction of new forms of education;</li> <li>- promotion of youth cooperation and exchange</li> <li>- exchange of good practices and know-how;</li> <li>- promotion of cooperation of social and health care institutions and professionals;</li> <li>- promotion of people to people contacts and cultural events</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>- positive experiences with Euroregions' cooperation;</li> <li>- presence of bilateral agreements and twinning activities</li> <li>- active local communities;</li> </ul>	<ul style="list-style-type: none"> <li>- strengthening of co-operation and exchange of experiences and know-how;</li> <li>- encouragement of co-ordinated policies and management;</li> <li>- elaboration of joint spatial and regional development plans and strategies;</li> <li>- promotion of local initiatives and joint events</li> </ul>

Potential	WEAKNESSES	THREATS
Economic	<ul style="list-style-type: none"> <li>- poor internal connectivity of the area;</li> <li>- insufficient transport infrastructure and poor quality local roads in many parts of the programme area;</li> <li>- insufficient use of railway potential;</li> <li>- poor accessibility of internet in rural areas and high telecommunication costs;</li> <li>- concentration of economic and social development in larger urban centres;</li> <li>- economic emigration and brain drain;</li> <li>- low income level; peripheral location and subsequently low inflow of FDI;</li> <li>- slow introduction of innovations into business;</li> <li>- unfavourable structure of regional economies;</li> <li>- insufficient infrastructure within the tourism sector and lack of</li> </ul>	<ul style="list-style-type: none"> <li>- inability to absorb available EU and national funds; lack of domestic and foreign investment capital;</li> <li>- lack of cohesive regional policies at national and European level;</li> <li>- lack of sufficient energy supply and dependence on a single supplier;</li> <li>- economic slow-down in EU, increased competition by other low labour costs economies;</li> <li>- often changing national business laws;</li> <li>- increasing brain drain;</li> <li>- negative impact on environment due to increasing tourist flows</li> </ul>

	cross-border tourism products;	
Ecological	<ul style="list-style-type: none"> <li>- high pollution level (mainly from agriculture);</li> <li>- insufficient ecological infrastructure;</li> <li>- insufficient management of protected territories;</li> <li>- lack of waste sorting and recycling system in many areas</li> </ul>	<ul style="list-style-type: none"> <li>- risk of natural or technological disasters;</li> <li>- increasing pollution due to economy growth and increasing traffic;</li> <li>- increasing consumption;</li> <li>- lack of public awareness and understanding of environmental problems</li> </ul>
Human/social	<ul style="list-style-type: none"> <li>- ageing population;</li> <li>- decreasing population in most parts of the programme area;</li> <li>- shortage of technical workers;</li> <li>- worn out educational and social infrastructure;</li> <li>- long distances to higher education institutions from rural areas;</li> <li>- inadequate work opportunities in rural area;</li> <li>- shortage of children care institutions, mainly in rural areas;</li> <li>- shortage of nursing homes for elderly population and social workers;</li> <li>- large disparities in access to health care services</li> </ul>	<ul style="list-style-type: none"> <li>- increasing differences in quality of life between urban and rural population;</li> <li>- increasing number of 'temporarily abandoned children' due to economic emigration;</li> <li>- rapidly increasing need for social aid;</li> <li>- social tension, alcohol/drugs, crime and social exclusion</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>- mental, cultural and linguistic barriers;</li> <li>- high turnover of employees at local and regional institutions;</li> <li>- differences in administrative and institutional systems</li> </ul>	<ul style="list-style-type: none"> <li>- lack of political will to co-operate;</li> <li>- insufficient administrative capacities</li> </ul>

## ***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 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, Ełcki and Lomżyński Subregions (Lomżyński Subregion joined the association Euroregion in 2004);
- 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.

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. Second is 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 support of local societies' initiatives and improvement of tourism infrastructure and co-operation in the tourism and cultural sectors.
3. Permanent partnerships are being formed with the assistance of CBC. For example, Alytus city and Suwalki, Alytus region and Punszk, Lazdijai and Punszk 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. Implementation - the implementation structure is complicated, i.e. many different institutions are involved in the implementation of the Programme. A serious problem is the complicated procedures within the Programme (especially those regarding financial flows) leading sometimes to duplication of the activities taken by institutions in Lithuania and Poland.
2. 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.
3. 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.
4. Continuity in information must be better guaranteed by the Regional Info Points. To achieve this, the Info Points should receive amount of funds enabling to employ full-time staff responsible only for the Programme's issues.

Identified shortcomings of the implementation of the Neighbourhood Programme (especially those related to the complicated procedures and institutional system) will be addressed in the future (2007-2013) CBC Programme by simplifying the structure of institutions engaged in the implementation of the Programme. The important procedural problem is the necessity of translation of the documents several times. One of the solutions of this problem, which are taken into account within the Lithuanian-Polish CBC Programme, is the possibility of introduce the English language as the only language for submitting the Application Forms by the applications.

## 3. PROGRAMME STRATEGY

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This Section provides a programme strategy build on the analysis carried out in Section 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

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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, secure clear environment, 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 development of the border region through enhanced economic, social and territorial cohesion of the areas on both sides of the border

### 3.2. Specific Objectives

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It is expected that the broad range of activities aimed at the improvement of physical, road/railway and environmental infrastructure and technologies, tourism, socio-economic cohesion, business support, innovation, employment promotion measures shall be financed from the Structural Funds /Cohesion Fund programmes on national basis. This will clearly have a substantial positive impact on the overall strategic goal of this programme.

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 aforementioned overall strategic goal will be achieved by drawing together the people from both sides of the border through a range of economic, social and environmental activities, which shall be aimed at the following **two specific objectives** of this programme:

- **To establish a region geared to the needs of competing in a global economy.** Economic growth is a clear prerequisite for enhanced economic and social cohesion in the

cross-border region targeted by the programme. Hence this objective emphasises the need to increase the competitiveness of the border regions and improve access to markets across the border.

- **To achieve sustainable development of a region which is forward looking and attractive in terms of its quality of life, social equity, environment and its communication links.** A long-term sustainable economic growth is unlikely without enhanced social and territorial cohesion of the cross-border region, which could be achieved by a progressive integration of local, social and environmental development aspects. Hence this objective emphasises the need eliminate the physical obstacles to cross-border co-operation, strengthen the cross-border social cohesion, cultural identity and environmental quality of the border regions.

These two objectives cover two closely linked and inseparable yet clearly distinct aspects of sustainable development: economic growth and economic, social cohesion. The second specific objective emphasises that both for the EU and domestic purposes cohesion is a major development priority: it is not acceptable that some parts of the countries or some groups of the population do not fully participate in the wealth generation process and therefore are excluded from its benefits. Therefore a balanced and inclusive development will be aimed at and special measures shall be taken in that sense because competition usually favours the stronger parts of the country and of the population.

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### 3.3. Priorities

The strategy of this programme derives from the socio-economic baselines, the environmental profile, the ex-ante evaluation of the programme and the momentum for broadening, deepening and strengthening the relationships created by previous initiatives. As such the strategy of this programme is geared at the two aforementioned specific objectives, which will be pursued through the following priorities, which are presented in more detail in the subsequent section of this programme:

#### ❖ **Priority 1. Competitiveness and productivity growth of the cross-border region.**

This Priority will support actions, which help to create jobs, improve the competitiveness of the area and reflect sustainable business development without detriment to the environment. It covers investment and support to such areas as *(small scale) economic infrastructure, business environment* as well as *tourism and cultural/historical heritage*. Actions foreseen under the priority encompass modernisation of infrastructure networks/objects located close to the border in order to improve region's accessibility, implementation of joint initiatives aiming at business promotion, improvement of the investment climate, strengthening of business contacts, promotion of research and development and innovation (R&D&I), introduction of quality standards, business co-operation, clustering and networking, promotion of tourism, preservation of cultural/historical heritage, elaboration of joint regional development documentation and other. Particular attention shall be put on the implementation of environmentally-friendly transport solutions and the promotion of public transport.

This priority has strong background in the analysis of the border region situation as well as the EU and national strategic documents, which emphasise that adequate endowment with economic infrastructure and active promotion of co-operation and innovation within and among businesses are the key drivers of economic growth.

The analysis of the border region situation already showed that the need for investment into *economic infrastructure* in the border region is still very high, the experience from previous

neighbourhood programme also showed the high demand for such investments. However the quality of proposals submitted for this priority was poor and their success rate quite low. To overcome these problems for the period of 2007-2013 the responsible institutions shall pay more attention to the training of potential applicants clearly explaining the project evaluation criteria and expectations as well as implementation of effective programme promotion measures.

Moreover, in the previous period a lack of projects in *business environment*, especially in the field of R&D&I, was observed. Despite a lack of proposals in innovation-promotion area it remains among priorities for 2007-2013 because it is very important for the increase of competitiveness of local industry and service sector as well as attractiveness of the region for young and educated people. It is expected that in the new programming period this sector will be more successful in terms of number of financed projects due to the newly opened Science and Technology Park in Marijampole and similar park and technological university in Kaunas (the new adjacent area) as well as the R&D innovative strategies being under preparation. Moreover, analysis indicated that the border regions have similar industrial structure; hence there are growing opportunities for intensive business co-operation and clusterisation process in such areas as food and beverage industry, wood processing and furniture, medical equipment and machinery for agriculture.

In the *tourism* sector the main need addressed by the programme is the improvement of the quality and accessibility of tourism services across the border, preservation/renovation of cultural and historical heritage objects and promotion of tourism products to correspond the rapidly developing tourism infrastructure in the region as well as establishment of joint tourism routes and programmes covering both Lithuania and Poland. As indicated in the analysis, the main sources of growth in tourism and recreation sector are abundant high quality natural resources as well as rich cultural and historical heritage, the adequate and sustainable utilization of which shall be actively promoted.

## ❖ **Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area**

This priority covers investment and support to such areas as *social and cultural networking* and *living environment*, with the later encompassing a strong element of environmental protection. Actions foreseen under the priority include establishment/improvement of joint services and infrastructure in the labour market, education, health and security 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 biodiversity and natural resources, solution of environmental problems. Among other things, 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. It is expected that the Euroregions and local communities could play an important role in promoting and implementing operations under this priority.

Small scale people to people actions across the border are probably the most appropriate, direct and efficient mechanism contributing to the promotion *social and cultural networking* of local population. The success of previous programmes encourages further support of such actions. The emphasis here shall be made on the transfer of knowledge and experiences across the border, through development of new and strengthening of existing co-operation networks in the areas of education and labour, social and health care, culture and sports, crime prevention and security, NOG cooperation, etc. Lasting cross-border cultural co-operation, which involves social partners and citizens at the grassroots level is what establishes the feasible real-life foundations on which a cross-border region can be built. Such co-operation is a pre-condition for creating and promoting a positive joint image for the area, which shall be an important aspect of support in this area. One important area would help to solve problems of Lithuanian/Polish minority population across the border, strengthen their links with historical fatherland and preserve cultural identity. This priority shall also promote social inclusion through joint initiatives and reach out and engage groups and individuals into the labour market, life-long learning process and society at large.

The priority shall also aim to improve the overall quality of *living environment* in the border regions, the latter having two main dimensions. First one would cover limited investment into social infrastructure, cross-border community infrastructure, thereby giving people in border regions the opportunity to actively take part in the development of their communities. The second one would focus on *environmental protection*, with particular attention given to preservation of biodiversity and natural resources and limiting any possible negative impact of the increased intensity of economic activity in the region. This particularly concerns balanced development on both sides of numerous national/regional parks/reservates, NATURA 2000 sites and forest/water areas, and further decrease of pollution emissions.

### ❖ Priority 3. Technical Assistance

This priority is designed to ensure smooth, timely and efficient implementation of the programme. It will cover measures on elaboration of programme documentation, administration of calls of proposals and project implementation, programme management, monitoring and control, programme promotion and publicity, consultation with socio-economic partners, establishment of databases, etc. This priority is targeted at the programme management authorities and in particular the Joint Technical Secretariat.

The priorities are developed in greater detail in Section 4 “Priorities of the Programme”. It is intended that 1<sup>st</sup> and 2<sup>nd</sup> priority axes may be implemented through combined projects, which could involve both “soft” and “hard” (supply+works) components.

## 3.4. Guiding Principles for Implementation

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A common feature of all the proposals and projects drawn up as part of this Programme, has to be the emphasis on joint cross-border initiatives and activities. In addition, the whole Programme should be innovative, one that adds value to existing national policies. Therefore due attention will be given to complementarity of projects supported under this Programme with those approved under other national programmes co-financed by the EU structural assistance as well as other EU financial instruments.

The first and basic mechanism to avoid overlapping/double funding is the requirement that the project in the LT-PL OP must be submitted jointly by the partners from both countries. This will clearly eliminate the situation when beneficiaries could finance the same actions from both programmes. The essential demand from the project will be also clear cross-border impact which means that the implemented actions will have influence on the both sides of the border, which is not the case when taking into account OP's of national character

Prior the financing decisions on the operations are made by the Joint Monitoring and Steering Committee of the Programme, on whether the operations applying for funding from the Programme have not already received financing from the operational programmes under the Convergence Objective, the following co-ordination actions will be made: co-ordination with the Lithuanian and Polish Convergence programmes will be achieved by co-operation of JTS, Lithuanian Ministry of Interior, Polish Ministry of Regional Development, Lithuanian and Polish respective national authorities performing the cross-check by official request from the JTS.

The fact that the OP “The development of Eastern Poland” and OP funded from the ESF are managed by the same institution – Polish Ministry of Regional Development – will be the additional mechanism preventing the possible overlapping between the projected activities. In case of both regional programmes the mechanism preventing overlapping will be the fact that representatives of the Marshal Offices will sit in the JMCS of the LT-PL OP, which will be

responsible for selecting projects. In Lithuania, if necessary, during implementation of the Programme already existing co-ordination mechanisms (such as Structural funds' Operational Programmes Management Committees and Regional Development Councils and national sub-committees in Lithuania) shall be employed in order to ensure effective co-ordination of the Programme and other national and community financial instruments.

Possible duplications between the operations supported from the Programme and the operations financed by the EAFRD and EFF in Lithuania and Poland will be avoided by setting up a co-ordination mechanism between the Joint Technical Secretariat of the Programme and the Ministry of Agriculture implementing the above plans in Lithuania and the Ministry of Agriculture and Rural Development in Poland. The co-ordination with the above plans will be achieved by the Joint Technical Secretariat performing the cross-check with the Ministry of Agriculture and Rural Development via Polish Ministry of Regional Development and in Lithuania - Ministry of Agriculture in Lithuania via the Ministry of the Interior prior the financing decisions on the operations are made by the Joint Monitoring and Steering Committee of the Programme on whether the operations applying for funding from the Programme have not already received financing under the measures of the Rural Development Plan or the Fisheries Development Plan of both Member States.

During implementation of the Programme already existing co-ordination mechanisms (such as Structural funds' Operational Programmes Management Committees and Regional Development Councils and national sub-committees in Poland and Lithuania) shall be employed in order to ensure effective co-ordination of the Programme and other national and community financial instruments (including other territorial cooperation programmes acting in the same territory). The described co-ordination mechanism will guarantee that the activities financed from this Programme and the activities financed from the above plans complement and not duplicate each other. The synergy effect with other financing sources is further elaborated in Chapter 4 "Priorities of the Programme".

This 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 in
  - Lithuania: Alytus and Marijampole Counties;
  - Poland: –list will be provided after final decisions in the Ministry for Regional Development.

❖ **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 balanced staff of men and women. 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.

Appropriate management arrangements shall ensure at all levels of the programme implementation cycle that – besides respecting the legally required absolute minimum standards – possible effects which are unsustainable or unfavourable to environment, especially as concerns impacts on climate change, the maintaining of biodiversity and eco-systems, and the drawing on natural resources, are avoided or kept as low as possible, so that the environmental effects/charges of the OP in total, will in the end be climate- and resource-neutral. The OP's positive effects and potentials for synergies in the sense of optimising its contribution to an environmentally sustainable development shall be exploited at best and, wherever possible, be strengthened. The carrying out of such environmental management shall include, among others, activities such as environmental assessment and implementation guidelines, structured experience sharing and capacity development, indicators, environmentally friendly project design and the use of effective selection criteria.

Projects co-financed by the operational programme will fully respect the provisions of the Environmental Impact Assessment Directive, the Habitats and Birds Directives. Appropriate screening criteria will be applied at the projects' selection stage to ensure that the projects are compliant with the above mentioned Directives. Co-financing of projects having negative impact on potential Natura 2000 sites in Poland (i.e. sites that in the Commission's view need to be designated on 1/05/2004, but were not designated by Poland) will not be permitted.

### ***3.5. Types of Interventions***

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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 7. "Provisions on the implementation of operations". For open call operations the minimum grant size per operation is €100.000, the maximum size is not limited.

#### **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 projects 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. The size of strategic projects is not limited.

### 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 SPF rules of procedure shall be approved by the JMSC. It is foreseen that up to 18 % of the programme funds might be provided to the Small Project Fund(s).

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. Nevertheless small infrastructure projects, i.e. redecoration, modernization of objects, aiming at cross-border cooperation can also be financed. All the particular provisions concerning the acceptable percentage of supply/works element should be described in the Guidelines for applicants. Preparatory activities for infrastructure projects can be eligible for assistance through SPF.

Specific provisions for SPF are outlined in Section 7 “Provisions for the implementation of operations”.

Taking into account the shortage of financials resources of some potential beneficiaries 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

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### 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 Lisbon strategy was renewed taking into account a new Partnership for Growth and Jobs, proposed by the European 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>2</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 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 programme’s 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.

The CBC strategy is coherent with the Polish **National Reform Programme (NRP) for 2005-2008**, presenting the actions, which the Polish Government intends to undertake in order to implement the fundamental objectives of the renewed Lisbon Strategy. The document was adopted by the Council of Ministers on 27 December 2005. The main objectives indicated in the programme are restoring the ability of the Polish economy to create jobs, and, through fast economic growth, to regain the balance of public finances and defuse social tensions. The NRP acknowledges the key challenges faced by the Polish economy; namely: increasing its competitiveness and productivity, eliminating the barriers hampering the development of entrepreneurship, improving the basic infrastructure (of transport, telecommunications and housing), improving the quality of public institutions (such as administration and justice), and lessening the fiscal burden levied on those pursuing business activities.

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<sup>2</sup> *Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013*, COM (2005) 299, 11 July 2005.

### 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/transnational 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.

Also special attention shall be given to the services provided by the INTERACT II programme. This EU-wide programme focuses on the good governance of territorial cooperation and provides needs-based support to stakeholders involved in implementing programmes under the European Territorial Co-operation objective. The target groups for INTERACT are primarily the authorities to be established according to Council Regulations 1083/2006 and 1080/2006 as well as other bodies involved in programme implementation. In order to ensure maximum benefit from the INTERACT programme for the implementing bodies of this programme, the use of INTERACT

services and documentation as well as the participation in INTERACT seminars will be encouraged. Related costs are eligible under Technical Assistance.

### **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
- National Development Strategy for 2007-2015 (Poland)
- National Strategic Reference Framework 2007-2013 (Lithuania and Poland)
- Regional Policy Strategy of Lithuania until 2013
- National Strategy for Regional Development for 2007-2013 (Poland)
- Operational Programmes for 2007-2013 (Lithuania and Poland)
- Rural Development Plans (Lithuania and Poland)
- Operational Programmes of Fisheries (Lithuania and Poland)

The National strategic documents mainly are quite general, covering all main economic sectors and outline broad programme level objectives. Being rather small the Lithuanian-Polish CBC programme alone can not pretend to have a substantial impact on the achievement of the countries' strategic priorities. Also programme's results and contribution to the national strategic objectives can not be evaluated separately from other operational programmes and national measures in each sector. The text below explains that the programme is written in compliance and do not contradict in any way with general objectives/priorities covered by the national strategic documents.

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 strategy is a broad document listing all sectors and programme-level objectives. The main targets of compliance for this CBC programme are:

- **Regional Development** area, which outlines the need to promote co-operation projects of the regions, including the Baltic Sea Region; develop the information infrastructure of the regions, develop their technical and social infrastructure on the basis of the principles of sustainable development and increase the competence of human resources;
- **Tourism** which points out the need to 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, and
- **Environmental protection**, emphasising the implementation of the principle of sustainable development; creation of preconditions for a rational use, preservation and recovery of national resources; insurance of adequate quality of the environment having regard to EU norms and standards.
- **Culture**, aiming at preservation and fostering the identity of national culture; promotion of openness of national culture; provision of conditions for the participation of the public in cultural activities.

The CBC strategy to some extent shall also contribute to the achievement of strategic objectives in the following areas: **social security** (aiming at increasing employment and improving job quality; developing social assistance and eradicating poverty and social exclusion; improving the quality of life and strengthening social partnership); **health** (aiming at forming the principles of a healthy lifestyle and healthcare in society; promoting physical culture and sport); **business industry** (developing regional SMEs; science and technologies); **energy** (using indigenous and renewable energy sources; increasing energy efficiency).

### 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 document is rather similar to the Long Term Development Strategy of the state 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 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 development of infrastructure of support for small and middle scale business, improvement of business environment, support of 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, support of professional training and boosting of employment, support of regional cooperation projects.

### 3.7.3. 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. National Development Strategy 2007-2015 was adopted by the Council of Ministers on 29 November 2006.

The strategy defines goals and identifies areas recognized as the most important from the point of view of achieving these aims, on which the state's activities will be concentrated. At the same time it takes into consideration the most important development trends of the world economy and the goals that the European Union sets in the renewed Lisbon Strategy. NDS gives priority to activities that will be undertaken in the years 2007-2015 in order to fulfill the vision of Poland. The document was prepared taking into consideration the principle of sustainable development that is keeping the balance between the economic, social goals and the environmental requirements. The time horizon of the Strategy covers the period of the new financial perspective of the EU for the years 2007-2013 with the use of the rule of spending funds  $n+2$  (i.e. within two successive years).

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.

### 3.7.4. National Strategic Reference Framework 2007-2013 (Lithuania)

The Lithuanian National Strategic Reference Framework (NSRF) identifies three main priority axes for the EU funding for 2007-2013. For the CBC programme the most relevant is the 3<sup>rd</sup> priority axis, named **Quality of life and cohesion**, which 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*. All of the above mentioned areas covered by this CBC programme.

The programme is also compliant with two remaining priorities of the NSRF:

1. **Productive human resources for the knowledge economy**, which 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**, which emphasises the development of high added-value businesses, SME development, investment into innovation and new technologies, strengthening of the economic infrastructure;

### 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 European Commission. This fact was announced during the international conference, which took place in Hof (Bawaria) on 9-10 May 2007. 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 Polish 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>3</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 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.

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

### **3.7.6. 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. Again the objectives set by the strategy are quite broad and the CBC programme is in principle compliant with all of them:

- 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

This strategy contains one important issue, relevant to the CBC programme: it identifies 5 regional centres and priority centres for the development and implementation of the measures and achievement of the objectives outlined in the strategy. These centres as priority areas were chosen mainly due to their location in the most poorly socially developed counties of Lithuania and are main target of investment until 2013, Among these 5 regional centres, the strategy identifies Alytus, Marijampole and Taurage, which are located in the Lithuanian-Polish border area. Therefore this CBC programme should become an important tool in implementing Lithuania's regional policy.

### **3.7.7. National Strategy for Regional Development for 2007-2013 (Poland)**

The National Strategy for Regional Development (NSRD) is one of main strategic documents determining the development directions for Poland and its regions in years 2007–2013, the new financing period of European Union. The strategy lists major regional development problems and points to the directions of actions towards solving them. It also indicates the main objectives of

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<sup>3</sup> POLAND - National Strategic Reference Framework 2007-2013 in support of growth and jobs, Ministry of Regional Development, Warsaw, version - November 2006, p. 4, 41-42.

regional development which will be pursued through by state regional policy, and which should be taken into account by voivodeship self-government in planning their regional development strategies. Elaborated in cooperation with representatives of regions in observance of regional differences, NSRD should be referred to and further developed in regional development strategies (voivodeship). By pointing to key directions in regional development, NSRD 2007–2013 safeguards their implementation by voivodeships while elaborating the guidelines drawn in Long-term Strategy for Regional Development.

The National Strategy for Regional Development lists the following tasks:

- a. To determine key problems affecting regional development and point to possible solutions and ways in which such solutions might align with the development processes specified in the National Development Plan for 2007–2013.
- b. To determine the objectives of state regional policy, its implementation and financing.
- c. To highlight regional conditions of the implementation of sectoral horizontal programmes and to determine how they should be coordinated by the central administration policy.
- d. To determine relationships between the regional policy and the policy of spatial management of the country, and to draw interrelation lines in terms of their implementation and financing.
- e. To determine the rules of distribution of funding for regional operational programmes among voivodeships.
- f. To determine priorities which voivodeship self-governments should adhere to while drawing their regional development policies to be financed from regional operational programmes (ROP).
- g. To determine procedures for designing and negotiating ROPs.
- h. To pinpoint those changes in regulatory as well as in other regional development and regional policy contexts which must be introduced if the set objectives are to be attained and complex instruments implemented.

### **3.7.8. Other national strategies and programmes (Poland)**

In addition to the above mentioned main national strategic programmes, significant for the OP point of view are the following documents:

❖ **Strategy of Socio-Economic Development of Eastern Poland up to 2020;**

Eastern Poland, for the needs of this Strategy and OP Development of Eastern Poland 2007-2013, was established as the area covering 5 Polish voivodeships: lubelskie, podkarpackie, podlaskie, świętokrzyskie, warmińsko-mazurskie. These regions are treated as the least developed regions within the whole European Union, taking into account the fact that Gross Domestic Product per capita in these regions, in Purchasing Power Standards (PPS), does not exceed 40% of the EU average. This is the first Polish macroeconomic strategy, established after the administrative reform in 1998, which refers to a few voivodeships. The strategy shall be monitored systematically, and every 3-4 years - reviewed.

❖ **Strategy of Podlaskie Voivodeship Development until 2020;**

❖ **Strategy of social and economic development Warmińsko-Mazurskie Voivodeship until 2020.**

### **3.7.9. Economic Growth and Cohesion Operational Programmes for 2007-2013 (Lithuania)**

The objectives of the CBC strategy are fully in line with goals and objectives outlined in other operational programmes financed from the ERDF and Cohesion funds in 2007-2013. In particular, the Economic Growth Programme aims at increasing business productivity and raising the share

of high added value businesses as well as increasing the efficiency of economic infrastructure. The indicative list of major projects to be co-financed through this programme and the cohesion fund includes two major transport projects on the North-South transport axis Tallinn-Riga-Kaunas-Warsaw traversing the cross border region: Via Baltica (approx. value 95.6 MEUR) and Rail Baltica (approx. value 127.5 MEUR). These projects will increase cargo and passenger flows therefore fostering businesses start-ups, creation of new working places and ensure quicker and more comfortable travels across the border. The implementation of these projects will demonstrate a substantial positive impact on the economy growth of the whole cross border area and facilitate the implementation of future cross border activities

The Economic Growth Operational Programme also envisages the development of central heating, gas, IT and transport networks in less developed regions and rural areas thereby contributing to the improvement of living standards and business conditions of these areas.

The Cohesion Programme stresses three national level priorities: 1) local and urban development, preservation of cultural heritage and nature and adaptation for tourism purposes; 2) quality and accessibility of public services in health, education and social infrastructure; 3) environment and sustainable development. The CBC strategy is coherent with all these priorities on a local/regional level. The assistance under the 1<sup>st</sup> and 2<sup>nd</sup> priorities of the Cohesion Programme will mainly be targeted at the regional development centres defined in the Regional Policy Strategy for Lithuania until 2013 thereby fostering their fast development and diminishing of social, economic and territorial disparities between the main Lithuanian towns and urban-rural areas. Three of these centres - Alytus, Marijampole, Taurage - are located in the Lithuanian-Polish cross border area.

### 3.7.10. Operational Programmes for 2007-2013 (Poland)

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

#### ❖ **Operational Programme Development of Eastern Poland 2007-2013;**

OP Development of Eastern Poland 2007-2013 was adopted by the Council of Ministers on 30 January 2007. The mentioned OP aims at speeding up the process of economic and social development of Eastern Poland, i.e. the following voivodeships: lubelskie, podkarpackie, podlaskie, świętokrzyskie, warmińsko-mazurskie. This aim refers to governmental programme „Solidarity State” and complies with the goals of National Development Strategy 2007-2015 and strategic goal of the NSRF. There were established 4 priorities within the OP, i.e. 1. modern economy; 2. regional growth centres, 3. transport infrastructure, 4. technical assistance.

#### ❖ **Draft Regional Operational Programme (ROP) of Podlaskie Voivodeship 2007-2013;**

This ROP determines priorities and development goals, which Podlaskie Voivodeship shall implement in the future programming period. All intentions of the Programme are based on the Strategy of Podlaskie Voivodeship Development up to 2020. Realization of the Programme aims at elimination of development disparities between Podlaskie Voivodeship and the rest of the country.

#### ❖ **Draft Regional Operational Programme (ROP) of Warmińsko-Mazurskie 2007-2013.**

This ROP determines priorities and development goals, which Warmińsko-Mazurskie Voivodeship shall implement in the future programming period. All intentions of the Programme are based on the Strategy of Warmińsko-Mazurskie Voivodeship Development up to 2020.

### 3.7.11. Rural Development Plans (Poland and Lithuania)

The Programme partly supports the same sectors as the Rural Development Plans of Poland and Lithuania financed under the European Agricultural Fund for Rural Development (EAFRD). The Programme must in particular avoid possible duplication with Axis 3 “The quality of life in rural areas and diversification of the rural economy” of the Lithuanian and Polish Rural Development Plans, which include the measures for diversification of economic activities in the rural areas, as well as for the renewal and development of the villages – also covered by this Programme. Similarly, possible duplication with Axis 4 “LEADER”, which supports inter alia different initiatives implementing the local development strategies and international co-operation between the Local Action Groups (LAG), must be avoided.

### 3.7.12. Operational Programmes of Fisheries (Lithuania and Poland)

The Programme may have some risks of duplication also with the Operational Programmes of Fisheries of Lithuania and Poland financed under the European Fisheries Fund (EFF). Possible duplication must be avoided as regards the operations aiming at adding more value to fish products, targeting employment and restructuring the fishing sector, developing coastal fishing areas and fishing tourism (including infrastructure and services), as well as the international co-operation between the Local Fisheries Action Groups.

## 3.8. Summary of the Ex-ante Evaluation

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In accordance with Article 48 of General Regulation 1083/2006, an ex-ante evaluation of the Programme has been carried out. The evaluation has been performed by the Public Policy and Management Institute in close co-operation with the experts from EUROREG (Warsaw University, Poland) and the Baltic Environmental Forum (BEF, Lithuania).

**The ex-ante evaluation** has been organised as an interactive process with programme preparation. Partly, the ex-ante evaluators have actively put forward suggestions (e.g. on environmental impact assessment, social-economic situation analysis, SWOT-analysis, intervention logic of the programme, etc.), partly the evaluators commented on drafts of the Programme as it evolved, thus the ex-ante evaluators have been part of the discussion process of the programme.

Main suggestions of the ex-ante evaluators during programme preparation have been:

- To more precisely elaborate the key points of the analysis
- To try to develop more clear conclusions from the previous programme
- To improve the internal consistency of the strategy and streamline its intervention logic
- To apply aspects of sustainability more substantially and to consider environmental impact assessment more thoroughly
- To keep a balance between economic orientation of the programme and principal objectives such as promoting territorial integration and sustainable harmonious and balanced development of the regions as well social cohesion
- To improve the system of monitoring indicators
- To develop a clear division of responsibility when delegating management tasks in case of Small Projects Fund
- To consider including Vilnius County as an adjacent area

All main suggestions of the ex-ante evaluators have been considered and essentially included. The analysis part of the Programme has been edited to convey a more adequate interpretation of the existing situation as well as development potential. The internal consistency of the strategy

has been improved by reducing the number of strategy layers, reformulating objectives of the strategy and by slightly regrouping the interventions among the two key priorities of the Programme, at the same time keeping the balance between strive for economic growth and need to promote closer territorial and social cohesion in the region. The Programme has also been reviewed to incorporate the main recommendations of the strategic environmental impact assessment. Further information on more specific findings and recommendations issued by the ex-ante evaluators and their reflection in the Programme is included in a separate Ex-ante evaluation report attached as a separate annex.

**The environmental impact** of the Programme has been assessed as well as a part of the ex-ante evaluation. Geographical scope of the Programme covers some of the most valuable natural territories and NATURE 2000 sites in Poland and Lithuania, hence any project financed by the Programme should take into consideration environmental aspects and values of NATURA 2000 sites in order not to make any negative impact on them. It has been assessed that the Programme has been reviewed taking into consideration of the recommendations of the second draft of SEA report. The current Programme in most cases has a positive or neutral impact on the environment through the introduction of new technologies, elaboration of joint development strategies and documents, improving co-operation, proper selection and management of the projects and promotion of a service-oriented economy. Some negative impacts could be anticipated in those fields of activities that have a spatial dimension and consume or exploit space (e.g. tourism, transport, other infrastructure). For instance activities which support cross-border business development and tourism could increase the request for enlargements of regional and local road networks and by-pass-routes. On a long term individual transport traffic will increase, with negative impacts on air quality, noise and climate change.

The consultations regarding SEA were organized in accordance with Lithuanian and Poland national requirements. In case of Lithuania the information regarding SEA scoping procedure was published in the daily national newspaper "Respublika" and in the Internet site [www.interreg.lt](http://www.interreg.lt) for 10 working days. Also SEA scoping report was sent to the Ministry of Health of the Republic of Lithuania, Ministry of Culture of the Republic of Lithuania, Ministry of Environment of the Republic of Lithuania, State Service for Protected Areas under the Ministry of the Environment and to all Counties Governors Administrations. No major comments or remarks were received

The information regarding public consultations on SEA and programme document was published in the daily national newspaper "Respublika" and on the Internet site [www.interreg.lt](http://www.interreg.lt). The projects of programme document and SEA report were available for 20 working days on the [www.interreg.lt](http://www.interreg.lt). The event for public was organized on 26<sup>th</sup> of March.

After that the project of SEA report was sent to the Ministry of Health of the Republic of Lithuania, Ministry of Culture of the Republic of Lithuania, Ministry of Environment of the Republic of Lithuania, State Service for Protected Areas under the Ministry of the Environment and to all Counties Governors Administrations. No major comments were received except the Ministry of Health noticed that research is based only on some influences of society health and also suggested to include the National Strategy of Health Care 2006-2013 as document, which regulates the implementation of health prevention of society, into the SEA report. Also Vilnius County Governor Administration mentioned that Vilnius County is the adjacent territory of the Programme, but it is not included in the SEA report. The SEA report was updated according to these remarks.

In case of Poland the SEA report was published on the website of the Ministry of Regional Development and websites of the relevant Marshal Offices from the Programme Area (Podlaskie and Warminsko-Mazurskie). It was available there for 21 days.

The document was also subject of the consultations with the Polish Ministry of Environment and the Chief Sanitary Inspectorate. No major comments were received from Polish Ministry of Environment except to provide more comprehensive list of NATURA 2000 sites, also to provide

more information on state of environment in Polish Programme Area. In cooperation with Polish Ministry of Environment the SEA report has been updated. Also could be mentioned that proposed amendments to the field of the programme activities and proposed new activities by the SEA team have been incorporated into the Programme and in the last draft report (July 23<sup>rd</sup>) these proposal have been removed from the SEA report.

Environmental criteria provided in the SEA report will be taken into consideration during projects selection phase, some proposed criteria will be included into projects selection criteria. The project implementers within narrative report will be requested report on environmental impact according to the indicators provided in the SEA report. In case of the significant negative impact the appropriate environmental authorities will be consulted for urgent actions.

Further information on this and other more specific findings and recommendations issued by the ex-ante evaluators and their reflection in the Programme is included in a separate Strategic Environmental Assessment Report attached as a separate annex.

## 4. PRIORITIES OF THE PROGRAMME

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### 4.1. Priority 1: Competitiveness and productivity growth of the cross border region

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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, harsh differences in entrepreneurship between counties/regions and insufficiency of good quality business services and not fully used tourism potential.

*This priority shall support small scale infrastructure projects of a clear cross border character and/or important for the whole programme area, as well as preparatory activities for such projects (development plans, joint strategies, feasibility studies, design documentation), as well as “soft” activities mainly under “promotion of business cooperation and entrepreneurship” and “development of sustainable cross border tourism”. In line with the proposals stemming from the strategic environmental assessment of the Programme, the priority shall emphasise improvement of the existing infrastructure instead of new infrastructure development in new territories and application of environmentally friendly solutions. Environmental aspect will be taken into account while selecting Operations for funding*

Therefore this priority is oriented at the:

#### ❖ **Modernisation of small-scale economic infrastructure**

Adequate endowment with economic infrastructure in both EU and national strategic documents overviewed above is recognised as an essential prerequisite for a sustained long-term economic growth. Accessibility within region and internal infrastructural linkage between the two parts of the region is one of the main obstacles to strengthen the cooperation, especial in economic and social sphere. Until 2006 there were only two road border crossing points between Lithuania and Poland. The third, new road crossing, which is seasonal, was opened in 2006. The former internal infrastructure linkage should be therefore restored, especial when we take into account that the Schengen regulation will apply to this border within the next few years and the formal border between two countries disappear. Also in order to improve region's accessibility there is a need to develop local road and communication networks leading to or going through the border. Solving this issue shall increase the chance for cooperation and chances for making use of the single market.

Therefore the emphasis under this priority shall be placed on the development and restoration of the infrastructural linkage between bordering areas (local roads, local and regional logistic centres, energy networks, communication networks, etc.), in turn leading to the promotion of transit activities, increasing accessibility of the region and potentially in growing interest among investors (e.g. from the Baltic sea region). In this regard it is intended to use the opportunities offered by information and communication technologies (ICT). Another important area is improvement of border crossing permeability, as presently there are not enough border crossing points, which make cooperation and everyday contacts much more difficult. Initiatives improving scope and quality of transport services and better connection of the bordering areas as well as promotion of environmentally friendly transport shall also be supported.

Some of the activities under this priority might have some negative impact on the environment, however this impact will be kept to minimum.

In order to promote integration into the energy systems and energy markets of the EU and to diversify primary energy sources and supplies, Lithuania and Poland plan to establish the “Power Bridge” TEN-E interconnection project. The financing of this strategic project is planned outside the remit of the programme, however preparatory activities could be addressed by this priority.

The modernisation of cross border economic infrastructure is impossible without joint planning; hence investment into elaboration and implementation of joint spatial and regional development plans and strategies, sectoral activity plans (communication, energy, etc.) shall be supported.

All initiatives and operation improving region’s accessibility shall be based on environmentally friendly solutions and technologies.

Synergy with the Polish and Lithuanian OPs under Convergence objective will be ensured, as the latter programmes will not finance the development of the infrastructure crossing the border, however they can assist in developing roads and communication links leading to the border-crossing. Proper mechanism to avoid double funding will be ensured by the authorities of all programmes as described in Chapter 3.4.

Indicative activities:

- Small scale investment into cross-border transport, border crossing, energy, ICT infrastructure, technologies and networks and preparatory activities;
- Preparation and implementation of cross border infrastructure development plans as part of broader strategies;
- Joint actions in improving scope and quality of cross border transport systems;
- Promotion of environmentally friendly transport and public transport;
- Elaboration and implementation of joint spatial development plans, regional and sectoral development studies, programmes and strategies;
- Strengthening of administrative capacities for strategic development and planning, support to the monitoring of implementation of joint strategic planning documents

#### ❖ **Promotion of business environment**

Potential of the regional market is limited hence one of the main opportunities for strengthening the competitiveness and increasing productivity is increased economic cooperation among the firms across the border so as to make full use of the potential of the single market as well as proximity of potentially very profitable markets in the East. In regions close to the border the economic cooperation between firms is quite common (e.g., it is estimated that 50% of firms from Suwalskie region have some contacts with Lithuanian partners), however it decreases as the distance from the border grows. On the opportunities side there are good chances for the region and regional market to make use of the Lithuanian experience and contacts in Russia and in other post-soviet countries. Finally, important area of cooperation is common implementation of new technologies. Potential of the regional market is limited and that is why some external ideas and inputs, solutions, technologies must be imported. There are good chances in promoting innovation, as the analysis indicated that the border regions have similar industrial structure, hence there are growing opportunities for intensive business co-operation and clusterisation process in such areas as food and beverage industry, wood processing and furniture, medical equipment and machinery for agriculture. The programme should act towards the improvement of the effectiveness of research and development initiatives undertaken by universities and other R&D institutions to make in more business orientated.

In general in economical terms cooperation is perceived as the mean for improvement of the competitiveness of the entrepreneurs or contractors from the region, however it must be

underlined that the economical base of these firms is rather weak and limited. Most of them are not able to be innovative and create innovation. Therefore the efforts should be put to make them be able to find (together – from the both sides of the border) and implement innovation from the outside of the region - such a process should be strengthened and supported by the Programme.

To promote the aforementioned, this priority will focus 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.

This priority will have a strong synergy with the Polish and Lithuanian OPs under Convergence objective which will invest heavily into business environment and innovation promotion, as it will essentially complement these investments by promoting their cross-border use and networking.

Indicative activities:

- Co-operation and networking between business institutions and entrepreneurs;
- Joint development and implementation of specialised programmes to meet business needs, exchange business knowledge and experience, improve R&D and business linkage;
- Joint initiatives in support of SMEs;
- Implementation of cross-border projects and activities in the areas of innovation and introduction of new technologies;
- Elaboration of bilateral business catalogues, data basis, strategies

#### ❖ **Development of sustainable cross-border tourism and preservation of cultural/historical heritage**

Given the abundance of high quality natural resources as well as rich cultural and historical heritage in the cross border region, the adequate and sustainable utilization of these for tourism purposes shall be actively promoted. The natural environment creates favorable conditions for recreation, some specialized forms of tourism (like bird watching, canoeing, spa recreation. etc.) as well as for convenient places for resorts. 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 common image, improvement/establishment of small-scale tourism related cross border infrastructure and renovation of cultural/historical heritage objects of cross border importance. On the other hand, promotion of tourism activities shall be accompanied by promotion of ecological tourism, rational use of natural resources, decentralising of tourism activities, as well as raising awareness among the tourists. This should result in development of the sustainable tourist sector and consequently in new job opportunities.

To ensure synergy with the Polish and Lithuanian OPs under Convergence objective the assistance will be focused on common tourist or cultural paths and common tourist products. As the investments under the Convergence objective are quite heavily infrastructure-oriented, here they would be supplemented through the focus on softer actions namely establishing cross-border connections and networks (including information) between existing infrastructures and systems in neighboring areas.

Indicative activities:

- Development of sustainable cross-border small-scale tourism infrastructure and networks;
- Elaboration of joint tourism products;
- Joint actions in promotion and diversification of tourism products, in particular eco tourism products;
- Uptake of Environmental Management Systems and Audit Schemes in tourism industry (ISO 14.000, EMAS, Eco-labels, green purchases etc.);
- Renovation of cultural/historical infrastructure and heritage objects of cross border importance;

- Elaboration of joint 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. Priority 2: Cross-border cohesion and enhanced overall quality of the cross-border area***

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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. Even though the quality of the environment of the border region 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.

Therefore this priority is oriented at the:

### **❖ Development of new and strengthening of existing co-operation and social and cultural networks**

Lasting cross-border cultural co-operation, which involves social partners and citizens at the grassroots level is what establishes the feasible real-life foundations on which a cross-border region can be built. Exchange of the local communities, more closely cooperation on a every day level between average people, especial young people (including cultural and education exchange), would strengthen social cohesion, sense of common trust, knowledge and understanding of each other and therefore create basis for future cooperation. Furthermore, social networks and cultural exchange are essential for promotion of the cultural diversity of the region.

Given close historic and cultural links of the two countries, it is important to help the large minority population across the border to preserve their cultural identity, maintain traditions and close contacts with their historical fatherland. Therefore this priority shall also be targeted at better integration of the minority population across the border.

On the other hand, the success of bilateral cooperation largely depends on relations and competency of local and regional authorities and NGOs. In order to achieve sustainable benefits in cross border cooperation, it should not be limited to bilateral visits and exchange of experiences, but involve joint or coordinated policy preparation and implementation, adjustment and coordination while preparing joint strategies and development plans. It is equally important to coordinate the preparedness to respond to civil or environmental disasters, fight against organised crime and corruption. This priority should contribute to the build of trust and confidence of local/regional authorities and NGOs on both sides of the border, and increase scope efficiency of joint actions.

Here the priority would build on hard investments foreseen under the Polish and Lithuanian OPs under Convergence objective; however, these OPs do not foresee any support to cross-border social and cultural networking.

Indicative activities:

- Community networking and joint cross border cultural events of durable character;
- Youth cooperation (competitions, exchanges, summer camps);
- Joint activities targeted at better integration of minority populations;
- Joint initiatives targeted at the improvement of policy coordination;
- joint planning and management of activities and measures for emergency situations (civil, technological, natural catastrophes and accidents, pollution, etc.);
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- Competence building and co-operation between various level local and regional authorities and NGOs, promotion of joint initiatives

❖ **Improvement of living environment**

Investment in this area would have two important dimensions. First one shall cover employment, education and social care. The priority shall cover measures orientated towards the improvement of employment conditions and attractiveness and prevention of brain drain and workforce from the region and promotion of equal opportunities. Improvement of adaptability of employees to meet market needs, enhancement of qualifications, skills and self-confidence shall be supported. Equally importance shall be placed on the reduction of unemployment in Polish border regions and improvement of employment opportunities across the border.

The education system of the border regions should be better adjusted to quickly respond to needs and changing requirements of the labour market. Therefore the programme shall support new forms of education, life-long learning, readjustment of education systems and joint education initiatives.

The welfare of region's inhabitants largely depends on sufficient and well functioning health and social care systems. The programme should contribute to the development of such systems from the cross border perspective (e.g. coordinated operation of medical/rescue services, competence building and cooperation of services and professionals, provision of social care).

This priority could cover limited investment into educational/social infrastructure and cross-border community infrastructure thereby giving people in border regions the opportunity to actively take part in the development of their communities. Such investment would have a direct positive effect on the quality of life of population in the assisted areas as well as induce social cohesion. To ensure synergy with investments foreseen under the Polish and Lithuanian OPs under Convergence objective, this priority will focus on small scale infrastructure of a clearly cross border character. Moreover, this infrastructure will normally supplement the needs of the aforementioned social and cultural networking.

Another important dimension shall cover environmental protection. Given the abundance of high quality natural resources and rich biodiversity, emphasis shall be placed in particular on the preservation and joint management of natural resources and protected areas and reduction of air, water and soil pollution and decrease of the greenhouse effect through the reduction of pollution sources, diminishing of discharge of untreated or insufficiently treated wastewater, improving quality of waste management, etc. Particular attention shall be placed on the promotion of clean and renewable energy sources, and sustainable consumption (e.g. eco-labelling). In this regard efforts shall be put to increase public information and awareness. Small-scale investments into environmental infrastructure could be supported provided they are not covered from other programmes and demonstrated clear cross-border impact.

In general the issues of environmental protection are well addressed in the Polish and Lithuanian OPs under Convergence objective. To ensure synergy with them but also with other areas of support under this Programme, assistance in the area of environmental protection will focus on counteracting possible negative effects of such cross border facilities and activities as transport corridors or tourist routes and paths through more local, smaller scale infrastructure as well as soft actions.

Indicative activities:

- joint actions targeted at the improvement of employment opportunities and cross border employment;
- joint actions aimed at the integration of socially vulnerable groups into the labour market;
- joint education initiatives, elaboration of new education forms and programmes;
- joint actions at the improvement of health and social care services, co-operation between these services and professionals;
- establishment/improvement of cross-border health, social and educational infrastructure and establishment of common public services, databases, registers, strategies, etc.;
- joint monitoring and management of natural resources and protected territories, ecological corridors;
- Joint actions directed at decreasing pollution from economical activities (e.g. farms, tourism infrastructure);
- Joint initiatives in the promotion and use of biomass energy resources, geothermal, hydro, wind and solar energy;
- Joint actions to improve environmental risk management
- development/improvement of small-scale environmental infrastructure of cross border character.

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

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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. Hence this priority will ensure a smooth and effective management of the programme, timely and efficient commitment and disbursement of programme funds as well widespread information about the programme and dissemination of results. 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 ERDF amount allocated to the programme shall be used for the TA purposes.

Indicative activities:

- Assistance for generation, preparation and assessment of operations (meetings and activities of institutions responsible for programme administration and management, JMSC, 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.

## 4.4. Programme Indicators

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

The baseline situation as well as output and result indicators under the CBC programmes are very difficult to quantify because of the unavailability of relevant statistics/studies and due to the type of interventions that are typically supported and the difficulty in attributing socio-economic impacts to the OP as opposed to other factors such as wider macro-economic developments and other types of Structural Fund interventions such as ones under Convergence Objective. Given that it is impossible to ascertain in advance the average size of operation likely to be supported (ranging from small operations under MEUR 0.1 under the Small Project Fund to large operations of a few MEUR under open call operations and strategic projects) it is very difficult to anticipate at a priority level how many projects are likely to be supported. Similarly, the numbers of participants in cross-border “people to people” activities is impossible to quantify without knowing more details about the nature of activities likely to be supported.

Therefore, equal attention should be given to the qualitative assessment of outcomes. Information on the achievement of the programme indicators and their target values shall be included in the annual and final reports.

### 4.4.1. Core indicators: degree of co-operation

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

Indicator	Information source
No of operations representing <b>two</b> of the main CBC criteria*	Programme reports
No of operations representing <b>three</b> of the main CBC criteria*	Programme reports
No of operations representing <b>four</b> of the main CBC criteria*	Programme reports

### 4.4.2. Main programme output indicators

<i>Output</i>	<i>Information source</i>
No of implemented projects	Programme and project reports
No of institutions involved as partners in each partner country	Programme and project reports
No of cross border structures established	Programme and project reports
No of organised events	Programme and project reports
No of event participants	Programme and project reports
No of elaborated studies/analysis/preparatory documents	Programme and project reports

No of built/reconstructed infrastructure objects

Programme and project reports

### 4.4.3. Result indicators by priority

#### Priority 1: Competitiveness and productivity growth of the cross border region

Result	Indicator	Information source
Modernised small-scale economic infrastructure	No of developed/reconstructed infrastructure objects	Operation and programme reports
	No of towns/communities connected (covered) by new transport, public transport, energy, IT and communication networks	Operation and programme reports, surveys, statistics
	No of operations related to decrease in greenhouse gas emissions	Operation and programme reports
	No of operations related to increase in energy efficiency	Operation and programme reports
	No of elaborated/implemented spatial/regional development strategies/plans/concepts for the CBC region	Operation and programme reports
	No of kilometres of new roads constructed	Operation and programme reports
	No of hectares of land used changes	Operation and programme reports
	No of hectares of degraded soil	Operation and programme reports
	No of hectares of forest cut as the direct programme impact	Operation and programme reports
	No of destroyed, affected cultural monuments by the programme activities	Operation and programme reports
Improved business environment	No of operations encouraging the development of cross-border business and R&D&I co-operation	Operation and programme reports
	No of companies benefiting from supported business networking activities	Operation and programme reports, studies, statistics
	No of business strategies, catalogues, databasis established	Operation and programme reports
	No of new cross-border business/R&D&I networks/structures established	Operation and programme reports, surveys
	No of companies involved in cross border business activity (co-operation, trade, development of new products, joint venture) as a result of implemented operations	Operation and programme reports, surveys, studies

Promoted cross border tourism and improved preservation of cultural/historical heritage	No of developed/renewed cultural/historical/tourism infrastructure and objects	Operation and programme reports
	No of developed joint tourism products	Operation and programme reports, surveys
	No of operations supporting joint cultural, historical and tourism studies/strategies and research activities, establishment of common databases	Operation and programme reports
	% increased share of ecotourism products/services due to supported operations	Surveys, studies, operation and programme reports
	% increased share of incoming tourists staying on both sides of the border	Studies, surveys, statistics

### Priority 2. Cross-border cohesion and enhanced overall quality of the cross-border area

Result	Indicator	Information source
Strengthened cooperation and social-cultural networks	No of operations in the field of social/cultural networking	Operation and programme reports
	% increase in local communities involved in joint activities	Surveys, operation and programme reports
	No of people/youth participating in joint activities and events across the border	Operation and programme reports
	No of minority population reached/participating in operations	Operation and programme reports
	No of local/regional authorities involved in joint activities for emergency situations	Operation and programme reports
	No of persons involved in competence-building activities	Operation and programme reports
Improved living environment	No of organisations involved in operations, targeted at the improvement of cross border labour market and employment	Operation and programme reports
	% of participants of operations targeted at unemployment reduction, employed 6 months after completion of operation	Surveys, employment statistics, operation reports
	No of institutions participating in education initiatives	Operation and programme reports
	% share of people participating in new educational programmes/forms	Operation and programme reports, surveys, statistics
	% of populations served/reached by improved health and/or social care services	Operation reports, local and regional authority information
	No of operations developing environmental infrastructure	Operation and programme reports

	No of eliminated/neutralised pollution sources/objects as a result of implemented operations	Environmental data, operation and programme reports
	Decreased amounts of different pollutants into environment as a result of implemented operations	Environmental data, surveys, operation and programme reports
	% of jointly managed environmental territories as a result of implemented operations	Environmental data, studies, operation and programme reports
	No of objects using clean and renewable energy sources as a result of implemented operations	Operation and programme reports, environmental data
	No of population reached by environmental public awareness and information campaigns	Operation and programme reports

## 5. FINANCIAL PLAN

	Community funding (a)	National Counterpart (b)=(c)+(d)	Indicative breakdown of the national counterpart		Total funding (e) = (a)+(b)	Co-financing rate (f)=(a)/(e)	For information	
			National Public funding (c)	National private funding (d)			EIB contributions	Other funding
Priority 1 Competitiveness and productivity growth (55%)	39 428 868	6 958 036	6 958 036	0	46386904	85%	0	0
Priority 2 Cross-border cohesion and enhanced overall quality of the cross-border area (39%)	27 958 651	4 933 879	4 933 879	0	32892530	85%	0	0
Priority 3 Technical Assistance (6%)	4 301 331	759 058	759 058	0	5060389	85%	0	0
<b>Total 2007-2013</b>	<b>71688850</b>	<b>12650973</b>	<b>12650973</b>	<b>0</b>	<b>84339823</b>	<b>85%</b>	<b>0</b>	<b>0</b>

The Member States will contribute to the Priority 3 (Technical Assistance) in proportion to their indicative share of total ERDF funding.

The following financial table provides the annual breakdown of the total financial appropriation envisaged for the contribution from the ERDF.

Country Allocation	2007	2008	2009	2010	2011	2012	2013	Total
<b>Total</b>	<b>10 403 945</b>	<b>9 584 292</b>	<b>9 617 749</b>	<b>9 909 691</b>	<b>10 456 222</b>	<b>10 633 308</b>	<b>11 083 643</b>	<b>71 688 850</b>

The tables below provide the indicative breakdown by budget category

Categorisation of Funds assistance for 2007-2013		Indicative Breakdown (EUR)
Code	Priority theme	
<b>Research and technological development (R&amp;TD), innovation and entrepreneurship</b>		
2	R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology	716 888
3	Technology transfer and improvement of co-operation	716 888

	networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles ( <i>scientific and technological parks, technopoles, etc.</i> )	
4	Assistance to R&TD, particularly in SMEs ( <i>including access to R&amp;TD services in research centres</i> )	716 888
5	Advanced support services for firms and groups of firms	716 888
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes ( <i>introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production</i> )	716 888
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs	716 888
<b>Information society</b>		
11	Information and communication technologies ( <i>access, security, interoperability, risk-prevention, research, innovation, e-content, etc.</i> )	1 194 814
14	Services and applications for SMEs ( <i>e-commerce, education and training, networking, etc.</i> )	1 194 814
15	Other measures for improving access to and efficient use of ICT by SMEs	1 194 814
<b>Transport</b>		
23	Regional/local roads	1 792 221
24	Cycle tracks	1 792 221
25	Urban transport	1 792 221
26	Multimodal transport	1 792 221
28	Intelligent transport systems	1 792 221
31	Inland waterways ( <i>regional and local</i> )	1 792 221
<b>Energy</b>		
33	Electricity	597 407
39	Renewable energy: wind	597 407
40	Renewable energy: solar	597 407
41	Renewable energy: biomass	597 407
42	Renewable energy: hydroelectric, geothermal and other	597 407
43	Energy efficiency, co-generation, energy management	597 406
<b>Environmental protection and risk prevention</b>		
52	Promotion of clean urban transport	1 194 814
53	Risk prevention ( <i>including the drafting and implementation of plans and measures to prevent and manage natural and technological risks</i> )	1 194 814
54	Other measures to preserve the environment and prevent risks	1 194 814
<b>Tourism</b>		
55	Promotion of natural assets	4 779 256
56	Protection and development of natural heritage	4 779 256
57	Other assistance to improve tourist services	4 779 256

<b>Culture</b>		
58	Protection and preservation of the cultural heritage	2 509 109
59	Development of cultural infrastructure	2 509 109
<b>Improving human capital</b>		
72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy	2 150 665
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training	2 150 665
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	2 150 665
<b>Investment in social infrastructure</b>		
75	Education infrastructure	4 062 368
76	Health infrastructure	4 062 368
79	Other social infrastructure	4 062 368
<b>Mobilisation for reforms in the fields of employment and inclusion</b>		
80	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	3 584 455
<b>Technical assistance</b>		
85	Preparation, implementation, monitoring and inspection	3 656 131
86	Evaluation and studies; information and communication	645 200
<b>Total</b>		<b>71 688 850</b>

<i>Codes for the form of finance dimension</i>		
Code	Form of finance	
1	<b>Non-repayable aid</b>	71 688 850

<i>Codes for the territorial dimension</i>		
Code	Territory type	
8	Cross-border co-operation area	71 688 850

<i>Codes for the economic activity dimension</i>		
Code	Economic activity	
00	Not applicable	71 688 850

## 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.

### 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>4</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>5</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 Monitoring Committee<sup>6</sup> (MC) 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 **Ministry of Interior of the Republic of Lithuania**.

##### Contact details

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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:

- 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;

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

<sup>6</sup> The Joint Monitoring and Steering Committee (JMSC) in case of this CBC programme

- b. 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;
- c. 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;
- d. 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;
- e. 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;
- f. 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;
- g. guiding the work of the Monitoring 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;
- h. after approval by the Monitoring Committee, submitting to the Commission the annual and final reports on implementation (the drawing up of these reports shall be delegated to the JTS);
- i. 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 controllers referred to below (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>7</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 Section 6.2.2 of this Programme.

If regions in the programme area are involved in the Regions for Economic Change initiative the Managing Authority commits itself to:

- a) make the necessary arrangement to support innovative operations with cross-border/transnational impact that are related to the results of the networks,
- b) foresee a point in the agenda of the Monitoring Committee at least once a year to discuss relevant suggestions for the programme, and to invite representatives of the networks (as observers) to report on the progress of the networks' activities;

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<sup>7</sup> Commission Regulation No. 1828/2006 of 8<sup>th</sup> of December 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

c) describe in the Annual Report actions included within the Regions for Economic Change initiative."

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

The Managing Authority shall also be responsible for the payments of the Lithuanian national contribution to the Programmes technical assistance budget as set out in Section 5.

In order to validate the expenditure 1st level control system shall be established by each Member State (so called **controllers**). They will 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 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. In Lithuania the 1<sup>st</sup> level control will be performed by the centralised auditor (-s) selected by the public procurement procedure. In case of Poland the first level control will be undertaken by the Voivodeship Offices of Warminsko-Mazurskie and Podlaskie.

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. Particular provisions on the performance of such control will be described in the Programme Manual.

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.

The Territorial Cooperation Department of **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**

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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;
- preparation of reliable reports concerning the Polish part of the eligible area;
- 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;
- submit the Managing Authority, Certifying Authority and Audit Authority with the following information necessary for the implementation of it's functions:
  - information needed in relation to drafting the management and control system description of the Programme;

- information on the first level control system pursuant to Art. 16 of the ERDF regulation set-up on the Polish territory;
- the information related to the detection or suspecting of irregularities by the Polish project partners as soon as such information becomes available as well as information related to proceeding with financial corrections.

Pursuant to Art. 17 (3) of the ERDF regulation the National Authority shall be responsible for the reimbursement the Certifying Authority for the amount unduly paid to the beneficiary located on Polish territory.

The National Authority shall be responsible for the payments of the Polish national contribution to the Programmes technical assistance budget as set out in Section 5.

### 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 **Ministry of Finance of the Republic of Lithuania**.

#### Contact details

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The Certifying Authority shall be responsible for 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). Decision on the destiny of the generated interest shall be taken by the JMSC.
- 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 **Internal Audit Service of the Ministry of the Interior of the Republic of Lithuania**.

#### Contact details

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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 88 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. For certain tasks Audit Authority may draw upon private auditors, which will be selected using public procurement procedure.

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 Section 6.2.4 of this programme.

Following the Article 14(2) of ERDF Regulation, the Audit Authority shall be assisted by a group of auditors comprising representatives of each Lithuania and Poland. The group of auditors shall act pursuant to the rules of procedure and be chaired by the Audit Authority. The group of auditors shall set up within three months of the decision approving the CBC Programme. The National Authority shall inform the Audit Authority of the Polish representatives delegated to participate in the work of the group of auditors. The National Authority shall also ensure that the representatives are duly authorised and independent from the control system referred to in Article 16(1) and Section 6.2.4 of this programme.

#### **6.1.4. The Joint Technical Secretariat**

The Joint Technical Secretariat, in accordance with Article 14(1) of the ERDF Regulation, is established on the basis of public entity Interreg Joint Technical Secretariat.

##### **Contact details**

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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).

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, etc.;
- 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**

Within the Programme on the Polish side of the border Regional Contact (Info) Points shall be appointed by the National Authority in order to provide an effective programme promotion and information system. They shall be located in the Podlaskie and Warmińsko-Mazurskie Voivodeships. The Regional Contact (Info) Points shall closely coordinate their activity with the JTS.

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;
- promotion of the programme, dissemination of information and advisory services on a local scale;
- co-operation with the Joint Technical Secretariat in programme promotion, publicity and advise to applicants.

The Regional Contact (Info) Points shall be funded from the Technical Assistance budget.

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

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

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 Joint Monitoring and Steering 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 Joint Monitoring and Steering Committee 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 67 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 Joint Monitoring and Steering Committee shall:

- approve the Programme Manual (with forms and guidelines, manuals for applicants/beneficiaries and reporting templates, etc. as annexes) 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;
- approve the Rules of Procedure, the work plan and the budget of the JTS;
- co-ordinate with other Community Programmes and Policies.

### **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:

- balanced number of representatives per participating country;
- representatives of the European Commission, the Managing Authority, the National Authority, the Audit Authority, the Certifying Authority and the Joint Technical Secretariat may participate in an advisory capacity.

Managing Authority shall ensure the Lithuanian delegation to the JMSC is composed. The National Authority shall inform the Managing Authority of the composition of Polish delegation to the JMSC.

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 representatives, without voting right, 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. The voting right will be delegated to another representative of the respective national authority. Chairmanship would change annually.

Decisions by the JMSC shall be made by consensus. The national delegation will have one vote. 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, Section 4.4 (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 European 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 European 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 European 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 European Commission on these actions.

By 31 March 2017 a final report on the implementation of the CBC programme shall be submitted to the European 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. In order to ensure a reliable accounting, monitoring and financial reporting computerised information system previously developed for INTERREG III shall be used. 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 European 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 21 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.

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.

The responsible authorities of Lithuania and Poland to which this task has been delegated 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. 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.

In accordance with Article 48(2) of the General Regulation, the ex-ante evaluation of the Programme has been performed by the Public Policy and Management Institute in close cooperation with the experts Katarzyna Krok, Karol Olejniczak, Maciej Smętkowski from the Centre for European Regional and Local Studies (Warsaw University, Poland) and the Baltic Environmental Forum (BEF, Lithuania) and the description of its proceedings and results are included in the Programme document as an Annex 1.

During the programme implementation period the evaluations linked to the monitoring of the Programme will be carried out 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. The nature and timing of evaluations shall be decided by the JMSC acting as Monitoring Committee. 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 European Commission.

In compliance with Article 49 of the General Regulation, the ex-post evaluation is the responsibility of the European 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 European 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 is 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 European Commission within four months of the date of adoption of the OP. This document has to be consulted with the National Authority and approved by the JMSC.

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 in 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 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;
- 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***

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

The Certifying Authority shall be responsible for receiving the ERDF funds from the European 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. Section 5). 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.

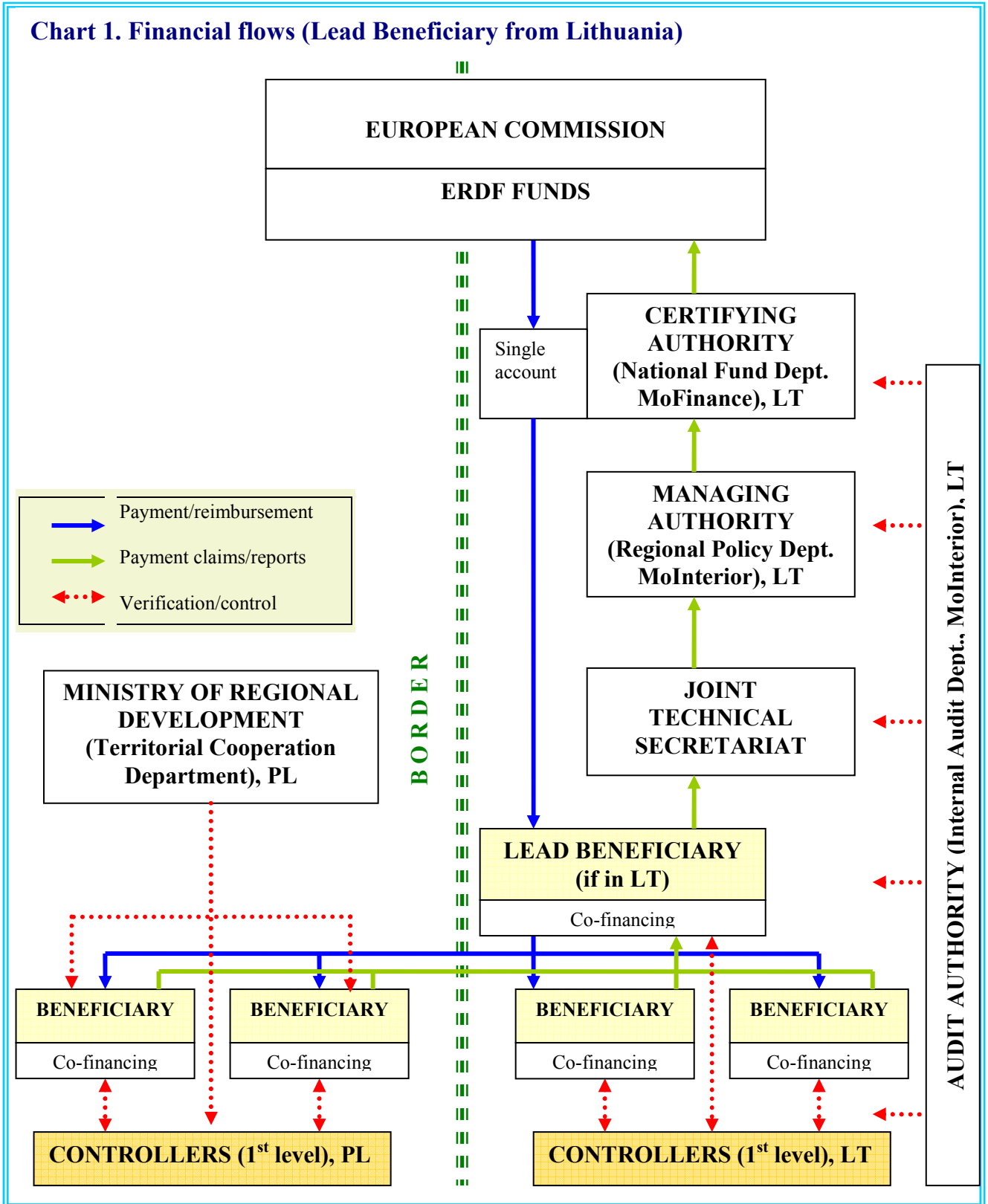
Payments to beneficiaries shall be linked to their payment requests (verified by the controllers) submitted to the Joint Technical Secretariat. Payments to the Lead Beneficiary shall be made further to approval of these payment requests by the Managing Authority. According to Article 15(1) of the ERDF 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. The payment currency shall be euro.

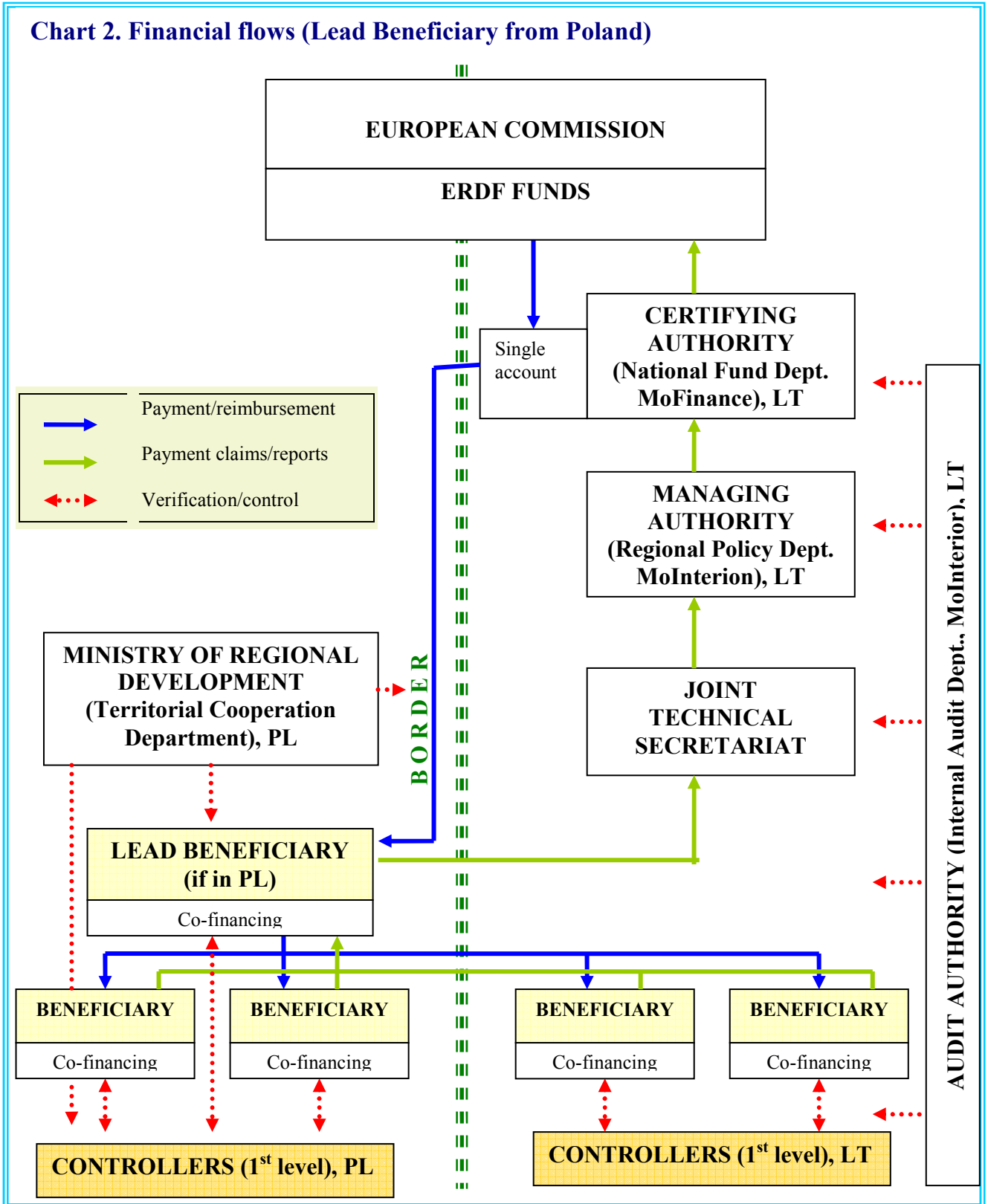
Pursuant to the Article 17 of the ERDF regulation, the Certifying Authority shall ensure that any amount paid as a result of an irregularity is recovered from the Lead Beneficiary. The beneficiaries shall repay the Lead Beneficiary any amounts unduly paid in accordance with the agreement existing between 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 – Article 17(3) of the ERDF Regulation. This matter shall be described in detail in the *Memorandum of Understanding* between Lithuania and Poland

**Chart 1. Financial flows (Lead Beneficiary from Lithuania)**



**Chart 2. Financial flows (Lead Beneficiary from Poland)**



## 7. PROVISIONS FOR THE IMPLEMENTATION OF OPERATIONS

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This Section 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

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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 Operational Programme concerned in NUTS level 3 areas adjacent to the eligible area (Taurage, Kaunas and Vilnius (excluding Vilnius municipality)) counties on the Lithuanian side of the border and Lomzynski and Olsztynski on the Polish side of the border.

Taking into account both Article 2(4) of the General Regulation, whereby the term "beneficiary" is defined as "an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations" and the definition of "public expenditure" (Article 2(5) of the General Regulation), the following legal entities can be funded by the programme as lead beneficiaries or other beneficiaries of an operation:

- a) national (governmental), regional and local authorities
- b) 'bodies governed by public law' as defined in Article 1(9) of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114). This means any body
  - i) established under public or private law for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character;
  - ii) having legal personality; and
  - iii) financed, for the most part, by the State, regional or local authorities, or other bodies governed by public law; or subject to management supervision by those bodies; or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the State, regional or local authorities, or by other bodies governed by public law.

Whereas legal entities applying for funding in category b) as lead beneficiaries must fulfil criteria i), ii) and iii), legal entities applying as other beneficiaries can be accepted for funding if they fulfil criteria i) and ii) only.

- c) associations formed by one or several regional or local authorities
- d) associations formed by one or several bodies governed by public law as defined under b).

Legal entities not falling in one of the categories a) – d) are welcome to participate in operations additionally (“Additional Partner”). Additional Partners have to finance their activities from own resources and are not entitled to receive ERDF funding. These entities may also be subcontracted by lead beneficiaries or other beneficiaries to carry out parts of their activities in an operation; in this case the applicable public procurement rules have to be observed. In case of subcontracting, the responsibility for implementation of the respective operation will remain with the contracting entity, i.e. the respective lead beneficiary or other beneficiary.

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 Section 3.5. 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. Section 6.2.7 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 cooperate 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 JMSP. 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.

The application package and guidelines for applicants shall be elaborated and approved by the JMSC, 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. The JMSC may be supported by sectoral experts.

The criteria laid down in the Application package (guidance for applicants) shall be used for the assessment of applications. The eligibility and selection criteria shall be consistent with the OP's and the Community policies strategic objectives and requirements.

The assessment process shall be coordinated by the Joint Technical Secretariat.

Upon the completion of the assessment process, the Joint Technical 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, and a list of non-eligible applications with justifications of their non-eligibility.

#### **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 JMSC 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 by consensus. 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 final approval of the operation. The contract documentation shall be elaborated by the Joint Technical Secretariat and approved by JMA.

#### **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.

## LIST OF MAIN DOCUMENTS

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Regulation (EC) No. 1083/2006 on the European Regional Development Fund and repealing Regulation (EC) No. 1260/1999 (General regulation);  
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