

Standard Summary Project Fiche

Project Number LI 9909.02

1. Title

Modernisation of Rural Administrative System

2. Geographical Location

Ministry of Agriculture and its administrative institutions

3. Objectives

The objectives of this **1,0 MEUR Twinning Project** are to assist in the introduction of administrative mechanisms and instruments required to prepare the Ministry, including its regional offices, for administration of CAP. It will include the step-by-step development of an intervention agency and reinforce the Ministry's collection and dissemination of market information data, in compliance with EC systems.

The guaranteed output as a direct result of this twinning project should be a modern Rural Administration System (RAS) taking into account current and future developments in the, EC administration model. RAS will have three main components: Farm Accounting Data Network (FADN), an Economic Accounts for Agriculture (EAA) and an Integrated Administration and Control System (IACS). This project will help have a major policy impact by assisting the Ministry to address medium term priorities listed in the Accession Partnership and National Programme for the Adoption of the Acquis. This will be achieved principally by:

- Developing administrative systems to build the absorptive capacity needed to receive anticipated increased levels of assistance from the EC in advance of accession thereby improving decision making, administrative and monitoring capacities of top management within Ministry of Agriculture and its regional administrative institutions with the view to strengthen readiness to support the ongoing accession process
- Implementing RAS, particularly FADN and IACS which assist in the development of CAP-like measures and other economic policies;
- Establishing an efficient and reliable agricultural statistics information system with a integrated farm accounting system (EAA) to international standards and classifications, which will contribute to IACS.

4. Institutional Framework

This twinning and investment Project will be co-ordinated by the Ministry of Agriculture, as the recipient institution and will support key elements of the current and future agricultural policy framework. Other beneficiaries will be the Ministry of Agriculture's regional administrative institutions. The Vice-Minister responsible for integration activities will supervise the Project (currently Dr. Natalija Kazlauskienė, tel. 39 10 05). Other contacts for this Project are listed in Annex 5.

At present the Ministry administrates and controls part of the resources of the Agricultural Budget, particularly the Rural Support Fund (RSF). The RSF priority investment programmes are administered by regional agricultural offices in the 10 counties. These resources have been allocated for the:

- Implementation of measures to regulate agricultural markets and to support incomes of farmers and agricultural entities,,
- Implementation of targeted investment programmes
- Development of social infrastructure in rural areas, and
- Formation of the Rural Credit Guarantee Fund.

European integration activities are a high priority in the Ministry as evidenced by the 15 legislation harmonisation working groups covering a range of issues relating to EC integration, including product/sector related issues, veterinary, phytosanitary, forestry, fisheries, trade policy, structural funds and others. A Senior EU Adviser supports each of these working groups and is assisted by a full-time local Junior Expert.

In 1998 an Agri-food European Integration Department was established under the Ministry of Agriculture. The Department consists of four Divisions (EC Agricultural Policy Division, Legal Harmonisation Division, Pre-accession Support Co-ordination Division and Information Division) and is expected to play major role in EU integration process for the agricultural sector.

The Rural Business Development and Information Centre has been re-organised to include the information functions. A large information division has been recently established, which is responsible for the implementation and co-ordination of animal identification and registration system, and with the plans to link the existing agricultural information systems in an integrated system easily accessible from a single point.

Furthermore, in 1998 a state enterprise “Lithuanian Agricultural and Food Market Regulation Agency” was established. At present it employs 17 people. The objective of the Agency is to implement, in accordance with procedures established by laws and other legal acts, measures identified in state policy on the regulation of agricultural products and foodstuffs market and the promotion of exports. To meet this objective, the Agency has the following responsibilities:

- Implementation of the regulation of agricultural products and foodstuffs market programme and the promotion of exports in accordance with the instructions of the Ministry of Agriculture (purchase and realisation of surplus agricultural products),
- Support to entities engaged in the purchase of agricultural products,
- Administration of the state foodstuffs reserve where within the competence of the Ministry of Agriculture,
- Submission of proposals to the Ministry of Agriculture for the regulation of agricultural products and foodstuffs market and the promotion of export.

The Agency is envisaged to become the most important market regulation institution for the implementation of national policies at present and EC market intervention policies in the future.

Non-government farmer’s organisations will be encouraged to participate in the project.

5. Description

This **1.0 MEUR twinning and investment Project** consists of 2 components: (1) **Twinning and Training Package** and (2) **Equipment Supply and Software Development**.

5.1. Twinning and Training Package

Participation in CAP will require an effective, independent market information system, which will have both a reporting function and will provide information to producers, traders (market reports etc.). Such an information system will include data on agricultural holdings, producer and consumer prices for main commodities, external trade data, support regimes etc. The Pre-Accession Adviser (PAA) and Short term advisers (STAs) participating in this component will review existing information systems and assist in ensuring that they are fully harmonised with EC requirements and best-practice in the EU Member States. They will also advise on the development of new ones.

This component aims to establish and strengthen the national and regional network for administration, monitoring and control of CAP market intervention and other EU policy measures in the field of agricultural and rural development. Special emphasis will be given to the establishment of the adequate administrative structures, in particular procedures, forms and know-how/training both at central and regional levels, during the pre-accession period to ensure proper and efficient implementation of state regulation instruments whilst enforcing measures similar to CAP. It will also assist in developing a transparent agricultural statistics and information system and unified farm accounting system based on the European FADN model, conforming to international accounting standards and also ensure the legal basis for the existence of such system..

The twinning assistance will assist in establishing a CAP-like Liaison and Co-ordination Unit in the Ministry of Agriculture and provide support to the Agricultural Program Development Board.. All these activities will contribute to a well functioning system for payments and control mechanisms for the implementation of CAP-like measures. The PAA will co-ordinate the activities of various RAS experts, in particular those working specifically with FADN, EAA and IACS components. The current status of the development of these components is described in the following paragraphs.

In the area of FADN and other agricultural information/statistics support is vital. Farm accounts/accounting is now at the inception phase and is focusing on streamlining production and crop forecasting information. FADN is the most important database for economic analyses, which are needed for preparing and evaluating policy initiatives and decisions. The design of Lithuania's FADN began as a bilateral Lithuanian-Danish project "Development of Private Farm Account Survey" with technical assistance from the Danish Agricultural Advisory Service in consultation with the Lithuanian Agricultural Advisory Service (LAAS), the Lithuanian Institute of Agrarian Economics (LIAE) to develop a bookkeeping system. This bookkeeping system is now used by LAAS to advise farmers.

In this system, data from participating farms are forwarded by LAAS to LIAE and forms the basis of the Farm Accountancy Database. In 1997 235 private farms and 50 agricultural companies were included in the database, resulting in the first accountancy report on Lithuanian agriculture. In 1998, the number of participating farms was 470 and in 1999 it is expected that about 800 farms will be included in the system. However, the network is not a representative sample of Lithuanian agriculture, but it may be considered as an important step towards a full fledged FADN that will meet the requirements of the EU. It is expected that financial aspects of the system will receive special attention in next years.

Economic Accounts for Agriculture (EAA) provides a systematic overview of production, domestic use and import and export data on every major agricultural product as well as the primary income generated by the agricultural sector. EAA is one of the basic tools for decision making in agricultural policy and demanded by the EU in preparing for future membership. At present EAA in

Lithuania is based on several assumptions and estimates due to the lack of information. There is an urgent need to develop the EAA further so that it will be possible to carry out short-term forecasts and thus stimulate policy.

Finally, as such an Integrated Administration and Control System (IACS) does not exist in Lithuania and is thus an essential component of Lithuania's RAS. Specifically, IACS needs to be developed to manage EU support programmes and to improve the effectiveness and usefulness of the administration and control mechanism covering all the agricultural aid schemes provided by the Rural Support Fund (RSF). The first steps toward establishing this administration and control system have already been taken and according to a recent Government Resolution all the agricultural producers applying for arable crop aid should provide information on the areas under crop. Moreover, the identification and registration of bovine animals has already started. The Rural Business Development and Information Centre is responsible for co-ordination of the system and management of the central registers necessary for the proper functioning of IACS.

Full time Pre-Accession Adviser (PAA)

The PAA should provide policy and procedural advice in the development of the RAS and its components. He/she should be available for a 12 month period and assist in the preparation of the legal basis for the RAS, particularly FADN and help establish harmonised administrative structures leading to the integration process to ensure the implementation of state regulation instruments to enforce similar measures to CAP. The PAA should have the following experience:

- A senior civil servant of EU Member State Government institution;
- At least 8 years experience of working with the practical implementation of Common Agricultural Policy measures in key sectors of agricultural activities;
- Familiarity with main components of CAP and their inter-linkage;
- Good knowledge of evolving CAP measures and CAP reforms in the pipeline;
- Ability to give practical theoretical and practical advice on CAP administration and reporting requirements and assessment of possible impact of the introduction of CAP measures on Lithuanian agricultural sector and economy as a whole;
- Experience in producing and assessment of economic impact studies.

Short and medium term inputs of specialised experts

A raft of specialists will support the PAA. Approximately 20 person-months of short-term advisers (STA), co-ordinated by the PAA, will be pre-requisite for the delivery of a guaranteed result of the twinning Sub-Project. They should assist in the development of an efficient and reliable agriculture statistics information system, help implement a unified farm accounting system based upon FADN. The STAs should have the following expertise and provide the indicative inputs outlined in the following table:

- Design and implementation of Integrated Agricultural Control System (IACS) (STA-A) ,
- Establishing the Farm Accounting Data Network (FADN) system (STA-B),
- Strengthening of financial management and control capacity (STA-C)
- Market intervention measures (STA-D).
- Establishing Economic Accounts for Agriculture (EAA) (STA-E).

All experts should have good knowledge of CAP measures and their administration, have relevant working experience in areas concerned and be fluent in written and oral English.

Activity with Indicative Inputs	PAA person-months	STAs Person-months	Total person months
General Advice & Project Management – legal approximation (PAA)	10.5	-	10.5
Design and Implementation of IACS (STA-A)	-	6	6
Establish FADN (STA-B)	-	3	3
Strengthening of Financial Management and Control Capacity (STA-C)	-	3	3
Market intervention (STA-D)	-	4	4
Establish EAA (STA-E)	-	4	4
Totals	10.5	20	30.5

The STAs will also organise a series of training activities, including seminars to be given on CAP measures. The PAA, in conjunction with the beneficiary will determine the content of the training and co-ordinate the training programme and it should, at minimum, cover the following activities:

- A general training on CAP to the new staff members of the newly established Agri-food European Integration Department under the Ministry of Agriculture and the 15 working groups. A study tour is preferable in order to get closely acquainted with the main functioning of CAP administrations in one/two member states.
- Specific training seminars on specific CAP measures and their inter-linkage,
- Seminars on possible impact of introduction of CAP-like measures on Lithuanian agriculture and economy in general,
- Evolving CAP policies and their implications to EC market as such.

Expected Outputs and Results

The expected outputs and results of the RAS developed with the assistance of this twinning package are as follows:

- Strengthened national and regional network of administration, monitoring and control of CAP and other EU policy measures;
- Efficient and reliable inter-linkage among agricultural bodies involved in CAP established;
- Rudimentary IACS system established and guidelines for its functioning prepared;
- Functioning FADN and EAA systems;
- Strengthened financial management and control capacities of related agricultural institutions and bodies,
- Trained staff of state agricultural institutions, extended awareness of EC agricultural policy measures and their possible impact on Lithuanian agriculture;
- Characteristics and impacts of market intervention system described based on the sector selected (e.g. fruits and vegetables);
- Prepared agricultural administration bodies able to absorb further available targeted donor programs.

5.2. Investment in Equipment Supply and Software Development

This investment component of the project is designed to assist in the development of the RAS. Limited supplies will be necessary to facilitate in the development of bespoke software based upon the European models for the IACS, EAA and FADN systems, according to international accounting systems with relevant network connections, archiving and security systems. The bespoke software will be developed with the assistance of local IT specialists and it will run on a pilot basis in the national and selected agricultural offices. Hardware for these pilot systems will also be provided.

The Ministry of Agriculture will co-finance the rollout of the pilot systems to all regional agricultural offices.

The PAA and STAs will assist in the detailed design of the software and prepare the ToR and other tender documents for contracting a software house to develop the bespoke system. Detailed equipment specifications and requirements for the FADN and IACS central site and the regional offices will be discussed with the PAA before tendering according to standard Phare procedures.

6. Budget (in million EUR)

Sub-Project	Investment	Institution Building	Total Phare (= I + IB)	Recipient	IFI	TOTAL
Twinning and Training Package		0.5	0.5			0.5
Equipment Supply and Software Development	0.5		0.5	0.3		0.8
TOTAL	0.5	0.5	1.0	0.3		1.3

7. Implementation Arrangements

The CFCU is the Implementing Agency responsible for tendering, contracting and accounting. Responsibility for the technical preparation, implementation and control will remain with the recipient institution - Ministry of Agriculture.

It is planned to conclude two contracts: a twinning agreement and a contract for the purchase of equipment including software development.

8. Implementation Schedule

Institution Building

Start of twinning arrangements: 2Q/00

Completion: 1Q/01

Investment

Start of tender procedure: 4Q/00

Start of project activity: 4Q/00

Completion 4Q/01

9. Equal opportunity

The institutions involved in the project execution will observe equal opportunity of men and women in its recruitment and human resources development. The beneficiary will ensure equal access of men and women to the project activities and results.

10. Environment

n/a

11. Rates of Return

n/a

12. Investment Criteria

n/a

13. Conditionality and Sequencing

Conditionality will be applied as follows:

- Government resources are allocated to the Project according to the defined project time-scale;
- The procurement of equipment (component 2) is conditional on the needs assessment to be carried out by the twinning expert;
- The beneficiary will provide the team of experts with necessary facilities and counter-part support for implementing the foreseen activities;
- Sufficient absorptive capacity exists in the beneficiary institutions to effectively utilise Project resources;
- The project will take into account the measurable and transparent results of the project “Integrated Farm Register and Agricultural Information System” financed from the 1998 Phare national programme (see Annex 4 for detail).

Logframe Matrix
Annex 1

Modernisation of Rural Administrative System	Project Number: LI 9909.02		Date of Drafting: 04/99
	Contracting Period Expires: 31/10/2001		Disbursement Period Expires: 31/10/2002
	Total Budget: 1.3 MEUR		Phare Contribution: 1.0 MEUR
Wider Objectives	Indicators of Achievement	Sources of Information	Assumptions and Risks
To assist the ongoing modernisation of the agricultural sector in order to address the short and medium term priorities defined in the accession partnership and to establish an effective rural administration system.	Positive annual review at the end of 2000 of Lithuania's accessions process in the agricultural sector.	European Commission annual review of accession progress issued in December, 2000	Assumed that government resources are allocated to the project according to the defined project time-scale
Immediate Objectives	Indicators of Achievement	Sources of Information	Assumptions and Risks
Establish & strengthen national & regional network of administration, monitoring & control of CAP & other EU policy measures; Ensure efficient & reliable inter-linkage among agricultural bodies involved in CAP Develop capacity for implementation & enforcement of CAP's fundamental mechanisms and administrative systems	Increased level of CAP and other EU policy measures implemented. Developed human resources in state agricultural institutions able to enforce CAP-like measures	International & local bodies monitoring reports from. Lithuanian Agricultural Advisory Service reports. Annual assessment of CAP-like measures by independent evaluators and Ministry of Agriculture.	Assume close co-operation with Lithuanian Statistics Department Assume inter-co-operation between trained staff in agricultural institutions Assumed that the involved institutions will co-operate in the implementation of the project in order to achieve defined objectives
Outputs	Indicators of Achievement	Sources of Information	Assumptions and Risks
Fully operational agricultural information system. Capacity of state agricultural institutions to enforce CAP-like measures and absorb available targeted donor programs.	Physical existence of, IACS, farm statistics & farm accounting system. Coherent & co-ordinated state agricultural institutions involved in policy issues and trained staff well informed in EU agricultural policy.	Project reports & independent assessments. Annual government NPAA progress report. Project reports and assessment from independent surveyors.	Assumed that sufficient absorptive capacity exists in the beneficiary institutions to effectively utilise project resources. Assumed that the National Programme of the Government of the Republic of Lithuania is compatible with EU agricultural policy principles.
Inputs			
PAA – 0.2 MEuro Short/medium term inputs, training/seminars etc. – 0.3 MEuro Equipment/Software – 0.5 MEuro	Evidence of trained staff and delivery of the specified inputs	Project reports and time sheets	Assumed project tendering and contracting proceeds smoothly according to the established EU procedures according to the DIS system and provisions of Twinning manual

Cumulative Contracting and Disbursement Schedule for the Project

Annex 2 a)

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Cumulative Quarterly Contracting Schedule (MEUR)

Project	4Q/99	1Q/00	2Q/00	3Q/00	4Q/00	1Q/01	2Q/01	3Q/01	4Q/01	1Q/02	2Q/02	3Q/02	Total
Modernisation of Rural Administrative System			0.5	0.5	1.0				-----	-----	-----	-----	1.0

Cumulative Quarterly Disbursement Schedule (MEUR)

Project	4Q/99	1Q/00	2Q/00	3Q/00	4Q/00	1Q/01	2Q/01	3Q/01	4Q/01	1Q/02	2Q/02	3Q/02	Total
Modernisation of Rural Administrative System			0.1	0.2	0.4	0.65	0.75	0.85	1.0				1.0

Detailed Cost Breakdown (in MEUR)

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Annex 3

Component	1999/2000			<i>Total</i>
	National Budget	Phare	Other	
<i>Institution Building</i>				
A. TA				
B. Twinning		0,5		0,5
C. Other				
Investment				
A. Studies				
B. Financial Support				
C. Equipment	0,3	0,5		0,8
D. Other				
<i>Total</i>	0,3	1,0		1,3

Relation of Project with Previous Phare Activities and On-Going Projects Financed from Other Sources

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Substantial Phare assistance has been provided to assist in the development of the agricultural administrative systems since 1993. This has included the provision of planning support for the Ministry of Agriculture by establishing Project Implementation Unit, which assisted in mobilising and supporting further Phare Programme assistance.

An amount of 0.44 MEuro from COP95 were allocated to the “Human Resources Development” project (finished in December 1998) the main objective of which was to facilitate Lithuania’s preparation for accession negotiations for EC membership by training of chief policy-makers and junior experts.

Allocations from the 1996 and 1997 EC Phare National Programme (amounting to 1.3 MEuro) have been allocated to provide strategic management support and assist Ministry of Agriculture in becoming effective in preparing the policy and legislative frameworks required to allow Lithuania to commence negotiations on EC accession namely by facilitating activities of 15 working groups established in the Ministry of Agriculture - Phare project “Institutional Support to EC Integration in the Agricultural Sector”.

An amount of 0.7 MEuro from COP 98 was allocated for the creation of an efficiently functioning Integrated farm register of farm enterprises containing ownership and basic physical data on the farm enterprise and linked with other relevant databases and registers. The project tendering procedures have already been started.

Four departments within the Ministry will be directly involved in the project, they are:

- Agri-food European Integration Department under the Ministry of Agriculture, persons responsible:
 - ◆ Ms Dalia Miniataite, Director, tel. 39 10 94
 - ◆ Mr. Laimonas Ciakas, Deputy director, tel. 39 10 94
- Economics and Finance Department, persons responsible:
 - ◆ Mr Vygandas Katkevicius, Director, tel. 39 10 77
 - ◆ Mr Linas Stabingis, Head of Accounting Unit, tel. 39 10 70
- Farm and Food Industry Department, person responsible:
 - ◆ Mr Antanas Maziliauskas, Director, tel. 39 11 31
- International Co-operation Department, person responsible:
 - ◆ Mr Mindaugas Kuklierius, Director, tel. 39 11 14

Other institutions and agencies likely to be involved in the further development of regional agricultural administration system include:

- Regional agricultural offices, persons responsible: Heads of the offices
 - ◆ Mr. Saulius Cironka, Director, tel. 8-257 56768
- Rural Business Development and Information Centre, persons responsible:
 - ◆ Sigitas Puodziukas, Director, tel. 61 78 72
- Rural Business Training Centre, person responsible:
 - ◆ Mr. Saulius Budvytis, Director, tel. 72 14 81
 - ◆ Lithuanian Agricultural and Food Market Regulation Agency, person responsible:
 - ◆ Mr Danius Rumskas, Director, tel. 39 12 43
- Institute of Agricultural Economics: person responsible:
 - ◆ Mr D.Stanikunas, tel. 61 45 25

- Lithuanian Agricultural Advisory Service, person responsible: