

Standard Summary Project Fiche

Project Number 2003.004-341.08.01

1. Basic Information

Objective 8 - Others

- 1.1. CRIS Number:** 2003.004-341.08.01
- 1.2. Title:** Project Preparation Facility for Objective 1 Support
- 1.3. Sector:** Regional Policy
- 1.4. Location:** Lithuania

2. Objectives

2.1. Overall Objective

The overall objective of this **2.8 MEUR** project, of which **0.7 MEUR** is national co-financing, is to facilitate the successful launch and implementation of Structural Funds support upon Lithuania's accession date.

2.2. Project Purpose

The purpose of the project is to ensure the speedy and efficient preparation and implementation of major projects and investment projects financed under Structural Funds via provision of technical assistance for the preparation of these projects.

2.3. Accession Partnership and NPAA Priorities

The project reflects the priorities set in the chapter on economic and social cohesion of the National Programme for the Adoption of the Acquis in June 2001:

- Amendment and addendum of Law on Regional Development and adoption of secondary legislation
- Preparation of the Single Programming Document for Objective 1
- Strengthening of administrative capacity for strategic planning of regional development and programming of EC support
- Development of a Project Pipeline in order to ensure the technical preparation of an adequate number of projects ready to be financed by Structural and Cohesion Funds, when Lithuania becomes member of the EU.

2.4. Contribution to the National Development Plan

The project will directly contribute to the implementation of the Single Programming Document for Objective 1 by preparing a number of investment projects for implementation to be financed under the Structural Funds.

2.5 Cross Border Impact

N/A

3. Description

3.1. Background and Justification

On the basis of the experiences with the LI9917.01.01 *Phare Project Preparation Support* 1999 and 2001, which have proven extremely useful to prepare projects for implementation financed under the Phare National Program for 2000, 2001, 2002 and 2003, the National Aid Co-ordinator of Lithuania has decided to propose a similar facility for the support for preparation of projects to be financed under the Structural Funds, a special attention giving to small and medium size investment projects. Chapter V of the Council Regulation (EC) 1260/1999 laying down general provision on the Structural Funds consists of definition and approval and implementation provisions of so called major projects. Major projects comprise an economically indivisible series of works fulfilling a precise technical function and have clearly identified aims and whose budget exceeds €50 million including contribution from the Structural Funds.

In addition to these major projects there will be a big number of small and medium size investment related project that will need careful preparation including technical specifications such as:

- financial costs and benefits, a risk assessment and information on the economic viability of the project,
- in case of investment in infrastructure the applications must include analysis of costs and the socio-economic benefit of the project, including anticipated rate of use, the foreseeable impact on the development of the region concerned and the application of Community rules on public contracting,
- in case of investment in production facilities the required information includes analysis of the market prospects in the sector in concerned and the anticipated return of the project,
- direct and indirect effects on the employment situation,
- information allowing for an evaluation to be made of the environmental impact,
- information needed to assess compliance with competition rules inter alia rules on state aid,
- an indication of the influence of the contribution of the Funds on whether the project will be implemented,
- financing plan and the total financial resources.

Even though the administrative capacity of Lithuanian authorities is increasing in this field with experience being gained with the support under Phare, it is also clear that there is still lack of development capacity and funds for the technical preparation of projects, including the preparation of necessary documentation to ensure conformity with community policies and requirements. Therefore support is needed to the Lithuanian authorities being involved in regional development to prepare documents of a very technical nature for the implementation of projects, so that a number of projects are ready for financing when Lithuania joins the EU and absorption of Objective 1 assistance can be ensured.

3.2. Linked Activities

LT01.15.01 Phare Project Preparation Support 2001 seeks to facilitate the launch and implementation of Phare support to social and economic cohesion in 2002/3.

LT01-09-02 (SPPII) provides support for institution building to further prepare Lithuanian authorities for the implementation of EU Structural Funds including preparation of the first Objective 1 Single Programming Document. This support also includes assistance to the relevant Lithuanian authorities to establish a project pipeline. However this support will concentrate only on establishment of structures including consultation procedures in identification of projects, while the Project Preparation Support Facility will support the technical preparations needed for implementation of projects.

LT02-XX-XX (SPPIII) provides support for preparation for the Community Initiative Programmes and increasing the absorption capacity for Structural Funds in Lithuania. The project provides support for actors at lower level of Structural Funds implementation to identify and develop projects in conformity with community policies and legislation on public procurement, state aids, environment and equal opportunities in order to ensure that an adequate number of projects is ready for financing for Objective 1 and Community Initiatives. However, this support is only foreseen to cover project preparation in the field of business and human resource development not for investment/infrastructure projects which will require specific expertise.

LT02-XX-XX Project Preparation Facility for Objective 1 Support.

3.3. Results

The project is expected to result in a number of adequately prepared investment projects that are ready to for submission for approval, when Lithuania joins the European Union. These projects play a certain role in realizing the objectives for Structural Funds in Lithuania as defined in the SPD for Objective 1 and ensuring the absorption capacity of these funds.

3.4. Activities

Depending on nature and size of the investment/infrastructure projects their preparation will require special documentation and analyses. The indicative list of the required documentation is as follows:

- Feasibility and options analysis
- Cost estimation and Investment Plan
- Financial and economic analysis with discounting and economical rate of return analysis
- Environment Impact Assessment
- Preparation of Technical and Tender documentation

3.4.1. Project selection

The National Aid Coordinator (NAC) will on the basis of potential projects for Structural Funds in areas to be identified in the future SPD for Objective 1, prepare and agree with the Commission a list of projects proposed to receive support under this project preparation facility. The use of this Project Preparation Facility will be linked to the institutional set up for identifying and preparing a project pipeline to be financed under Structural Funds.

On the basis of priorities within the SPD a set of guidelines for prioritising and selecting projects will be prepared by NAC and agreed with the EC Delegation. These guidelines will set out the types of project ideas and activities that could be supported using PPF and will also make clear the process of prioritising projects in line with Structural Fund plans. National institutions and local/regional authorities will then be invited to submit requests for preparation support together with a summary of the project, a clear justification, and a specification of the support needed. On the basis of the criteria in the guidelines, these requests will be assessed by NAC together with the institutions involved in the future management and administration of Structural Funds, and other relevant institutions involved in Structural Funds preparation. A final priority list of projects for support will be proposed by NAC and agreed with the EC Delegation. If the available funds have not been used, further invitations for project preparation may be issued and the procedures used will be the same as set out above.

The national institutions and local/regional authorities responsible for the selected projects will then be provided with training to assist them in the further preparation of the projects; this training will include support in drafting Terms of reference, Structural Fund eligibility rules, and other relevant issues. The agreed summary descriptions will then be developed into full TOR's by the relevant beneficiaries, and contracting will be done on the basis of PRAG procedures.

While the main focus of the project preparation facility will obviously be on investment/infrastructure projects some other projects may also require support in preparation. Such projects may also be prepared under this Facility on an exceptional basis.

To ensure prudent management of the facility, no project will be prepared under this facility unless it fulfils the following eligibility criteria:

- The project is derived from the SPD for Objective 1 and clearly matches the priorities and objectives defined in the SPD.
- It is included in the NAC's proposal for projects to be prepared, as referred to above.

This facility is targeted on assisting Lithuania to prepare projects. It will not be used to cover the administration or supervision costs of projects (e.g. appraisal, tendering, etc).

3.4.2. Types of preparatory activities

The Regulation defines as major projects, those whose total cost, taken into account in determining the contribution of the Funds, exceeds fifty (50) million Euro. Brief guidance is provided in the Commission methodological working paper 2 “ Ex-ante evaluation of Structural Fund interventions”. However, the prudent preparation should not be limited only to major investment projects but should be practise in other investment projects too. The guidance for major projects is equally applicable also to smaller projects, especially when technical specifications, environmental impact assessments and tender documentation needs to be prepared. The facility will therefore support the preparation of the following (indicative list):

- Feasibility and options analysis
- Cost estimation and Investment Plan
- Financial and economic analysis with discounting and economical rate of return

analysis

- Environment Impact Assessment
- Technical and Tender documentation

4. Institutional Framework

The Financial Assistance Department in the Ministry of Finance performing the functions of National Aid Coordinator (NAC) and of future Managing authority for Objective 1 in direct liaison with the Commission shall identify the specific projects in these areas which the facility shall support. This will be done in close coordination with the relevant ministries and other bodies participating in the SPD preparation. All projects must follow the priorities and objectives specified in the SPD for Objective 1.

The Implementing Agency for this facility is the CFCU.

5. Budget (in €million)

Project Components	Investment Support	Institution Building	Total Phare (I + IB)	National Co-financing	IFI	TOTAL
Project Preparation	2.1		2.1	0.7		2.8
TOTAL	2.1		2.1	0.7		2.8

The Phare amount is binding as the maximum amount available for the project. The ratio between the Phare and national co-finance amounts is also binding and has to be applied to the final contract price. The national co-financing commitment is a tax-excluded net amount.

6. Implementation Arrangements

6.1. Implementing Agency

PAO: Zilvinas Pajarskas, Director of the CFCU

Address: J. Tumo Vaizganto 8A/2 - 241 Telephone: + 370 2 22 66 21
2600 Vilnius Fax: + 370 2 22 53 35
Lithuania e-mail: Info@cfcu.lt

SPO Rolandas Krisciunas, Director, Financial Assistance Department, Ministry of Finance (National Aid Coordinator's Secretariat)

Address: J. Tumo-Vaizganto 8A/2 Telephone: +370 2 39 02 42
LT-2600 Vilnius Fax: +370 2 22 74 24
Lithuania e-mail: r.krisciunas@finmin.lt

6.2. Twinning

N/A

6.3. Non-standard aspects

The PRAG will be strictly followed.

6.4. Contracts

A number of Technical Assistance contracts will be tendered following the procedures set in PRAG.

7. Implementation Schedule

Component	Start of Tendering	Start of Project Activity	Project Completion
Project Preparation	3Q/03	4Q/03	4Q/05

8. Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. Environment

The technical support provided under the preparation facility has no environmental impact in itself (though it will finance inter alia environmental impact studies).

10. Rates of Return

N/A

11. Investment Criteria

N/A

12. Conditionality and sequencing

No project shall be financed under the facility unless it is included in the NAC's approved list, which shall be agreed with the Commission.

Start up of facility assumes co-financing of the project confirmed by Lithuanian Government.

ANNEXES TO PROJECT FICHE

- 1. Logical framework matrix in standard format**
- 2. Detailed implementation chart**
- 3. Contracting and disbursement schedule**
- 4. Reference to feasibility /pre-feasibility studies**

LOGFRAME PLANNING MATRIX for Structural Funds Project Preparation Support		Programme Name and Number:	Project Preparation Support
		Contracting Period Expires:	Disbursement Period Expires:
		Total Budget: 2.8 MEUR	Phare Budget: 2.1 MEUR
Overall Objective: To facilitate successful launch and implementation of Structural Funds upon Lithuania's accession date	Objectively Verifiable Indicators: <ul style="list-style-type: none"> • Successful start up of the absorption of the Structural Funds 	Source of Verification: Various Reports	
Project Purpose: To ensure speedy and efficient tendering of major investment projects under Structural Funds.	Objectively Verifiable Indicators: <ul style="list-style-type: none"> • Coherent tender documents for selected projects ready • Projects approved 	Source of Verification: Monitoring Reports	Assumptions: <ul style="list-style-type: none"> • Beneficiary institutions have appropriate institutional capacity • Smooth cooperation between beneficiaries, CFCU and Commission
Results: <ul style="list-style-type: none"> • A number of investment projects are prepared and ready for implementation under Structural Funds. 	Objectively Verifiable Indicators: Required documentation delivered	Source of Verification: Monitoring Reports	Assumptions: Beneficiaries participate fully in the preparatory process
Activities: Selection of major projects for preparation Contracting and carrying out the following analyses: <ul style="list-style-type: none"> • Feasibility and options analysis • Financial analysis • socio-economic costs and benefits • discounting and economic rate of return • sensitivity and risk analysis • EIA • Technical Documentation 	Means: Technical assistance primarily through framework contracts	Source of Verification: <ul style="list-style-type: none"> • Monitoring Reports • Reports on individual projects 	Assumptions: <ul style="list-style-type: none"> • Projects for preparation are selected on time • Projects are adequately prepared • TORs are adequate • Suitable consultancies are available
			Preconditions: <ul style="list-style-type: none"> ▪ National co-financing confirmed • Financing Memorandum is signed • Single Programming Document is ready

DETAILED IMPLEMENTATION CHART FOR THE PROJECT**Phare Project Preparation Support**

Year	2003				2004				2005			
Quarter	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Project preparation*												

	d e s i g n
	t e n d e r i n g
	i m p l e m e n t a t i o n

*This is the duration of the whole project preparation facility. Individual contracts will be designed, tendered and implemented following PRAG's rules and procedures within the time-frame of the facility.

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (Phare Contribution only - €Million)

Phare Project Preparation Support

	Date										
	2003			2004				2005			
	30/06	30/09	31/12	31/03	30/06	30/09	31/12	31/03	30/06	30/09	31/12
<i>Contracting</i>											
Project Preparation		0.3	0.6	0.9	1.2	1.5	1.7	1.9	2.1		
Total contracting (cumulative)		0.3	0.6	0.9	1.2	1.5	1.7	1.9	2.1		
<i>Disbursement</i>											
Project Preparation			0.3	0.6	0.9	1.1	1.3	1.5	1.7	1.9	2.1
Total disbursement (cumulative)			0.3	0.6	0.9	1.1	1.3	1.5	1.7	1.9	2.1

Reference to feasibility /pre-feasibility studies

Feasibility / pre-feasibility studies do not exist as they are being produced under the facility.