

# EU STRUCTURAL FUNDS FOR LITHUANIA

RESUME OF SINGLE PROGRAMMING  
DOCUMENT OF LITHUANIA 2004-2006



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MINISTRY OF FINANCE OF  
THE REPUBLIC OF LITHUANIA

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## *Foreword by the Secretary of the Ministry of Finance*

The support under the EU Structural Funds which Lithuania, as an EU Member State receives, supplements the national investment and contributes to one of the priority objectives of the EU – the reduction of the social and economic disparities between the EU Member States and individual regions.

This publication has been created to introduce the main document underlying the use of the EU Structural Funds in Lithuania – the Lithuanian Single Programming Document for 2004-2006 (further – the SPD) and its Complement. The institution responsible for the preparation and the supervision of enforcement of the documents is the Ministry of Finance, appointed by the Government of the Republic of Lithuania to act as the Managing authority.

The SPD is the main planning document concerning support under the Structural Funds for Lithuania, defining the vision, objectives and strategies of the development of the State, defining the financing measures, and tasks as well as the principles of the forthcoming support. The document contains complete information of the directions and ways of investing the EU Structural Funds in Lithuania. The Complement of the SPD presents a detailed description of measures (listing the eligible activities, project selection criteria, measure implementation supervision indicators, etc.).

The present publication will be relevant and useful to all interested in the priority EU Structural Funds investment criteria and will be helpful in enhancing the overall comprehension of the principles of appropriation of the EU structural support.

We believe that the presented material will trigger new ideas, will facilitate the assessment of the eligibility of such ideas and help make decisions concerning an application for the EU structural support.

The full version of the SPD and its complement, as well as the general information and the requirements for the eligibility of support from the EU Structural Funds are available on the internet website of the Ministry of Finance at: [www.finmin.lt](http://www.finmin.lt)



Secretary of the Ministry  
Rolandas Kriščiūnas

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The background of the slide is a blue-tinted image of a computer keyboard. A semi-transparent white document is overlaid on the keyboard, featuring some text and a small graphic. The text on the document includes phrases like "are as a works or", "regional", and "for de-". The keyboard keys are visible, with some labeled "N" and "KL".

# 1.A SHORT ANALYSIS OF THE CURRENT SOCIO-ECONOMIC SITUATION OF LITHUANIA

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# 1. A SHORT ANALYSIS OF THE CURRENT SOCIO-ECONOMIC SITUATION OF LITHUANIA

Lithuania, which has a population of approximately 3.5 million, has undergone a rapid socio-economic and political transformation since re-gaining independence in 1991. Currently it is the fastest growing European economy, which serves as a major east-west transit point due to its well-positioned geographical location at the heart of Central Europe. Administratively, Lithuania consists of 10 counties (Alytus, Kaunas, Klaipėda, Marijampolė, Panevėžys, Šiauliai, Tauragė, Telšiai, Utena, Vilnius) which are further divided into 60 municipalities.

The structure of economic activity in Lithuania in many respects is similar to that of its neighbouring countries, yet also demonstrates some peculiar characteristics. As in many other EU member and candidate countries, the services sector dominates in terms of overall gross value added. Compared with the other two Baltic States, the industrial sector accounts for a relatively higher share of gross value added. A noticeable difference to EU countries is that low value added sectors and labour intensive technologies are still of major importance and there must be a shift to higher value added activities if current national development strategies are to be successfully implemented.

In 2004 Lithuania achieved two of its major foreign policy objectives: EU and NATO membership. EU and NATO membership are of great political, economic and symbolic importance for Lithuania. It also implies a recognition on the EU side that Lithuania, is not only a stable democracy as noted in the 1997 Opinion of the European Commission, but also a functioning market economy which, provided the current pace of reform is sustained, will be able to cope with competitive pressure and market forces within the Union (European Commission, 2002 Regular Report on Lithuania's Progress towards Accession).

EU integration is not the only factor impacting the economic development climate in Lithuania. Ongoing global economic and social changes are also bound to have a major impact. Globalisation is often used to point to the multi-faceted nature of those changes, which include the transition in many countries towards a knowledge driven economy, the emergence of new centres of global economic power, the rethinking of social norms and structures. These trends offer both challenges and opportunities which must be faced carefully and where possible, exploited strategically.



## 2. MACROECONOMIC TRENDS

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## 2. MACROECONOMIC TRENDS

The past decade has seen fundamental changes in the Lithuanian economy: the level of openness and liberalisation has grown significantly and major structural changes have taken place such as the decline of agriculture's share of GDP and employment and the dramatic increase in service sector activity. Additionally, the private sector has developed rapidly and has within a short timeframe become economically more important than the state sector. Competition – both amongst domestic companies and from foreign competitors – has also increased markedly leading to increased price competition and low inflation. The following table provides an overview of key disparities between Lithuania and the EU across a range of key macro-economic indicators such as GDP per capita, labour productivity and employment rates. As the table demonstrates, there are quite wide disparities between Lithuania and the EU across most key indicators (see table 1).

Table 1. Disparities between Lithuania and the EU, 2002.

Indicator	Lithuania	ES average	Assessment of Disparity
Gross Domestic Product (GDP) per capita, PPS,%	39,1	100	Large
Unemployment, %	13,1	7,7	Large
Labour Productivity, %	41,7	100	Large
Unit Labour Cost Growth, %	-0,5	-0,4	Small
Inflation, %	0	2,1	Large (but positive)
Total Employment Growth (annual change in employed population), %	4	1,3	Large
Employment Rate, %	59,9	64,3	Small

Source – Eurostat

In order to achieve the overriding objectives of Lithuanian economic policy, it will be necessary to implement the following policies:

- A stable monetary policy by retaining a fixed currency exchange rate with the euro.
- A tight fiscal policy in order to reduce the fiscal deficit and attempt to move closer towards the goal of having a cyclically balanced budget.
- An investment and business promotion policy favourable to economic development and entrepreneurship.
- An active labour market policy aimed at creating new employment and increasing labour market flexibility.



The background of the slide is a blue-tinted photograph of a bookshelf. Several books are visible, with labels on their spines. One label clearly shows the number '12', and another shows 'KL'. The text on the book spines is partially legible, including phrases like '...are as a works Intro- pices or- riginal' and 'For de- riving riginal'.

# 3. SECTORIAL TRENDS

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## 3.1 SECTORIAL TRENDS

Lithuanian companies in the industrial sector are gradually adapting to the competitive economic environment that EU membership and increased internationalisation brings. The volume of industrial sales is growing and more than half of the industrial products are exported. The competitiveness of Lithuanian industry at a European and international level is increasing, but not at a sufficiently fast rate.

### 3.1 Industry and Business

The competitiveness of Lithuanian industry at European and international level is increasing, but not at a sufficiently fast rate. The structure of Lithuanian industry is dominated by low and average value-added industries and industries using unskilled and medium skilled labour. A transition is needed to higher value-added activities. Industrial productivity in Lithuania is considerably below the level achieved in other industrialised countries, therefore, while wage rates are competitive, total production costs are not cheap by comparison. Export volumes are increasing. However, the export structure is dominated by low-value-added products and services.

There is a consensus that the current industrial structure is inefficient which means that in order to become competitive in the single European market, there is a need to restructure and modernise the industrial sector, to increase investments in advanced technologies and innovation, to expand cooperation, consolidation and the clustering of scientific institutions and industrial enterprises, i.e., to develop hi-tech industry which requires highly skilled labour. An opportunity exists to exploit the potential of industrial zones – a number of cities have an industrial infrastructure left over from the Soviet period.

Current thinking suggests that a relatively cheap labour force and cheap local raw materials are no longer decisive factors in determining competitiveness, since their impact is outweighed by low industrial productivity. Thus, labour force costs are only cheap in relative terms, because productivity levels are several times lower than the EU average in individual sectors of industry. Although progress has been made in the enhancement of transparency of the private sector's activities, the level of entrepreneurship in Lithuania still remains quite inadequate. The development of small and medium-sized enterprises is still being impeded by unnecessary bureaucracy, problems related to access to funding and a lack of proper qualifications.

The State-funded business support infrastructure has been developed seeking to create conditions favourable for the start up of business, it is nevertheless necessary to further strengthen the institutional capacities, improve the quality of the provided services and enhance the efficiency.

## 3.2. Scientific Research and Experimental Development (R&D)

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There is a universally acknowledged strong link between investment in scientific research and experimental development (R&D) and long-term economic growth, competitiveness and innovation. Therefore, it is clear that every country should strive to increase its research potential and develop new highs in technology and innovation, as well as encourage their introduction and immersion into industry and business. However Lithuania as a small country is not capable of creating new knowledge in all spheres of science – it should therefore specialise in areas where it has particular expertise, in order to exploit its potentially high scientific research and experimental development potential: biotechnology, laser technology, biochemistry, chemistry, mathematics and environmental protection. Until the present, Lithuanian research institutions were focusing on non-commercial research activities rather than applied activities, therefore the ties and cooperation between the research institution and the business sector are not sufficiently strong.

Limited national expenditure on scientific research and experimental development (only 0.6%–0.7% of the country's GDP), while the objective set by the European Council states that R&D financing in the EU should approach 3% of the GDP by 2010. The issue of rapidly ageing researchers and especially scientists must be resolved. The average age of scientists has increased rapidly over the past decade in part because of the perception of issues regarding the social status of researchers: in 2000, 55% of scientists were older than 50. The poor social status and very slow career development of scientists, as well as the large gap between science and business, results in the emigration of an increasing number of young (as well as older) scientists to Western countries. Lithuania therefore lacks scientists with experience in applied research that could deliver training and share their experiences with others. Another problem with the research sector is that the system for organising scientific activities is regarded as inefficient.

## 3.3. Tourism

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Lithuania's tourism sector has significant scope for growth given Lithuania's cultural heritage and the attractive natural environment. Some Lithuanian regions could generate substantial income and create sustainable jobs through the successful exploitation of the tourism sector. Rural tourism is already developing rapidly in Lithuania and has been identified as a potential means of helping rural economies to diversify. However, currently, Lithuania's tourism potential is not being fully exploited.

The lack of a public infrastructure and services is the main obstacle to the usage of Lithuania's cultural and natural tourism potential to full extent. Development in the tourism sector needs to be underpinned by investment in public tourism infrastructure (which provides a basis for the creation of sites attractive to tourism)

and by private sector investment. Factors currently limiting the growth of the tourism sector in Lithuania include seasonality, the lack of leisure activities, underdeveloped accommodation services across Lithuania, inadequate qualifications of people working in the tourism sector and the need to develop clear national and regional tourism promotion strategies.

In a number of respects the Baltic States would find cooperation in tourism development areas especially beneficial since the states share a lot of common features, besides tourism being, for all three states, a very important sector.

### 3.4 Agriculture, Rural Development, Forestry and Fisheries

The role of agriculture in Lithuania is still very significant, but the share of GDP accounted for by agriculture, forestry and fisheries has been steadily declining over the past decade.

Although agricultural production fell during the period 1994-1998, since then there has been a productivity increase in this sector. The high quality of land resources and the natural environment creates favourable conditions for increasing agricultural productivity (which is still low) and pursuing non-traditional agricultural activities such as eco-farming and alternative business activities such as rural tourism.

The agricultural sector's potential is limited by a small average farm size (measured according to land area or the number of animals or the farm, etc). There is therefore an urgent need for sectorial consolidation. The support to economically viable farms should enable them to specialise and develop as well as enhance their competitiveness. On the basis of the data on employment and family income, the weaknesses of the Lithuanian countryside are the following: a) an unfavourable age structure of the population; b) a high dependency on income from agricultural activities and low levels of such income; c) a high level of unemployment among the rural youth; d) a significant gap between family income levels in rural and urban areas.

The level of education plays an important role in the rural development process. The education level is significantly lower among the rural population. Although Lithuania has a wide agricultural training and consulting network, it does not solve the problem of human resource development in the countryside.

Rural communities have been more active in Lithuania recently. A union of Lithuanian rural communities is in operation. The Creativity and initiative of businessmen would strengthen and add speed to structural changes in rural areas.

Lithuania has favourable climatic conditions, fodder resources and long traditions in animal rearing, meat and dairy production and has created a basis to foster a comparative advantage of livestock production. However, the productivity of the sector is low in comparison to other EU countries. The major problems in the primary sector are the following: a low efficiency of production and difficulties in complying

with quality, hygiene, the environment and animal welfare standards. Preconditions for the restructuring of farms will be laid by investment in agricultural holdings and fostering the establishment of young farmers.

The Lithuanian food industry will be able to have a niche in the EU Common Market (especially in the sectors of meat and dairy production). However, to compete successfully in external markets there is a need for investments in capital and human resources to comply with quality, hygiene, food safety and environmental requirements. The dairy industry has been undergoing restructuring over the past few years and the majority of enterprises comply with EU veterinary requirements. Unfortunately, the number of enterprises in the meat industry granted with EU veterinary certificates is modest.

33% of the land surface in Lithuania is covered by forests. Most of Lithuania's forests are State-owned (71%). The structure of the private forestry sector (29%), characterised by a large number of small forestry holders, is unfavourable to intensive development in the forestry sector. In addition to wood products, Lithuanian forests are important for non-timber products, such as mushrooms, berries, medicinal herbs, game meat, furs, antlers, hunting, Christmas trees, etc. Especially significant are mushrooms due to high export opportunities. Forests cover areas with low soil productivity. Therefore forestry and activities related to forestry provide inhabitants of rural areas with alternative job opportunities.

There is an overcapacity in the fishing industry. The Lithuanian fishing fleet is too large particularly since EU quotas were introduced upon EU accession.

Additionally, the fishing fleet does not have the necessary equipment for preserving fish quality and older vessels are responsible for polluting the environment. The fishing fleet therefore needs to be modernised in order to improve fishing techniques so that only those species allowed under fishing quotas are caught. Veterinary and sanitary requirements also need improving. Working safety requirements are currently inadequate and need improving.

### 3.5. Transport

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Transport is an important part of the economic and social infrastructure of the Republic of Lithuania. The growth of the national economy, leading to higher standards of living, and the creation of new jobs would be impossible without an effective transport system and adequate transport infrastructure, providing the opportunities to exploit the potential of the local and international market.

The density of the network of the Lithuanian transport infrastructure is sufficient; the technical parameters however do not satisfy the increasing demands of the flow of traffic and do not correspond to the level of transport infrastructure development in the EU. The length of the Lithuanian road network is sufficient; however, its technical condition fails to meet the growing transport traffic needs. A

big impetus for the economy of Lithuanian regions and the development of tourism is the development of a regional infrastructure. One of the main activities here is the paving of gravel roads, improvement of traffic conditions and an introduction of environment protection measures.

The present railway transport sector of Lithuania, along with that of many other Central and Eastern European countries, is rather backward in technical, economic, technological and organisational terms in relation to the modern interacting railway transport systems of EU Members States. In order to improve the current railway infrastructure and increase freight there is a need to renovate the tracks and to modernise signalling and telecommunications systems

The Klaipėda State owned seaport – is the northernmost ice-free seaport on the eastern Baltic coast. It is a key junction in the IXB transport corridor linking motor roads and sea routes in the East-West direction. In order to increase competitiveness of the seaport, investment in the infrastructure is needed. During the modernisation of Klaipėda Port's infrastructure, it has been necessary to improve the interaction of the port with other modes of transport, to ensure the safe and effective carriage of cargo and make it more attractive to tourists.

Lithuania's international airports are of an average size compared to the regional airports of Western Europe. The infrastructure of Lithuanian airports and air space control systems are rather well developed, however, the present capacities are not used to full extent. It is necessary to improve the security equipment of airports.

The number of automotive vehicles in Lithuania is constantly increasing and therefore, inadequate development of the road and path network has a negative effect on traffic conditions, traffic jams are created during peak hours, and all this results in extra motor vehicle air pollutant emissions and an additional loss of time. It is important to improve the management of traffic on city streets and to apply new technologies.

The country's territory is crossed by International Multi-Modal Trans-European Transport Network Corridors. It is very important for Lithuania to develop a Multi-Modal Transport System, invest into transport infrastructure and logistic centres and make use of Klaipėda Seaport's potential.

### 3.6 Energy

The energy sector is one of the most important sectors of the Lithuanian economy. It accounts for approximately 14% of the industrial workforce. The strategic objectives of the energy sector and the policy framework to achieve these objectives are set in the National Energy Strategy, approved by the Lithuanian Parliament resolution No. IX-1130 on October 10<sup>th</sup>, 2002.

The energy sector is characterised by a well-developed infrastructure and lower

than EU average energy consumption levels. There is a high level of dependency (except in oil and oil products) on a single supply source from Russia / former CIS countries, which does not create the necessary pre-conditions for sustainable development. There are also no physical links to alternative sources of power supply such as EU power networks and natural gas grids

The electricity sector is currently characterised by over-capacity, with supply three times exceeding demand. The main source of electric power is the Ignalina NPP, which generates cheaper electric power than thermal electricity plants using organic fuel. However, this will change imminently with the decommissioning of the Ignalina Nuclear Power Plant.

Improving energy consumption efficiency is one of the best means of ensuring that the energy sector remains sustainable and that the environmental impacts of energy consumption are kept to a minimum.

### 3.7 Environment

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Lithuania's water resources include territorial waters of the Baltic Sea, the Curonian Lagoon, as well as inland surface and underground water bodies. There are about 22.2 thousand rivers and streams. The total area of lakes amounts to 1.5% of the total land area of Lithuania.

Only about 14% of waste water is treated according to EU requirements; the quality of drinking water is inadequate due to the poor condition of the pipes (increased iron content, turbidity, etc.), by the pollution of underground water in areas of intensive farming and through the natural features of underground water (e.g., increased fluorine content).

The level of pollution emitted by stationary and mobile pollution sources has significantly decreased over the last decade. Nevertheless, the majority of companies fail to comply with EU ambient air protection standards established to regulate and limit pollution emissions by companies. The lack of infrastructure, inadequate production capacities and a failure to implement the "polluter pays" principle has led to inefficient waste management.

### 3.8 Health Care Infrastructure and Social Infrastructure

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The health of the Lithuanian population and the conditions of its maintenance, determine to a large extent the stability of the country's economic development and well-being of the society. Health issues influence the quality of life, the size and productivity of labour resources, and the death rate amongst middle-aged people – loss of human capital. Improving levels of health amongst the Lithuanian population and ensuring good levels of healthcare is an important pre-condition of sustainable economic growth and development. Health care indicators in Lithuania are improving

although mortality rates for some illnesses still significantly exceed the EU average.

The sector is characterised by an extensively developed hospital network. However, hospital infrastructure fails to meet EU requirements. There is a lack of modern medical technologies. There is also a relatively high proportion of inpatient services in the healthcare sector compared with outpatient services.

There is an uneven distribution of healthcare institutions and specialists between the different regions of Lithuania. The professional qualifications of medical professionals are quite high and further improvements have taken place in recent years. However, there are limited administrative and managerial capacities in the health sector

The establishment of market economy conditions have led to the emergence of population groups for whom social services are especially important: they include the elderly, the disabled, children and social risk groups. Against a backdrop of an ageing society, the issue of insufficient social services which seek to restore people's ability to look after their health and integrate into society is becoming an increasingly important issue.

### 3.9. Employment and Unemployment

Data from the latest population census showed that between 1998-2001 the number of inhabitants in Lithuania dropped by more than 5%. This process was caused by emigration and the natural negative growth of the population. The number of the population at working-age (15-64 years old) decreased from 2.5 million to 2.1 million.

The average level of educational attainment amongst the Lithuanian labour force is relatively high compared with the EU average. However, there is evidence of a mismatch between qualifications, vocational education and training provision and the skills needs of employers/ labour market requirements. Skills levels among young people are lower than among the older population linked in part to the high drop-out rate during and at the end of basic education, particularly in the immediate post-transition period. There is a low rate of adoption of flexible forms of working such as part-time employment by Lithuanian employers.

In 2001, 9.8% of the employed worked part time. This kind of employment is less popular in Lithuania than in the EU, where there is around 18% of such workers. Flexible forms of work are not being widely applied.

The level of self-employment in Lithuania – a useful indicator to assess the degree of entrepreneurship - lags that of many EU countries. The low number of self-employed persons indicates that the environment is unfavourable for own business development.

## 3.10 Education and Vocational Training

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During the 15 years following Lithuania's independence, the basic legislative framework of education was developed. Therefore it can be stated that Lithuania has a fairly good legislative foundation for modern development of the education system and social partnership. Lithuania has a six-level education and training system consisting of: pre-school education, primary education, basic education, secondary education, college education and higher education. The enrolment rate is increasing in secondary and post-secondary education.

Negative trends, however, persist in some areas where there are a high number of school leavers leaving the educational system without obtaining the basic education certificate. There is also a low level of participation in continuous training and an absence of a lifelong learning culture.

The vocational training system is not currently sufficiently tailored for rapidly evolving labour market requirements resulting from structural changes in the Lithuanian economy. There are also issues around the varying quality of vocational education and training provision across Lithuania. In order to rectify this, there is a need for more effective monitoring of standards in training provision

In some rural areas, there are issues around ensuring access to education – which are being tackled in part through the development of distance learning courses. Additional investment is urgently needed to create the right pre-conditions to foster a culture of lifelong learning. Current investment in human resources and equipment / course materials in the education and vocational training sector is inadequate.

According to official statistics the education of working individuals in Lithuania is quite high. Persons with a full secondary or higher level of education comprise 80 % of the labour force, whereas this number equals two thirds in more developed EU countries. However, the competence of the majority of these individuals only partly meets the requirements raised by the economy based on the free market principles. Efforts to improve the level of skills in the Lithuanian labour force and to update the skills of those whose qualifications are out of date are constrained by outdated educational curricula in some subject areas particularly in the sciences – where there is a lack of lecturers with appropriate international experience and qualifications to transfer expertise to Lithuania.

Achievement has however been made in respect of specialist training – a three-pillar study system was introduced, the network of higher education establishments was developed and an international evaluation of study curricula has begun. However, the content of most curricula still does not correspond to labour market needs, scientific achievements and international standards. The qualification of trainers is insufficient and there is a lack of opportunity for international mobility amongst Lithuanian academics.

### 3.11 Information Society

Currently a large proportion of Lithuania's population has insufficient information about information technology (IT) and many people do not understand the possibilities provided by IT or do not see what benefit it can bring to their everyday activities. The level of computer literacy among Lithuania's population usually depends on the level of education and income, as well as on age, social status and place of residence. The main business problems related to the use of IT is the high price of the Internet services; either due to a slow Internet connection or an insufficient bandwidth of communication channels; or the small number of public services provided by the Internet.

In *economic* terms, investment in developing the IT infrastructure (e.g. provision of broadband internet access across Lithuania etc.) should help accelerate economic growth (particularly in rural areas where until now the IT infrastructure is relatively underdeveloped), enhance international competitiveness and enable more modern management approaches to be introduced leading to efficiency improvements in industry and business.

In *societal* terms, information for the society should help improve the quality of life for Lithuanian citizens and level the field for those living in rural areas so that they can access the same products and services available to those living in cities.

ICT penetration rates (computer and internet usage, etc.) are rapidly growing amongst the Lithuanian population, although they are still considerably below the EU average due to comparatively low levels of computer literacy, the need for more and better IT training provision and infrastructure limitations (e.g., limited access to the Internet, price constraints).

More positively, computer sales in Lithuania are growing rapidly and Lithuanian cities generally have a well-developed IT infrastructure. Also encouragingly, Lithuanians show growing interest in accessing e-government services. Lithuania, by nature of its small size and large scientific-technological potential, should be in a position to adapt relatively easily to rapidly changing global IT trends.



## 4. REGIONAL DIMENSION

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## 4. REGIONAL DIMENSION

Since independence there have been increasing developmental disparities within Lithuania, both between and within Lithuania's ten counties. For numerous historical and economic reasons, the individual regions, cities and towns of Lithuania have experienced widely differing economic paths and consequently have different economic structures and have developed strengths in different sectors.

We will briefly overview the regional policy situation in Lithuania.

Until 1998 Lithuania had neither regional policy instruments separate from other social and economic development instruments nor institutions responsible for regional policy.

The regional disparities have increased significantly during the transition to a market economy. The disparities in GDP per capita between the most and the least developed regions in Lithuania have increased 2.6 times. The growth in disparities within regions has been even higher. The aim of the national regional policy as provided by the Law on Regional Development is to decrease social and economic disparities among and within Lithuanian regions. This aim is to be realised through the fostering of initiatives of the regions, which are defined as counties, and direct state support to "problem territories" defined by the Government on the basis of social and economic development criteria to be set in the separate Government Resolution and in line with the State Aid rules.

In December 2002 the Government adopted the National regional development programme and its implementation measures for 2003 – 2005. The objectives of the programme are to facilitate the creation of the regional development planning system, to increase the regional and local capacity to prepare investment projects for the EU Structural Funds and to facilitate nascent implementation of the INTERREG III initiative.

In order for Lithuania to capitalise on its strengths and opportunities and in order to mitigate and minimise weaknesses and threats, it is essential that there is a clear understanding of the key sectors in which Lithuania has a comparative advantage –



## 5. SWOT ANALYSIS AND KEY SECTOR ANALYSIS

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The SWOT Analysis set out below is based on key strengths and weaknesses, opportunities and threats identified in the baseline analysis. It also takes into account additional geographic, social and economic factors. Seeking to ensure the maximum accuracy of the material presented, the analysis also covers an overview of the country’s geographical situation, as well as economic and social characteristics. The SWOT Analysis constitutes the basis for the determination of strategy development as well as priorities and the required measures.

Table 2. Summary SWOT Analysis

## STRENGTHS

- Macroeconomic stability.
- Growing economic competitiveness.
- A geographical location favourable for east-west transit.
- A sufficiently well-developed transport and communication infrastructure.
- A relatively large export share of western markets.
- A well-educated workforce.
- Pockets of well-developed scientific institutions and a high potential for applied research in selected areas.
- A framework for established vocational training.
- An attractive natural environment and a landscape rich in heritage.
- Improving health care indicators.
- The part of Baltic sea belonging to Lithuania is comparatively rich in fish resources, experience and traditions of the inhabitants, specialised fish landing–area in Klaipėda port and a developed Atlantic fishing fleet.

## OPPORTUNITIES

- EU accession and the opportunities of the EU common market.
- Growing cooperation between the Baltic Sea States.
- Export opportunities for goods and services to CIS markets.
- Growing business internationalisation including direct foreign investment and cooperation.
- SME development, cluster formation (especially in high-technology sectors), and technology and innovation development, building on network of business information centres and incubators.
- Increasing goods transit flows.
- A rapid expansion of the IT-based capacity and economic contribution.
- A continuing expansion of the services sector.
- The growth of national and regional tourism (urban, rural, marine).
- Domestic and commercial energy efficiency.
- Implementing the policy of sustainable fisheries, fully utilising the fishing quota allocated to Lithuania, encouraging the cultivation of new fish species, developing the ecological farming of fish.
- Rationalisation of the health care system is currently taking place.

## WEAKNESSES

- Low industrial and agricultural productivity.
- A lack of an entrepreneurial culture and lack of access to capital for SME start-ups and existing SMEs.
- High structural and youth unemployment. Skills shortages and gaps, especially amongst the young with high levels of dropouts.
- A physical infrastructure in need of modernisation and investment.
- A healthcare system that is comparatively inefficient and not structured to meet social needs.
- Insufficient access to and quality of social services and a vocational rehabilitation infrastructure.
- A high level of poverty and social exclusion, particularly among vulnerable groups.
- Energy dependency and a lack of indigenous supplies.
- A low level of scientific research, technology development and innovation, and little private sector involvement.
- A lack of IT awareness and low levels of IT application.
- Pollution, especially of water sources and potential land contamination from chemicals.
- An inadequate waste management infrastructure.
- An outdated and inefficient Baltic sea fishing fleet not adjusted to available fish resources.

## THREATS

- Dependency on energy resources from a single source.
- An instability of the CIS market and cyclical fluctuations of the western market on a small domestic economy.
- Increasing disparities between rural and urban areas and between different counties/regions.
- Growing competition from foreign industry and services in domestic and foreign markets, creating economic and social challenges.
- The costs and challenges of meeting EU quality standards .
- The emigration of the labour force, particularly the highly qualified.
- A decline in labour participation rates.
- Socioeconomic tension in the coastal region, caused by a reduction of the fishing quota and restructuring of the fishing fleet.
- The closure of the Ignalina NPP - consequent social, environmental and economic impacts.
- An ageing population and a growing need for social assistance and health care services.
- Rural depopulation and agricultural restructuring.
- The environmental impacts of a growing economy (CO<sub>2</sub> emissions, air quality).
- Socioeconomic tension in the coastal region, caused by a reduction of the fishing quota and restructuring of the fishing fleet.

these sectors are likely to be critical drivers of national competitiveness. To have maximum effect, Objective 1 interventions will need to be targeted at those sectors whose positive growth prospects will largely determine the outlook for the Lithuanian economy as a whole.

### Emerging Sectors

(listed below), that, taken together, currently account for a relatively low share of GDP (4.8%) and which at the same time have strong growth prospects:

- Financial and Business Services – internationally, financial and business services are one of the fastest growing sectors and this trend is reflected in Lithuania where the share of GDP is forecast to rise by around 9% over the 2001-05 period, driven by an increasing demand for retail products and services.
- Tourism (Hotels and Restaurants) – the SPD highlights the fact that Lithuania's natural and cultural resources create favourable conditions for developing attractive tourist products.
- Extractive and Processing Industries - extraction and processing industries (oil processing, wood, leather products, etc) accounted for the largest share (88%) of industrial produce sales by volume in 2001 but for a relatively low share of GDP (just over 1%).

### Key Sectors

(listed below) that currently account for a relatively large share of GDP (63.2%) and also have generally good growth prospects:

- Construction – employment in Lithuania's construction industry fell in the early years after transition;
- Retail and Wholesale – after manufacturing, the retail and wholesale sectors are expected to benefit most from EU accession;
- Manufacturing – the industrial sector is currently dominated by relatively low added value, low skill activities with production based on high technologies accounting for an estimated 13% of the total (compared with 20-25% in existing EU Member States);
- Education – Lithuania has a well-developed network of scientific and higher education institutions and the SPD highlights the potential contribution of R&D to economic development (at present, R&D accounts for a relatively small share – around 0.6% – of GDP);
- Transport - the share of GDP accounted for by Lithuania's transport sector has been increasing and now represents some 8% of the country's total GDP (the sector employs some 73,000 people or 5% of the total workforce);
- There may also be scope for a growth in logistics.

Whilst the growth of sectors such as construction, education and retail and wholesale will be largely fuelled by domestic demand, expansion on the scale

forecast of the manufacturing and transport sectors will depend more on the ability of Lithuanian undertakings to compete in European markets.

### Important Sectors

(listed below) represent over one-third of Lithuania's current GDP and a higher share of employment. However, there are only relatively modest future growth prospects:

- Agriculture and Fisheries – employment in these sectors has declined in recent years from some 23% in 1995 to a current level of 17% of total jobs;
- Public Administration and Defence – these sectors currently account for a relatively large share of employment. However, the reform of Lithuania's public administration and services is leading to a reduction in job levels and increased productivity. A share of the GDP is forecasted to decline by around 11% over the 2001-05 period;
- Healthcare - the provision of health care services is characterised by a hospital infrastructure that is overdeveloped in terms of quantity but does not meet EU quality requirements. A similar situation exists in the social services field where a priority is to switch from residential-based provision to community facilities;
- Electricity, Gas and Water – Lithuania's energy sector is characterised by the production potential which significantly exceeds demand. Restructuring is therefore taking place including the closure of the Ignalina Nuclear Power Plant.





## 6. THE SOCIAL–ECONOMIC DEVELOPMENT STRATEGY

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## 6.1 Vision Statement

By 2015, Lithuania will have achieved parity with the more prosperous EU Member States in terms of key social and economic indicators. Its people will enjoy a high quality of life based on a modern, knowledge-driven economy that exploits the country's many unique strengths.

Supporting elements of the vision are:

- Development will be sustainable and compatible with the principles of environmental sustainability and social inclusion.
- Lithuania's citizens will have access to the full range of employment, education, training and learning opportunities required to achieve individual aspirations and potential.
- Disparities in prosperity between Lithuania's various counties will be reduced if not eliminated.
- Lithuania will play an important and distinctive role in the European Union and in the Baltic and Central and Eastern European region.

In order to invest the EU Structural Fund effectively, the Ministry of Finance together with other institutions and social partners prepared the Single Programming Document of Lithuania for 2004-2006 (hereinafter referred to as the SPD). This document was approved by the European Union and the Government of the Republic of Lithuania.

The SPD without any doubts will play an important role in the development of Lithuania. The three-year period, however, is not sufficient to implement the long-term objectives of Lithuania. Therefore the SPD for 2004–2006 has been developed with a view to the vision of Lithuania in the long-term perspective of the coming 10-15 years.

There are a number of critical factors that will have a bearing on achievement of the vision. These are: investment climate, development of key sectors, labour market and skills, business activity and regional development.

## 6.2 Strategy of the Single Programming Document

The Objective 1 development plan as set out in the SPD will involve a large-scale joint investment between Lithuania and the European Union. It will play a critical role in helping to create the necessary framework conditions for growth that will enable Lithuania to realise its potential, and will contribute to the realisation of the long-term vision set out in the previous section.

The SWOT in table 2 above demonstrates clearly that the Lithuanian economy has yet to realise its full growth potential due in large part to previous under-investment by both the public and private sectors. Structural Fund investment will

help to redress this and will also help Lithuania to capitalise on good progress already made in carrying out necessary structural reforms and achieving macro-economic stability, high levels of GDP growth and low inflation.

### The Global Objective of the SPD 2004-2006 is to:

Strengthen the preconditions for growth in long-term national economic competitiveness and to facilitate the transition to and development of a knowledge-based economy characterised by increasing GDP levels and strong employment growth, leading to higher living standards and increasing the well being of all of Lithuania's inhabitants.

As stipulated in the long-term vision, the main priority for the national economic development strategy is the achievement of high GDP growth rates. Over the longer term economic growth will provide a platform for employment creation and growth in real income.

The specific objectives of the SPD are set out below:

- to develop a new, and improve the existing, physical infrastructure in order to promote economic growth and facilitate the free movement of goods, services and people;
- to ensure that development supported through the SPD is compatible with the principle of sustainable development;
- to improve the skills base of the Lithuanian labour force and to ensure that the workforce is both flexible and adaptable. Another key objective is to upgrade skills and qualifications particularly amongst disadvantaged groups such as the unemployed and young people. A further important objective is to ensure that skills and competencies taught are relevant to labour market requirements;
- to strengthen economic competitiveness by creating the necessary framework conditions for growth, the promotion of a favourable business environment and an investment climate conducive to the growth and development of both existing businesses and new business start-ups; and
- to strengthen the process of economic restructuring already underway in Lithuania.

In order to implement the SPD strategy effectively and productively, the main goals of the development investment will be delivered through the following four priorities, each of which are discussed in greater detail later in this document:

1. Social and economic infrastructure development.
2. Human Resource Development.
3. Manufacturing and services.
4. Agriculture, rural development and fisheries.

## Horizontal Themes

The SPD strategy has a number of cross-cutting themes (or horizontal priorities), which will be implemented across the four investment priorities. They are: information society, sustainable development and equal opportunity. They play an important role in the development strategy.

### Information Society

Despite the rapid development of information technologies in Lithuania, the baseline assessment shows that Lithuania still lags behind many other European countries in terms of ICT take-up. The Information Society is named as one of three long-term development priorities in the State Long-Term Development Strategy.

The following four major priorities in developing the information society of Lithuania are presented in the Strategic Plan: the ICT skills of Lithuanians; public administration; electronic business; Lithuanian culture and the Lithuanian language. The information society will play an important role in helping to achieve goals in relation to improvements in the education and vocational training system, in the fostering of a culture of lifelong learning, also insuring the development of e-Government and securing Lithuanian cultural identity. IT should help to diminish differences in computer literacy, which impacts on social, class and geographical progress factors.

### Sustainable Development

The expected rapid growth of the Lithuanian economy over the next few years and other projected changes are related in large part to membership of the EU. As environmental protection is horizontal, changes will undoubtedly influence the environment in one way or another, therefore, moderate development of the economy co-ordinated between economic sectors and regions is named as one of Lithuania's most important sustainable development priorities.

Sustainable development is singled out as an important horizontal dimension of the SPD strategy, because investments in measures that will have an impact (positive / negative) on the environment are not limited to investment in the environmental protection infrastructure. Special attention in the SPD is devoted to the development of the economy, industrial sector and general infrastructure which will undoubtedly exert an influence on the environment. Hence, the reduction of environmental impacts by the main branches of the economy (transport, industry, energy, agriculture, tourism) via increased ecological efficiency and integrated environmental interests within their development strategies is an especially important priority for Lithuania's sustainable development.

### Equal Opportunities

Equal opportunities is the third cross-cutting theme, and is an integral part of the overall development strategy. The theme of equal opportunities will be mainstreamed

across all priorities and measures in the SPD. The aim of this horizontal priority is not only to ensure equal opportunities for men and women but also to secure equal access for all people and especially for socially excluded groups to use new possibilities offered by the Programme, but also to make full use of the physical infrastructure, to participate in education and training activities, upgrade skills or acquire new ones and to get any other direct or indirect assistance with a view to remaining in or becoming an active participant in economic and social life.

Elimination of all forms of discrimination in all spheres of activity is an essential precondition to ensure human rights and welfare for all Lithuanian citizens.

### Regional Dimension

In addition to the three horizontal priorities, the SPD will also support Lithuania's regions where there is considerable variation in terms of economic performance, levels of prosperity and levels of social exclusion/ poverty. The SPD addresses regional issues both directly and indirectly in a number of ways. It provides significant investment in the field of transport (both the development of international corridors and local network), energy (links with the Western energy system), as well as environmental protection, tourism, fishery infrastructure, etc. Of no less importance are investments in the infrastructure in the fields of education and teaching, health, information society, because it is these investments that will provide a basis for the implementation of other tasks of this plan - human resources and business competitiveness development. Hence, it is planned that these investments will not only form the basis for further development of the international competitiveness of the Lithuanian economy, but will also serve a broader social and economic task.

## 7. PRIORITIES AND MEASURES

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## PRIORITY 1. DEVELOPMENT OF THE SOCIAL AND ECONOMIC INFRASTRUCTURE



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### **PRIORITY 1. DEVELOPMENT OF THE SOCIAL AND ECONOMIC INFRASTRUCTURE**

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One of the key priorities in the development plan is to invest in the physical infrastructure to facilitate social and economic development. An appropriately developed infrastructure should provide the preconditions for the development of the national economy and help Lithuania capitalise on growth opportunities that are so far largely untapped.

Objectives that are to be met by the SPD priority 1 will be based on 5 measures:

*1.1 measure. Improvement of accessibility and Service Quality of the Transport Infrastructure*

*1.2. measure. Ensuring Energy Supply Stability, Accessibility and Increased Efficiency*

*1.3. measure. Improvement of Environmental Quality and Prevention of Environmental Damage*

*1.4. measure. Restructuring and Upgrading of Healthcare Institutions*

*1.5. measure. Development of the Infrastructure of the Labour Market, Education, Vocational Training, Research and Study Institutions and Social Services (Complementary to the measures supported by the ESF)*

#### **Measure 1.1. Improvement of Accessibility and Service Quality of the Transport Infrastructure**

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The main goal of the measure is to create a modern integrated transport system, the technical parameters and quality of which must correspond to the level of EU countries and ensure integration into the EU transport system, in order to establish favourable conditions for the development of the Lithuanian economy.

Free movement of goods and people is one of the main tasks of EU politics. So, this measure is to implement the above mentioned tasks investing into the road, railway, waterways and other closely connected areas.

##### **Supported Activities:**

- the improvement of the technical parameters of roads of state significance, including surfacing of gravel roads with asphalt;
- the implementation of measures for environmental protection and traffic safety including reconstruction and construction of railway crossings;
- the reconstruction of passenger terminals;
- the development and reconstruction of roads of local significance. Improvement of transport infrastructure in the cities, implementation of city traffic management systems and improvement of quality of public transportation services.

- Reconstruction and building of cycle paths and footpaths; and the preparation of technical documentation and case studies for transport infrastructure projects.

#### Final Beneficiaries:

Lithuanian roads directorate; JSC Lithuanian Railway; the state institution of Klaipeda State Sea Port Directorate; the public institution of the Internal Water Ways Directorate; International airports.

Municipalities; county administrations; other state and municipal companies, budgetary and public institutions.

Institutions responsible for the implementation of the Measure:

Intermediate body- Ministry of Transport and Communications.

Implementing agency- Transport Investment Directorate.

### Measure 1.2. Ensuring Energy Supply Stability, Accessibility and Increased Efficiency

The overriding objective of this measure is to ensure the stability, reliability, flexibility and accessibility of energy supply to domestic and business customers as well as to increase energy consumption efficiency and thereby to form the basis for more stable growth in Lithuania's economy.

At the moment the general electrical power capacity exceeds the internal needs of the country by three times. The planned decommissioning of the Ignalina NPP Unit II will require additional electricity system costs resulting from the switching from nuclear to fossil fuel, which is imported predominantly from one country and a single supply source.

#### Supported Activities:

- the adaptation of incineration equipment currently using the fuels causing damage to nature (especially fuels with high sulphur contents) for other types of fuel;
- the adaptation of renovated boiler houses for the cogeneration of heat and energy;
- the development of energy (electricity, natural gas and heat) transmission and distribution networks and the related infrastructure, in order to meet the needs of the consumers and facilitate the connection of equipment for new consumers;
- the upgrading of energy transmission and distribution by enhancing the energy supply stability, safety and efficiency;
- projects related to the use of the local and renewable energy sources as well as household waste, covering the adaptation of the existing facilities for the use of such energy sources and construction of new equipment;

- the implementation of new technologies (including the cogeneration technological cycle) for the use of the local and renewable energy sources as well as household waste;
- the thermal insulation and renovation of existing buildings including the external partitions, upgrading of energy equipment;
- energy certification and monitoring of renovated buildings and related infrastructure;
- energy audit of buildings and the related infrastructure;
- regional cooperation and research projects related to a more efficient utilisation of energy and the development of the energy market on both national and regional levels; and
- feasibility studies, information dissemination, education, consulting and research related to activities for the purpose of the implementation of the measure.

### Final Beneficiaries:

State institutions, municipal institutions; public sector institutions; legal entities to which state supported conditions and restrictions are applicable.

### Institutions Responsible for the Implementation of the Measure

Intermediary body- Ministry of Economy

Implementing agency- Public Agency “Lithuanian Business Support Agency”

## Measure 1.3. Improvement of Environmental Quality and Prevention of Environmental Damage

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The main goals of this measure are to reduce water, air and soil pollution and its potential threat to Lithuanian regions and to ensure public rights to a safe and clean environment. Furthermore the measure seeks to help avoid or reduce negative effects of farming and other activities on the environment, retaining the balance of the use of natural resources and promoting a responsible public attitude towards the natural environment.

This measure will also support the horizontal theme of environmental sustainability. The priority of this measure is to create an adequate environmental infrastructure in order to provide the basis for favourable economic development in Lithuanian regions especially focusing on recreation and business development.

### Supported Activities:

- The development of systems for water supply and waste water collecting and cleaning, constructions and reconstructions in the villages with up to 500 inhabitants;

- the development and implementation of a NATURA 2000 network and other plans for the management of protected areas of national significance including the introduction of environment monitoring measures, regeneration of biodiversity and landscape in such areas;
- the regeneration of landscape features and improved performance of their management and maintenance. Coastal management activities will include the conservation of the dune hills and shore, arrangements for beaches and an installation of information or prohibition signs. Another group of activities will include the clean up of hazardous waste from rivers, lakes and their valleys as well as ground water;
- an improvement and development of environmental management systems by strengthening the environmental authorities responsible for the quality assessment, monitoring, inspection and control (including measures designed to prevent ecological disasters and eliminate their after-effects);
- public information and training, ensuring and improvement of the accessibility to information sources; development of environmental management information systems, etc.

#### Final Beneficiaries:

The State Protected Areas Service under the Ministry of Environment, Environmental Protection Agency, Ministry of Environment (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure); State Environmental Protection Inspectorate; Lithuanian Geological Survey under the Ministry of Environment, and Lithuanian Hydrometeorological Service under the Ministry of the Environment.

Other state institutions, municipalities and county governor's administrations, and non-governmental organisations.

#### Institutions Responsible for the Implementation of the Measure

Intermediary body- Ministry of Environment

Implementing agency- Implementing Agency of the Ministry of Environment

### Measure 1.4. Restructuring and Upgrading of Healthcare Institutions

The main goals of this measure are to: improve the national health care infrastructure; ensure a better balance between inpatient and outpatient services; rationalise health care service provision and eliminate over-capacity; improve the quality of healthcare provision; and ensure regionally balanced access to healthcare. A final objective is to ensure that healthcare services more closely meet patients' needs.

The activities of this measure provide for the rationalisation of infrastructure and include facility renovation through adapting them to the changed services structure, complying with hygiene requirements, the acquisition of necessary equipment, the introduction and development of IT technologies and networks.

Special attention should be paid to the network of health care institutions in rural areas and regions that face socio-economic problems and lag behind from the average level of development of the country.

### Supported Activities:

- The development and modernisation of general practitioners services;
- strengthening cardio healthcare services and development modernising health care institutions; and the preparation of technical documentation for the projects.

### Final Beneficiaries:

State institutions, municipalities and municipal institutions; counties and county institutions; public health care institutions; private health care institutions.

### Institutions Responsible for the Implementation of the Measure

Intermediary body- Ministry of Health

Implementing agency- Central Project Management Agency (CPMA)

## Measure 1.5 Development of Infrastructure of Labour Market, Education, Vocational Training, Research and Study Institutions and Social Services (Complementary to the measures supported by the ESF)

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The main goals of this measure are: to reduce area-specific differences in labour market services; to develop and upgrade infrastructure in the fields of education, scientific research and development, vocational guidance and counselling and vocational training sectors; to improve the quality of these services; and to reduce the gap between the level of these services and the level of respective services in leading EU countries.

Timely investment in the development of labour exchanges and education, research and study infrastructure would help these sectors to better meet the requirements of end-users and would ensure equal access in provision throughout Lithuania.

### Supported Activities:

- The development of a life long learning infrastructure paying great attention to the reduction of territorial differences and increase of service accessibility;
- an upgrading of the infrastructure, basic equipment necessary for education, vocational training, teaching and studies;

- the development of life long learning conditions while implementing modern information technologies;
- creating infrastructure to prevent a drop out from the basic education;
- upgrading the infrastructure of labour exchanges;
- upgrading the bases of vocational guidance and counselling;
- life long learning and a labour exchange environment adjustment for the disabled;
- the development and upgrading the facility for the occupational rehabilitation of the disabled;
- the setting up and renovation of the non-institutional social services facility;
- an adjustment of unused premises to the needs of the community;
- preparation of the technical documentation, research and other activities related to the project's implementation

This measure is being implemented on the basis of the labour market, vocational training and education study and science strategic plans.

#### Final Beneficiaries:

Ministry of Social Security and Labour (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure), Lithuanian Labour exchange, Lithuanian Labour Market Training Council, Ministry of Education and Science (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure); Centre for Quality Assessment in Higher Education, Teachers Competence Centre, National Centre for Special Needs Education and Psychology; Educational Development Centre, Vocational Training Methodology Centre, Educational Information Technologies Centre, Lithuanian Science Academy, Science Council of Lithuania.

State and municipal institutions, Lithuanian Labour Market Training Authority, institutions of science, education and vocational training, institutions of vocational training and guidance, non-governmental organisations.

#### Institutions Responsible for the Implementation of the Measure

Intermediary body –Ministry of Social Security and Labour and Ministry of Education and Science.

Implementing agency –Central Project Management Agency (CPMA)



## PRIORITY 2: HUMAN RESOURCE DEVELOPMENT



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### **PRIORITY 2: HUMAN RESOURCE DEVELOPMENT**

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In order to achieve the main goal of this document – the development of a *knowledge driven economy* – a major priority has been given to human resource development, in order to ensure that the labour force more closely meets labour market requirements and that a culture of lifelong learning is fostered.

The labour force in Lithuania is comparatively well educated (i.e. a relatively large share of Lithuanians are qualified at a higher education level etc.), however, the nature of the modern economy requires a shift in skills sets, adaptability and the upgrading of qualifications. In many instances, knowledge acquired previously is hard to apply or even worthless. The availability of highly qualified specialists is also one of the main preconditions for the introduction and development of research and development (R&D) stressed in this document.

The priority will be implemented through the following measures:

*Measure 2.1. Development of Employability*

*Measure 2.2. Development of Labour Force Competence and Ability to Adapt to Changes*

*Measure 2.3. Prevention of Social Exclusion and Social Integration*

*Measure 2.4. Development of Conditions for Lifelong Learning*

*Measure 2.5. Improvement of Human Resources Quality in Scientific Research and Innovations*

#### **Measure 2.1. Development of Employability**

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The main goal of this measure is to improve the employability of the unemployed and their integration into the labour market in order to help reduce unemployment in general and prevent long-term unemployment in particular. The measure will be carried out by the Lithuanian Labour Exchange

##### **Supported Activities:**

- The application of active labour market policy measures, increasing participation in the labour market of the unemployed and those at risk of unemployment, employment support, unemployment prevention, development and the implementation (professional education and training, preparation of training programs, local employment initiatives, etc.);
- the development of self-search information systems and “mini” labour exchanges in companies likely to make significant job losses as a result of structural changes;
- an analysis and research into the efficiency of labour exchange activity;
- the introduction and development of new services for jobseekers and employers, new methods and tools in the labour exchange;

- the development of the administrative capacity, quality, institutional strengthening of the Lithuanian Labour Exchange; to raise the qualification and knowledge level of employees and the implementation of a quality management system.

### Final Beneficiary

Lithuanian Labour Exchange.

### Institutions Responsible for the Implementation of the Measure

Intermediary body – Ministry of Social Security and Labour.

Implementing agency – European Social Fund Agency.

## Measure 2.2. Development of Labour Force Competencies and the Ability to Adapt to Changes

The main goal of this measure is to increase the competitiveness of businesses across the whole Lithuanian economy through investment in training and skills development to help employees adapt to labour market changes and the rapidly evolving skills needs of employers.

### Supported Activities:

- An upgrade of professional knowledge and practical skills, training and retraining of employees of industrial and business companies; practical training in enterprises covering both apprenticeship and on-the-job training; an implementation of flexible working methods;
- an upgrade of professional knowledge and practical skills, training and retraining of employees of state and municipal institutions; an implementation of flexible working methods;
- social partnership development;
- ICT literacy among the population;
- the retraining or upgrading of qualifications for the population living in the areas undergoing essential transformation of economic activities (e.g. the Ignalina NPP region) and privatisation of state enterprises.

### Final Beneficiaries

state and municipal institutions, public institutions, institutions of vocational education and training, institutions of science and studies, companies (industry and business), organisations of social partnership, non-governmental organisations.

### Institutions Responsible for the Implementation of the Measure

Intermediary body - Ministry of Social Security and Labour.

Implementing agency - European Social Fund Agency.

### Measure 2.3. Social Integration and Prevention of Social Exclusion

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The main goal of this measure is to help prevent and reduce levels of social exclusion and to help promote equal opportunities in the labour market. In order to ensure equal accessibility to the labour market, specific needs of different population groups will be taken into consideration and additional measures will be applied to assist them in the acquisition of necessary skills and an integration into the labour market and society.

#### Supported Activities:

- Vocational guidance, the provision of information, careers counselling; vocational training, retraining, upgrading of qualifications;
- an adjustment of the training curricula and study programmes adapted to those with special needs requirements;
- an adjustment of distance learning to meet special needs requirements;
- the development of the vocational rehabilitation system of the disabled;
- the development of the activity of social employment enterprises;
- training and qualification upgrading of specialists to work with social risk groups, in particular with the disabled;
- the development and implementation of active labour market policy measures for the disabled and other social risk groups;
- the implementation of social adaptation and vocational rehabilitation programmes for groups as convicted persons and people who have returned from places of imprisonment, persons dependant on alcohol, drugs and other substances, ethnic minorities and refugees and others; and
- activities aimed at promoting equal opportunities.

#### Final Beneficiaries

state and municipal institutions, Lithuanian Labour Exchange, Lithuanian Labour Market Training Council; institutions of vocational training and guidance, non-governmental organisations.

#### Institutions Responsible for the Implementation of the Measure

Intermediary body - Ministry of Social Security and Labour.

Implementing agency - European Social Fund Agency.

### Measure 2.4. The Development of Conditions for Lifelong Learning

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The main goal of this measure is developing the system of education and vocational education and training, science and higher education and creating high-quality conditions for lifelong learning.

### Supported Activities:

- The development of a national system of qualifications;
- the development of the knowledge and competence assessment system;
- the development of a quality assurance system;
- the development of second chance opportunities;
- the implementation of innovative training methods and forms;
- the development and publication of training materials;
- an improvement of the teacher training system;
- the development of the vocational guidance and counselling system;
- technical assistance (including research and studies) for project preparation.

### Final Beneficiaries

Ministry of Education and Science (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure); Centre for Quality Assessment in Higher Education; Vocational Training Methodology Centre; National Centre for Special Needs Education and Psychology; Educational Development Centre; Teachers Competence Centre; Educational Information Technologies Centre; Chamber of Commerce, Industry and Crafts; Chamber of Agriculture; Lithuanian Labour Market Training Authority.

Public administration institutions; state and municipal institutions and other municipal organisations; institutions of vocational training and guidance; institutions of science and studies; vocational training centres and the Centre for Quality Assessment in Higher Education; associations in accordance with the Law of Associations of the Republic of Lithuania.

### Institutions Responsible for the Implementation of the Measure

Intermediary body - Ministry of Education and Science

Implementing agency - European Social Fund Agency.

## Measure 2.5. Improvement of Human Resources Quality in Scientific Research and Innovations

The main goal of this measure is to increase the capacity of researchers to develop scientific knowledge at an international level which is critical to domestic business and industry in Lithuania and to train specialists meeting the needs of the economy (capable of applying new innovations).

### Supported Activities:

- The assurance of postgraduate, doctoral, postdoctoral scientific research and the experimental development in priority areas and mobility;

- an improvement in the qualification or retraining of scientists and other researchers, corresponding market needs;
- the training of R&D experts;
- R&D quality assurance within the science and studies system;
- the development and improvement of the information system and database for science institutions;
- an increase and spread of knowledge and skills in areas of science technologies and innovations; and technical assistance (including research and studies) for project preparation.

### Final Beneficiaries

Ministry of Education and Science (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure); Centre for Quality Assessment in Higher Education; Lithuanian Science Academy; Science Council of Lithuania.

Institutions of science and studies; private companies; institutions coordinating science and studies; public administration institutions; state and municipal institutions and other municipal organisations; associations, in accordance with the Law of Associations of the Republic of Lithuania. Public institutions, in accordance with the Law of Associations of the Republic of Lithuania.

### Institutions Responsible for the Implementation of the Measure

Intermediary body – Ministry of Education and Science

Implementing agency – European Social Fund Agency.

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## PRIORITY 3. DEVELOPMENT OF PRODUCTIVE SECTOR

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### PRIORITY 3: DEVELOPMENT OF THE PRODUCTIVE SECTOR

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Lithuanian industry and businesses are gradually adapting to competing in an increasingly competitive EU and international markets. However, the competitiveness of Lithuanian businesses and the pace of development of industry is still insufficient. The development of business is hindered by the low level of entrepreneurship and insufficient growth in business competitiveness. Industry is dominated by companies that use predominantly unskilled labour, and business support services are insufficiently developed to meet the evolving needs and requirements of Lithuanian businesses.

The objectives relating to this priority will be implemented through the measures below.

*Measure 3.1. Direct Support to Business*

*Measure 3.2. An Improvement of the Business Environment*

*Measure 3.3. The Development of Information Services*

*Measure 3.4. The Public Tourism Infrastructure and Services*

#### Measure 3.1. Direct Support to Business

---

The main goals of this measure are: to increase the competitiveness of companies and the level of entrepreneurship; to balance equal opportunities in business; and to increase the potential of scientific research in business.

For a long period companies in Lithuania were not able to renew technologies, which are the base for further development. The implementation and renewal of new technologies will enable companies to step into new development levels and implement new innovations. It is important to note that support for the purchase of modern equipment and new technologies will only be provided for development oriented companies.

##### Supported Activities:

- The creation and development of new products and services in companies;
- the implementation of new technologies and innovations;
- the development of modern information technologies and electronic business;
- the modernisation of facilities;
- an improvement of production and services' provision processes;
- the creation and implementation of IT methods, information systems and databases in companies;
- research and development activities (industrial research and pre-competitive development) for industry and business (activities carried on by companies and contracting works);

- the formation of links between the industry and business entities and scientific research institutions;
- the implementation and development of quality management systems and new quality improvement methods in companies;
- the promotion of corporate internationalisation and enhancement of accessibility to world markets;
- the formation and improvement of the image of the industry and business as well as goods and services;
- the development of the industry and business co-operation networks and clusters;
- an implementation of cost-effective measures in companies;
- an implementation of standards and certification of products and services;
- the construction of, and equipment for, new developments/upgrading of existing accommodation, conference and leisure facilities as well as the adaptation of existing buildings and private heritage entities for tourism needs; and
- the implementation of environmental management systems and various environmental measures in companies, the development of eco-labelling, the development and installation of environmentally friendly production technologies.

### Final Beneficiaries

legal entities to which state support conditions and restrictions are applied.

### Institutions Responsible for the Implementation of the Measure

Intermediary Body –Ministry of Economy

Implementing Agency - Public Institution Lithuanian Business Support Agency

## Measure 3.2. Improvement of the Business Environment

The main goal of this measure is to improve the business environment by developing the structure of business services and improving their quality, ensuring availability and the accessibility of services and developing a physical infrastructure for business.

### Supported Activities:

#### **SMEs Support System:**

- The development of SME support system, which includes public services to business and development of related physical infrastructure. The services to business such as advisory services, studies, researches, competitiveness observation, ratings, the development of information systems and databases, awareness and promotion campaigns, as well as entrepreneurship campaigns

and programmes; and the development of a physical infrastructure (improvement of existing and development of new ones).

### **Innovation Support System:**

- The development of innovation support systems, development of technology transfer and technology dissemination systems and provision of related services, including information, promotion of any type of innovation (in technologies, processes, marketing, management, etc.), consulting services for innovative start-ups and their development issues, promotion and awareness of opportunities to finance innovation; and
- an investment into the physical infrastructure related to aforementioned services.

### **Science and Technological Parks, Technological Centres:**

- The development of science and technology parks including the promotion and facilitation of scientific research oriented towards business and the strengthening of co-operation between business and science;
- the establishment and further development of technological demonstration centres.

### **Industrial Zones, “Green Fields”:**

- The development of infrastructure, communications and roads inside the zone; and support access to “green fields” sites in remote areas.

### **Associated Business Structure, Including Clustering Activities:**

- Business development (including the development of information systems and databases, fostering of co-operation between the private and public sector, various studies and research, awareness campaigns, competitiveness monitoring, rating, organisation of industrial and business exhibitions and missions, etc.), also entrepreneurship-fostering campaigns and programmes.

### **The Promotion of Environmental Measures for Business:**

- The development of environmental management systems; promotion in the development of production capacities for processing of secondary raw materials, development of cost reduction, eco-labelling and environmentally friendly production technologies, drafting and implementation of respective programmes.

### **The Improvement of the Image of Lithuanian Products and Services:**

- The creation and improvement of the image of products and services developed by the country and within the country, attracting foreign investments targeted at internationalisation enhancement.

The preparation of technical documentation (feasibility studies, schemes, researches, impact analysis, etc.):

### Final Beneficiaries

municipal institutions and agencies; county governor's administrations, public institutions, business associations and business networking agencies.

### Institutions Responsible for the Implementation of the Measure

Intermediary Body–Ministry of Economy

Implementing Agency–Public Institution Lithuanian Business Support Agency

## Measure 3.3. Development of Information Technologies Services and Infrastructure

The main goals of this measure are: to create the necessary conditions for the development of an 'information society' which encourages economic development and growth and the transition to a knowledge-based society, the members of which have an opportunity and are able to use effectively modern ITT means in all spheres of life; to modernise the public administration sector by increasing the efficiency and openness of activities of public authorities, by developing electronic public services and expanding public information sources available on-line.

### Supported Activities:

- The development of official information source system;
- the development of electronic public services;
- the creation of the Lithuanian information environment (creation of the Lithuanian Internet contents, etc.);
- an implementation of safe Internet contents means;
- the development of data transmission networks (including broadband);
- the establishment of public Internet access points;
- the preparation of project documentation (technical specification, feasibility and eligibility studies and analyses, preparation of tender documentation, etc.); and
- work related to information for individuals and business entities about the development of the information society (this activity supplements all the above-listed ones in terms of provision of information for the public).

### Final Beneficiaries

state institutions and state enterprises, municipal institutions and agencies, public institutions.

### Institutions Responsible for the Implementation of the Measure

Intermediary Body– Information Society Development Committee under the Government

Implementing Agency- Central Project Management Agency

### Measure 3.4. Public Tourism Infrastructure and Services

The main goal of this measure is to promote incoming and domestic tourism by creating more favourable conditions for active recreation. Lithuania's natural and cultural tourism potential is huge and attractive, but its use was not efficient. Rebuilding, restoration and adaptation of the public heritage assets and unused buildings for tourism purposes, will increase numbers of incoming tourists and their length of stay in Lithuania.

#### Supported Activities:

- The use of natural resources for tourism needs and development of resort and health tourism, i.e. spa resorts, seaside resorts etc.;
- the modernisation and creation of an active tourism infrastructure including cycle paths, footpaths, skiing routes, water tourism and a sports tourism infrastructure. Investments will be targeted at: projects which reduce seasonality issues; a public small scale infrastructure, multifunctional sport facilities with national strategic significance and which directly contribute to sustainable job creation;

[Sports equipment should aim to reduce seasonality issues by adding value to the existing tourism infrastructure or forming part of new multifunctional tourism facilities. The findings of a positive feasibility study are obligatory for these projects.]

- The rebuilding, restoration and adaptation of public heritage assets and unused buildings for tourism purposes, ensuring sustainable job creation;

[The tourist use(s) of a heritage asset must be clearly described and the asset must be used for the approved tourist purposes for a minimum of 5 years after implementation. The assets can not be sold or transferred to other parties and must remain "not-for-profit" entities.

- The development of tourism information services (i.e. map and information boards, an internet based information system, a public internet access point for tourism needs, tourism signage, and related activities);
- tourism promotion services and marketing activities; and
- the preparation of technical documentation (feasibility studies, technical schemes, reviews, impact analysis, etc.).

#### Final Beneficiaries

municipal institutions and agencies; county governor's administrations, directorates of national and regional parks, public institutions.

#### Institutions Responsible for the Implementation of the Measure

Intermediary Body –Ministry of Economy

Implementing Agency – Public Institution Lithuanian Business Support Agency

## PRIORITY 4. RURAL AND FISHERIES DEVELOPMENT



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## PRIORITY 4: RURAL AND FISHERIES DEVELOPMENT

Although the share of GDP accounted for by the agricultural and fisheries sector is relatively small, agriculture nevertheless accounts for a large proportion of employment amongst those residing in rural areas.

The high quality of arable land and the natural environment, the rich fish resources in the Baltic Sea combined with long agricultural traditions should (with the necessary investment to support sectorial rationalisation and modernisation) enable increased productivity levels in the agriculture and fisheries sectors, which are still relatively low.

The economic potential of the agricultural and fisheries sectors is severely limited by structural limitations and small average farm sizes are linked to the high number of small farms. Investing in the development of sectors that will provide new income sources from non-traditional agricultural activities such as ecological agriculture and other alternative businesses such as rural tourism and crafts should help the Lithuanian agricultural and fisheries sector to modernise.

Tasks related with priority 4 will be implemented with the following measures:

*Measure 4.1. An investment in Agricultural Holdings*

*Measure 4.2. Support for Young Farmers*

*Measure 4.3. Improving Processing and Marketing of Agricultural Products*

*Measure 4.4. Promoting the Adaptation and Development of Rural Areas*

*Measure 4.5. Forestry*

*Measure 4.6. "Leader +" Type Measure*

*Measure 4.7. Training*

*Measure 4.8. Fishing Fleet Related Actions*

*Measure 4.9. The protection and Development of Aquatic Resources, Aquaculture, Fishing Port Facilities, Processing and Marketing and Inland Fishing*

*Measure 4.10. Other Actions (Related to Fisheries)*

### Measure 4.1. Investment in Agricultural Holdings

The main goals of this measure are: to accelerate the restructuring of agricultural holdings; to increase farmers' income from agricultural and related activities; and to improve life, work and production conditions. After the restoration of independence the Lithuanian land reform was primarily based upon the restoration of the private property which produced a number of small and relatively non-competitive land holdings.

#### Supported Activities:

- Milk (cows and goats) and meat animal production (cattle, sheep, horses, pigs, domestic animals and eggs), animal breeding for producing fur, breeding of game, bee-keeping;

- arable crops, horticulture, olericulture (crops, flax, grass fodder, feeding root vegetables, albuminous and oil seeds (including rape planting), vegetables, potatoes (excluding potatoes for starch) berries, fruit trees, mushrooms; and
- a diversification of agricultural production (growing non-traditional agricultural plants, animals and birds) and related activities.

#### Final Beneficiaries:

Farmers, agricultural companies, cooperative companies (cooperatives) and subjects of agricultural activities registered according to the order set by the law of the Republic of Lithuania, producing , will producing, reprocessing and will reprocessing their products and responsible for the investment in agricultural holdings.

#### Institutions Responsible for the Implementation of the Measure

Intermediary body– Ministry of Agriculture

Implementing agency– National Paying Agency under the Ministry of Agriculture

### Measure 4.2. Support for Young Farmers

The main goal of this measure is to encourage young farmers to go into the agricultural sector in order to help the process of modernising/updating agricultural holdings and to help counteract ageing demographics amongst farmers in many rural areas. The majority of registered farmers are older than the 50-60 cohort. Since younger farmers may find it easier to adapt to new technologies and new competitive environments, the implementation of this measure will enhance the competitiveness of the agricultural sector. It will also encourage young people to remain in rural areas.

#### Final Beneficiaries:

Younger farmers (up to 40 years of age)

#### Institutions Responsible for the Implementation of the Measure

Intermediary body- Ministry of Agriculture

Implementing agency- National Paying Agency under the Ministry of Agriculture

### Measure 4.3. Improving the Processing and Marketing of Agricultural Products

The main goal of this measure is to modernise/update and rationalise the processing and marketing of agricultural products, to improve their competitiveness, and to increase added-value products. The Lithuanian farming industry is capable of trading in the EU single market, but the extent of penetration is not satisfactory yet and many companies have difficulties complying with all of the EU veterinary and sanitary requirements.

### Supported Activities:

- Milk Processing and milk product marketing (processing support will be limited to: waste management; purchase of transport for specialised dairy products; purchase of new milk processing equipment and machinery necessary to implement the standards of environmental protection, veterinary hygiene and the well-being of animals.);
- the production and marketing of meat (beef, pork, mutton, horse and chicken) and egg products (in this sector support will not be granted to build butchery facilities);
- the production and marketing of arable crops (excluding malt barley but including flax, albuminous and oil seeds [including rape processing for bio-fuel production]); and
- the production and marketing of fruits, berries, vegetables (excluding potatoes for starch), mushrooms.

### Final Beneficiaries:

Cooperative partnerships (cooperatives) and enterprises registered in the manner set forth by the laws of the Republic of Lithuania regarding the processing of agricultural products and responsibility for investment into enterprises/cooperative partnerships (cooperatives) and the utilisation of the obtained investment and operation (in agricultural product processing) for not less than 12 months until the filing of the application.

### Institutions Responsible for the Implementation of the Measure

Intermediary body- Ministry of Agriculture

Implementing agency- National Paying Agency under the Ministry of Agriculture

## Measure 4.4. Promoting the Adaptation and Development of Rural Areas

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The main goal of this measure is to create suitable conditions to live and work in the countryside. The major focus will be put on the development of diversification of agricultural activities and agriculture-related activities as alternative businesses which will contribute to increasing the incomes of rural residents and an improvement of living and working conditions in the countryside.

### Supported Activities:

#### **1. Agricultural water resources management:**

- The renovation and construction of agricultural drainage systems and their hydraulic equipment;
- the renovation of artificial water bodies' hydraulic structures;

- the renovation and construction of flood control installations; and
- the renovation of polders.

## **2. Land Consolidation Projects:**

- The organisation, preparation and implementation of land consolidation projects; and
- the legal registration of newly formed land parcels.

## **3. Farm Advisory and Extension Services:**

- Advisory services in preparing an application for support under the SPD and in receiving direct consultancy on the preparation of application forms according to SPD measures and to receive support of direct payouts;
- advisory services in the implementation of hygiene and animal welfare standards; and
- advisory services in implementing good farming practice (necessary to participate in environmental and “less favoured areas” schemes under RDP measures).

## **4. The Diversification of Agricultural Activities and Activities close to Agriculture to Provide Multiple Activities or Alternative Incomes:**

- The production of non-traditional agricultural products; and
- other activities aimed at increasing the incomes of rural residents.

## **5. The Encouragement of Tourist and Craft Activities:**

- Tourism and recreation services; and
- traditional and non-traditional crafts.

## **Final Beneficiaries:**

### **1. Agricultural Water Resources Management:**

- Municipalities, rural communities.

### **2. Land Consolidation Pprojects:**

- Owners of private land, possessors of state land, licensed land planning officers acting on behalf of land owners for the benefit of private land owners and state land possessors.

### **3. Farm Advisory and Extension Service:**

- Rural advisory institutions accredited by the Ministry of Agriculture according to the order set by the Minister of the Ministry of Agriculture.

### **4. Diversification of Agricultural Activities and Activities Close to Agriculture to Provide Multiple Activities or Alternative Incomes:**

- Rural residents and farmers who registered their holdings according to the order set by the legal acts; agricultural and cooperative companies (cooperatives) in business for not less than 12 months, private companies registered and in business, in a rural area, for not less than 12 months and employing not more than 50 members of staff.

### **The Encouragement of Tourist and Craft Activities:**

- Rural residents and farmers who registered their holdings according to the order set by the legal acts; agricultural and cooperative companies (cooperatives) in business for not less than 12 months, private companies registered and in business, in a rural area, for not less than 12 months and employing not more than 50 members of staff.

1 Authorization for applying for the support for land re-parcelling through an authorized person is foreseen in order to simplify the application procedure as much as possible for the ordinary landowner who most often is a farmer and busy with his or her primary duties - farming activities.

2-3 According to Law on cooperative societies (cooperatives)

(1993-06-01, No I-164, amended on 2002-05-28, No IX-903) and secondary laws.

## **Institutions Responsible for the Implementation of the Measure**

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

## **Measure 4.5. Forestry**

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The main goal of this measure is to retain and develop economic, ecological and social functions of forests in rural areas. It is also sought to improve the infrastructure of private forest holdings, to increase their productivity, to enhance possibilities of rural residents' alternative activities and to improve environmental quality and biological and landscape diversity.

### **Supported Activities:**

#### **1. An Investments in Forests Aimed at Significantly Improving the Economic, Ecological or Social Value.**

- Support will be provided for the improvement of the infrastructure of private forest holdings, i.e. forest roads and their facilities, drainage ditches and their facilities, information signs, recreational equipment and other infrastructure. Pre-commercial thinning will be promoted.

## **2. The Restoration of Forest Areas Damaged by Natural Disasters and Fire and Introducing Appropriate Prevention Instruments.**

- The restoration of forests affected by natural disasters and fires and preventative measures. Support will be provided in compliance with the Forest Fire Prevention Plan, which classifies forest areas according to the risk of fire. Lithuania has asked the Commission to classify the whole Lithuanian territory as a medium risk area.

## **3. Investment to improve and rationalise the harvesting and logging of round wood.**

- Support will be provided for individual or cooperative projects with the aim to rationalise the harvesting and logging of round wood.

## **4. Afforestation of Non-Agricultural Land.**

- support will be provided for non-agricultural land, which is not included in the definition of agricultural land given in Article 31 of the Council Regulations (EC) No. 1257, will be supported. This will comprise afforestation of forested land where forests were not previously grown (forest grounds, former wood warehouses, etc.), re-cultivated pits, peat-bogs, dumping grounds and other land of private holdings that are not attributed land plots for agricultural purposes. The latter mentioned support is scheduled only in such cases if it is compatible with local conditions and environmental requirements. Support will be provided to an afforestation project, for the cost of seedlings and their transportation and for afforestation costs including plantation supplementing and plantation protection measures. For planting fast-growing species as defined in Article 33 of the Regulation (EC) No. 817/2004 support will be granted to cover the planting costs only.

### **Final Beneficiaries**

- Owners of private forest holdings or their associations, municipalities for all activities;
- for activity 2 – for fire prevention measures (the purchase of fire break resources) only owners of state forests who are responsible for fire break protection in forests of all forms of ownership.
- For activity 4 – land owners.

### **Institutions Responsible for the Implementation of the Measure**

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

### Measure 4.6. “Leader +” Type Measure

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The main goal of this measure is to develop the “Leader+” methodology by implementing integrated rural development strategies formulated on a territorial basis. Economic and social changes are constantly taking place in rural areas and it is necessary to strengthen development initiatives for rural communities as well as improve administrative capacities of institutions and their financial resources. It is also necessary to involve rural communities in the decision making process regarding rural development issues. Based on EU experience, rural communities will be encouraged to take part in the rural development process and improve human skills to help initiate changes in rural areas.

#### Supported Activities:

##### **1. Activity Related with the Acquisition of Skills:**

- Technical support for studies of the local area, territorial diagnosis and drawing up integrated pilot strategies, taking into account the wishes expressed by the population concerned;
- informing and training of the population to encourage an active participation in the development process;
- the training of administrators, community actors and members of the LAG in building representative partnerships as well as administrative and financial matters; and
- the preparation and dissemination of information, methodological material and good practices.

##### **2. Activity Related to Pilot Integrated Strategies:**

- The adoption and implementation of integrated territorial rural development strategies, of a pilot nature, that are prepared by Local Action Groups in accordance with the principles laid down in items 12 and 14 of the Commission Notice of 14 April 2000 (see in particular criteria related to areas concerned (14.1) and the development strategy (14.2));
- participation in trans-national cooperation actions in accordance with the principles laid down in items 15 to 18 of the Commission Notice. Simple exchanges of experience will not be supported; and
- opportunities to use good practice examples in the Rural Area Observatory (see item 23 of Commission Notice of 14 April 2000) and participate in its activities.

### Final Beneficiaries

Of the acquisition of skills activities: state and private institutions, non-governmental organisations and rural as well as small town community groups.

Of the pilot integrated strategies' activities: Local Action Groups (LAGs).

### Institutions Responsible for the Implementation of the Measure

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

## Measure 4.7. Training

The main goal of this measure is to enhance professional qualification of people employed in the agricultural sector and related to other activities of rural development measures, as well as to provide them with an opportunity to adapt to new market changes meeting high EU standards in environmental protection, human, plant and animal welfare and the food sector.

Training courses will be arranged for farmers and other people involved in agriculture, forestry and alternative activities to traditional farming in rural areas. Special attention will be paid towards young farmers, women and non traditional rural businesses.

### Supported Activities:

Training will be carried out in the following:

- New agricultural and forestry production technologies;
- business management, economy, accounting;
- environmental protection, the water system, ecological and environment-friendly farming;
- animal welfare, hygienic, sanitary, food quality requirements;
- information technology training;
- alternative businesses in rural areas (rural tourism and recreation, traditional crafts); and
- the development of cooperatives.

### Final Beneficiaries

Training institutions, which have a status of a legal entity and in accordance with the legal acts of the Republic of Lithuania or other EU countries who have the right to engage in adult education; farmers or other individuals involved in agriculture, forestry or other alternative activities to traditional farming.

### Institutions Responsible for the Implementation of the Measure

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

### Measure 4.8. Fishing Fleet Related Actions

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The main goal of the measure is to adjust the fishing fleet's efforts to focus on available fish resources noted under quotas and to create a modern and competitive, more cost-efficient fishing fleet. The fishing capacity in Lithuania is too large and cod stocks are below safe biological levels. Additionally, the fishing vessels of the Baltic sea are old, inefficient and lack adequate fish preservation measures.

#### Supported Activities:

- scraping of fishing vessels; and
- a modernisation of fishing vessels.

#### Final Beneficiaries

- Fishing companies; owners of fishing vessels.

### Institutions Responsible for the Implementation of the Measure

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

### Measure 4.9. Protection and Development of Aquatic Resources, Aquaculture, Fishing Port Facilities, Processing and Marketing and Inland Fishing

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The main goal of the measure is to create favourable conditions necessary for the development of fishing activities, to ensure the development of valuable fish resources, to develop aquaculture by enhancing its competitiveness and to modernise and rationalise processing and marketing of fishery products, to improve their competitiveness and to increase the value added. Investment in the fishing port infrastructure will play an important role in the development of the fisheries sector.

Klaipeda fishing port is not operating at full capacity and investments in the infrastructure for vessel service, fish auction and other facilities will help implement the General Fishing policy.

#### Supported Activities:

- The protection and development of living aquatic resources;
- Aquaculture;
- the construction, development and modernisation of fishing port facilities;

- fish processing and marketing; and
- fishing in internal waters.

### Final Beneficiaries

Legal and natural persons.

### Institutions Responsible for the Implementation of the Measure

Intermediary body–Ministry of Agriculture

Implementing agency–National Paying Agency under the Ministry of Agriculture

## Measure 4.10. Other Actions (Related to Fisheries)

The main goals of the measure are to create conditions for the common market organisation; to improve conditions for coastal fishing; and help reduce the social impact caused by a reduction in fishing activities.

Unemployment will be created after vessel scrapping and for this reason socio-economic measures will be made available for financing individual compensatory payments linked to the scrapping of fishing vessels.

### Supported Activities:

- Compensatory payments for fishermen, who became unemployed, due to scrapping of fishing vessels;
- the financing of individual compensatory payments for cessation of fishing activities;
- an establishment of producers' organisations and the implementation of programmes for improving the quality of fish products; and
- the development of small-scale coastal fishing by financing integrated collective projects.

### Final Beneficiaries

Organisations of producers; fishermen; fishing enterprises; groups of ship owners or fishermen's families (as a legal person)

### Institutions Responsible for the Implementation of the Measure

Intermediary body–Ministry of Agriculture

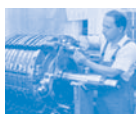
Implementing agency–National Paying Agency under the Ministry of Agriculture



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## PRIORITY 5. TECHNICAL ASSISTANCE

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Measure 5.2. Publicity and Evaluation of the Programme (ESF) .....	80





## Priority 5: Technical Assistance

Council Regulation No.1260/1999 requires: that the SPD should be monitored and evaluated; that Structural Funds are subject to proper financial controls; and that due publicity is given to the Structural Funds. The Technical Assistance Priority supports the meeting of these requirements. Priority support is open to all sectors covered by the SPD and all institutions involved in management and administration of the Programme's needs.

Technical assistance is an essential resource for the effective delivery of the programme. The aim of the priority is to improve, enhance, promote and maximise the impact of the SPD in Lithuania.

The Technical assistance priority will be implemented through the following measures:

*Measure 5.1. Support for Programme management, implementation, monitoring and control (ERDF)*

*Measure 5.2. Publicity and the evaluation of the Programme (ESF)*

### Measure 5.1. Support for Programme Management, Implementation Monitoring and Control (ERDF)

The main goal of this measure is to ensure the quality and effectiveness of all steps of preparation, evaluation, monitoring of Structural Funds Assistance at all levels of administration. The processes involved will also facilitate the development of more substantial partnerships for both development of appropriate strategies and their delivery. Support under this measure will be provided to co-finance management actions of management authority and those who have management actions delegated to them.

#### Supported Activities:

- The arrangement of Monitoring Committees and related activities;
- the arrangement of the evaluation and selection process, the hire of experts for those purposes;
- the preparation of a Programme;
- the proper work and maintenance of a computerised information system of structural funds;
- the proper arrangement and performance of an audit and on-the spot check of the programme operations;
- salaries for civil servants and other staff hired for programme or projects management, evaluation or control purposes; and

- expenditures relating to the preparation, selection, appraisal and monitoring of the programme and its projects.

### Final Beneficiaries

The managing authority, paying authority, intermediary bodies, implementing agencies.

### Institutions Responsible for the Implementation of the Measure

Intermediary Body–Ministry of Finance

Implementing Agency–Central Project Management Agency

## Measure 5.2. Publicity and Evaluation of the Programme (ESF)

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The main goals of the measure are to raise public awareness about Structural Funds Assistance; to involve a wide range of partners in EU assistance planning and monitoring processes; and also to ensure effective planning of future investment.

The success of the programme depends on a wide understanding among the partnership of its contents, governing regulations, aims and objectives. Without this understanding implementation will be a slow and inefficient process. It is also important that the benefits and achievements of the programme are widely publicised.

### Supported Activities:

- Publicity on programme goals and strategy, a definition of target groups, a choice of mass media;
- the preparation of a publicity strategy and action plan, the publication of information, an arrangement of promotional events and information actions;
- the organisation of conferences and seminars strengthening structural fund managing capacities;
- the promotion of partnership development;
- a provision of guidance and support on aspects of the funding process such as the selection criteria, eligibility and project evaluation;
- studies and researches in the fields of possible structural fund intervention;
- the preparation of territorial planning documents;
- an evaluation of the results and outcomes of the programme and of the separate projects;
- sharing structural funds management experience within the country and with other EU members; and
- an acquisition and installation of computerised information systems for management, monitoring and an evaluation of the programme.

### Final Beneficiaries

Ministry of the Environment (except the subdivision indicated as an intermediary body and responsible for the implementation of this measure); administrative districts.

Managing authority, paying authority, intermediary bodies, implementing agencies and municipalities.

### Institutions Responsible for the Implementation of the Measure

Intermediary Body–Ministry of Finance

Implementing Agency–Central Project Management Agency



## 8. FINANCING

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## 8.1. Financial Plan

Table 3: Financing of the Lithuanian Single Programming Document for 2004-2006 by Priority, Structural Fund and Year<sup>1</sup> 86 (in EURO, Current Prices)

	Total	Public Funding						National public funding	Private funding <sup>2</sup>	EIB loans
		Total	Community Support							
			ERDF	ESF	EAGGF	FIFG				
PRIORITY 1 Development of Social&Economic Infrastructure	459 109 457	347 058 803	0	0	0	0	112 050 654			
PRIORITY 2 Human Resource Development	217 053 681	163 814 098	0	163 814 098	0	0	53 239 583			
PRIORITY 3 Development of Productive Sector	300 662 206	222 429 209	0	0	0	0	78 232 997			
PRIORITY 4 Rural and Fisheries Development	198 788 729	135 015 394	0	0	122 898 628	12 116 766	56 989 880	6 783 455		
PRIORITY 5 Technical Assistance	35 806 906	26 855 180	14 451 727	12 403 453	0	0	8 951 726			
TOTAL	1 211 420 979	8 95 172 684	583 939 739	176 217 551	122 898 628	12 116 766	309 464 840	6 783 455		
2004-2006										

1 The grant rate is calculated on the basis of public expenditure, with the exception of the FIFG

2 Private sector participation is shown only in the case of FIFG

The background of the page is a blue-tinted photograph of an office folder. The folder is open, showing several compartments. One compartment has a label with the letters 'KL'. Another compartment has a label with the number '12'. There is also a label with some text, including the words 'works' and 'regional'. A ruler is visible in the foreground, partially overlapping the folder. The overall image is slightly blurred, giving it a professional and organized appearance.

## 9. STRUCTURAL FUNDS MANAGEMENT AND THE ADMINISTRATION STRUCTURE

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## 9. Structural Funds Management and the Administration Structure

Based on EU requirements, different agencies are responsible for the implementation of different SPD measures. (see figure 4). A three level structural funds management and administration structure, which consists of The Managing Authority, intermediate bodies and implementing bodies, operates in Lithuania (see figure 3).

The Managing Authority is the Ministry of Finance of the Republic of Lithuania (EU Programme Management Department, J. Tumo-Vai ganto 8a/2, LT-01512, Vilnius). The Managing Authority is responsible for setting general administration, payment and supervision procedures as well as rules for the implementation of the SPD.

Intermediate Bodies (IB) are institutions functioning under the responsibility of the Managing Authority. The line ministries, responsible for the relevant SPD economic sector, are designated as IB, having the following “measure level” responsibilities. Intermediate Bodies are responsible for:

- Setting requirements for the calls for proposals;
- project selection;
- the measure of funds planning and forecasting;
- the execution of payment plans and liabilities of the measure;
- the certification of eligible costs of the measure for submission to paying authority; and
- reporting on the implementation of the respective measure.

Monitoring functions of the separate projects are delegated to Implementing Agencies. Implementing agencies are fully responsible for:

- The collection of the projects/applications and informing the applicants;
- carrying out the evaluation of project applications;
- signing the contracts and supervising the implementation of the projects;
- checking the eligibility of expenditures declared with the payment requests;
- performing on-the-spot verifications;
- signing contracts with goods suppliers or service providers and supervising the execution of the contracts; and
- complying with EU horizontal policies/approaches.

Figure 4. Institutional Structure of Structural Funds in Lithuania

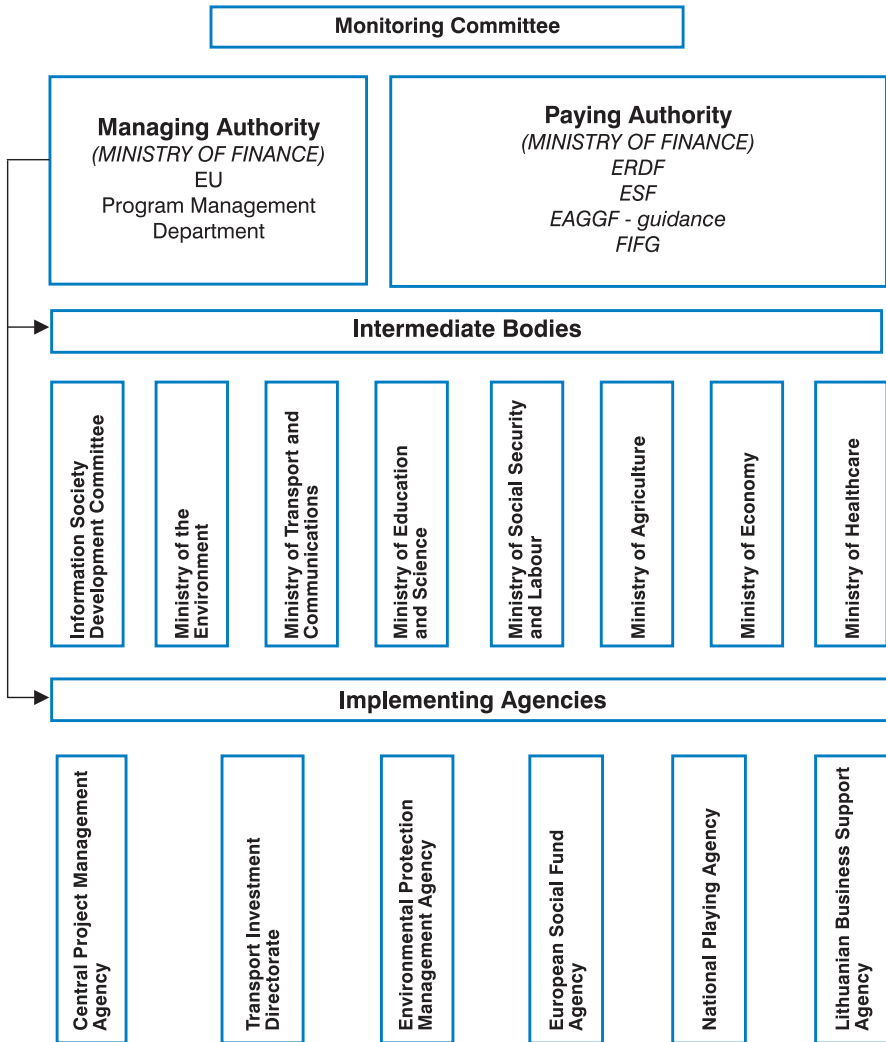
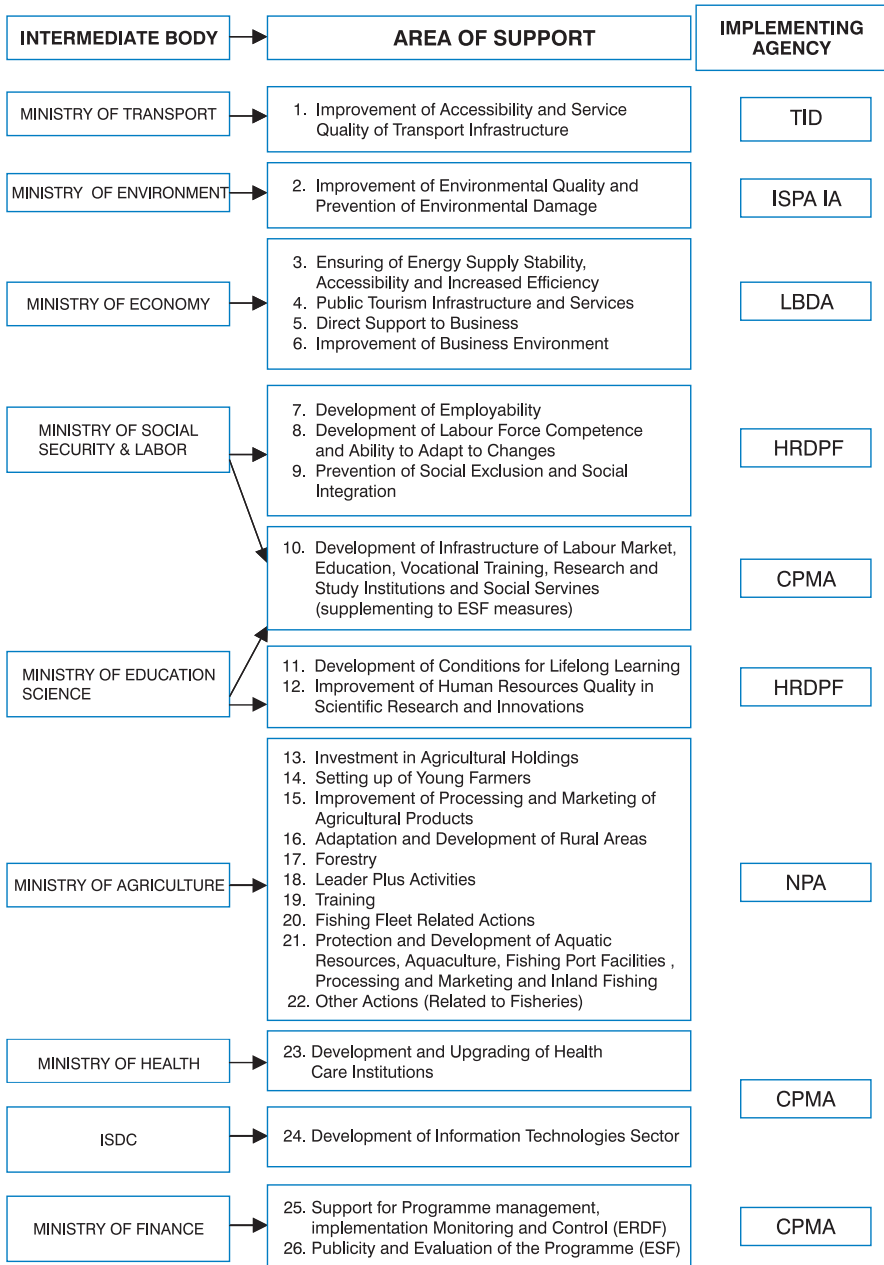


Figure 5. Intermediate Bodies and Implementing Agencies by Measures



**Monitoring Committee** – is the main institution supervising the implementation of SPD measures. The Committee is based on partnership and includes representatives of state institutions and non-governmental organisations, as well as being a representative of the European Commission.

The Committee normally meets twice a year, or more frequently if necessary. The Monitoring Committee has, among others, the following tasks:

- To confirm or adjust the program complement;
- to consider and approve the criteria for selecting the operations financed under each measure within six months of approval of the SPD;
- to examine the results of implementation;
- to consider and approve the annual and final implementation reports before they are sent to the Commission;
- to periodically review progress. Where the Monitoring Committee considers it necessary or desirable, the periodic review may be carried out more frequently; and
- to decide on the annual focus of the funds available according to the proposals made by the Intermediate Bodies.

### Submission and Evaluation of Proposals

The Managing Authority sets general rules and requirements for proposal submission, registration and evaluation. Those rules include requirements for the calls for proposals, instructions for filling out a proposal application, consultation procedures, the preparation of the final evaluation report and standard forms of other relevant documents.

Intermediate Bodies coordinate application forms and conditions for calls for proposals with the Managing Authority. Only after the Managing Authority's approval can intermediate bodies announce a call for a proposal.

The Implementing Agency receives, registers and evaluates proposals. Implementing agencies have a right to reject proposals which do not meet qualification requirements, eligibility or compliance standards.

In the final stage of evaluation the quality of submitted projects is assessed and the Implementing Agency prepares project evaluation reports for the consideration of the final approval by the IB.

### Selection of the Projects

The Managing Authority sets general rules for project selection and contracting. Those rules include: requirements for the establishment of a Selection Committee (SC); defined procedures and scope of work for the SC; orders for granting support; and standard forms of other relevant documents. The Intermediate Body coordinates

the institutional composition of the SCs with the Managing Authority. The Managing Authority takes part in the Selection Committee as well.

Intermediate Bodies establish their SCs to analyse and assess the project evaluation reports received from the Implementing Agency. The SC announces its decisions regarding project financing and the Intermediate Body then scrutinises these recommendations before making the final decision to grant Structural Fund support.

### Signing Support Contract

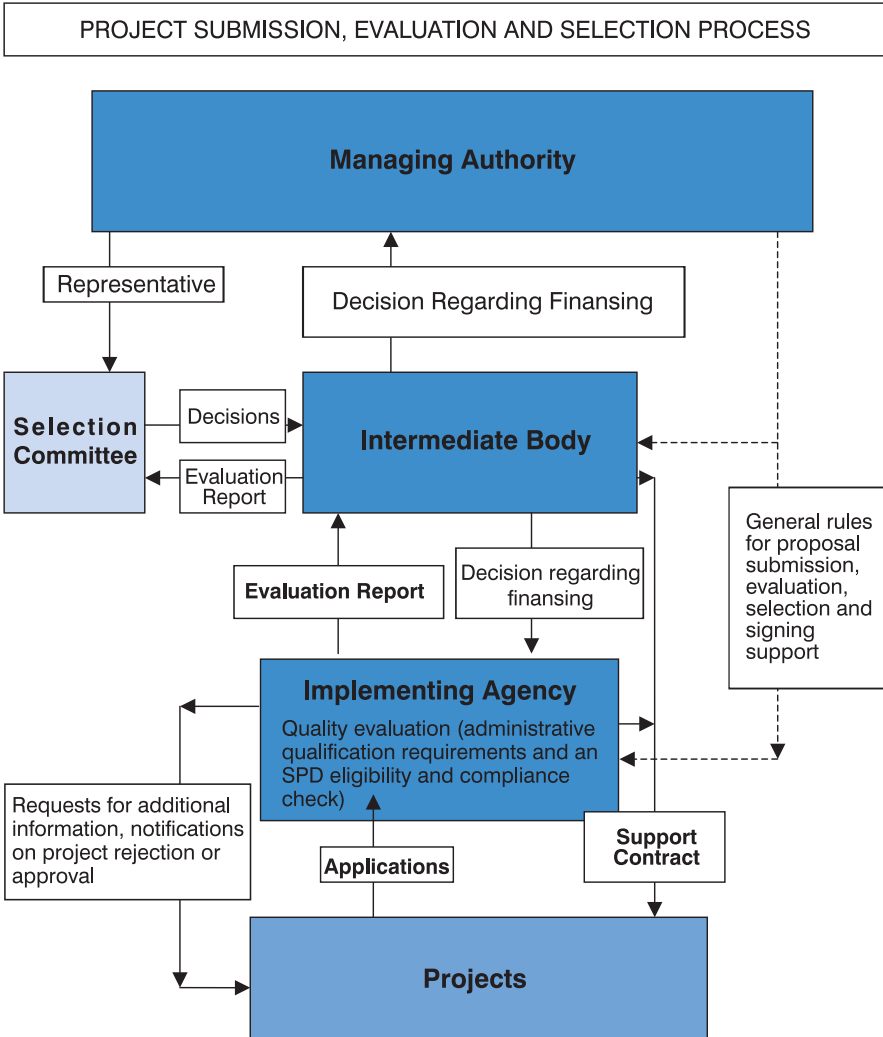
The Managing Authority sets general rules for signing grant funding contracts. Intermediate Bodies coordinate draft versions of grant funding contracts with the Managing Authority. The contract is signed by the IB, Implementing Agency and beneficiary or Implementing Agency and beneficiary, if the IB authorises the Implementing Agency to sign bilateral agreements.

### Payment Requests

General expenditure eligibility rules are set by the Managing Authority. Grant recipients submit payment requests to the Implementing Agency. The IA verifies and checks the eligibility of expenditures declared with the payment requests and approves the amount of eligible expenses. The IA then submits payment requests to The IB for payment processing of checked claims. Based on these requests the IB prepares and submits payment requests to the State Treasury Department through the State Budget Accountability and Payment System (SBAPS). Claim amounts are then deducted from the Intermediate Body's annual budget allocations.

Figure 6 presented below describes the project submission, evaluation and selection process.

Figure 6



## Abbreviations Used in the Publication:

SPD – Single Programming Document;  
 EU –European Union;  
 TID – Transport Investment Directorate;  
 EPMA –Environmental Projects Management Agency;  
 LBSA –Lithuanian Business Support Agency;  
 HRDPF –Human resources Development Programmes Support Foundation;  
 CPMA –Central Project Management Agency;  
 NPA –National Paying Agency.

## A DESCRIPTION OF EU STRUCTURAL FUNDS

### **The European Regional Development Fund (ERDF):**

ERDF reduces regional disparities within The EU;  
 ERDF encourages the development and conversion of underdeveloped regions;  
 ERDF helps to create and secure new employment;  
 ERDF invests in infrastructure – roads, telecommunications and energy sector;  
 ERDF promotes development of small and medium sized enterprises  
 ERDF promotes development of new technologies and innovations.

### **The European Social Fund (ESF):**

ESF aims to combat and prevent unemployment;  
 ESF develops human resources and promotes integration into the labour market;  
 ESF promotes higher employment  
 ESF assists in implementing the gender equality principle and equal opportunities.

### **The European Agriculture Guidance and Guarantee Fund (EAGGF):**

EAGGF supports competitive agricultural holdings, as the dominating activity in rural areas;  
 EAGGF invests in the development of modern technologies and a new business environment in farming;  
 EAGGF encourages development of alternative activities in rural areas;  
 EAGGF supports prosperous communities in rural areas  
 EAGGF protects the environment, landscape and cultural heritage in rural areas.

### **The Financial Instrument for Fisheries Guidance (FIFG):**

FIFG promotes a balanced usage of aquatic resources;  
 FIFG modernises the fishery infrastructure;  
 FIFG helps to maintain a dynamic and competitive fishing industry;  
 FIFG supports regions involved in the fishing industry  
 FIFG improves the supply, processing and marketing of fishery products.

## USEFUL LINKS

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More EU documents can be found on the data-base of the Parliament of the Republic of Lithuania: [www.lrs.lt](http://www.lrs.lt); and web page of the Ministry of Finance: [www.finmin.lt](http://www.finmin.lt)

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[www.finmin.lt](http://www.finmin.lt)

### Ministry of the Environment, Environmental Projects Management Agency (EPMA)

Juozapavičiaus str. 9-610, LT-09311 Vilnius

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Fax: +370 5 272 2563

E-mail: [apva@apva.lt](mailto:apva@apva.lt)

[www.apva.lt](http://www.apva.lt)

### Central Project Management Agency (CPMA)

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[www.cpva.lt](http://www.cpva.lt)

### Ministry of Agriculture, National Paying Agency (NPA)

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Fax: +370 5 2391376

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[www.nma.lt](http://www.nma.lt)

### Lithuanian Business support agency (LBSA)

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