

***LITHUANIA – POLAND - RUSSIA CROSS-BORDER CO-OPERATION
PROGRAMME 2007-13***

***- OPERATIONAL PROGRAMME – FINAL DRAFT – REVISED AFTER EC
COMMENTS***

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INTRODUCTION

The Lithuania-Poland and Russia ENPI Cross-border Cooperation Programme 2007-2013 will be implemented under the 2007-2013 financial perspective. It has been based on the joint planning effort of all participating countries.

The Operational Programme was prepared on the basis of the Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation)¹, Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (CBC Implementing Rules)², Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities³, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities⁴. The Programme aims at strengthening relations between Poland, Russia and Lithuania through enhanced bilateral and trilateral relationships, as it offers assistance that will stimulate economic and social development and increase of quality of life of the citizens in the whole Programme area.

The programming process started in November 2006 and ended in June 2008 when the finalised Operational Programme was submitted to the European Commission for approval on 30 June 2008. The elaboration of the document was steered by the Joint Task Force (JTF) composed of the representatives of the central and regional governments of each participating country. During the elaboration period the following meetings of the Joint Task Force were organized: 20 November 2006, 26 February 2007 and 23-24 August 2007 (all in Warsaw), 12-13 December in Druskininkai, 12 March 2008 in Warsaw. In addition to that public hearings were held in Kaliningrad in order to shape Kaliningrad input to the Programme. Public hearings were held in Lithuania and Poland in order to acquaint potential beneficiaries with a Programme.

1. ELIGIBLE AREA

The Programme area includes the following NUTS III units:

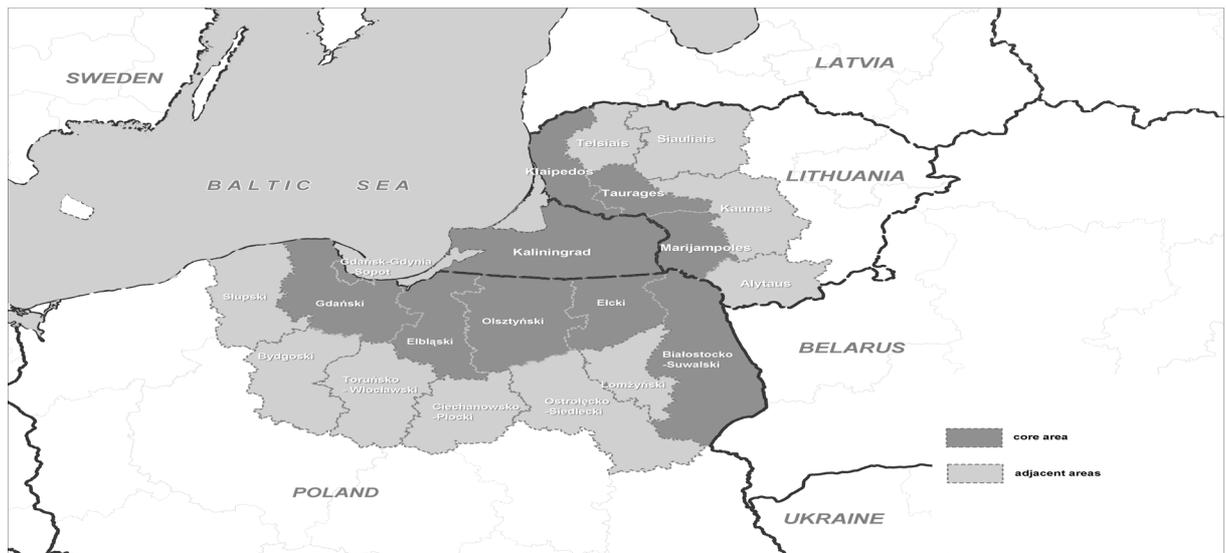
- In **Lithuania**: Klaipeda, Marijampole and Taurage counties and as adjacent: Alytus, Kaunas, Telsiai and Siauliai counties.
- in **Russian Federation**: Kaliningrad Oblast (region)
- In **Poland**: Gdańsk -Gdynia-Sopot, Gdański, Elbląski, Olsztyński, Ełcki, Białostocko-Suwalski sub-regions and as adjacent Słupski, Bydgoski, Toruńsko-Włocławski, Łomżyński, Ciechanowsko-Płocki, Ostrołęcko-Siedlecki. Those sub regions (NUTSIII) belong to five Polish provinces (NUTSII): Pomorskie, Podlaskie, Warmińsko-Mazurskie, Kujawsko-Pomorskie and Mazowieckie Voivodships (regions).

¹ OJ L 310, 9.11.2006

² OJ L 210, 10.08.2007

³ OJ L 248, 16.09.2002

⁴ OJ L 357, 31.12.2002



2. THE SOCIO-ECONOMIC SITUATION

History of cross-border co-operation in the eligible area

Since 1946 until the beginning of the 1990s, Kaliningrad region and the Lithuanian Republic were not separated by state borders. Close interrelations and institutional ties, numerous contacts between organisations and private persons characterized that period and explain nowadays' mutual understanding of each other. On the other hand, co-operation between Polish and Russian local, regional and national governments in the eligible area started to develop actively only in the 90s. In 1990 a first border crossing point (Braniewo-Mamonovo) was opened between Poland and Kaliningrad region. At the same time (1990) Lithuania declared independence and the Russian-Lithuanian borders emerged. This resulted in an exclave character of Kaliningrad Oblast, now surrounded by the EU territory and the Baltic Sea.

Co-operation between the three countries is reflected in the work of two intergovernmental Councils: Polish-Russian and Lithuanian-Russian.

The Russian-Polish Council was officially established in 1992 by the Russian-Polish intergovernmental agreement on cooperation between Kaliningrad oblast and north-eastern voivodships of Republic of Poland (art. 15). The Council is chaired by the Minister of territorial development and relations to local municipalities of Kaliningrad regional government and by the Deputy Minister of Internal Affairs and Administration of Poland. There are 12 Commissions working within the council on thematic issues such as border-crossings or environmental protection.

The Russian-Lithuanian Council was established in 1999 in accordance with the Russian-Lithuanian inter-governmental agreement on long-term cooperation between Kaliningrad Oblast and Lithuanian regions (art. 8). This Council is chaired by the Vice-Premier of Kaliningrad Oblast Government and the Undersecretary of Ministry of Foreign Affairs of the Republic of Lithuania. Eight different Commissions work within the framework of the Council, on thematic issues such as on economic cooperation or transport.

Cross-border co-operation from the very outset has concentrated on the common problems of the neighbouring regions and aimed at making the regions more competitive and attractive. The authorities of Polish and Lithuanian regions neighbouring Kaliningrad Oblast

signed agreements on permanent co-operation with their Kaliningrad counterparts. Euroregions were also established: the Nemunas-Niemen-Neman in 1997 and Euroregion Baltic (ERB) in 1998, with the participation of core regions of the programme area (Klaipeda, Taurage, and Marijampole counties, Warmia-Mazury, Podlaskie and Pomorskie Regions, Kaliningrad Oblast). Numerous activities and projects, both at regional and local level, were developed within the Euroregion frameworks and provided notably the ERB with long-term development foundations.

The Euroregional structures have also been used for channelling EU funds for regional development and cross-border cooperation from various budgetary lines. The total amount of grants allocated to projects between 1998 and 2005 exceeded 8.9 million Euros for Euroregion Baltic and 13.2 million Euros for Euroregion Nemunas-Niemen-Neman, which resulted in 240 and 279 cross-border projects respectively. In many projects the partnership had a genuine international character, although sometimes it was rather challenging due to different rules regulating PHARE and TACIS spending.

After the EU enlargement in 2004, a new EU supporting programme for the Kaliningrad Oblast and its regional neighbours from Lithuania and Poland was launched: the Neighbourhood Programme Lithuania, Poland and Kaliningrad Region of Russian Federation. More than €44.5 million (€36.5 million from ERDF and €8 million from TACIS) were allocated to the programme for the period 2004-2006, which resulted in 162 cross-border projects granted, along two priorities: competitiveness and productivity growth of the co-operation area through development of cross-border infrastructure and border security, economic and scientific/technological co-operation (priority 1); and people to people co-operation, socio-cultural integration and the labour market (priority 2).

Since the mid-1990s, the number of initiatives involving regions from the eligible area has been regularly increasing. Strategic undertakings have been pursued together, as exemplified by the cooperation around the Vistula river and lagoon. The regions took part in several transnational projects, aimed for instance to enhance maritime transport (Baltic Gateway) or transnational development (South Baltic Arc).

The partners from the eligible area also cooperate within regional organizations, institutions and initiatives, inter alia: Vision and Strategies around the Baltic Sea (VASAB), Ars Baltica, Baltic Sea Sub regional Co-operation (BSSSC), Conference of Peripheral Maritime Regions of Europe – Baltic Sea Commission (BSC CPMR), Union of the Baltic Cities (UBC), Baltic Alliance of Regional Development Institutions (BARDI) and many others. Political umbrella is given by the Council of the Baltic Sea States (CBSS) and in a wider sense by the Northern Dimension as a framework for co-operation between the EU and Russia, in particular.

Background information on the eligible area

The total Programme area encompasses **156.1 thousand** sq. km (including **77 751** sq. km of adjacent regions).

The main obstacles to cooperation are of political and socio-economic nature. The existing visa and custom regimes between the EU and Russia hamper flows of goods and people within the eligible area, which affects the natural communication routes and lines, the transit between Kaliningrad and Russian mainland but also EU internal transit between Poland and Lithuania. Economic differences, reflected in different price levels and tax regimes, result in administrative limitations regarding the amount of duty free import and export and translate into cumbersome border controls.

The co-operating regions also differ with regard to their administrative status. Kaliningrad is a self-governmental region with a strong federal influence and special

incentives for enterprises to be actively engaged in foreign trade (special economic zone). Polish regions (voivodships) are of self-government nature with directly elected regional assemblies and regional boards headed by elected marshals. Governors, representing the state government in the region, perform mainly control functions. In Lithuania the situation is different, the heads of the regions (governors) are appointed directly by the government. The regional development councils (*regiono pletros taryba*) are not directly elected but composed of the representatives of county's municipalities and the county governor, and their tasks are mainly of a consultative nature.

In Poland and Lithuania local authorities enjoy high discretionary power in their field of competences. In Russia they are financially dependent from the regional and national authorities, although the Russian federal authorities encourage regional participation and regional decision making process with regard to the CBC programmes.

The differences in the governance systems can be also illustrated by the willingness of local population to join non-governmental organizations. For instance in Polish regions there are 23 to 30 NGOs per 10 000 citizens whereas in Kaliningrad around 15.

Geographical conditions of the Programme area (mainly high percentage of forest and woodland and numerous lakes) influence the settlement structure, which is characterised by a low population density in most of the regions and long distances between large cities within the Programme area. The average population density is 72 people per sq. km (Cf Annex 1) much below the EU average of 114 inhabitants per sq km. The highest values are found in the metropolitan sub-region of Gdansk-Gdynia-Sopot (1809 person per sq. km) in Poland, while the lowest values characterise mostly Lithuanian regions such as Taurage county (30 persons per sq. km).

The economic active population is concentrated in the largest urban centres, which are the motors for the socio-economic development. Only Tri-city agglomeration (Gdańsk-Gdynia- Sopot) has been considered as a metropolitan region in a European scale (MEGA). However, the Programme area is featured with important cities playing a prominent role in the Baltic co-operation (so called Baltic cities according to the VASAB typology). Among them are Kaunas, Klaipeda and Siauliai (second, third and fourth city in Lithuania as far as population is concerned), Kaliningrad, Olsztyn, Białystok and Elbląg as well as Bydgoszcz-Toruń in the adjacent area.

The settlement structure of the Programme area might create some challenges for sustainable development. Concentration of economic and social development in large cities creates unfavourable conditions for the socio-economic development in rural areas and small urban centres. This in turn might induce migration to urban areas and depopulation of rural areas. Therefore in situ urbanisation and rural economic restructuring might become an important developmental option for the analysed territory. From the ecological perspective the fragmented settlement pattern and low population density on one hand lowers the ecological pressure in the rural areas but on the other hand it may cause problems in the rational utilisation / expansion of the environmental protection infrastructure (e.g. waste water treatment plants, landfills, recycling plants) and the efficient use of available energy.

Demographic situation

The Programme area was inhabited by a total of almost 11.3 million people in 2005. Since 2000, the population has decreased by 1.65%, due to out-migration (from Lithuanian and Polish regions) and to a negative natural growth (in Kaliningrad and Lithuanian regions).

Negative migration balance in rural areas and small urban settlements is caused mainly by the outflow of young people seeking better education and job opportunities in large urban centres or abroad. It is therefore of primary importance to preserve and create jobs in the Programme area in order to reduce the outflow of young and educated people. There is a need to find some specialization niches, creatively following a pattern of some small and medium size Scandinavian cities highly integrated into BSR and European economy.

In 2005 a major part of the Programme area population (63.6 percent) was in the productive age, 20.7 percent was in the pre-productive age and 15.7 percent in the post-productive age. The age structure is quite similar in the whole Programme area. In a long run one might expect some improvements of the birth rates as the result of increasing economic and social security in the Programme area provided that some supportive measures are taken (kindergartens, flexible working regimes etc.). But in the programming period one can rather expect a continuation of the current trends caused mainly by the relatively low (although increasing) prosperity level confronted with the sharp rise of people's expectations with regard to their standard of living.

The ageing of the population is an important challenge for the Programme area and raises the question about future labour supply. However, the problems might be slightly different at the EU and Russian side. In Poland and Lithuania there is an important need to develop adequate services for senior citizens. Development of some of those services will follow the market demand but some others should be provided by public authorities. In Kaliningrad, however, there is a need to make additional efforts to turn about a negative trend of life expectancy (currently it is as low as 63.5 years) and to give more prospects for pensioners, including among others more vigorous introduction of health care preventive programmes. There is a large scope of opportunities for exchange of experience between Polish, Lithuanian and Russian partners in this field.

In recent years some health and social problems have become more visible in some part of the programme area. For instance the number of active tuberculosis cases among Kaliningrad population has been growing since 1990. Revealed cases of drug addiction among the population have more than doubled in Kaliningrad in that period. The rate of HIV infections per capita in Kaliningrad although recently decreasing, is still higher than in the EU part of the Programme area.

According to opinion polls of 2005, a majority of Kaliningrad citizens (64%) regarded low salaries (pensions) as the most depressive factor for their quality of life; on the second place they mentioned such phenomena as alcoholism and drug addiction (39%) and organized crime (29%), while only 21% mentioned unemployment. Kaliningrad people seemed satisfied with accommodation, education, employment and development of democracy⁵.

Labour market and unemployment

Overall, Kaliningrad belongs to the fastest developing regions in Russia. Lithuania is one of the fastest developing countries in the EU in terms of GDP growth, and Poland recently has also started to draw up. However, as far as the labour market is concerned, there are still quite substantial disparities, mainly between the Polish part of the Programme area and the other regions.

Since 2000, the labour market in Kaliningrad Oblast went through a very positive development, with the unemployment rate dropping from 15 percent to 6.6 percent in 2005. A

⁵ A.P. Klemeshev , G.M. Fedorov "From an isolated exclave to a development corridor. Alternative development strategies of the Russian exclave of the Baltic Sea", Kaliningrad Immanuel Kant State University Press, Kaliningrad 2005, page 115.

Federal Programme supporting the migration back to Russia of countrymen who live abroad has been implemented in the Kaliningrad region since May 2007, aiming to provide the fast developing regional economy with a qualified labour force that meets the labour market and investors requirements.

Unemployment rate in Lithuania has also dropped significantly since 2000 and was in 2005 rather moderate, from 10.1 percent in the Siauliai county down to 3.0 percent in the Marijampole county, for an average of 8.3 percent (slightly less than EU average for 2005 - 8.8 percent).

Recently the unemployment rate in Poland has started to fall down, and after a peak at 20.6 percent in February 2004 it lowered down to 14.4 percent in March 2007. Still, even in the least affected Polish subregion (Gdańsk-Sopot-Gdynia), the unemployment rate in 2005 exceeded the EU average.

Not only are there differences in the unemployment rate in the Programme area, but also the structure of unemployment differs (by age, gender and education of the unemployed people). In Poland, long term unemployment and unemployment among young people is relatively high. Higher unemployment among females than males is a common feature for Polish subregions and a majority of Lithuanian counties in the Programme area. The opposite situation is found in only two Lithuanian counties (Alytus and Klaipeda) and in Kaliningrad Oblast.

The differentiation of the situation on the regional and local labour markets in the Programme area is an important challenge, but also an opportunity to enhance cross-border co-operation. This co-operation should increase the intensity of economic relations and thus support the creation of new jobs, particularly in the regions affected by high unemployment. It is also clear that the labour force shortages might become soon an important developmental constraint for some parts of the Programme area. For instance larger foreign corporations may find Kaliningrad's labour potential too narrow to make major investments there. Cross-border co-operation, alleviating existing mental and cultural barriers and improving transport and border crossing infrastructure, might create important preconditions for diminishing this constraint, provided that migration law and policy would support it.

Education and research

In recent years higher education has become an important developmental factor, which is reflected in particular by an increase in the number of students. On average there were 401.7 students per 10,000 inhabitants in the Programme area in 2005, which is still much below other European regions.

The backbone of the educational system in the Programme area is the renowned universities and technical universities in Kaunas, Klaipeda, Kaliningrad, Gdańsk, Olsztyn, Białystok, Toruń and Bydgoszcz, which cover almost all faculties of education and research. Some of them (e.g. Immanuel Kant State University of Russia in Kaliningrad) play an important role in the regional development of the adjacent territories. They participate in numerous transnational projects and stand behind regional and spatial strategic documents. Some others play this role indirectly by concentrating and developing the necessary human capital, knowledge and know-how. Science and technological parks were created around some of them e.g. in Klaipeda, Gdańsk and Gdynia. The Polish and Lithuanian regions are now at the implementation stage of their regional innovation strategies and creation of regional R&D support systems. The key issue is to improve the co-operation between the scientific sector and the business community and the effectiveness of the research financing and organisation system.

Since many of these universities are young, they are eager to develop their co-operation networks and cooperation with the public, private and social partners in general. More importantly, existing co-operation has been constantly improving in the entire eligible area. Student exchange programmes and international co-operation of higher education institutions still offer good development opportunities for the Programme area.

Equally important for a long term development are secondary schools and vocational training institutions. Some most renowned secondary schools in the Programme countries are located in the Programme area, but a majority of them focus on general education and much less attention has been paid to technical education.

The main problem is in adjusting the educational systems to the changing demands of the labour market. Opening of the EU labour markets has sharply deepened the existing deficits regarding supply of workers with technical qualifications and skills. Such shortage could hamper development of a knowledge-based economy in the future. Therefore lifelong learning should be strengthened and the teaching curricula should be adjusted to the labour market needs, e.g. by improving the co-operation of the labour market institutions and business organisations with the institutions of the educational system and relevant authorities responsible for strategic development. Entrepreneurship training should receive special attention. Cross-border co-operation might alleviate some of the aforementioned problems, e.g. by promoting an exchange of professionals with specific skills and qualifications.

Another problem is the accessibility of students to universities or other higher education institutions, which results in an uneven spatial distribution of university graduates, thus hampering spatial and socio-economic cohesion. For instance in Lithuania, there are 1.5 times more persons with a university diploma in Kaunas county than in Taurage county (in 2005). To change this situation, some more effective scholarship programmes should be launched in combination with improvements of transport accessibility of educational centres and expansion of new and more flexible forms of education (e.g. e-learning). Cross-border co-operation might help here by benchmarking and exchange of experience. In some cases, when a language barrier does not exist, a cross-border e-learning also seems a feasible solution and should be supported and encouraged.

Economic development

The Programme area shows strong developmental trends and high economic dynamism in all regions. The average annual GDP growth rate in Kaliningrad Oblast between 1999 and 2003 was 8.9 percent, i.e. higher than in Poland (5.1 percent) and Lithuania (5.9 percent) during the same period, and much higher than in the EU-15 (1.9 percent).

The disparities in the economic affluence between regions of the Programme area are relatively moderate although still noticeable. The largest discrepancies do not exceed 1:3.8 (whereas EU internal regional discrepancies after last enlargement jumped to 1:12.8). All regions in the Programme area are less affluent than the EU average, with a GDP per capita (measured in Purchasing Power Parity) ranging from 24.5 percent (Taurage region) to 65.9 percent (Gdansk-Gdynia-Sopot agglomeration) of the EU25 average in 2003.

In 2004, the GDP per capita (in current prices) of Kaliningrad Oblast amounted to €2,011, to compare with an average for Poland of €5,113 and for Lithuania of €5,194. The affluence gap between Kaliningrad region and its bordering regions is even narrower.

The level of differences in GDP (and in price levels accordingly) is still sufficient to create numerous negative phenomena such as smuggling of alcohol, gasoline and cigarettes, or even to create a threat for the occurrence of organised crime. However, these differences might be also seen in a positive way. The Programme area could indeed benefit from an intensification of economic relations due to existing synergies, e.g. high economic growth of

Kaliningrad market might create demand for Polish and Lithuanian commodities. But in the long run the convergence trend would require fast increases in competitiveness and innovativeness of the regional economies, as their simple (cost-based) comparative advantages will gradually disappear with their further economic development.

Another challenge is to spread the incentives for economic development from the existing growth centres into their hinterlands. This issue was highlighted e.g. by Kaliningrad authorities as one of the important tasks for cross-border co-operation.

Structure of the regional economy

In terms of employment, the service sector is clearly dominant in the economic structure of the Programme area, though some regions are still dominated by the industrial (Ostrołęcko-Siedlecki subregion) or primary ((Łomżyński subregion, Taurage county) sectors. Lithuanian regions as a rule have a stronger industrial part, and employment in agriculture in these regions is relatively low (except for Marijampole and Taurage counties). In Poland the situation is different, as the employment in the service sector hardly exceeds 50 percent (except in the highly service-oriented Gdańsk-Gdynia-Sopot subregion and Olsztyński subregion), leaving room for relatively high employment in the primary sector and less frequently in industry.

The structure of the economy in the Programme area varies between the regions; however there are some common areas that can benefit from cross-border co-operation:

- Tourism – all of the regions have important potentials to attract domestic and foreign tourists, cross-border co-operation, e.g. opening new tourist routes and creating joint tourism products may make the whole area a more attractive tourist destination;
- Transportation and logistics – for some industries, for example related to timber and oil, the Programme area is a transit region;
- Energy and environmental technology industry – there is a big potential for renewable energy (for example: the long coastline around the Baltic Sea is suitable for wind energy plants);
- Maritime industry – is important as regional brand for attracting tourists and constitutes a potential for competition on the global maritime markets;
- Food industry - unless hampered by political obstacles.

The industrial sector in the Programme area is highly diversified. The area has important chemical, petroleum and pharmaceutical industries, food industries (including fish processing), shipyard industries, engineering and metalwork industries (including a large enterprise assembling bodies for vehicles and TV sets), wood processing (including furniture manufacturing), paper and construction industries. The largest single employers are shipyards and oil refinery plants (in Płock, Gdańsk and Mažeikiai). The main export articles of the Programme area consist of petrochemicals, automotive and transport equipment, forest and food products and some raw materials (oil, ferrous and non-ferrous metals from Russian mainland). In Kaliningrad region, the law on the Special Economic Zone has resulted since 1998 in strong capital formation, mainly of national origin (Russian companies handle 84 percent of the region's export), with industrial FDIs located in export oriented pulp and paper production and import substituting production. In 2006, the Kaliningrad region accounted for 68 percent of Russian production of TV sets and world famous brands. The main foreign investors in Kaliningrad in 2006 were Lithuania (22%), Switzerland (15%) and Poland (8.6%). Kaliningrad's foreign trade has also developed very positively in recent years, with a

trade turnover with Poland and Lithuania growing by more than 18 percent in 2005, while Germany remains a key partner⁶.

However, any evidences of a cross-border manufacturing or service clusters in the Programme area are hardly visible. Only an increase of business cooperation and corresponding capital flows within the Programme area might allow for the creation of complementary advantages and intra-regional specialisations, resulting in an increased competitiveness against global competition. Polish and Lithuanian enterprises are already important partners, present on the Kaliningrad market along with German and Dutch ones. This positive trend needs to be further encouraged. Lithuanian business is more active than the Polish one, which results into a larger number of big industrial plants such as Vicunay Rus (food production), Steel plus (electrical home appliance), Arvi (production of compound fertilizers) as well as small companies in the field of construction, wood processing and some others.

Entrepreneurship and innovativeness

In the programme area, small and medium-size enterprises (SMEs) provide the major part of employment and are important elements of regional economies, due to their flexibility and fast adaptation to changes in market conditions. The success of economic transformation both in Lithuania and Poland should be attributed to a great extent to a fast revival of entrepreneurship and to the constant search by SMEs for market niches and opportunities. In 2005, in the Programme area there were 31 thousand SMEs in Lithuanian regions, 33 thousand in Kaliningrad and 708 thousand in Polish subregions. The density of SMEs varies in the Programme area, with the highest concentration in Gdańsk-Gdynia-Sopotsubregion (129.65 SMEs per 1000 inhabitants), and the lowest in Taurage county (10.21 SMEs per 1000 inhabitants).

The number of SMEs has increased constantly in recent years, e.g. by 28 percent in the Pomorskie region between 2000 and 2005, or even by 19.4 percent in a year (between 2005 and 2006) in Kaliningrad region. However, the SMEs have only rarely engaged in any cross-border relations. They have possessed insufficient capacity and knowledge to explore benefits of entering foreign markets and establish more durable relations with foreign partners. Therefore there is a need to develop entrepreneurship support systems (according to the public-private partnership concept), including also support for SMEs willing to expand cross-border.

WTO membership presents both a threat and opportunity for the Russian SMEs located in the Programme area: some argue the threat is that new regulations and market requirements are forcing Russian SMEs to leave the territory and relocate themselves to the mainland; others argue there is a scope for training, certification etc. for SMEs so as to meet international standards of competition.

In many cases it is the macroeconomic conditions and the institutional system that are crucial for the development of SMEs. Administrative and legal barriers that hamper entrepreneurial development should be removed in all regions of the Programme area. The cross-border cooperation could have an important contribution to the tackling of those issues through e.g. the exchange of best practices and removal of trans-border barriers and formation of relevant networking expressing the interests of SMEs vis-à-vis national and regional authorities, whereas regulatory frameworks should be addressed under domestic or ENPI programmes.

⁶ Trade turnover with Germany was in 2006 USD 1028.5 million, with Poland USD 678.6 million (growth by 18.8 percent from 2005), with Lithuania USD 398.4 million (growth by 18.1 percent from 2005).

Tourism

The Programme area has favourable conditions for the development of tourism of all kinds, which already is an important segment of the region's economy.

One of the main assets of the analysed area is its valuable and unspoiled natural environment, including outstanding features such as lagoons separated from the sea by picturesque narrow spits; one of the most important biosphere reserves in Europe (Nemunas/Niemen/Neman River mouth); beautiful large dune formations; white sandy beaches running along the entire coasts, where balneology health resorts are located; and large unspoiled forests known as the "Green Lungs of Europe". Mineral water "Zelenogradskaya" is famous for its medical qualities. The large number of lakes creates excellent conditions for the development of sailing, kayaking, wind surfing and other water sports. Important cross-border water routes (such as Mazurski channel and Łyna River) can easily be adjusted to tourist purposes as a joint effort of partners from both sides of the border.

Picturesque cultural landscape and cultural heritage of extraordinary quality is another asset of the programme area. The main attractions are brick gothic castles and churches, as well as fortifications of outstanding quality and innovativeness. The Kryzių Kalnas (Hill of Crosses) near Siauliai is a magnificent landmark of complicated history and strong culture of this part of Europe. Products associated with cultural traditions, such as handicrafts and souvenirs, as well as amber, particularly characteristic for the Programme area, are also an important tourist attraction. Other attractions such as operating lighthouses opened for tourists, unused railway lines with magnificent bridge constructions (Polish regions) offering excellent opportunities for cycling routes, also create preconditions for the Programme area to become one of the most attractive tourist regions in Europe.

Tourist traffic in the Programme area has already been growing rapidly, especially in the Polish and Lithuanian regions which have become quite popular destinations due to improvements in tourist infrastructure and price attractiveness. The main obstacle for further growth is still inadequate tourist infrastructure in less popular destinations (including lagging behind transport infrastructure), language barrier, uncoordinated marketing activities, lack of certification and labelling of tourist destinations, and visa regime hampering inflow of foreign tourists to Kaliningrad. To increase foreign tourist flows to Kaliningrad, there is a need to develop existing border crossing points and construct new ones, but also to reform the border services operations. So far there is still a lack of properly catered tourist products of transnational character, and attempts to pool resources and to allow tourists to taste during one stay different cultures and attractions are still in the infancy period - despite some important attempts such as the transnational Red Brick Gothic project.

Natural environment

The nature of the Programme area is rich and of outstanding quality. The forest cover is relatively dense, exceeding 25 percent of the territory of a majority of regions. There are nine Ramsar sites - wetlands (three of them of cross-border character), eight national parks (one of cross-border character) and numerous protected natural areas⁷. The largest European swamps and primeval forests are located in the border area. 26.1 percent of the Programme area is legally protected due to its unique environmental values, with an even much higher scope in a majority of Polish subregions (up to 58.1 percent of the Ełcki subregion territory), but a

⁷ Designated IUCN areas, included in the UN List of Protected Areas and in the World Conservation Union's (IUCN) management categories

significantly smaller scope in Kaliningrad oblast (only 2.5 percent of the territory of the Oblast).

The Baltic Sea is the largest body of brackish water in the world, with low water circulation and narrow links to the open seas. Its main threat is the nutrient load, which adds to eutrophication and results in abnormal algal blooms on the surface waters and lifeless areas on the seabed. The nutrients (nitrogen and phosphorus) have different sources: atmospheric emissions (traffic, combustion of fossil fuels for heat and power generation...), point sources discharging into inland surface waters and directly into the Baltic Sea (municipalities, industries...), diffuse sources (agriculture...) and natural background sources. The Baltic Sea also suffers from discharge of polluting substances, including some dangerous for sea species (heavy metals...). Although pollution along the streams and rivers has been reduced, the recovery will take a long time.

The nature of the Programme area is under constant developmental pressure. Although the demographic situation is contributing to its lessening, the growing affluence of the societies in the Programme area raises demand for recreation territories (e.g. second houses) and nature consumption. This increases both airborne pollution (due to growing mobility) and point sources pollution mainly due to lack of treatment of municipal and farm wastewater and lack of modern waste management. Regarding sewage systems in particular, in Kaliningrad only 5 percent of the population was served by a modern communal sewage system in 2005. Though access is more prevalent in Polish (40-50% to 100%) and Lithuanian (65.6% to 85.2%) regions, many rural areas still do not have access to a sewage network with efficient wastewater treatment plants. There is also still a need for further increase of the percentage of wastewater completely treated using biological water treatment technology. The fact that large percentage of wastewater is not treated properly negatively influences on the nature and environment.

Many types of pollution are of cross-border character, therefore joint cross-border actions are necessary in order to curb them and it is of utmost importance to raise environmental awareness on both sides of the borders. Local, regional and national governments in Kaliningrad, Poland and Lithuania have invested or are about to invest large amounts of funding to improve environmental protection. These measures have already led to positive results but much more needs to be done, since in the Programme area environmental investments per capita have been still much lower than the EU averages.

Development of sustainable energy sources and increased energy efficiency are also lagging behind in the Programme area. Energy efficiency is relatively low both in Kaliningrad and in the rural parts of the EU Programme area. A majority of the energy is produced from fossil fuels except in Lithuania where nuclear energy is of primary importance. Although Ignalina power plant will be closed, the Government of Lithuania plans to build a new plant in co-operation with Latvia, Estonia and Poland. However, there is a large potential in the area for development of the green energy. Therefore in an effort to compromise between nature conservation and accelerated socio-economic development attention shall be paid to both decoupling GDP growth and demand for energy and to increasing the share of the renewable sources of energy per total primary energy supply.

Increased investments in the renewable sources of energy, promoting the efficient use of available energy, pressure on industry and agriculture to reduce emissions to the atmosphere and water, building new and more effective sewage treatment works, programmes for sorting and recycling waste, and sustainable management of natural assets are needed.

Transport accessibility and communication

The Programme area is an important maritime transport hub for the respective countries. Kaliningrad is the only ice free port in North-West Russia. Klaipeda is an important multimodal transport junction of a transport corridor from Scandinavia to the Black Sea. Gdynia is one of the biggest container ports in the Baltic Sea and together with Gdańsk is part of a rapidly developing multimodal transport corridor from Scandinavia (including sea motorway from Helsinki) to Southern Europe.

But paradoxically the Programme area is loosely connected internally, so that many of the regions may be characterised by the lowest multimodal potential accessibility in Europe. There is no coherent railway system in the Programme area. Trains serve mainly domestic connections, with the exception of the Gdynia-Kaliningrad train that still needs improvement since it covers 170 km in six hours, including a long stay at the border stations. Trains running from Kaliningrad eastward as a rule pass Marijampole and Kaunas without stopping there. There is no direct train between Gdańsk or Olsztyn and Kaunas/Marijampole and a train trip from Gdańsk to Klaipeda (direct distance of ca 250 km) would take 20 hours through Warsaw and 30 hours through Kaliningrad. Passenger transport is dominated by car and buses, while the quality of the roads in the Polish part of the Programme area is far from being satisfactory. The existing highways in Lithuania and Kaliningrad do not form any system and are not connected with the network of European highways. To change this pattern there is a need to improve the roads and to encourage various public transport systems to co-operate. Equally important is the integration of the railway and long distance bus systems of Poland, Kaliningrad and Lithuania to allow smooth trips (e.g. from Gdańsk to Klaipeda with one ticket), so that cross-border tourist products would not be negatively affected by the accessibility barriers.

Border crossing points between Poland and Kaliningrad (3 road border crossing points and 3 railway ones) as well as between Lithuania and Kaliningrad (4 road border crossing points and 2 railway ones), are usually blocked by long queues. This is one of the main obstacles for a better integration of the Programme area. Therefore development of border crossing facilities (such as the newly constructed border crossing point Grzechotki-Mamonovo) is of primary importance. Passenger flows through Kaliningrad borders have been decreasing regularly since 2001 (from 3.97 million people between Poland and Russia in 2001 to 3.75 in 2006, and from 2.93 million people between Lithuania and Russia to 2.28 accordingly), while the truck traffic has sharply risen between 2001 and 2006. Economic and social developments in the Programme area will generate even more demand for enhanced transport in the future, so border crossings might become one of the main barriers for the regional economic development.

Further development of the regional economy requires also improvements in the density and quality of the telecom infrastructure (in particular in the rural areas), despite the huge advancements made in the recent years. Telecommunication development on the Programme Area depends also on the trilateral agreements between the participating countries. Its accessibility has a great impact on regional development in the long run, and it is an important barrier for equalizing educational opportunities of young people from urban and rural parts of the Programme area.

Numerous transport development and communication projects have been implemented within the INTERREG IIIB BSR Programme. Their results should be taken into account in the development of joint activities aimed at the improvement of accessibility in the Programme area.

3. STRENGTHS – WEAKNESSES – OPPORTUNITIES – THREATS (SWOT ANALYSIS)

The SWOT analysis has been prepared as the result of examining the socio-economic situation of the Programme area (Chapter 2), public hearings on the cross-border co-operation organised in Kaliningrad during the preparatory stage of elaboration of this Programme and as the result of the discussions of the Joint Task Force. The SWOT analysis has been structured in line with an extended notion of the sustainable development and it encompasses: economy, human potential, environment and geography as well as institutions (organizational preconditions for development).

STRENGTHS
<p>Economy:</p> <ul style="list-style-type: none"> ○ economic growth ○ competitive position due to relatively low labour costs ○ important maritime transport hub for respective countries ○ Kaliningrad as a gateway to the entire Russian market ○ Programme area as a convenient meeting place for Russian and EU businessmen ○ significant cultural heritage
<p>Human potential :</p> <ul style="list-style-type: none"> ○ increase of number of university students ○ high number of renowned universities and high schools covering nearly all aspects of sciences and humanities ○ substantial number of research institutions ○ relatively young population ○ substantial size of economically active population, ○ national and religious tolerance, lack of grounds for ethnic conflicts ○ great number of members of various organizations experienced in international co-operation
<p>Environment and geography:</p> <ul style="list-style-type: none"> ○ beneficial geographical situation (access to sea, occurrence of natural resources, mild climate, important junction of transport axes) ○ outstanding natural values that create favourable conditions for the development of tourism of all kinds and form important part of European natural heritage ○ lack of geographical (natural) barriers for cross-border co-operation
<p>Institutions:</p> <ul style="list-style-type: none"> ○ positive experience with cross-border co-operation, existence of joint transnational development programmes and cross-border institutions ○ positive impact of activities of the Russian-Lithuanian and the Polish-Russian Cooperation Councils ○ Fast growing networks and structures of trans-regional cooperation. including twinning activities and social and cultural initiatives ○ active participation in the CBC projects and co-operation networks; existence of information exchange networks on security, emergency situations and environment

WEAKNESSES
<p>Economy:</p> <ul style="list-style-type: none"> ○ non-competitive structure of regional economies, high share of employment in primary sector in many regions ○ problems with commercialization of research and scientific investigations ○ insufficient number of direct transport links between the region's urban centres, insufficient transport infrastructure in many parts of the Programme area ○ concentration of economic and social development in large cities with limited diffusion of development stimuli into the rural areas ○ lack of joint spatial planning as well as shared by all parties coordinated strategy of socio-economic development of the border territories ○ lack of cooperation in the tourism sector ○ insufficient infrastructure within the tourism sector that is well below international standards ○ insufficient number of border crossing points in some parts of the Programme area
<p>Human potential:</p> <ul style="list-style-type: none"> ○ problems of high unemployment in some regions of the Programme area, inadequate work opportunities in rural areas, especially for women ○ decreasing population in most parts of the Programme area ○ ageing population ○ despite still existing unemployment, a too narrow labour potential in some regions of the Programme area to attract FDI ○ long distances to major educational centres for the rural population and lack of opportunities to receive professional education in many remote areas resulting in unequal spatial distribution of workers with university diploma and low educational level of population in rural areas ○ shortages in the supply of technical and engineering professionals ○ inadequate support for socially vulnerable groups, insufficient control and prevention of socially important diseases ○ insufficient level of activity of local populations, local initiatives and local leadership, limited willingness of local population to participate in solving local problems ○ low mobility of population in some part of the Programme area
<p>Environment and geography:</p> <ul style="list-style-type: none"> ○ too high level of airborne and waterborne pollution ○ insufficient ecological infrastructure especially in the rural part of the Programme area but also in some cities ○ lack of proper treatment of household wastewater in some parts of the Programme area including Kaliningrad ○ eutrophication of the Baltic Sea and many lakes ○ relatively large distance between cities
<p>Institutions:</p> <ul style="list-style-type: none"> ○ insufficient effectiveness of marketing of the Programme area ○ differences in institutional culture ○ differences in administrative and institutional systems ○ differences in EU and Russian regulations and standards ○ incompatibility of data and problems with their proper exchange hampering coordinated monitoring of the socio-economic development of the Programme area

- administrative and legal barriers that slow down entrepreneurial development
- long waiting time for crossing borders in the Programme area, cumbersome border controls
- inadequate level of development of the civil society in the Kaliningrad Oblast
- corruption and organised crime in the Programme area

OPPORTUNITIES

Economy:

- better linking and integrating existing potentials within the Programme area
- supporting innovative SMEs
- better collaboration between SMEs and between SMEs and larger enterprises, supporting the SMEs internationalization and co-operation of business support institutions from different countries
- enhancing research networks linkages to enterprises and local and regional governments
- improved connectivity of the Programme area and development of the transport infrastructure
- development of cross-border manufacturing or service clusters
- enhancing public private partnership
- development of cross-border tourist products and infrastructure
- WTO membership- training and certification for SMEs

Human potential:

- promoting the development of life-long learning and new forms of learning
- tuning learning systems to the needs of the market
- growing importance of knowledge based economy
- strengthening civil society by building cross-border permanent networks between NGOs, local authorities and educational facilities, benchmarking, exchange of good practices and establishment of relevant institutions, people to people contacts and multi-annual sport and cultural events
- joint development of some innovative solutions for extending life expectancy and quality of life of citizens in the Programme area and preventing the outflow of young people
- growing interest in studying the languages of the neighbours
- improving living conditions in the Programme area

Environment and geography:

- pressure to reduce emissions to the atmosphere and water, building new and more effective sewage treatment plants and programmes for sorting and recycling of all waste
- monitoring the state of environment
- inclusion of the region's environmental benefits into the tourist offer
- Increasing investments in the renewable sources of energy, promoting the efficient use of available energy.

Institutions:

- Four Common Spaces
- strengthening good governance
- harmonisation of the policies suited for cross-border cooperation

- growing number of efficient (well equipped) border-crossing points
- improving co-operation at the regional planning level
- strengthening partnership between public authorities, NGOs and business sector
- Supporting local initiatives and local leadership and participation, improving transparency of local development process.
- developing knowledge based society
- improving cross-border coordination of activities of responsible bodies and structures in emergency situations

THREATS
<p>Economy:</p> <ul style="list-style-type: none"> ○ lack of cohesive regional policies at national and European level i.e. lack of funds for local (secondary) transport and ITC infrastructure as well as for education and environment preservation ○ unpredictable and often changing national laws on entrepreneurship, taxation and institutional factors affecting the business formation ○ lack of sufficient energy supply ○ lack of effective marketing of the Programme area, ○ economic slow-down in EU or/and Russia, increased competition from other low labour costs countries ○ WTO induced competitive pressure on Russian SMEs in Kaliningrad forcing them to move to mainland Russia, and depriving of existing fiscal preferences
<p>Human potential:</p> <ul style="list-style-type: none"> ○ deepening economic stratification of the society and cross-border differences in the price levels ○ increasing differences in quality of the life between urban and rural areas ○ risk of brain drain and outflow of people to more central parts of each country as well as to the other countries ○ social tension, drugs, crime and other negative social phenomena
<p>Environment and geography:</p> <ul style="list-style-type: none"> ○ climate change – more frequent natural hazards and disasters ○ pursuing competitiveness based on lower ecological standards ○ pollution of the Baltic Sea and rivers in the Programme area
<p>Institutions:</p> <ul style="list-style-type: none"> ○ lack of political trust ○ possible worsening relations influencing the conduct of the Programme ○ complication of the visa procedures hampering cross-border contacts and flow of tourists as a result of extending Schengen Treaty towards Lithuania and Poland ○ centralization of the power and finances in the capitals ○ insufficient institutional capacity to curb organised crime ○ insufficient coordination and development of regional policies

4. LESSONS LEARNT

The INTERREG IIIA/Neighbourhood Programme for Lithuania, Poland and the Russian Federation's Kaliningrad Region (2004-2006) is a precursor of this Programme.

4.1. Project breakdown by measures

Six Calls for Proposals (CfP) were launched under the INTERREG IIIA/Neighbourhood Programme. The two first calls were only INTERREG ones. The last call was organised only for TACIS projects. More than 350 proposals were submitted. Most of these – more than 35% – were received from the Polish Warmińsko-Mazurskie region. On the Lithuanian side, the Alytus county was the most active – ca 9% of proposals. 162 projects were approved for contracting (see table below).

Measure	INTERREG projects	INTERREG/Tacis projects	Tacis projects	Total
1.1	13	5	8	26
1.2	15	0	0	15
1.3	5	4	5	14
1.4	12	1	3	16
Priority 1	45	10	16	71
2.1	41	9	5	55
2.2	30	3	3	36
Priority 2	71	12	8	91
Total	116	22	24	162

71 projects addressing Priority 1 (Competitiveness and productivity growth of the cooperation area through development of cross border infrastructure and border security, economic and scientific/technological cooperation) were contracted, and 91 addressing Priority 2 (Contribution to the cooperation between populations, socio-cultural integration and the labour market). The breakdown according to the individual Measures for contracted projects is the following:

- Measure 2.2 Regional cultural identity and cultural heritage - 36 projects
- Measure 2.1 Support of local societies' initiatives - 55 projects
- Measure 1.1 Stimulating of economic and scientific/technological cooperation - 26 projects
- Measure 1.2 Improvements in physical and border security infrastructure to encourage development of the border area - 15 projects
- Measure 1.4 Development of tourism and tourism infrastructure for development of cross border tourism and recreation as well as improvement of cultural heritage objects of cross border importance - 16 projects
- Measure 1.3 Environmental protection and growth of energy efficiency and promoting renewable energy sources - 14 projects

The most characteristic features of the prior INTERREG IIIA/Neighbourhood Programme implementation are the following:

1. There was a larger demand for projects directly addressing socio-economic development and its problems than for projects dealing with social issues - culture,

- people to people contacts, sport etc. – Priority 1 received more proposals, than Priority 2.
2. The majority of the infrastructure projects have focused on environmental protection and tourism development.
 3. Permanent partnerships have been formed with the assistance of CBC. For example, Alytus city and Suwałki, Alytus county and Puńsk, Lazdijai and Puńsk submitted numerous joint proposals.
 4. There has been a lack of projects in the research and technology sector. There are few organisations/institutions in the eligible area (especially on the Lithuanian side) that are active in the sector.
 5. The most interesting proposals were submitted for Measure 1.4, of which all money were spent and even ca 1 million EUR was shifted from Priority 2.
 6. Also projects submitted for Measure 1.1 have demonstrated relatively high quality; however, their quantity was below expectations.
 7. Proposals submitted for Priority 2 were more in line with the quality requirements (46 percent success rate) than those for Priority 1 but the number of high quality projects was anyway not sufficient for spending of all funds available under Priority 2.
 8. The owners of the soft projects have had serious problems with their timely implementation.

The breakdown of 46 Joint Interreg/ Tacis and TACIS projects can be explained as following:

1. The majority of projects have focused on the development of economic and scientific & technological cooperation and support to local societies/ initiatives in the sphere of culture.
2. The lack of projects for the measure 1.2 can most probably be explained by the uncertainties regarding the share of responsibilities between regional and federal relevant bodies in Russia in this sphere.
3. Less impressive figure on tourism projects is reflecting the fact that most of Interreg money for that particular priority was “distributed out” at the earlier stage of the calls (first and second Interreg calls), therefore no money were available for arranging joint Interreg-Tacis projects in this field when Russian partners could join the projects. According to the statistic from LSO, there was a stable interest from those seeking consulting on tourism projects during the whole submission stage.

4.2. Conclusions for the future programme

The main lessons learnt to be taken aboard for the new period are the following:

1. **Implementation - the implementation structure of the Neighbourhood Programme Lithuania-Poland-Kaliningrad Region of the Russian Federation 2004-2006 has been too complicated.** Additionally, complicated procedures within the Programme, sometimes, have resulted in duplication of the activities taken by institutions in Lithuania and Poland. Also difference in procedures for Interreg-Tacis and existing contradictions between Tacis and ERDF financial procedures have created an additional work load for co-ordinators and partners of the projects. Within the prepared Programme ENPI CBC 2007-2013 it is projected to have one set of rules and the implementation structure would be simplified, which should result in more efficient implementation of the Programme.
2. **Too complicated documents (inter alia application form) and procedures for beneficiaries.** The application form has required too many efforts to be filled in properly.

3. **Too demanding threshold of national co financing.** Requirement of 10 percent of co-financing, as well as the relatively high minimum limit for the project budget (50 000 EUR) phased out many local NGOs as the project partners from the Kaliningrad Region of the Russian Federation.
4. **The language issue and communication between project's partners.** During the proposals preparation phase, the partners often do not understand each other's documents; there is a general lack of communication. Sometimes coordination within project activities is not sufficient which resulted during the implementation phase of the project in problems with timely financial settlement of projects. It is suggested to avoid these kinds of shortcomings by encouraging the project partners to actively take part in the project and signal all kind of problems in implementation to the JTS or JMA.
5. **Evaluation of the projects** During the evaluation phase, one of the two evaluators reads an English language summary, which often does not reflect the substance of the project, which might influence on the final assessment. It is essential that all evaluators will assess the full application in the ENPI CBC programme.
6. **Difficulties related to conversion of data.** Within the prior INTERREG IIIA/Neighbourhood Programme the applicants had the possibility to submit the AFs in English or in national languages. In consequence, the eligible costs were given in Euro or in national currency. It caused the necessity of converting some values with different exchange rates. Therefore in prepared Programme ENPI CBC 2007-2013 all budget should be calculated in Euro.
7. **Regional branch offices** - information must be better guaranteed by the JTS and Regional (Contact) Info Points as well as better mechanisms of co-operation between them and the Joint Technical Secretariat should be installed. It is also crucial to improve the publicity of the programme in particular distribution of information regarding the programme in the hinterland regions and maybe to simplify the collection of project proposals (to arrange a local collection of applications).
8. **Micro projects** - there is a need to establish a sort of micro project fund/facility, covering the entire programme region. That is why a special horizontal mechanism for micro projects is foreseen within the new ENPI CBC Programme 2007-2013.
9. **Priority areas of co-operation.** According to Russian partners the most welcome spheres of future co-operation would be *inter alia* natural environment (with emphasis on cooperation at municipal level), culture, tourism, IT, health of population, more active introduction of modern means of communication into the teaching process, cooperation of municipalities.
10. **Partnership.** According to Russian partners *inter alia* the following issues should be strengthened under the future ENPI CBC programme: more active involvement of authorities (primarily, the regional ones) in project activities, the dialogue between authorities and society, participation of social organizations in the Programme.
11. **Relations between projects.** There is a need to establish some stable frames for exchanging experience between projects and securing cooperation between projects of the Neighbourhood Programme (CBC), Tacis (ENPI) projects and this ENPI CBC Programme.
12. **The need for wider exchange of information and assistance from the part of Russian authorities** – particularly in the issues of financial reporting and support to public organizations. Generally, better ways and methods of communication and

exchange of information between the institutions responsible for implementation of the Programme and projects should be elaborated.

The mentioned lessons learnt will be taken into account in preparation and implementation of the Lithuania-Poland-Russia 2007-2013 Programme.

5. STRATEGIC FOCUS AND OBJECTIVES OF THE PROGRAMME

The socio-economic analysis of the border region (Chapter 2) and the SWOT analysis (Chapter 3) have revealed that the most characteristic features of the Programme area are: an exclave character of the Kaliningrad region, a peripheral character of a majority (with few exceptions) of the Programme area's regions both from the European and the national perspective, as well as the existence of important developmental potentials hardly linked together. All those aforementioned problems and challenges, coupled with possible synergetic effects out of the more intensive co-operation, outline good opportunities to develop cross-border operations in the future among Lithuania Poland and Russia.

The role of the Programme is to help in overcoming these challenges and removing development barriers. The vision shared by the authorities engaged in this programming effort is that the Programme area should become the node of East-West and North-South transport axes and trade and tourism routes. Further, it should evolve into a cross-border region of mutual understanding between the neighbours working together to develop or maintain the most important developmental assets of the area, such as natural and cultural heritage and human capital (in particular entrepreneurship). In line with the analysis of the present situation the assistance shall remove obstacles to effective cross-border co-operation and provide favourable conditions for linking potentials over the national borders and to safeguard good social, cultural and natural environment for the residents, tourists and investors in the Programme area.

In the context of the EU Regulation No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument, the Programme intends to develop a zone of shared stability, security and prosperity, involving a significant degree of economic social and political co-operation. The focus will be on joint projects/efforts involving local and regional authorities, SMEs associations, NGOs and the general public. The project will contribute to building mutual trust and progressive regional economic integration in line with principles of subsidiary and sustainability.

The overall objectives of the Programme resulting from the SWOT analysis are therefore the following:

- Promoting economic and social development on both sides of the common border,**
- Working together to address common challenges and common problems,**
- Promoting people to people co-operation.**

The objective of ensuring efficient and secure borders is also important for the Programme Area. However, since the existing borders are sufficiently secure, the focus should be on making them more efficient. Those aspects are partially covered by the listed above objectives in particular the one dealing with common problems and challenges. They are also present in the Programme Priorities.

While implementing the Programme objectives special attention should be paid to the synergetic effects of matching the ENPI CBC interventions with the ERDF interventions (ETC programmes) addressing the same territory.

6. PROGRAMME PRIORITIES

Taking into account the SWOT analysis and lessons from previous programmes, as well as having in mind the EU Strategy Paper 2007-2013 and Indicative Programme 2007-2010 on Cross-Border Cooperation within European Neighbourhood & Partnership Instrument the Programme will be implemented through two thematic priorities and the horizontal priority dedicated to people-to-people cooperation.

Priority	Measure
1. Contributing to solving common problems and challenges	1.1 Sustainable use of environment 1.2 Accessibility improvement
2. Pursuing social, economic and spatial development	2.1 Tourism development 2.2 Development of human potential by improvement of social conditions, governance and educational opportunities. 2.3 Increasing competitiveness of SMEs and development of the labour market 2.4 Joint spatial and socio-economic planning
Horizontal priority dedicated to people-to-people cooperation	

Under the two thematic priorities (and under the horizontal priority) the following **beneficiaries** will be welcomed to come up with cross-border co-operation projects:

- local and regional authorities in the border regions concerned, their associations and organizational entities of local and regional authorities having legal personality,
- non-governmental organisations and non-profit organisations active in the fields relevant to the Programme priorities,
- educational, research and training institutions, universities, legal persons running such institutions,
- state organisations/institutions,
- other public organizations and entities active in the fields relevant for the Programme priorities.

Priority 1: Contributing to solving common problems and challenges

Strategic orientation

As a result of the socio-economic analysis, it is clear that the main problems of the Programme area are the preservation of natural heritage (Measure 1) and ensuring better connectivity (Measure 2). The actions under these two measures are aimed at creating a long term preconditions for sustainable development and territorial cohesion of the Programme area. Some of them would be of an investment character. i.e. aiming at preparation and implementation of investments. Such projects should be of a pilot nature (i.e. their experience should be important for and applicable in the other parts of the Programme area). Therefore such projects should have a strong promotional component ensuring proper dissemination of the knowledge and experience acquired. The broader partnership in such dissemination activities compared with the core (infrastructure oriented) actions would be strongly recommended.

Measure 1.1. Sustainable use of environment

High quality natural resources, national and regional parks and rich biodiversity are an important landmark of the Programme area. The environmental sector is of great socio-economic importance in terms of stimulating the local economy and employment, particularly in tourism/recreational activities. However, the local environment still suffers from serious and still unsolved problems, causing threats both to the stability of economic development and to social welfare. Therefore, the focus should be placed on jointly addressing the Gothenburg Agenda objectives, in particular by diminishing the discharge of untreated waste waters, improving the quality of waste management and curbing air pollution by different measures, including energy saving and energy efficiency measures enhancement of bio-energy production and other preventive types of activities. By preparing (and piloting) investments in e.g. such fields as bio-energy or wind power energy, the programme may contribute to the decrease of the green-house effects. The Programme is an adequate tool for sharing knowledge and developing joint action plans on renewable energy sources and energy saving. Sustainable development of the Programme area requires also actions to improve awareness of the general public about the value and importance of sustainable consumption (e.g. through eco-labelling). Such consumption should in consequence lead to more environment friendly production as well.

The list of indicative actions under each measure is not exhaustive and closed and its aim is to signal examples of actions that could be financed in the Programme.

Indicative actions:

- Sustainable cross-border waste water and waste management solutions including investments in modern waste water and waste management, in particular those improving directly and indirectly quality of the water of the Baltic Sea, as well as joint cross-border actions aiming at decreasing the outflows of nutrients from small and diffuse sources,
- Air and water monitoring, establishment of cross-border systems of exchange of environmental data and local investments diminishing air pollution of cross-border character,
- Actions for land rehabilitation for sustainable use,
- Development of cross-border strategies for preservation and use of natural and cultural heritage sites and landscapes and traditions for local and regional development,
- More efficient use of energy and the promotion of renewable energy sources thus reducing the harmful impact on the environment and resulting in lower energy consumption (including in terms of costs), preparation and implementation of joint action plans for promoting renewable energy sources and energy saving and energy efficiency patterns, including small-scale investments; improvement of energy management systems,
- Competence building and co-operation between local and regional authorities in the field of local contingency planning.

Measure 1.2. Accessibility improvement

As shown in the analysis, the **connectivity** is an important weakness of the Programme area. A good point of departure for further investigations is provided by transport development projects in the South Baltic area co-funded by the Baltic Sea Region Interreg IIIB Neighbourhood Programme, such as South Baltic Arc or Baltic Gateway. The

programme can further analyse the supply and demand sides of the transportation services and provide incentives for improvement of passenger transport services in the Programme area.

However, the scale and magnitude of the assistance under the current programme are not sufficient to allow for implementation of a large scale transport infrastructure of national importance. Therefore the focus should be on practical solutions and on small-scale investments. Priority will be given to development of the existing border crossing points and the new ones for local residents and tourists (water, bike and pedestrian points) as well as local roads offering important cross-border effects and influence. Equally important is to integrate various transport modes and transport operators to make the passenger and cargo transit through the Programme area faster and more customer-oriented. Such solutions as a single ticket for several modes of transport, booking of transport services over the borders, speeding up of the custom and border control procedures in passenger transport, planning new cross-border bus, train and ship connections would be welcome. All initiatives and efforts improving transport accessibility shall be based on environmentally friendly solutions.

Indicative actions:

- Investments in border crossing points serving mainly tourists and local population and improvement of existing border crossing points.
- Improvements of the local⁸ transport infrastructure offering substantial cross-border impact and influence or improving external and internal accessibility of the Programme area.
- Preparation and implementation of the transport and infrastructure plans as elements of broader strategies of development of the areas on both sides of the border,
- Preparation and implementation of feasibility studies for transport bottlenecks and missing links hindering formation of a coherent multimodal transport system in the Programme area based on a prioritised list of investments offering the strongest cross-border effect and influence,
- Joint actions of infrastructure owners, cargo owners, border and custom administration and traffic operators dedicated to quality improvement of transport connections and better co-operation between different modes of transport and transport providers,
- Provision of practical solutions to increase sustainability and quality of passenger transport services in the Programme area.

Priority 2: Pursuing Social, economic and spatial development

Strategic orientation

As a result of the socio-economic analysis, it is clear that the main potentials of the Programme area are the human capital and tourism. The region might also be a laboratory for co-operation between the EU and Russia in innovation fostering and development. However, the socio-economic potentials of the Programme area are fragmented by the existing borders and are poorly bound with one another by means of the transport infrastructure and regional development policies. As described in the analysis of the present situation, these factors speaks for coordinated effort in socio-economic and spatial planning (Measure 4) as well as

⁸ Local infrastructure means the roads of municipal, county and regional importance as well as railway lines which provide access to national roads and railways leading to border crossing points

development and management of key assets of the Programme area: labour, entrepreneurship and innovativeness (Measure 3), human potential and social capital (Measure 2) and tourist attractions (Measure1). Such approach will improve integration of the Programme area by focusing energy and resources of the people around joint tasks with clear synergetic effects and benefits for all co-operating parties (win-win situations). It will contribute to diminishing discrepancies indicated in the analysis and will pave the way for market forces to strengthen the efforts of the public agents in the further course of development of the Programme area. Taking into account the limited funds of the programme, activities with hardly cross-border impact and/or possible for implementation without cross-border approach should not be funded (e.g. renovation of cultural heritage of local importance only).

Measure 2.1. Tourism development

Tourism plays an important role in the economy of the Programme area and demonstrates the potential to be even more developed due to the high quality of the natural and cultural heritage and traditions (e.g. food, dances, festivals etc.). Tourism creates essential opportunities especially in coastal and rural areas. However, underdeveloped tourism infrastructure as well as low transport accessibility were identified as one of the main weaknesses in the sector, seriously hampering its growth and limiting the number of incoming and local tourists. Also, poor marketing, lack of integrated tourist products, lack of proper labelling and certification makes the Programme area less attractive especially for foreign tourists. Therefore it is important to develop both tourism infrastructure and diverse and attractive tourist products. Equally important is a better dissemination of tourism information and promotion of the joint tourist products. Development of the tourism infrastructure should be treated as a shared responsibility of the public and private sector. Public sector should focus on accessibility of the assets or restoration of cultural sites, whereas private sector should improve quality and availability of accommodation and catering services. The method of labelling and certification can be an important instrument to that end.

While implementing tourist-related actions, environmental sustainability shall be taken into account to prevent degradation of the territory, large parts of which are protected under NATURA 2000 directives (Directive of the Council 79/409/EEC on conservation of wild birds and Directive of the Council 92/43/EEC on the conservation of natural habitats and of wild fauna and flora).

Indicative actions:

- Joint creation as well as preparation and implementation of feasibility studies on cross-border tourist products (e.g. cross-border thematic routes cross-border agro tourist products) respecting protection needs for natural and cultural heritage,
- Preparation and implementation of small-scale investments enhancing tourism infrastructure in the Programme area (e.g. joint IT systems for presenting and selling common tourist products, restoration of the local cultural heritage sites as part of the broader cross-border tourist product, improving access to the sites whenever found necessary for creation of common cross-border tourist products, construction of missing fragments of the bike routes of cross-border character, or marinas complementing the existing chain of the marina network of the Programme area),
- Renovation of the culture heritage infrastructure, which leads to creation of a tourist attraction for the whole Programme area,
- Joint actions promoting common tourist products,
- Joint labelling and certifying of tourist destinations.

Measure 2.2 Development of human potential by improvement of social conditions (sphere, sector etc.) governance and educational opportunities.

The educational system is important for eliminating mental and cultural barriers for integration of the Programme area. However, due to the limited resources only projects with high and clear multiplier effects may be supported within this theme. The pure exchange of students or teachers done at ad hoc basis should be avoided as well as projects limited to scholarship granting. A joint work on new forms of education, on readjustment of the educational systems and curricula in response to the changing requirements of the labour market will be promoted. Equally important is developing and spreading out in the participating regions the knowledge on the neighbours from the other side of the national border. The programme can also look at the accessibility of educational centres and cater for expansion of the educational infrastructure (wherever it is economically justified) and for new forms of education (e.g. e-learning) in order to facilitate the access to education at each level.

While enhancing cross-border integration attention should be paid to the social **sphere**. Decreasing mental barriers and prejudices is impossible without cultural exchange. Combating communicable diseases is an important task in the Programme area. It is also necessary to orientate the co-operation schemes in the social sphere towards key issues essential for **civil society** formation such as: combating social exclusion, local community and democracy development, efficient provision of social and health services, intercultural dialogue and understanding, promotion of equal opportunities, increasing working mobility, exchange of culture and, last but not least, prevention of pathology among young people.

Good governance is an important prerequisite for removing barriers of cross-border integration. Co-operation on governance will also contribute to establishing a political of mutual trust, the lack of which was mentioned as an important threat for the long term integration of the Programme area. As a consequence of the personal contacts between concrete peoples from regional and local authorities from both sides of the borders a mutual learning should appear. If successful such co-operation will lead not only to the exchange of good practices or competence building through benchmarking but also to policy coordination, whenever this might be beneficial for the development of the Programme area (e.g. combating organized crime).

Indicative actions:

- Development of practical solutions to improve the accessibility of educational centres and the availability of new forms of education (e.g. e-learning, exchange courses for researchers) covering problems of joint importance for the Programme area,
- Multi-annual programmes for teachers and researchers to learn about the development of the neighbouring cross-border regions and to share this knowledge on a more permanent basis with students and other teachers and researchers in their home institutions,
- Improvement of the quality of education and increase of accessibility to lifelong learning through joint cross-border efforts,
- Joint efforts in adjusting the educational systems to the changing demands of the labour markets,
- Co-operation in the field of health care, in particular joint common actions for TB and AIDS control, preventive programmes, education for good health, e-health care,
- Strengthening social and cultural integration of border territories,
- Preparation of pilot and innovative projects focusing on common social challenges such as: innovative forms of services for the elderly and socially vulnerable groups of population, preventing youth migration,

- Strengthening local democracy and civil society formation e.g. participation of people in decision making and development at local level, local community and democracy development, combating social exclusion, efficient provision of social services, intercultural dialogue and understanding, promotion of equal opportunities, youth inclusion,
- Strengthening good governance, in particular enhancement of participatory strategic socio-economic planning and programming,
- Coordination of regional and local government policies in the field of combating organized crime.

Measure 2.3. Increasing competitiveness of SMEs and development of the labour market

The development of the programme area, at least on the EU side, is dependent on a **sound and active SME sector**. In Kaliningrad as well as in some regions of Poland and Lithuania larger enterprises play a more prominent role. This is an excellent opportunity for searching for synergies between large and small firms. Despite restriction in granting support to private entities the Programme may still enhance the entrepreneurial development by supporting platforms and networks for liaising between the area's small and middle-sized enterprises. It can also enhance co-operation between intermediary support structures for SMEs aimed at strengthening cross-border co-operation of the business sector. The Programme can also support the improvement of the effectiveness of the research and development (R&D) system to make it more oriented towards the business community and more responsive to public policy needs. Equally important for business development are marketing campaigns to attract foreign direct investments, the improvement of the labour market and the availability of updated and reliable information necessary for settling down new businesses.

Indicative actions:

- Strengthening of intermediary support structures for SMEs (development agencies, business foundations, chambers of commerce and industry, chambers of crafts, technological parks, business incubators etc.) and SME networks for better liaising between small and medium sized enterprises in the Programme area,
- Joint initiatives of intermediary support structures for SMEs aimed at improving cross-border co-operation of SMEs,
- Enhancement of research networks (universities and R&D institutions) towards their better linkages to enterprises and local and regional governments,
- Joint innovation fostering and development,
- Stimulation of trade and investments by joint training and marketing,
- Development and pooling of labour market in border areas e.g. through the creation of common data bases, joint training etc.,
- Strengthening the development of rural areas in the Programme area by training of farmers, organisation of exchange of experience for them on diversification of rural activities, realisation of demonstration projects.
- Promotion of a temporary exchange of the professionals with the specific skills and qualifications to transfer the know-how and good experience missing in the recipient region.

Measure 2.4 Joint spatial and socio-economic planning

More complex projects focusing on preconditions for the sustainable development of cross-border functional areas and addressing simultaneously several fields, like: business, tourism development, as well as sustainable use of environment and/or connectivity might be welcome under this measure. Some projects might facilitate implementation of the previously agreed cross-border strategies for the most sensitive cross-border areas requiring integrated (multisectoral) and joint interventions on both sides of the borders. Typical examples of such areas are Vistula/Kaliningrad Lagoon, Curonian (Kuršių) Lagoon, Nemunas/Niemen/Neman delta calling for joint management plans.

Indicative actions:

- Development of cross-border sea use plans, such as: Vistula/Kaliningrad and Curonian (Kuršių) lagoons,
- Spatial planning and socio economic planning of functional cross-border areas in particular rural areas,
- Cross-border coordination of regional and local socio-economic strategies and spatial plans,
- Practical actions in support to joint planning,
- Joint researches for regional development.

There will be also a horizontal priority within the Programme devoted to the **people to people co-operation** and implemented through so called micro-projects. Such projects are essential to bridge people in order to lower mental and cultural barriers for integration. However, such people-to-people actions might also bring important synergetic effects accelerating sustainable growth in the Programme area in the long run. The implementation of this kind of activities in the Programme area started in 1994. One of the tools was PHARE Small Project Facility. Then the actions were undertaken through the Small Project Fund operating in Poland and Lithuania. Both programmes were warmly welcomed by the local populations. Under the Neighbourhood Programme Lithuania-Poland-Kaliningrad Region of the Russian Federation 2004-2006 actions on the local level were implemented within the measure 2.1 *Support for the local community initiatives*. However there was no special mechanism foreseen for the micro-projects.

The programme will offer ground for developing co-operation networks at the cross-border level with broad involvement of local communities, NGOs and the media. The programme will support efforts to create a broader anchoring of the cross-border co-operation with the involvement of a broader public. The general purpose of supporting local initiatives is the development and intensification of cooperation between communities on both sides of the border, that in the future should improve the situation in the fields of culture, education, tourism and sports as well as in the social and economic spheres. Such networks will materialise the institutional co-operation that has often been conducted for a long time, but there were no formal financial instruments supporting it. Thanks to micro-projects, the promotion of social and economic activities and consequently the creation of better conditions for the further development of the border region will be achieved. Foreseen actions will aim at strengthening the regional identity and mutual understanding, as well as overcoming the existing barriers. The success of the Programme will be possible only when local communities cooperate in as many areas as possible on a regular basis, establishing durable contacts and networks. However, an important prerequisite is that the contacts established through the assistance will be of a durable (non-ad hoc) character, contributing to the integration of the Programme area even after the project completion.

In order to promote micro-projects, under each priority an indicative amount of money will be reserved for them by decision of the Joint Monitoring Committee. The micro-project will be mainly identified by the size of the budget, and their people to people character. Under those projects a leadership first of all of euroregions, local governments, non-governmental organizations, education facilities and religious congregations is expected. Special credit will be given to projects of innovative character (with none or hardly any replication of previously implemented actions) and those creating durable co-operation networks to be continued after the project closure. To facilitate the management of the micro-projects within the Programme, so called umbrella projects, run by experienced partners and composed of smaller projects unified by a common theme, will be welcomed.

Technical Assistance

Technical Assistance (TA) is essential for providing effective implementation of the Programme. The assistance aims to provide with a high quality service of managing and implementing institutions. It covers expenditure associated with the preparation, follow-up, monitoring, auditing and evaluation activities directly necessary for the implementation of this Programme and for the achievement of its objectives, e.g. studies, meetings, information, awareness-raising, publication and training activities, including training and educational measures for partners enabling them to take part in the various stages of the programme, expenditure associated with computer networks for the exchange of information and any other administrative or technical assistance expenditure that the Joint Monitoring Committee may decide for the management of the Programme. Also activities foreseen in the Information and Communication Plan (Annex 2) will be financed from the TA budget.

Under technical assistance expenditure shall be eligible to cover costs incurred by the Joint Managing Authority for managing and implementing of the programme in line with the principle of sound financial management and the principles of economy, efficiency and effectiveness. The operation of the Joint Technical Secretariat (JTS) shall be financed from the technical assistance budget as well. Some costs of the Lithuanian and Russian Ministries will be covered by the Programme's TA budget ("travels, training and other eligible action") as agreed by all programme partners.

7. COHERENCE WITH COMMUNITY POLICIES AND OBJECTIVES

The Programme is an important complement to existing and foreseen national, regional and sectoral initiatives covering parts of the Programme area. The Programme will add a cross-border dimension to those initiatives, looking at the Programme area development from a comprehensive socio-economic, environmental and cultural perspective. For instance jointly prepared and agreed investments under the cross-border projects may be placed in the project pipeline for national and regional programmes such as convergence programmes on EU side of the border and ENPI national component in Kaliningrad. The multiplier and leverage effects of the Programme vis a vis other initiatives will stem from know-how exchange, benchmarking and transfer, as well as exposure to new ideas and solutions which are core elements of cross-border co-operation.

ENPI strategy and regulations

The Programme is consistent with the **REGULATION (EC) No 1638/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL** of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument. Thematic scope of the Programme derives from the description of the scope of the community assistance provided for in Article 2 of the aforementioned Regulation.

The Programme is in line with the “ENPI CBC Strategy Paper 2007-2013 and Indicative Programme 2007-2010 The Programme aims at strengthening relations between Poland, Russia and Lithuania through enhanced bilateral and trilateral relationships, as it offers assistance that will stimulate economic and social development in the whole Programme area. This aims at mobilising commitment of partners as regards issues beneficial for the Programme area, such as: building of mutual trust, supporting SME co-operation, development of tourist products, cleaning environment etc.

The core priorities the Programme are consistent with the four objectives detailed in the ENPI CBC Strategy Paper 2007-2013 and Indicative Programme 2007-2010 (see table below).

Table 1. Consistency between CBC ENPI objectives and measures of the Programme

General objectives of the CBC ENPI programmes	Objective 1: Economic and social development	Objective 2: Common challenges	Objective 3: Secure and efficient borders	Objective 4: People to people co-operation
Measures of the programme				
Measure 1.1. <i>Sustainable use of environment</i>		X		
Measure 1.2. <i>Accessibility improvement</i>	X		X	
Measure 2.1. <i>Tourism development</i>	X			
Measure 2.2 Development of human potential by improvement of social conditions (sphere, sector etc.) governance, and educational opportunities	X	X		X
Measure 2.3. Increasing of competitiveness of SMEs and development of labour market	X			
Measure 2.4 <i>Joint spatial and socio-economic planning</i>	X			

EU’s strategic partnership with Russia

Cross border co-operation is an integral part of the EU-Russia Strategic Partnership, with its four Common Spaces and associated road maps and with an expression of this partnership ideas set out in the **Northern Dimension** Policy. The programme is in line with

the Four EU-Russia Common Spaces. Three out of four spaces i.e. common economic space; common space of freedom, security and justice; and a space of research and education, including cultural aspects, have been highlighted in the Programme. Those three spaces are the most relevant fields of co-operation at the local and regional level.

The bilateral basis for EU relations with Russia is *The Partnership and Cooperation Agreement* (PCA) which came into force on 1 December 1997 for an initial duration of 10 years. The June 2008 EU-Russia summit marked the launch of negotiations on a New Agreement to replace the current PCA.

The provisions of the current PCA cover a wide range of policy areas including political dialogue; trade in goods and services; business and investment; financial and legislative cooperation; science and technology; education and training; energy, nuclear and space cooperation; environment, transport; culture; and cooperation on the prevention of illegal activities. All these form the core of the current Programme.

In fact the Programme addresses also a majority of the key priority themes, which have been identified under the Northern Dimension for dialogue between the EU (its member states) and the Russian Federation.

EU's Russia country strategy paper 2007-2013

The main interests of the EU in Russia lie in fostering the political and economic stability of the Federation; in maintaining a stable supply of energy; in further co-operation in the fields of justice and home affairs, the environment and nuclear safety in order to combat 'soft' security threat.

Because Kaliningrad Oblast is surrounded by EU Member States, the EU maintains a particular interest in the region. Its objective is to ensure that the socio-economic potential of Kaliningrad and the surrounding region is fulfilled. And this is also a key task for the current Programme.

In the National Indicative Programme 2007-2010 RUSSIAN FEDERATION the priority has been given to the implementation of the common spaces and to the development of Kaliningrad through a reduction in corruption and organised crime, the improved governance of Kaliningrad, and the improvement of the environment and health issues. The ENPI CBC programme Lithuania-Poland-Russia will bring local and cross border perspective to the implementation of those tasks and will offer leverage effects by facilitating the use of Polish and Lithuanian experience.

Main EU strategies

The Programme is also in line with the **Lisbon strategy** of the European Union, as it focuses on education and innovation, creation of more and better jobs (in terms of skills required and added value produced) and fostering entrepreneurship.

The Programme strategy, priorities and indicative actions are well in line also with the **Gothenburg strategy**. The sustainable use of the environment is among the core thematic fields to be supported by the Programme interventions.

Main EU principles

The principle of the **sustainable development** (understood as meeting the needs of the present generation without compromising those of future generations) as set out in the EU

Treaty has been highlighted in the Programme as a horizontal objective. Compliance with sustainable development principle will be verified during the project selection procedure and during monitoring of the projects implementation.

The Programme will also support **equal opportunities** in order to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation. This will be done in a dual form. Firstly, the equal opportunities perspective will be requested in all projects supported by the Programme. It will be incorporated into the project selection procedure, i.e. the beneficiaries of the projects should demonstrate that the equal opportunities principle is respected and promoted during the implementation of their operations. Secondly, the implementation of the Programme as such will pay attention to the equal opportunity principle by ensuring a lack of discrimination in the Programme decision-making procedures, the search for external expertise and hiring of the staff.

Cross-border character of the Programme

The Programme will also pay attention to the **CBC principles**. Therefore all operations must:

1. Have a clear element of partnership, co-operation or joint activity across the border,
2. Be of local or regional importance; and in the case of large scale project improve possibility for co-operation between regions and municipalities from participating countries or address their main developmental challenges,
3. Be implemented by at least two eligible partners: at least one from EU, member state and at least one from Kaliningrad Oblast.

The mentioned above requirements are translated into the project selection criteria. To secure the Programme focus on the core Programme Area the beneficiaries from the adjacent areas might participate only in projects in which at least two partners from different countries come from the core part of the Programme Area. The allocation of the EU grants from the Programme budget to the partners outside the core part of the Programme Area should not exceed 20 percent of the total ENPI funding allocated to the Programme for the years 2007-2013. Additionally the partners from the adjacent regions cannot be the Lead Partners of the projects.

Equally important is to ensure **durability of the programme outcomes**. Therefore at the selection stage the potential applicants will be asked to present evidences that the operations started within the Programme framework will continue after the project closure that the results achieved will last much longer then the Programme implementation time horizon. Durable and continuous economic, social and ecological benefits will be criteria to be observed in selecting operations for funding.

8. COHERENCE WITH NATIONAL STRATEGIC REFERENCE FRAMEWORKS AND OTHER STRATEGIC DOCUMENTS

The jointly developed priorities set in this ENPI CBC Programme are complementary to the wider development priorities of the countries whose territories fall into the Programme area. The programme is fully compliant with main Russian, Lithuanian and Polish strategies and programmes, such as:

- Long Term Development Strategy for the State (Lithuania),
- National Development Strategy for 2007-2015 (Poland),

- Federal Special Programme of the Social and Economic Development of the Kaliningrad Region,
- The Programme of Social and Economic Development of the Kaliningrad Oblast for 2007-2016
- National Reference Frameworks for Poland and Lithuania

The ENPI CBC Programme also takes into consideration regional development strategies of the participating regions.

The Polish National Development Strategy 2007-2015 (NDS) – approved by the Council of Ministers on 29 November 2006 – is the principal strategic document defining the goals and priorities of social and economic development of Poland up till 2015 and the conditions that should ensure this development.

The ENPI CBC Programme will contribute directly to the implementation of all the priorities, in particular to the priorities on growth and employment and on regional development and territorial cohesion

The Lithuanian Long-Term Development Strategy – adopted by the Lithuanian Parliament in November 2002 – provides an assessment of the situation in the country, outlines a vision of the Lithuania development and settles development objectives and main priorities for the long-term development (till 2015) of the country.

The Programme complies with a number of objectives of the Strategy in various sectors, in particular: culture, environmental protection, social security, health, business, industry, energy, rural development, regional development and tourism.

The Programme of Social and Economic Development of the Kaliningrad Oblast for 2007-2016 was developed in 2006 and adopted by the Law of the Kaliningrad Oblast No. 115 of 28 December 2006. The Programme aims at achieving the objectives laid down in the Medium- and Long-term Strategy of Social and Economic Development of the Kaliningrad Oblast. The ENPI CBC Programme will contribute to the implementation of all the tasks and objectives of this document including improvement of life standards, competitiveness and governance system in Kaliningrad Oblast.

The ENPI CBC Programme also adheres to the aims and the main priorities of the **Federal Special Programme of the Social and Economic Development of the Kaliningrad Region** issued by the Government of the Russian Federation on 7 December 2001. The ENPI CBC Programme will contribute to the implementation of the measures of this programme aiming at: improvement of the ecological situation, development of the tourism-leisure system and improvement of the social welfare/quality of life.

The ENPI CBC Programme will also be seen as a vehicle for the implementation of the National Strategic Reference Frameworks (NSRF) of the Member States in the Programme area.

The ENPI CBC Programme corresponds with the strategic objective of the Polish NSRF "**2007-2013 in support of growth and jobs National Cohesion Strategy**", which is *creation of the conditions for the growth of competitiveness of knowledge based economy and entrepreneurship assuring an increase in the employment and in the level of social, economic and territorial cohesion.*

The main aim of the **Lithuanian Strategy for the Use of EU Structural Assistance for 2007–2013** is to rapidly improve the conditions of investing, working and living in Lithuania so that the benefit provided by the economic growth reaches all Lithuanian residents.

The ENPI CBC Programme adheres to the strategic goals and main priority directions of the Lithuanian Strategy, in particular by the measures addressing life-long learning, good quality of working places, SMEs development, use of regional and local natural and cultural resources, enhancement of tourism and development and improvement of tourism services, accessibility of education, and social inclusion.

The ENPI CBC Programme has been prepared and will be implemented in collaboration with the regions from the Programme area, which hereby ensures conformity with the regional development goals and strategies, mainly with: The Pomorskie Voivodship Development Strategy 2020 (Strategia Rozwoju Województwa Pomorskiego 2020), The strategy of Socio-Economic Development of the Warmińsko-Mazurskie Voivodship until 2020 (Zaktualizowana Strategia Rozwoju Społeczno-Gospodarczego Województwa Warmińsko-Mazurskiego do roku 2020), Strategy of Development of the Podlaski Province till 2010 (Strategia Rozwoju Województwa Podlaskiego do roku 2010), Strategy of Development of the Mazowieckie Province till 2010 (Strategia Rozwoju Województwa Mazowieckiego do roku 2010), Strategy of Development of the Kujawsko-Pomorskie Province for 2007-20020 (Strategia Rozwoju Województwa Kujawsko-Pomorskiego na lata 2007-2020), Strategy of The Social And Economic Development of the Kaliningrad Region as a Co-operation Region for the Period to the Year 2010, Klaipėdos regiono pletros Planas 2007-2013 (*Development Strategy of the Klaipeda Region*), Tauragės regiono pletros Planas 2007-2013 (*Development Strategy of Taurage Region*), Šiaulių regiono 2007-2013 metų pletros Planas *Development Strategy of Siauliai Region*, Marijampolės regiono pletros Planas 2007-2013 (*Development Strategy of Marjampole Region*), Telšių regiono pletros iki 2013 metų Planas (*Development Strategy of Telsiu Region*), Kauno regiono pletros Planas 2007-2013 (*Development Strategy of Kaunas Region*), Alytaus regiono pletros Planas 2007-2013 (*Development Strategy of Alytus Region*) This conformity is illustrated in the table below.

Tab.2. The ENPI CBC Programme measures versus regional development strategies

Regions	Connectivity	Sustainable use of environment	Tourism	Entrepreneurial development	Education	Local community initiatives	Good Governance
Klaipeda county	++	++	++	+	++	+	+
Marijampoles county	++	++	++	++	++	++	+
Taurage county	++	++	++	+	++	+	+
Alytus county	++	++	++	++	++	++	+
Kaunas county	++	++	++	++	++	++	+
Telsiai county	++	++	++	++	++	++	+
Siauliai county	++	++	++	++	++	++	+
Kaliningrad Oblast	++	++	++	++	++		
Pomorskie Voivodship	++	++	++	++	++	++	++
Warmińsko-	++	++	++	++	++	++	++

Mazurskie Voivodship							
Podlaskie Voivodship	++	++	++	+	++	+	+
Kujawsko-Pomorskie Voivodship	++	++	++	++	++	++	+
Mazowieckie Voivodship	++	++	++	++	++	++	+

Explanations:

++ Strong preferences

+ Activity mentioned in the document

9. COMPLEMENTARITY WITH TERRITORIAL CO-OPERATION PROGRAMMES AND OTHER EU PROGRAMMES IMPLEMENTED IN THE PROGRAMME AREA

A large number of Structural Funds programmes co-exist in the Programme area overlapping territorially with the ENPI Lithuania- Poland-Russia Cross-Border Co-operation Programme 2007-13. Those programmes will address the convergence objective and territorial co-operation objective (different strands). Some sectoral initiatives and programmes might also demonstrate territorial overlap with the ENPI CBC Programme.

Convergence

The eligible area of the ENPI Lithuania-Poland-Russia CBC Programme 2007-13 directly corresponds to Convergence programmes in Poland and Lithuania. However, the prospective overlap is rather limited. The ENPI CBC Programme might add a cross-border perspective to the convergence-based interventions in Poland and Lithuania. Investments planned, decided and prepared by the ENPI CBC Programme may be placed in the project pipeline for national and/or regional programmes or implemented by a public-private consortium.

Transnational and cross-border programmes under the territorial co-operation objective

The main difference between the **Baltic Sea Region Programme 2007-2013** operating in the eligible area and the ENPI CBC Programme is the scale of interventions. The ENPI CBC Programme features such economic social and environmental topics, which are specific for this area and which result from a joint use of infrastructures and facilities as well as from the existence of common borders and close-range networks built on people-to-people contacts. This difference in the scales can also be seen by comparing both programmes priorities. The priorities of the ENPI CBC Programme might demonstrate some (but limited) similarities with priorities 1-4 of the BSR Programme, at least as far as themes of interventions are concerned (mainly environment but also tourism and entrepreneurship to some extent). However, under the CBC Programme the geographical focus is much more limited.

To avoid overlap between ENPI CBC and **Baltic Sea Region Programme** it has been proposed that the latter Programme will not consider eligible project proposals formulated by partnerships coming merely from inside the cross-border Lithuania-Poland-Russia area. In effect the BSR Programme by definition excludes project proposals promoted by Polish,

Lithuanian and Russian partners covered by the ENPI CBC Programme Lithuania-Poland-Russia.

The main difference between **South Baltic Cross-border Programme** and the ENPI CBC Programme is the limitation of the former one to the EU partners only. The South Baltic Cross-border Programme partnership is from one hand much broader, including also Sweden, Denmark and Germany, but from the other hand Kaliningrad and some Polish and Lithuanian regions are missing. So the territorial overlap of both programmes is limited to a few Polish and Lithuanian regions. In accordance with article 21 of the ERDF regulation the possibilities of co-financing project activities outside the EU territory from ERDF resources within the South Baltic Area Programme are of very limited magnitude (max. 10 percent of the ERDF allocation to the programme), and provided that these undertakings will be for the benefit of the EU regions. Therefore partners from Kaliningrad region should use mainly the European Neighbourhood and Partnership Instrument within the Lithuania-Poland- Russia programme in the cross-border context. However, both programmes (South Baltic CBC and ENPI CBC) have rather similar areas of interventions (measures)

It seems natural that both Programmes are close candidates for co-operation with each other. The projects and solutions developed in one programme might be tested in the other one. There is a need to exchange the project results, good practices achieved and organise joint seminars for projects from both programmes.

The Cross Border Cooperation Programme Lithuania-Poland and the ENPI CBC - Lithuania- Poland-Russia Programme (both programmes cover period 2007-13) operate in the same space (except Vilnius county); however, the latter one encompasses a broader territory in both Poland and Lithuania. Both programmes have rather similar areas of interventions (priorities and measures) which should result in multiplying effect. On the other hand in areas reserved only for one Programme synergy effect of implemented actions between both programmes should appear. This ENPI CBC Programme will not consider project proposals formulated by partnerships coming merely from inside the cross-border Lithuania-Poland area, as at least one Russian partner should be a distinctive feature of the ENPI CBC projects and is compulsory according to the ENPI CBC rules.

In order to promote high effects of the cross-border activities from possible synergies and coherence with projects and programmes funded under other EU policies as well as to avoid duplication, information on activity funding in the recent past may be exchanged as required between Directorate Generals before launching calls for proposals. The Commission's line Directorate Generals should be consulted on the proposals submitted within the call for proposals. For that purpose, AIDCO will request each DG to nominate one or more contact points

10 QUANTIFICATION OF THE OBJECTIVES (OUTPUT AND RESULT INDICATORS)

The system is composed of output and result indicators mainly. Programme impacts have not been defined.

Outputs are understood as concrete deliverables which help the projects achieve planned results. Such deliverables may include: internal and external events organised in a project lifetime, analytical reports, strategic documents, political statements, written and visual promotional materials, etc...

Results represent the immediate effects and advantages created by the interventions for the direct beneficiaries or target groups. The results may be observed during the project

implementation time horizon. (e.g. qualifications earned by trainees, new tourist activity generated by a farmer, etc.) and therefore measured for project closure.

Indicators are essential to monitor progress in implementation of both the Programme and individual projects. Therefore collecting and analysing indicators should be a joint effort of project partners under the responsibility of the Lead partner and the Joint Managing Authority of the Programme.

Priority	Priority aims	Result indicators	Output indicators
1. Contributing to solving common problems and challenges	To preserve natural heritage	Additional population served by improved infrastructure for modern waste and water management	Number of implemented projects aimed at sustainable use of natural heritage Number of tools/ methods solutions developed or tested to protect the environment
	To ensure better connectivity	Additional population reached by improved local transport infrastructure Number (<i>length</i>) of transport links (<i>corridors</i>) covered by the projects aimed at improvement of transport connections and better co-operation between transport modes	Number of implemented projects aimed at accessibility improvement of the Programme area
2. Pursuing social, economic and spatial development	To develop region's potential for tourism	Number of joint events or information services aiming at extending attractiveness of the Programme Area Number of cross- border tourism services and cross- border tourism products developed	Number of implemented projects aimed at the tourism development Number of people participating in projects implementation, including events (<i>meetings, seminars etc.</i>)
	To develop human potential by improvement of social conditions, governance and educational opportunities.	Number of joint activities focused on the cooperation in the field of human development Number of joint services focusing on common social challenges	Number of tools/ methods/ model solutions developed or tested aiming at the improvements of social conditions, governance and educational opportunities Number of implemented project in the field of development of human potential Number of people participating in projects implementation including projects events (<i>meeting, seminars, etc.</i>)
	To increase competitiveness of SMEs and development of labour market	Number of networks established for benefit of local companies and regional governments	Number of implemented projects aimed at development of entrepreneurship and labour market Number of tools/ methods/ model solutions developed or tested aiming at the improvements of the SMEs competitiveness and the market labour

	To coordinate efforts in socio-economic and spatial planning	Number of joint cross- border plans/ strategies	Number of implemented projects in the field of spatial and socio-economic planning Number of tools/ methods/ model solutions developed or tested in the field of spatial and economic planning
3. Horizontal priority: To promote people to people cooperation	To develop local initiatives to increase the administrative capacity of local and regional authorities	Number of institutions that have established cross- border contacts	Number of implemented projects aimed at increasing the administrative capacity
	To increase cooperation in culture, sport, education, social and health fields	Number of people participating in cross- border local initiatives (<i>achieving cultural / sport / educational and tourism objectives</i>) Number of networks dedicated to joint actions in the fields of culture, sport, education, and tourism	Number of implemented micro-projects aimed at supporting the local communities' initiatives

Chapter 2

1. JOINT STRUCTURES AND COMPETENT AUTHORITIES

In order to implement the Programme the following joint structures will be set up:

- Joint Monitoring Committee (JMC)
- Joint Managing Authority (JMA) – the Ministry of Regional Development of the Republic of Poland
- Joint Technical Secretariat (JTS) – the joint operational body assisting the Joint Managing Authority and the Joint Monitoring Committee in carrying out their duties. The JTS will be located in the Cooperation Fund Foundation – (State owned foundation dealing with implementation of EU-funded programmes)

The following National Authorities (NAs) collaborate with the JMA for the Programme preparation and implementation period, and are responsible for the coordination of the programming process in Lithuania and Russia:

- National Authority in Lithuania: Ministry of the Interior
- National Authority in Russia: Ministry of Regional Development, Ministry of Foreign Affairs.

The joint structures are established in accordance with Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation)⁹, Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (CBC Implementing Rules)¹⁰, Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹¹, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for

⁹ OJ L 310, 9.11.2006

¹⁰ OJ L 210, 10.08.2007

¹¹ OJ L 248, 16.09.2002

the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities¹².

1.1 Joint Monitoring Committee (JMC)

Responsibilities of the JMC

The participating countries shall appoint within 3 months from the Commission's approval of the Programme, representatives of the Joint Monitoring Committee. The Joint Monitoring Committee is responsible for the overall quality and efficiency of the implementation of the Programme. It takes in particular the following decisions concerning the Programme:

- approves the Joint Managing Authority's work programme,
- appoints the members of the evaluation committees,
- decides on the volume and allocation of the Programme's resources for technical assistance and human resources,
- at each of its meetings, reviews the management decisions taken by the Joint Managing Authority,
- decides on the selection criteria for the projects and takes the final decision on projects and on the amounts granted to them,
- at each of its meetings and on the basis of the documents submitted by the Joint Managing Authority, it evaluates and monitors progress towards the objectives of the Programme,
- reviews all the reports submitted by the Joint Managing Authority and, if necessary, takes the appropriate measures,
- examines any contentious cases of recovery brought to its attention by the Joint Managing Authority.

Composition of the JMC

The Joint Monitoring Committee shall include representatives of:

- National authorities responsible for the implementation of the Programme, appointed by each participating country. Each country shall be represented by max. 2 representatives,
- Regional authorities from the programme eligible area. Each cooperation (core) region of the Programme shall appoint representatives, the representatives of adjoining regions may participate in the Joint Monitoring Committee meetings with observer status,
- Representatives of the civil society, e.g. local authorities and their associations, economic and social partners.

The composition of the Joint Monitoring Committee shall also ensure that environmental aspects are appropriately taken into account during the programme implementation process.

The JMC shall include up to 7 representatives from the each country participating in the Programme.

The European Commission shall be invited to each meeting of the Joint Monitoring Committee and shall be informed of the results of its deliberations. It may take part in each JMC meeting on its own initiative, as an observer and without decision-making power.

¹² OJ L 357, 31.12.2002

Members of the Joint Monitoring Committee shall be appointed as representatives of their countries on a functional basis and not on a personal basis.

Rules of procedures of the Joint Monitoring Committee (JMC)

The Joint Monitoring Committee shall take decisions by consensus among all the national delegations of the participating countries (one vote per delegation). Details of the functioning of the Joint Monitoring Committee shall be described in its Rules of Procedures, to be adopted unanimously at the first meeting of the Committee.

The JMC shall be chaired on the annual rotation basis by the representatives of the programme partners. The JMC shall be co-chaired by the JMA when the chairmanship is awarded to Lithuania or Russia. A representative of the JTS will be the secretary of the JMC.

The Joint Monitoring Committee shall meet as often as necessary and at least once a year. It shall be convened by its chairperson at the request of the JMA or following a duly justified request from one of its appointed members or from the European Commission. It may also take decisions through written procedure at the initiative of the Joint Managing Authority or one of the participating countries. In case of disagreement, any member may request that the decision will be discussed at a meeting. The first meeting of the JMC shall be convened by the JMA.

The Joint Technical Secretariat will be responsible for the organisation of the Joint Monitoring Committee meetings. It will also draft minutes after each meeting of the Joint Monitoring Committee and circulate them to all members of the JMC for approval and then for signature by the chairperson and the secretary. The final version of the minutes will be sent to the European Commission, all members of the JMC and external observers if nominated.

1.2 Joint Managing Authority (JMA)

All three countries involved in the Programme designated the Polish Ministry of Regional Development as the Joint Managing Authority of the ENPI CBC Programme Lithuania-Poland-Russia 2007-2013.

General functions of the JMA

The Joint Managing Authority is an executive body, having the overall responsibility for managing and implementing the Programme, including technical assistance, in line with the principle of sound financial management, the principles of economy, efficiency and effectiveness. To this end, it shall put in place the appropriate audit, control and accounting systems and standards. The operational management functions as well as the financial management functions would be organized separately within the Joint Managing Authority. The functions of the authorising officer and the accounting officer would be separate and mutually incompatible.

Organisation of the JMA

The Head of the JMA is the Minister for Regional Development of the Republic of Poland (MRD).

Four mutually independent units function within the JMA: operational unit, financial unit, paying unit and internal audit unit. They cooperate with one another in executing their specific tasks.

The Authorizing Officer is the Undersecretary of State at the Ministry of Regional Development, or authorised director or deputy director of the Territorial Cooperation Department.

Operational unit

A separate unit of the Territorial Cooperation Department of the Ministry of Regional Development acts as the **operational unit** and in this respect is responsible for:

- the launching of calls for proposals and calls for tenders (in cooperation with the financial and paying unit and with support of the JTS) after the approval by the JMC,
- the signature of contracts with beneficiaries and contractors in accordance with the internal procedures of the MRD,
- the operational follow-up and the financial management of the projects together with the financial and paying unit,
- the preparation of possible environmental impact assessment studies at the programme level (with support of JTS),
- the immediate notification of the Joint Monitoring Committee of all cases of contentious recoveries (in co-operation with the financial and paying and audit units),
- setting up the monitoring system where the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected (in cooperation with the financial and paying unit),
- managing the technical assistance budget.
- the implementation of the information and visibility plan (with support of the JTS)

Financial unit

A separate unit of the Territorial Cooperation Department in the Ministry of Regional Development acts as the **financial unit** and is responsible for:

- the verification that expenditures are real, accurate and supported by appropriate documents (with support of the JTS) and authorizing the execution of payments to the paying unit,
- the preparation of the detailed annual budgets of the Programme,
- the submission of payment requests to the Commission,
- drawing up of the financial annual reports,
- the financial corrections and preparation of the recovery orders towards the project beneficiaries and proceeding with the recoveries,
- requesting the paying unit to set up the single bank account of the payments,
- preparing the annual audit programme of the projects (in cooperation with the operational unit) in line with the Article 37 of the CBC Implementing Rules,
- drawing-up of the operational annual reports and the annual reports on the implementation of the annual audit programme of the projects and sending them together with the financial reports to the Joint Monitoring Committee and the European Commission.

Paying unit

The accounting officer is the chief accountant of the Ministry of Regional Development..

A separate unit of the Economic and Financial Department of the Ministry of Regional Development, acts as the **paying unit**, and in this respect is responsible for:

- Setting-up and managing the single bank account of the programme,
- Establishing the accounts of the programme (the accounting system is specific and separate and exclusively deals with operations related to the programme, allowing for an analytical follow-up per operation, priority and measure),
- Receiving payments from the EC,
- Transfer of payments to beneficiaries and contractors upon request of the financial unit.

Audit unit

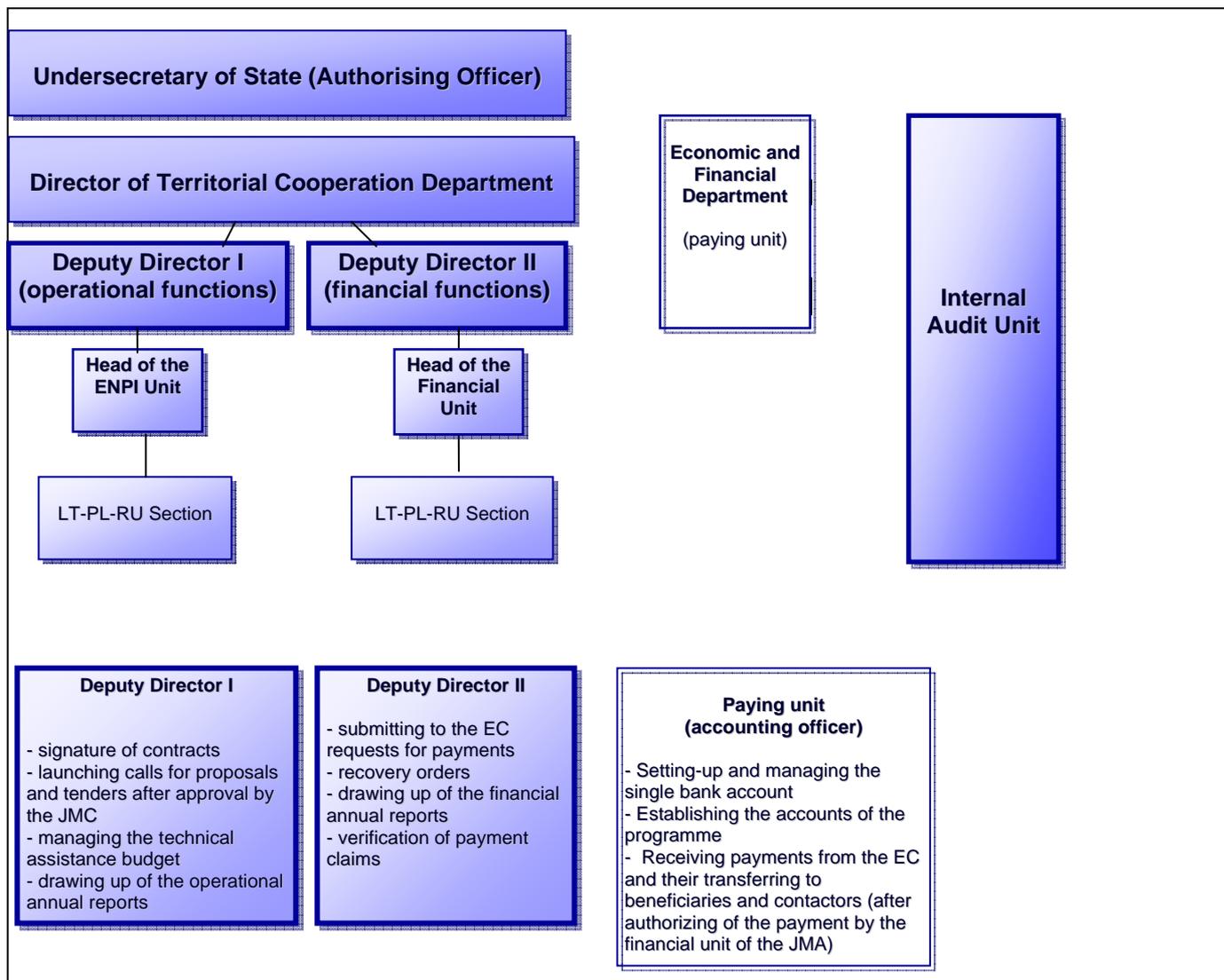
The internal Audit Unit of the Ministry of Regional Development acts as the **audit unit** and is responsible for:

- Auditing on an annual basis the internal circuits of the JMA and the correct application of procedures.

It is envisaged that 5-10 people in the Ministry of Regional Development will fulfill the functions of the Joint Managing Authority of the Programme. Procurement rules for direct expenditure of the JMA from technical assistance budget will follow Polish law with regard to public procurement. The costs of the functioning of the Joint Managing Authority relating to the implementation of the Programme shall be covered from the Programme Technical Assistance budget.

The Joint Managing Authority will delegate some of its functions to a Joint Technical Secretariat (as described under 1.3). The JTS carries out its activities under the full responsibility of the JMA.

Structure of the Joint Managing Authority



1.3 Joint Technical Secretariat (JTS)

The Joint Managing Authority establishes the Joint Technical Secretariat equipped with the necessary resources, which assists the JMA in the daily management of the Programme. The Joint Technical Secretariat will directly assist the JMA in the execution of the various tasks described below. Detailed provisions concerning the functioning of the JTS as well as control measures vis-à-vis JTS (external annual audit of the JTS and possible ad-hoc control visits) will be specified in the separate agreement between the JMA and the institution hosting the JTS, which will be compliant with the provisions of this programme document. The Joint Technical Secretariat is located in Poland (Warsaw) in the structures of the Cooperation Fund Foundation (public body, state owned foundation dealing with implementation of the EU-funded programmes).¹³

Functions of the JTS

The following tasks will be delegated by the JMA to the JTS:

- implementation of the information and communication plan
- the organisation and the secretariat of the meetings of the Joint Monitoring Committee, including drawing-up the minutes of the meetings,

- the preparation of the application pack under the supervision of the JMA and according to PRAG templates,
- preparation of the contracts to be signed by the JMA,
- carrying out on the spot checks of projects upon decision of and in support of the JMA
- receiving and carrying out the verification of the requests for payments, submitted by the beneficiaries,
- launching calls for proposals and calls for tenders after consultation with the JMA and the approval by the JMC,
- the receipt of project applications and their registration,
- participation in the project evaluation process, organization and secretariat functions of the evaluation committees,
- supervision of the tender procedures (check of the documentation prepared in relation to tender procedure),
- assisting the JMA in drafting of the annual operational and financial reports,
- other tasks supporting JMA in its day-to-day implementation of the Programme which will be delegated to it by the JMA.

The JTS will employ Polish, Lithuanian, and Russian language speaking staff. The number and qualification of staff employed in the JTS shall correspond to the duties defined above. It is estimated that about 30 employees will work in the JTS and its branch offices (4-5 people in each of the 3 Branch Offices). The contract conditions offered to the staff employed in the Branch Offices shall be comparable to those in the JTS.

The internal structure of the JTS will be settled in agreement with the JMA. Operational management functions and financial management functions will be organized separately within the JTS.

Branch Offices of the JTS

Taking into account the large territory on the Polish side of the border covered by the Programme and in order to ensure the appropriate publicity regarding the Programme and to provide the appropriate information to potential applicants and beneficiaries a branch office of the secretariat will be set up in the Programme eligible area (Olsztyn). With a view to ensuring the appropriate separation of functions within the JTS the employees of the branch office in Olsztyn will be responsible for the programme promotion and information activities and will not be involved in project evaluation process and contracting procedures. The JTS branch offices shall also be established in Russia and Lithuania with the purpose of facilitating access to information on the programme to Russian and Lithuanian beneficiaries. Russian and Lithuanian national authorities will designate institutions which will host the branch offices. The Branch Office in Lithuania will be located in Vilnius in the structures of the public entity “Joint Technical Secretariat”. The Branch Office in Russia will be in Kaliningrad and the institution will be named by the Russian side at a later stage.

The competences of branch offices will include the following tasks implemented under the supervision of the JMA and JTS:

- the implementation of the information and visibility plan,
- support in the organisation of the meetings of the Joint Monitoring Committee,
- other tasks supporting JMA and JTS in their day-to-day implementation of the programme including collection of data to improve monitoring and evaluation of projects.

The JMA may decide that project applications are collected by the Branch Offices and transferred to the JTS in Warsaw.

The activities of the Joint Technical Secretariat and its Branch Offices related to the programme shall be funded from the Technical Assistance budget. Their expenditure financed by technical assistance is subject to the external audit.

The procurement rules for direct expenditure of the JTS related to the programme and from the technical assistance budget will be according to Polish law on public procurement. Branch Offices in Poland (Olsztyn) and Lithuania (Vilnius) shall apply their national procurement rules as compliant with Community directives applicable to procurement procedures. Branch Office in Russia (Kaliningrad) shall use the PRAG procurement rules.

2. PROGRAMME IMPLEMENTATION

The Implementation of the Programme will be in compliance with Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI Regulation)¹³, Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument (CBC Implementing Rules)¹⁴, Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹⁵, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. As far as the contractual procedures, related standard documents and contract templates are concerned they will be those included in the Practical Guide to contract procedures for EC external actions (PRAG), with the amendments mentioned in this programme document, made in order to reflect the specificities of cross-border cooperation, the requirements of regulations ruling the Joint Managing Authority and in other cases if necessary for the effective implementation of the Programme.

2.1 Project selection procedure

Generation of projects

The process of creating project ideas and their further development is a vital part of the programme implementation, which should ensure a sufficient number of good quality projects that cover all the programme regions, priorities and measures.

The important rule to follow during the generation of projects is to fulfil the fundamental requirements of the programme, which consists in ensuring cross-border effects of the planned operations.

Throughout the whole process of the project preparation, the programme implementation structures shall provide the support to the potential applicants¹⁶. The JMA, JTS with the

¹³ OJ L 310, 9.11.2006

¹⁴ OJ L 210, 10.08.2007

¹⁵ OJ L 248, 16.09.2002

¹⁶ In compliance with the rules of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹⁶, Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget

Branch Offices are responsible for diffusion of information about the programme and promotion of partnership building.

The Joint Technical Secretariat organises the call for proposals and is responsible for a sufficient dissemination of information regarding the submission of the applications as well as regarding any measures related to publicity. (please see Information and Communication Plan attached in Annex 2)

Upon decision of the JMA, it may be possible to submit the project proposals not only to the Joint Technical Secretariat in Warsaw, but also to the Branch Offices. These applications will be registered and forwarded to the JTS in Warsaw.

Assessment of applications and project selection criteria

All applications are subject to an administrative check, a verification of eligibility and a quality assessment.

During the administrative check it is assessed whether the application satisfies all the criteria mentioned in the relevant checklist.

The aim of the verification of the eligibility is to give the answer for the following questions:

- are the applicant and partners eligible under the programme and the call for proposals,
- are the project's actions eligible,
- are the project costs eligible.

An administrative check and the verification of eligibility is carried out by the Joint Technical Secretariat, under the supervision of the JMA. The results of an administrative check and the verification of eligibility will be reviewed by the evaluation committee.

The quality assessment of the applications is organised by the JTS and is carried out by the evaluation committee on the basis of a set of unified selection and award criteria and an evaluation grid, which shall be approved by the JMC. During the quality assessment the following aspects will, inter alia, be verified:

- cross-border dimension of the project;
- chosen project strategy, activities and their outputs to meet programme objectives;
- environmental sustainability (the projects with negative impact on environment cannot receive funding within the programme);
- long-term project durability (organisational, financial, etc);
- budget and economic evaluation of the project (efficient use of allocated funds and value for money).
- Quality of the partnership and Beneficiary's (Lead partner's) capacities

A more detailed list of all project selection criteria will be prepared by the JMA and approved by the Joint Monitoring Committee.

The quality assessment is carried out by the evaluation committees. The works of the evaluation committee are chaired by the JMA and organised by the JTS, which fulfils the role of the secretariat of the evaluation committee (in accordance with PRAG provisions concerning the evaluation committee for grants).

Project proposals are evaluated by an evaluation committee appointed by the Joint Monitoring Committee comprising a non-voting Chairperson, a non-voting Secretary and an odd number of voting members (minimum of three). The voting members must possess the technical and administrative capacities necessary to give an informed opinion on the proposals.

The access to the applications may be assured through the secure website system available for the members of the evaluation committee. After the applications were assessed the members of the committee gather for the final meeting, which is chaired by the representative of the JMA. Secretarial functions are performed by the JTS staff.

Final choice of applications

The evaluation committee prepares an evaluation report including a scoring list and submits it to the Joint Monitoring Committee. The evaluation committee may, when recommending a project, indicate a list of minor corrections to be made to the proposal

The Joint Monitoring Committee will take the final decision on the projects to be funded. No project proposal failing to pass the quality assessment threshold may be approved to be financed.

If the Joint Monitoring Committee decides not to follow all or part of the recommendations of the evaluation committee, it shall explain its decision in writing. The decision shall then be sent via the Joint Managing Authority to the Commission for prior approval. The Commission communicates its opinion to the Joint Managing Authority within 15 working days. If no opinion of the Commission is communicated to the JMA within 15 working days, the JMC decision is deemed to be approved by the Commission.

2.2 Contract with the Beneficiary (Lead Partner)

The JTS informs the beneficiaries of the JMC decision on co-financing of their project proposal. Subsequently, the JTS prepares the contract based on the template compliant with PRAG. The templates may be adapted by the JMA, with a prior approval of the EC (**unless a derogative instruction is issued by the relevant EC service**), in order to reflect the specificities of cross-border cooperation, the requirements of regulations ruling the JMA activities and in other cases necessary for the effective implementation of the Programme.

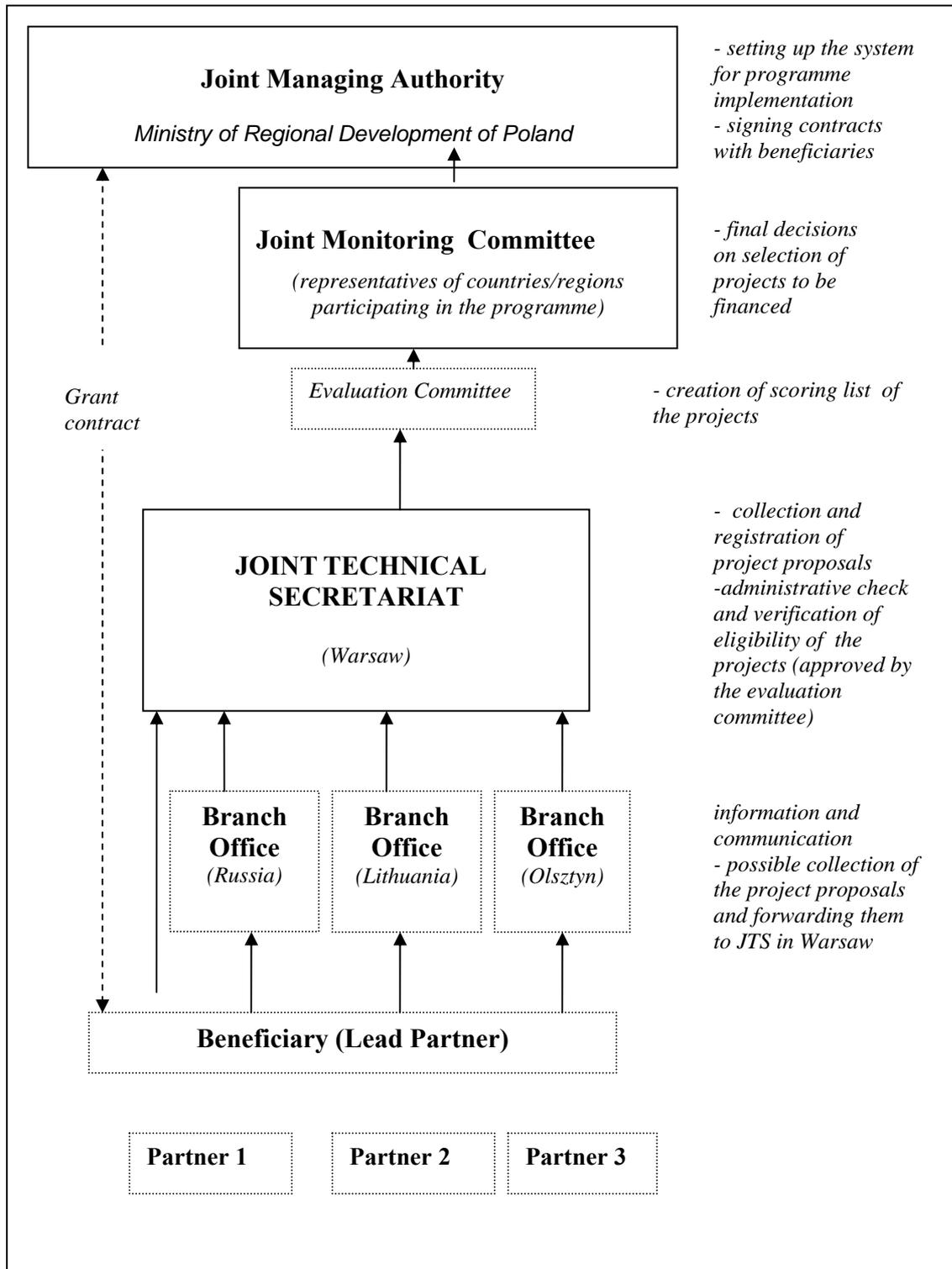
After the approval of the project by the JMC, the JTS prepares all the documents necessary to sign the contract and transfers them to the JMA (operational unit). Then the documents are sent to the Legal Unit of the Ministry of Regional Development. It verifies the contract from the legal point of view and approves it. Subsequently the contract is transferred to the Financial and Economic Department of the Ministry, which verifies the amounts and approves the contract.

After completing these two stages the JMA signs the contract.

The list of contracts signed by the JMA will be published by the JMA on its and programme websites in accordance with the requirements of the EC Financial Regulation and of the PRAG.

A contract between the Joint Managing Authority and the Beneficiary defines provisions on which ENPI co-financing is awarded to the projects.

Project application and contracting procedures



2.3 Financial flows

Payments from the EC to the programme

The European Commission shall make annual commitments, in accordance with the financial table detailing the provisional yearly allocations in the Programme, and depending on the Programme progress and the availability of funds.

After the Commission informs the JMA regarding the exact date on which this commitment is made, the financial unit of the JMA, will ask for the transfer of up to 80% of the annual contribution as pre-financing payment of the activities. On the basis of this pre-financing request and after verification of the related reports, evaluation of the actual financing needs of the Programme and verifying the availability of funds, the Commission will proceed with the payment of all or part of the requested pre-financing. In the second half of the year, on the basis of the annual reports, the Commission also clears the previous pre-financing according to the eligible and actual expenses incurred, as certified by the annual external audit report. On the basis of the results of this clearance, the Commission may proceed with the necessary financial adjustments

The ENPI funding will be transferred from the European Commission to the single bank account in EUR, specific to the programme, opened and managed by the paying unit of the Ministry of Regional Development (Economic and Financial Department). This account operates under double signature: to be executed the operation requires signatures of both the authorising officer and the accounting officer.

The co-financing contributed from own resources of countries or bodies participating in the programme shall represent at least 10% of the EU contribution to the Programme, minus the amount of technical assistance financed in total from the Community contribution.

Project beneficiaries shall ensure 10% co-financing of the project from their own resources. At the project level, each partner is free to determine the source of its co-financing and declare it in the application form.

The TA budget will be financed entirely by the ENPI funding (no co-financing is foreseen).

Payments from the JMA to the beneficiaries (lead partners)

The JMA will be responsible for the transfer of payments to beneficiaries (lead partners).

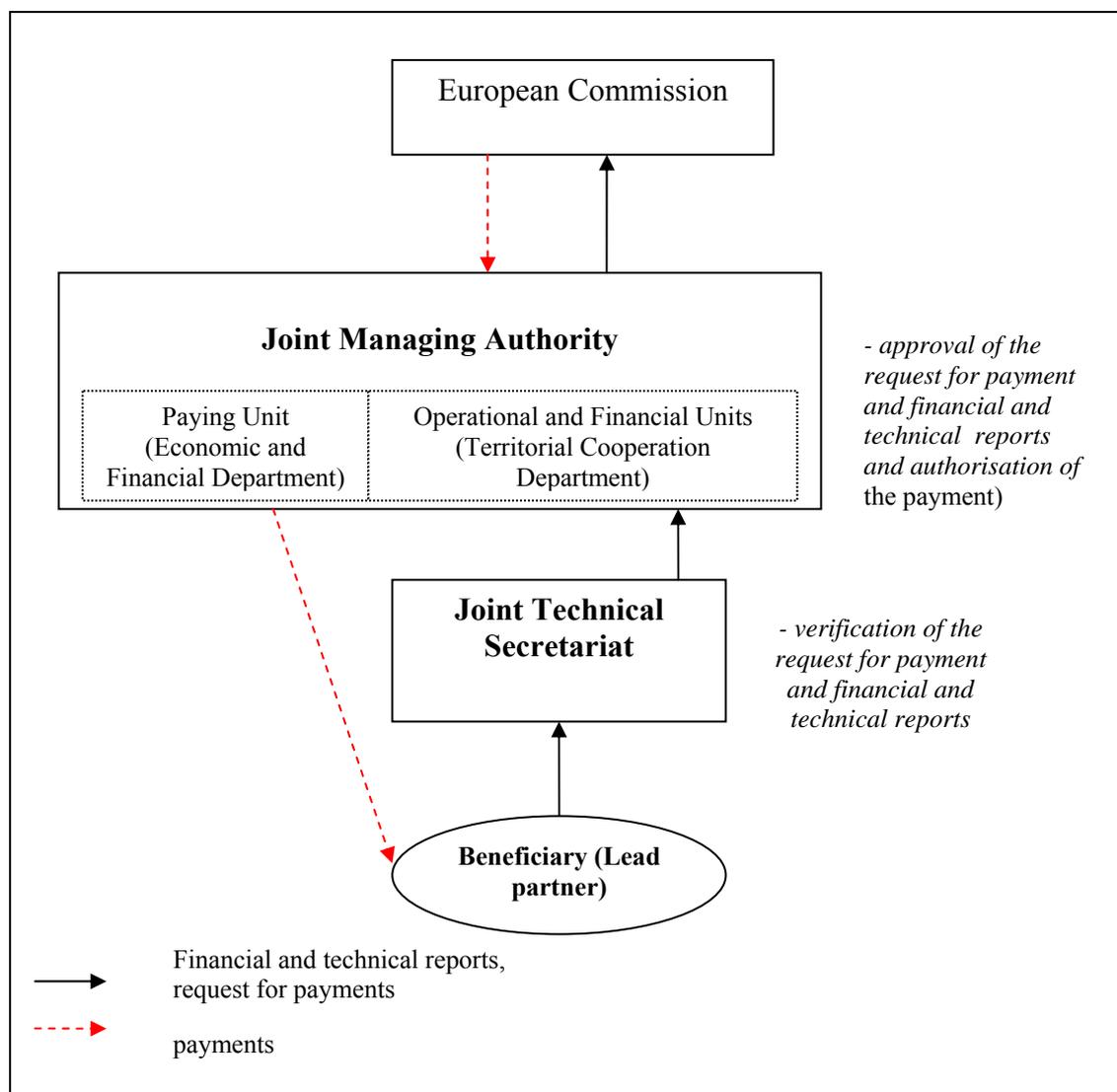
Rules for payments are those described in the PRAG and in particular in the General Standard Conditions of the grant contracts. Payments to beneficiaries will take form of first installment of pre-financing, further installments of pre-financing and the final payment. The JMA (via the paying unit) proceeds with the payment to the beneficiary on the basis of the signed contract and documents required by the contract. The beneficiary of the project shall transfer an appropriate part of the tranche to its partner/partners in accordance with the previously signed partnership agreement.

All project partners implement activities planned for them in the description of a project.

Each project has to have the expenditures being verified by the appropriate body (external auditors). Then the technical and financial reports with the verification of expenditures and request for payment are sent to the JTS. The JTS checks the documents in order to verify their correctness. If necessary, the JTS asks for the correction of the documents. After receiving the correct version of the documents they are transferred to the JMA (financial unit). It makes the necessary verifications and authorizes the paying unit (Economic and Financial Department

of the Ministry) to make the payments to the beneficiary (lead partner). The paying unit transfers the funds to the account of the beneficiary (lead partner).

Financial flows chart



Recoveries

The Joint Managing Authority shall be responsible for the recovery of any unjustified or ineligible expenditure and for the reimbursement to the Commission of its share or amounts recovered, in proportion to its contribution to the Programme.

Where ineligible expenditure already covered by a payment is identified on receipt of the final report for a contract or following a control or an audit, the JMA shall make out recovery orders to the beneficiaries or contractors concerned.

Where the recovery relates to a claim against a beneficiary, contractor or partner established in Poland or Lithuania and the JMA is unable to recover the debt within one year of issuing the recovery order, the Member State in which the beneficiary, contractor or partner is established shall pay the amount owing to the JMA and claim it back from the beneficiary, contractor or partner.

Where the recovery relates to a claim against a beneficiary, the contractor or partner established in Russia and the JMA is unable to recover the debt within one year of issuing the recovery order, the JMA shall refer the case to the Commission which, on the basis of a complete file, shall take over the task of recovering the amounts owing from the beneficiary, the contractor or the partner established in Russia or directly from the national authorities of that country.

The contracts concluded by the JMA as part of the Programme shall contain a clause allowing the Commission or the Member State concerned to carry out the recovery from a beneficiary, a contractor or a partner where the claim is still open one year after the issue of the recovery order by the JMA.

2.4 Audit and control system

On the project level the verification of expenditure based on Annex VII to the PRAG grant contract will be performed. Aim of this control is verification that the expenditure claimed by the beneficiary for the action financed by the contract is real (actually paid out), is accurate (exact), eligible and that products and services (outputs) are delivered. Verification of expenditures may also include on-the-spot check

As from the end of the first year of the Programme, the Joint Managing Authority (financial unit under supervision of operational unit) draws up each year an audit plan of the projects it finances. The controls of the projects are conducted by examining the documents or by means of on-the-spot checks for a sample of projects selected by the JMA based on a random statistical sampling method taking account of internationally recognized audit standards and the specific risk factors related to the projects' value, type of operations, type of beneficiary or other relevant risks. The Audit of the projects will be executed by external audit companies selected through tendering procedures. Additional and ad-hoc on-the-spot checks may also be executed by the competent staff of JTS or JMA.

The internal audit unit of the JMA checks the internal circuits and ensures that the procedures within the JMA are correctly applied

Independently of the internal audits undertaken by the Internal Audit Unit in the Ministry of Regional Development, an independent public body (Department for Certifying and Winding-up of EU Assistance of the Polish Ministry of Finance and Treasury Control Offices) will carry out each year an ex-post verification of the expenditure and revenue presented by the JMA in its annual financial report, in accordance with the standards and ethics of the International Federation of Accountants (IFAC). The scope of the external audit covers the JMA's direct expenditure incurred in the framework of the technical assistance and of its project management (payments to projects). The external auditor certifies the statements of expenditure and revenue presented by the JMA in its annual financial report, and in particular that the claimed expenditures have occurred and are accurate and eligible.

The external audit of the JMA is the responsibility of the General Inspector for Treasury Control (Ministry of Finance), which will proceed with the audit with the assistance of the Department for Certifying and Winding-up of the EU Assistance in the Polish Ministry of Finance and of the Treasury Control Offices.

Type of audit and control	Bodies performing the control and audit(s)
Verification of expenditure (PRAG Annex VII to the grant contract) it is envisaged that the 100% of projects will be subject to the verification of expenditure	External auditors (Terms of Reference provided by the JMA, in accordance with PRAG)

Verification of operational and financial reports and requests for payments. This verification may also include on-the-spot check.	Joint Technical Secretariat (upon decision of the JMA and under its responsibility).
Audit of projects (art. 30 and 37 IR)	External audit companies (Terms of Reference provided by the JMA). The JMA's competent staff has a right to do the audit on its own initiative and with support of JTS.
Internal audit of the JMA (art. 29 IR)	Internal Audit Service of the Ministry of Regional Development
External audit (art. 31 IR) – concerns the JMA	The General Inspector for Treasury Control, which will proceed with the audit with the help of the Department for Certifying and Winding-up of EU Assistance of the Ministry of Finances and of the Treasury Control Offices. In case of Branch Offices – external auditors

The costs of all above mentioned audits are covered by the budget of the Programme – either from project budgets (verification of project expenditure based on Annex VII to the PRAG grant contract) or from the technical assistance (the rest of the audits).

2.5 Monitoring and evaluation

The Joint Monitoring Committee and the Joint Managing Authority (with the assistance of JTS) are bodies responsible for monitoring of the Programme. They carry out this task by reference to indicators and targets specified in the Programme and with the use of monitoring system where data on implementation necessary for monitoring is collected.

The Joint Managing Authority is responsible for the setting up of a system to gather reliable financial and statistical information on implementation of the Programme for the monitoring indicators and for evaluation, including computerized management and accountancy tools, and forwarding the data in accordance with arrangements agreed between the participating countries and the Commission. The appropriate database in electronic form, including information on selected operations and payments made to the beneficiaries will be developed and maintained during the whole programme implementation period.

Each year, by 30 June at the latest, the Joint Managing Authority shall submit to the EC an annual report, approved by the JMC and certified by the audit report issued by the Ministry of Finance of Poland (Department for Certifying and Winding-up of EU Assistance), on the implementation of the joint operational programme from 1 January to 31 December of the previous year. The first annual report shall be submitted by 30 June of the second year of the Programme. The annual report will consist of technical and financial parts and the declaration signed by the JMA's representative as stated in the article 28 point 2c of the Implementing Rules.

Mid-term, ex-post and ad-hoc evaluations of the Programme may be carried out by the European Commission. The results of the evaluations shall be communicated to the JMC and JMA. Mid-term evaluation may lead to adjustments in the Programme.

The JMA may as well carry out its own ad-hoc evaluations in order to improve the quality, effectiveness and consistency of the implementation, especially when the Programme monitoring reveals significant divergence with the objectives set in the Programme.

2.6 Information and publicity

The Joint Managing Authority is responsible for information and publicity activities carried out under the Programme with a view to ensuring the widest possible participation and visibility of the actions. To this end, an information and publicity plan will be developed setting out the aims and target groups and the strategy of the actions. For these activities an indicative budget shall be drawn up under the technical assistance allocation. An appropriate chapter on information/ publicity will be included in the annual reports. The Programme follows the visibility guidelines applicable to the EC external actions.¹⁷

The general public and in particular potential beneficiaries shall be adequately informed by the Joint Managing Authority, the Joint Technical Secretariat, and the JTS Branch Offices of the objectives of the Programme, the prerequisites for obtaining funds and the individual procedures to be followed.

More detailed information on promotion and information activities are described in the Annex 2.

2.7 Implementation of the Programme at project level

Three types of projects can be distinguished within the programme:

- integrated projects, where partners carry out part of the actions of a joint project for their respective side of the border,
- symmetrical projects, where similar activities are carried out in parallel on both sides of the border,
- simple projects with a cross-border effect, taking place mostly or exclusively on one side of the border but for the benefit of both partners.

Integrated projects should be prioritised and encouraged within the programme.

The Programme will pay attention to the cross-border co-operation principles. Therefore, all projects must:

1. Have a clear cross-border importance;
2. Have a clear element of partnership, co-operation or joint activity across the border;
3. Be of local/regional importance;
4. Be submitted by applicants representing partnerships consisting of at least one partner from a EU Member State participating in the Programme and at least one partner from Kaliningrad Region of Russia.

To secure the Programme focus on the cooperation (core) Programme area the beneficiaries from the adjacent areas might participate only in projects in which partner from the cooperation (core) part of the Programme Area participate. The partners from adjoining regions cannot play the role of Lead Partners. The allocation of the EU grants from the Programme budget to the partners outside the cooperation (core) part of the Programme Area should not exceed 20% of the total ENPI funding allocated to the Programme for the years 2007-13.

In addition, infrastructure investment projects must:

1. Have a clear impact on both sides of the border;
2. Be located in the cooperation (core) area of the Programme.

¹⁷ http://europa.eu.int/comm/europeaid/visibility /index_en.htm

The maximum and minimum level of a grant will be decided by the Joint Monitoring Committee for each call for proposals.

The beneficiaries submit the interim and final reports in accordance with the contract requirements.

In case of Polish and Lithuanian beneficiaries, the rules governing sub-contracting for the implementation of the projects shall be in compliance with their public procurement law as compliant with Community directives applicable to procurement procedures. In case of Russian beneficiaries it will be in compliance with PRAG.

For each operation a beneficiary (Lead Partner) shall be appointed by the partners among themselves.

The beneficiary (Lead Partner) shall assume the following responsibilities:

- a) lay down the arrangements for its relations with the partners participating in the project in a partnership agreement comprising inter alia provisions guaranteeing the sound financial management of the funds allocated to the project, including the arrangements for recovering amounts unduly paid,
- b) submit the project application,
- c) sign the contract with the JMA for the whole project budget. Consequently it will have the financial responsibility for the ENPI funds and co-financing for all partners, including liability to the JMA for the total amount of the ENPI grant.
- d) be responsible for ensuring the implementation of the entire project, i.e. the project management and overall co-ordination of the project activities,
- e) ensure the monitoring and reporting about the progress of the project,
- f) ensure that the expenditure presented by the partners participating in the project has been paid for the purpose of implementing the project, is eligible and corresponds to the activities agreed between the partners participating in the project,
- g) repay the JMA for the amounts unduly paid for the project,
- h) It shall facilitate the audit trail by all relevant European Community and national authorities, including keeping of documents as requested by art.45 of Implementing Rules and the relevant provisions of PRAG.

The partner in a project shall assume the following responsibilities:

- a) be responsible for ensuring the implementation of the part of the project under its responsibility, according to the project plan and to the partnership agreement signed with the beneficiary (Lead Partner),
- b) cooperate with the beneficiary (Lead Partner) in the implementation of the project, reporting and monitoring,
- c) assume responsibility in the event of any irregularity in its own declared expenditures, and must repay the beneficiary (Lead Partner) the amounts unduly paid,
- d) it shall facilitate the audit trail by all relevant European Community and national authorities, including keeping of documents as requested by art.45 of Implementing Rules and the relevant provisions of PRAG

The necessary administrative and financial arrangements will be agreed between the partners in their Partnership Agreement (PA). The model/template of the PA will be elaborated by the JMA and approved by the JMC on the base of the Partnership Statement which is annexed to the PRAG. The Partnership Agreement will have a form of a contract defining the responsibilities of each partner in the project.

The project will be presented by the beneficiary (lead partner) who will act as the only direct contact between the project and the joint management bodies of the programme. It is the responsibility of the beneficiary to create a well working partnership ensuring the proper and sound implementation of the project.

LARGE-SCALE PROJECTS (LSP)

There will be a possibility to implement large-scale projects, which in accordance with ENPI CBC Implementing Rules Article 2 (7) are projects comprising a set of works, activities or services intended to fulfill an indivisible function of a precise nature pursuing clearly identified objectives of common interest for the purposes of implementing cross-border investments.

The LSP shall fulfill the following criteria:

- be directly related to the Programme and Priority goals,
- be crucial for the development of the whole Programme Area,
- have a clear cross-border effect,
- have an investment (infrastructure) character,
- have support from the national/regional level authorities in a form of a written statement,
- have outcomes of a sustainable character,
- be coherent with national/regional development strategic documents,
- the beneficiary must be clearly identified as the only one being able to implement the LSPs.

The decision on the approval of the draft list of large scale projects should be made by the JMC at its first meeting.

The LSP will be fully documented (including feasibility study and environmental impact assessment). An Application Pack will be developed for the LSP by the JTS. The projects will undergo a full administrative, eligibility and quality assessment in the JTS. The final decision on a LSP is taken by the JMC, but also the approval of the EC is necessary when selecting these projects (in accordance with Art. 4 of CBC Implementing Rules).

The contracting procedures for LSP will be compliant with PRAG. Implementation of LSP (*inter alia* sub-contracting) shall proceed in compliance with PRAG in case of the beneficiary (Lead Partner) from Russia and in case of Polish and Lithuanian beneficiaries in compliance with their public procurement law..

Indicative thematic scope of large scale projects:

1. Transport (for example: road connections of cross-border importance; small harbour infrastructure of cross-border impact),
2. Environmental protection (for example: sewage treatment plant having direct positive impact on rivers going to the Sea).

An example of large scale project could be the construction of a bridge on the Neman river at the Lithuanian-Russian border (Panemune-Sovetsk) or the construction of roads leading to Bezledy/Bagrationovsk border crossing (in case of Poland - road N51).

Taking into account the regional and cross-border dimension of the Programme as well as the size of the budget, the number of the projects and percentage of the Programme allocation spent on these kind of projects should be limited, therefore up to 30% of the total Programme budget can be spent on large scale projects.

Microprojects

A horizontal priority within the Programme devoted to people to people cooperation will be implemented through the micro projects.

Microprojects may have the following forms:

- a limited number of projects (up to 10 for each call for proposal) will be managed directly by the JMA in a form of micro projects; if the capacity of the JMA allows it is possible to manage more micro projects directly,

- umbrella projects or projects comprising a re-granting element (re-granting procedure in accordance with Section 6.2.11 of PRAG). This is a project in which there is one beneficiary (Lead Partner) and many other partners. The partners implement a specified part of a project (so called microprojects). All the activities of the microprojects within an umbrella project must form a globally coherent project with common objectives. The activities of the microproject must be described in the project proposal for the project. The minimum and maximum budget of an umbrella project will be decided by the Joint Managing Authority. Umbrella projects with a budget over 350 000 Euros will be encouraged.

As far as the re-granting element of a larger project is concerned, the beneficiary and its partners (they are responsible for preparation of this joint project) cannot subgrant all or majority of the project activities. The re-granting cannot be the primary aim of the actions. The maximum amount of financial support that could be paid to third parties by a beneficiary amounts to 100 000 euro with a maximum of 10 000 euro per each third party. The main difference between umbrella projects and those comprising re-granting element is that within the re-granting part only planned activities and not partners are known at the moment of submission of a project (in case of umbrella projects both partners and activities are already identified at the moment of applying).

Only beneficiaries (Lead Partners) with experience in the management of EU projects and located in the Programme area can be responsible for the management of umbrella projects and the projects with a re-granting element.

Annex 1**Table 1. Basic statistical data about the programme NUTS III areas**

Region	Land area (sq. km)	Population density per sq. km	Number of inhabitants		University students per 1000 inhabitants	Unemployment rate (%)	GDP per person in current prices in Euro
			2000	2005			
CORE							
Olsztyński Subregion	10329	59	628 614	612610	76,98	24.2	5 515
Elblaski Subregion	7497	71	546 210	531689	17,77	28.0	4 585
Elcki Subregion	6347	45	293 489	284302	17,00	32.5	4 056
Gdański Subregion	9693	100	954 533	970014	3,82	24.0	3 895
Gdańsk-Gdynia-Sopot Subregion	415	1809	753 804	750919	114,10	9.0	7 676
Białostocko-Suwalski Subregion	14871	60	903 852	890095	55,32	15.1	4 137
Kaliningrad Oblast	15125	62	948500	939900	42,66	6.6	2 011
Klaipėda County	5209	74	387072	386129	25,07	7.0	5043
Marijampole county	4463	42	189248	185149	0,00	3.0	3449
Taurage County	4411	30	134600	134277	0,00	6.0	2783
TOTAL FOR CORE REGIONS	78360	73	5739922	5685084	43,99	n.a.	4 422
ADJACENT							
Alytus county	5425	34	188722	182851	0,00	8.2	3739
Kaunas county	8089	85	705310	685723	69,10	8.9	5043
Siauliai county	8540	42	372025	360755	33,68	10.1	4087
Telsiai County	4350	41	180226	177008	1,29	7.9	4 696
Słupski Subregion	8185	58	489 985	478110	22,54	28.1	3 996
Łomżyński Subregion	5316	58	317 276	309594	10,70	18.9	3 409
Bydgoski Subregion	8913	114	1 034 511	1013165	42,81	20.9	5 106
Toruńsko-Włocławski Subregion	9057	116	1 065 213	1055088	43,13	23.6	4 675
Ciechanowsko-Płocki. Subregion	7 778	81	646 643	627 263	25,17	23.4	3 691
Ostrołęcko-Siedlecki Subregion	12 098	62	772 456	751 163	35,21	20.4	2 789
TOTAL FOR ADJACENT REGIONS	77751	73	5772367	5640720	36,34	n.a.	4 242
Total for Programme area	156 111	72	11 512 289	11 325 804	40,18	n.a.	4 332

Annex 2

Information and Promotion Plan for Cross Border Cooperation Programme Lithuania-Poland-Russia 2007-2013 implemented under the European Neighbourhood and Partnership Instrument

Main objective of information and promotion activities

The main objective of information and promotion activities is to provide the beneficiaries and potential beneficiaries, as well as general public with a wide access to information on the ENPI Cross Border Cooperation Programme Lithuania-Poland-Russia 2007-2013 and its financing sources, and simultaneously to strengthen the cooperation between partners/ countries participating in the programme and to implement the Programme more effectively.

This objective is to be accomplished by means of:

- providing a constant and numerous information on the possibilities of financing being granted, including objectives, priorities and measures of the Programme, and the steps that should be taken in order to be able to apply for the funds, as well as the criteria of project selection and assessment,
- informing the general public on the state of the Programme's accomplishment, on regular basis, in particular on the results of the support and best practice in joint projects,
- ensuring the visibility of EU funding and the role played by the participating countries, for example on the level of their co-financing
- Russian financing.

Target groups and level of disseminating information

In order to make the information flow more efficient, and consequently increase the quality and effectiveness of the Programme's implementation, the informational and promotional activities should be conducted on two levels: external and internal one. The first one is addressing the beneficiaries and potential beneficiaries of the Programme, in particular:

- Regional and local authorities and other competent public institutions,
- Regional and local entities,
- Euro regions,
- Professional and business associations,
- non-governmental and non-profit organisations, in particular organisations active in the field of environmental protection, supporting entrepreneurship, development of tourism, supporting education, training institutions, etc.,

and the general public, including the mass media and people interested in the Programme for scientific purposes .

The internal level of communication refers mainly to the institutions involved in the implementation of the Programme.

Institutions involved in conducting and coordinating information and promotion activities

The Joint Managing Authority is responsible for coordinating the information and promotion activities and it will delegate some competences to the Joint Technical Secretariat. The Joint Technical Secretariat will be responsible for implementing the Information and Promotion Plan for the Cross Border Cooperation Programme Lithuania-Poland-Russia 2007-2013, and also for presenting the progress of the Plan fulfilment in a form of an annual report. The separate informational and promotional activities should be conducted in cooperation with the JTS.

The Joint Managing Authority is responsible for implementation of these activities as a whole, and also for dissemination of information on the Programme. For this purpose it monitors the work of the Joint Technical Secretariat and other institutions and entities involved in the implementation of the Programme.

Each participating country is responsible for informing both the beneficiaries and the general public on the objectives, priorities and possibilities of obtaining support under the Programme.

The strategy and content of information and promotion activities

The information and promotion activities should mainly ensure a transparency of support procedures under the Programme, and inform in an impartial and comprehensive way on the following items:

- Objectives,
 - Priorities,
 - Measures,
 - Possible subjects of support,
 - Eligibility principles of expenditures,
 - Amount of EU financing,
 - Procedures for examining applications,
 - Criteria of project selection,
 - Calls for proposals,
 - Institutions on the national and regional level that can provide information on the Programme.
- Moreover, the public should be regularly informed on the progress of the implementation of the Programme and examples of best projects.

Programme' Logo

For an increased identification with the Programme, the Programme' logo will be designed. It will relate to the logo of Neighbourhood Programme Lithuania-Poland-Kaliningrad Region of the Russian Federation 2004-2006, on the basis of which a uniform graphic image will be worked out. A joint logo of the Programme will be on all promotion and information materials, the website and offices of the institutions that disseminate information to beneficiaries. The logo will be also used for promotion of separate projects.

Main communication channels

The following communication channels will be used to disseminate information on the Programme:

- a) The Internet – the website on the Programme will be prepared. The Joint Technical Secretariat will be responsible for its administration and updating. The website will provide information on objectives and content of the Programme, legal basis, procedure for submitting application and selecting projects as well as contact persons and current themes. Moreover, it will provide access to all important documents on the Programme and have useful links, including links to the institutions that coordinate the implementation of the Programme. The website will also present information on the most important events, meetings and workshops related to the Programme.

b) Traditional media (press, radio, television)

The information on the Programme will be published and disseminated mainly in the press, as well as radio and TV stations. These media will be used mainly in relation to the information on current events and to present the achievements of the Programme.

An information campaign on the Programme is going to be conducted.

The Joint Technical Secretariat, acting upon an order of the Joint Managing Authority, will prepare and conduct cooperation with the media referring to a given project, together with the institutions entrusted with the implementation of the Programme.

Moreover, within the scope of project accomplishment the beneficiaries may conduct media relationships on their own. If necessary, they will be supported by the Joint Technical Secretariat.

c) Publications

The Joint Programme Document will be published in an electronic form on the website. Its hard copies will be made available upon demand, as well.

Other more detailed documents will be published in Polish, Russian, Lithuanian and in English on the Web site. Their hard copies will be made available upon demand, as well.

A brochure on the Cross Border Cooperation Programme Lithuania-Poland-Russia 2007-2013 will be published. It will inform mainly on the legal basis, criteria for project selection, main objectives and measures of the Programme. It will be printed and can be downloaded from the Web site. Further promotional materials will be published if necessary.

All publications will be marked appropriately and will contain information on EU financing.

d) Events

Such events as conferences, informational meetings, workshops, and trainings within a scope of a transparent and effective implementation of the Programme are an essential instrument for responsible administration units, beneficiaries and other institutions to share knowledge and communicate. Moreover, such events serve as an appropriate platform to present achieved results and examples, that is so called best practice.

Indicative budget

The Joint Managing Authority will take all necessary institutional, administrative and financial measures to accomplish goals of the Information and Promotion Plan. Therefore, the funds allocated for information and promotion are presented in the financial plan of the Cross Border Cooperation Programme Lithuania-Poland-Russia 2007-2013 under the priority of Technical Assistance.

The Programme follows the visibility guidelines applicable to EC external actions¹⁸

Annex 3

Indicative financing plan of the ENPI CBC LT-PL-RU Programme, giving, for the whole programming period, the indicative amount of funding by priority <i>Priorities by source of funding (in euros):</i>				
	EC Funding (a) *	Co-financing (b)	Co-financing rate (in %) (c) **	Total funding (e) = (a)+(b)
Priority 1	72 671 353.10	7 267 135.31	10%	79 938 488.41
Priority 2	46 245 406.60	4 624 540.66	10%	50 869 947.26
Technical Assistance	13 212 973.30	0,00	-	13 212 973.30
Total	132 129 733	11 891 675.97	9%	144 021 408.97

* In accordance with the Strategy Paper.

** Cofinancing rate shall be calculated on the basis of the Community contribution to the joint operational programme, minus the amount of technical assistance financed from the Community contribution (see: Art. 20.1 of the Regulation n° 951/2007).

Programme's financial table

	A	B	C	D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE EC	CO-FINANCING	PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -
2008				
Projects		0.00	0.00	0.00
TA		(not applicable)	660 648.66	660 648.66
TOTAL 2008	18 163 633.00	0,00	660 648.66	660 648.66
2009				
Projects		392 334.47	9 808 361.82	3 923 344.73
TA		(not applicable)	1 981 945.99	1 981 945.99

TOTAL 2009	19 855 872.00	392 334.47	11 790 307.81	5 905 290.72
2010				
Projects		1 122 189.24	28 054 730.88	11 221 892.35
TA		<i>(not applicable)</i>	1 981 945.99	1 981 945.99
TOTAL 2010	20 252 990.00	1 122 189.24	30 036 676.87	13 203 838.34
2011				
Projects		2 198 830.10	42 710 300.46	21 988 301.09
TA		<i>(not applicable)</i>	1 981 945.99	1 981 945.99
TOTAL 2011	25 975 721.00 **	2 198 830.10	44 692 246.45	23 970 247.08
2012				
Projects		2 647 687.40	28 671 680.79	26 476 873.94
TA		<i>(not applicable)</i>	1 981 945.99	1 981 945.99
TOTAL 2012	26 388 882.00 **	2 647 687.40	30 653 626.78	28 458 819.93
2013				
Projects		2 802 929.76	9 671 685.75	28 029 297.62
TA		<i>(not applicable)</i>	1 321 297.33	1 321 297.33
TOTAL 2013	21 492 635.00 **	2 802 929.76	10 992 983.08	29 350 594.95
2014				
Projects		1 860 687.05	N.A.	18 606 870.44
TA		<i>(not applicable)</i>	1 321 297.33	1 321 297.33
TOTAL 2014	N.A.	1 860 687.05	1 321 297.33	19 928 167.77

2015				
Projects		770 301.1	N.A.	7 703 010.96
TA		<i>(not applicable)</i>	1 321 297.33	1 321 297.33
TOTAL 2015	N.A.	770 301.1	1 321 297.33	9 024 308.29
2016				
Projects		96 716.85	N.A.	967 168.57
TA		<i>(not applicable)</i>	660 648.69	660 648.69
TOTAL 2016	N.A.	96 716.85	660 648.69	1 627 817.26
		X	X	
TOTAL 2007-2016	132 129 733	11 891 675.97	132 129 733	132 129 733
TOTAL COFINANCING RATE			%	%

Indicative TA budget for LT-PL-RU ENPI CBC 2007-13

Posts	Planned budget (ENPI)	% of the overall TA budget supported by ENPI
Staff costs (estimated number of staff, staff related costs etc.)	6 624 000	50.13%
Organisation of Monitoring Committees	222 000	1.68%
Project's selection (external experts fees, experts meetings etc.)	1 642 000	12.43%
Communication Strategy (Website, leaflets etc.) and project generation (information days etc.)	1 541 500	11.66%
Annual Audits (audit of projects, external audit)	862 147	6.53%
Others (investments, overheads, evaluation, studies etc.)	2 321 326.30	17.57%
	13 212 973.30	100.00%
* The table is solely indicative. Any modification of the above during implementation will not be subject to a modification of the programme.		

Annex 4**INFORMATION ON STRATEGIC ENVIRONMENTAL ASSESSMENT**

Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and programmes on the environment (SEA Directive) requires a formal environmental assessment of the programmes which are likely to have significant effects on the environment. The purpose of the SEA is to ensure that environmental consequences of the programme are identified and assessed during the programme preparation process and before its adoption. Taking into account the specificity and scale of the European Neighbourhood and Partnership Instrument programmes which consist mainly in strengthening of co-operation at cross-border level between the partners involved, direct impact of the programme on environment is not likely to be strong. However, in a long term the activities undertaken within the programme, especially those directly related to environmental issues, may have influence on sustainable development of the programme area.

SEA procedure was carried out by the Polish private company EKO-KONSULT. First draft environmental report was prepared in April 2008 and referred to the draft Operational Programme from March 2008.

Information on public consultations

SEA report, together with draft operational programme, has been subject to public consultations in all countries covered by the programme in accordance with applicable national rules. The table below includes information about the public consultation process in all programme countries.

Country	Time-frame	Method of consultations	Subjects consulted
Lithuania		Firstly, the public discussion on the SEA Scoping Document was organized, during it the notes and comments were received from society and relevant stakeholders. The information about this procedure was spread on the website www.interreg.lt , where SEA Scoping Document was available. Appropriate note about the public discussion on the	The public, Ministry of Health of the Republic of Lithuania, Ministry of Culture of the Republic of Lithuania, Ministry of Environment of the Republic of Lithuania, State Service for Protected Areas under the Ministry of Environment, all Counties Governors' Administrations.

Poland	21.04.2008- 13.05.2008	<p>SEA Scoping Document was published in press.</p> <p>SEA report was available on the Ministry of regional Development website as well as, together with draft Operational Programme, at the premises of the Ministry.</p> <p>Appropriate note about the public hearings was published on the Ministry's website.</p> <p>The meeting in Olsztyn (24th of April) was organized.</p>	<p>Representatives of local and regional authorities, social and economic partners, cultural institutions, non-governmental organizations, universities and other educational institutions etc.</p> <p>The number of participants was app. 80 people.</p>
Russia		<p>SEA report was available on the website of the Kaliningrad Region Government. The public hearing meeting was organized in Kaliningrad (27th May).</p>	<p>Representatives of local and regional authorities, social and economic partners, cultural institutions, non-governmental organizations, universities and other educational institutions etc.</p>

Integration of SEA results into the programme

Strategic Environmental Assessment was an interactive process during which recommendations included in the report as well as suggestions received as a result of consultations were subsequently taken into account in the draft operational programme. Main recommendations refer to the programme implementation phase.

It was underlined that separate environmental impact assessments should be prepared and public consultations held for specific types of projects, mainly infrastructure ones. In the project selection criteria defined in the draft programme, a requirement was introduced concerning the potential environmental impact of project. According to this requirement, projects with the potential for negative impact on environment will not receive a grant under the programme and potential positive environmental impact of a project will be taken into account during the evaluation process.

It was also paid attention to the fact that in case of investment projects it should be avoided to locate them in proximity to NATURA 2000 sites and other protection areas. It is also equally important to follow in implementation of these kind of projects the relevant EU Directives concerning conservation of natural habitats and of wild fauna and flora.

Monitoring of environmental effects

The monitoring of environmental effects of the programme implementation is directly linked to the monitoring system of the programme as a whole and refers to the types of actions envisaged within the programme. In particular, monitoring will have to answer whether the measures recommended in the SEA were undertaken in case of actions which are likely to cause environmental effects. SEA report contains also suggestions concerning monitoring indicators to measure environmental effects of the programme.

Annex 5 PROVISIONAL INDICATIVE TIMETABLE ¹⁹

	2007					2008					2009					2010					2011					2012					2013					2014					2015					2016				
	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V	I	II	III	IV	V					
Programme activities																																																		
JMC meetings											X	X				X	X				X	X				X	X				X	X				X	X				X	X				X	X			
Launching of the calls for proposals (a)											X		X			X	X						X	X																										
Evaluation and selection of projects																X					X					X																								
Operational and financial monitoring of projects (b)											X	X				X	X				X	X				X	X				X	X				X	X				X	X				X	X			

¹⁹ The table is solely indicative. Any modification of the above schedule during the implementation will not be subject to a modification of the programme.