

**INTERREG IIIA LITHUANIA, POLAND AND
KALININGRAD REGION OF RUSSIAN FEDERATION
NEIGHBOURHOOD PROGRAMME 2004-2006**

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**FIFTH ANNUAL REPORT
FOR YEAR 2009**



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List of abbreviations

CBC	Cross Border Cooperation
EC	European Commission
ENPI	European Neighbourhood and Partnership Instrument
ERDF	European Regional Development Fund
ETC	European Territorial Cooperation
EU	European Union
GDP	Gross Domestic Product
JMSC	Joint Monitoring and Steering Committee
JTS	Joint Technical Secretariat
MA	Managing Authority
MoI	Ministry of the Interior of the Republic of Lithuania
NA	National Authority
NS	National Sub-committee
OP	Operational Programme
PA	Paying Authority
RCPs	Regional Contact Points
SMEs	Small and Medium size Enterprises
Sub-PA	Sub-Paying Authority
TA	Technical Assistance
TACIS	Technical Aid to the Commonwealth of Independent States

1. Executive Summary

This report is the fifth annual implementation report of the Lithuania, Poland and Kaliningrad Region of Russian Federation Neighbourhood Programme (hereinafter – Programme). The report has been prepared in accordance with Article 37 of the Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds. It covers and describes the implementation period of the Programme from 1 January 2009 to 31 December 2009.

During the reporting year, the major efforts of the Programme authorities were concentrated on finalising all activities that would ensure the successful closure of the Programme.

At the beginning of 2009 the requests to the EC to extend the final date of eligibility of expenditure of the Programme till 30 June 2009 (approved by the JMSC on 22 December 2008) and to extend the eligibility period of TA of the Programme till 31 December 2009 (approved by the JMSC on 24 December 2008) were approved.

During 2009 the activities aimed at closure of the Programme were conducted; few projects were assisted in preparation of their final reports and all final reports were approved. After assessment of all requests and already paid amounts, beneficiaries of implemented projects were questioned and basing on the expressed need additional funds were allocated for 22 projects.

The evaluation of the Programme impact and results was conducted by external experts - “BGI Consulting Ltd.”

2. Major Changes in General Conditions of the Programme Environment

Ongoing financial and economical crisis hit all the countries. It is too early to evaluate the real impacts and results of the crisis; however some specific aspects could already be mentioned.

The latest evaluation of macroeconomic indicators in Lithuania indicates that gross GDP in the III quarter of 2009, if compared with the III quarter of 2008, has dropped by 14,3%. During the first quarters of 2009 the largest decrease was observed in construction, industry and production services, a positive change was observed only in agriculture.

Latest available statistics reveals that from GDP point of view Poland is performing relatively better than most of other EU countries – GDP has increased by 1,5-1,7% against III quarter of 2008 and Poland has been the sole country in the region to avoid contraction.

Important factor that affected the economic situation in Lithuania-Poland border regions was the decrease of the value of PLN against EUR and consequently against LTL - due to this decline during the first and second quarters of 2009 the real purchasing power of people and companies having revenues in LTL has increased approximately by 20%. This change has caused a higher demand of polish goods bought in PLN and at the same time has triggered cross-border 'shopping tourism' from Lithuania into the bordering regions of Poland.

The World Bank in the latest quarterly economic report forecasts that the EU ten ex-communist economies will contract by 4,2% as a whole in 2009, and economies will return to the growth of around just 1% in 2010.

Despite the global problems, the Russian Federation faced some difficulties due to decrease of price for oil – it had impact on the state budget of the Russian Federation. In addition, the sharp devaluation of the rouble at the junction of 2008 and 2009 increased the costs of foreign goods and raw materials for local import-processing companies, which in turn reduced demand for them. Summarizing, the economy of Kaliningrad region is as well facing problems and the decrease in economic activity is likely to be more substantial than in Russia as a whole.

The number of people crossing Kaliningrad region's borders in the first 8 months of 2009 decreased by 23,5% compared to the same period of 2008. Similar statistics is seen in vehicle traffic. Overall decline in all border-crossing points of the Kaliningrad region is by 25,2%. This dynamics is related with the

implications of the world financial crisis – declines in trade between countries, as well as problems in tourism sector.

On 20 October 2009 a new international border crossing point Chernyshevsky was officially opened at the border between Kaliningrad and Lithuania. Chernyshevsky border crossing point is designed to pass 1,500 vehicles per day (300 trucks, 1150 passenger vehicles, 50 buses) and up to 4000 individuals. The total cost of the project is 442 million roubles, out of which 132 million roubles have been allocated by the EC.

Social and economic changes on the global and national level were of a great importance in shaping the situation of the Programme area, but did not affect significantly the Programme implementation, as most of the projects, except for two, were implemented by the end of 2008.

3. Implementation of Priorities and Measures

3.1. Progress in the Implementation of the Programme

On 27 March 2009 JMSC using a written procedure made a decision on allocation of additional funds to projects already financed from the Programme. It was possible to take such decision as the EC approved the extension of the eligibility period of the Programme till 30 June 2009 and because the Programme had some savings (after summarizing results of all the implemented projects). The total amount of 3 991 292,23 EUR, including 2 976 986,02 EUR ERDF funds was allocated by the decision of JMSC to 28 projects. Finally, in 2009 additional funding was contracted for 22 projects (total contracted additional funding amount is 3.584.109,62 EUR, ERDF is 2.669.869,44 EUR). The list of allocated additional funding for projects is presented in *Annex 1*. The funds were allocated to cover expenditures by the project partners incurred while implementing project activities, but exceeding the approved budget – mainly if the costs of construction works exceeded the budget or when the costs indicated in the budget were exceeding due to changed EUR/PLN exchange rate. In few cases funds were allocated for finalisation of project activities, not finalised due to the limited financing. However, not all the submitted requests for allocation of additional funds from beneficiaries were approved since the total amount of 5 130 278,26 EUR was requested.

As additional funds were allocated under the certain conditions not all the Lead partners managed to fulfil these conditions and amendment to the Subsidy Contracts were signed only for 22 projects.

Implementation period of two projects - No. 2005/109 “The tourism product with the chance of the activation of societies of the Ilawa lake district, Drweca river basins and Klaipėda subregions” and No. 2005/201 “Development of road infrastructure in the Lithuanian and Polish border area” was extended in order activities foreseen in the final project Application Form, but not implemented yet, could be finalised.

Eighteen TACIS projects finalized their activities in 2009; 3 projects are still on-going; Tacis part of the project No. 2006/282 “Cooperation of Lithuania and the Kaliningrad Region in Reduction of Contamination of Common Use Water Resources” was terminated and returned the pre-financing paid out.

3.2. Quantification of the Related Indicators

Achievement of main Programme indicators for INTERREG projects by Measures from the beginning of the Programme is provided in *Table 1*:

Table 1. Achievement of main Programme indicators (for INTERREG projects) by measures

	Planned in INTERREG projects	Achieved by projects	%
Measure 1.1 Indicators			
Number of cross-border innovation/know-how transfer projects	18	18	100
Number of cross-border relevant databases and networks	99	109	110
Number of cooperation contacts established	89	127	143
Measure 1.2 Indicators			
Number of cross-border infrastructure objects	31	28	90
Number of projects enhancing the border security	8	8	100
Time saved for the journey and transportation of goods across the border	56	56	100
Improved cross-border integration of existing infrastructure networks (number of new or improved infrastructure networks)	22	27	123
Measure 1.3 Indicators			
Number of established/modernized cross border environmental infrastructure facilities	21	21	100
Number of cross border relevant environmental management programmes	6	6	100
Increased number of users of renewable sources of energy	-	-	-
Measure 1.4 Indicators			
Number of developed cross border tourism infrastructure objects	11	11	100
Number of reconstructed/constructed cultural objects	23	23	100
Number of cross border tourism networks/products	14	14	100
Number of conferences, seminars organized during low-season	2	2	100
Measure 2.1 Indicators			
Number of cross-border events	310	272	88
Number of persons trained or consulted	4 015	4 900	122
Strengthened cross-border cooperation between local actors (number of new local cross-border contacts)	295	289	98
Improved adaptability of employees to meet market needs	69	95	138
Measure 2.2 Indicators			
Number of supported cross-border relevant initiatives	84	96	114
Number of target persons participating in projects and events	103 781	135 353	130
Number of new cultural links	102	105	103

4. Financial Implementation

4.1. Payment Requests to the Commission

On 20 February 2009 the PA submitted to the EC the Application for *the thirteenth* intermediate Reimbursement of Payments in which the EC found that the established ceiling for the Community (ERDF) financing expenditure claimed under measure 999.1 “Technical Assistance” was exceeded. On 23 April 2009 the PA submitted to the EC the revised Application for *the thirteenth* intermediate Reimbursement of Payments with a total request of **6 798 482,45 EUR** out of which the Lithuanian share was 3 342 451,61 EUR and the Polish share was 3 456 030,84 EUR. The requested amount was transferred by the EC on **18 May 2009**.

On 28 May 2009 the PA submitted to the EC the Application for *the fourteenth* intermediate Reimbursement of Payments with a total request of **1 975 430,30 EUR** out of which the Lithuanian share was 1 061 793,79 EUR and the Polish share was 913 636,51 EUR. On **16 June 2009** was received *the fourteenth* intermediate Reimbursement of Payments from the EC for the total amount of 1 975 430,58 EUR out of which the Lithuanian share was 1 061 793,94 EUR and the Polish share was 913 636,64 EUR.

On 3 September 2009 the PA submitted to the EC the Application for *the fifteenth* intermediate Reimbursement of Payments. According to the provisions of Article 32 of the Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, the combined total of the payments made in respect of an assistance shall not exceed 95 % of the contribution from the Funds to that assistance. The amount of the total request of the reimbursement of payment was not indicated in the fifteenth Application for Payment, as the threshold of 95 % of the contribution from the ERDF to the assistance has been reached.

The total amount of **34 434 196,85 EUR**, out of which the Lithuanian share is 13 343 415,60 EUR and the Polish share is 21 090 781,25 EUR, was received from the EC from the beginning of the Programme.

4.2. Total Contracted Expenditure

The amount of 2 669 869,44 EUR ERDF was contracted for 22 projects as additional funding in 2009. In total **36 278 348,52** EUR ERDF was allocated for approved projects by the end of 2009. The ERDF allocations are indicated in *Table 2*.

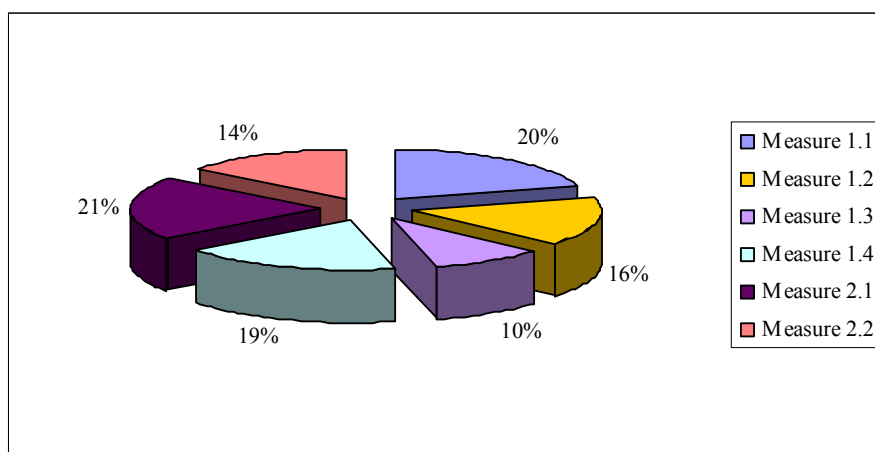
Table 2. ERDF Resources Allocated for Approved Projects

Total ERDF allocations for Measure in the Programme Complement, EUR	Total additional funds contracted from ERDF in 2009, EUR	Total ERDF contracted in 2005-2009, EUR
Priority 1 Competitiveness and productivity growth of the cooperation are through development of cross border infrastructure and border security, economic and scientific/technological cooperation		
Measure 1.1 Stimulating of economic and scientific/technological cooperation		
4 276 178,00	169 756,02	4 488 922,50
Measure 1.2 Improvements in physical and border security infrastructure to encourage development of the border area		
7 984 746,00	975 409,72	9 093 657,34
Measure 1.3 Environmental protection and growth of energy efficiency and promoting renewable energy sources		
4 882 293,00	69 028,64	5 201 322,55
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		
8 700 263,00	1 422 009,10	10 470 023,66
Priority 2 Contribution to the cooperation between populations, socio-cultural integration and the labour market		
Measure 2.1 Support of local societies initiatives		
3 955 994,00	26 351,93	3 755 833,18
Measure 2.2 Regional cultural identity and cultural heritage		
3 707 213,00	7 314,03	3 268 589,29
TOTAL:		
33 506 687,00	2 669 869,44	36 278 348,52

4.3. Reporting Situation

The MA in 2009 has approved 63 reports, including 22 reports for allocated additional funds. Approved reports by measures are provided in the *Diagram 1*. Total amount of approved reports during reporting period - 9 403 928,26 EUR (the total amount of approved reports for allocated additional funds – 3 453 082,00 EUR), including 7 001 527,05 EUR ERDF (the ERDF amount for approved additional funds reports – 2 572 770,73 EUR).

Diagram 1. Approved reports by measures



ERDF amounts actually paid out and certified for Lithuanian and Polish beneficiaries and payments received from the EC until the end of 2009 are presented in *Table 3*.

The EC Delegation to Russia paid out the amount of 3 424 551,31 EUR to TACIS Project Partners in 2009.

Table 3. ERDF amounts actually paid and certified for Lithuanian and Polish beneficiaries in 2009

Priorities and Measures	Total ERDF amount paid and certified in 2009, EUR	ERDF amount paid and certified for Lithuanian Partners in 2009, EUR	ERDF amounts paid and certified for Polish Partners in 2009, EUR	Total amount of payments received from EC including advance payment, EUR
Measure 1.1	1 576 236,78	968 176,82	608 059,96	34 434 196,85
Measure 1.2	2 815 226,62	2 267 277,90	547 948,72	
Measure 1.3	422 767,47	111 889,60	310 877,87	
Measure 1.4	2 202 491,67	760 899,49	1 441 592,18	
Priority 1	7 016 722,54	4 108 243,81	2 908 478,73	
Measure 2.1	676 665,94	349 663,33	327 002,61	
Measure 2.2	517 129,69	110 551,25	406 578,44	
Priority 2	1 193 795,63	460 214,58	733 581,05	
TOTAL	8 210 518,17	4 568 458,39	3 642 059,78	

Note: basing on the rules on payment of expenditure and submission of reports of Interreg IIIA Programme the eligible expenditures are declared to EC on the day when the Joint Application for Payment is approved by MA.

4.4. Use of Programme Technical Assistance

The TA budget of the Programme, initially approved during the first JMSC meeting on 9 February 2005 in the amount of 3 653 114,31 EUR and amended during the period of the Programme implementation, was also amended during the reporting period.

In 2009, while implementing activities related to Measure 3.1, the following expenses were covered from the TA budget: salaries of the JTS staff and employees working as the RCPs in Poland in each of the three participating Voivodeships (RCPs expenses were actually incurred in 2008, but reports received in 2009); office rental and maintenance costs; telecommunication and communication costs; procurement of office supplies; missions of JTS staff.

Also, a part of the funds kept as an undistributed (contingency) reserve was spent by Polish and Lithuanian institutions involved in the Programme implementation for purposes related to Programme implementation - training of their employees, missions in connection with their participation in various events in the framework of the Programme etc. The amount of 5.180,73 EUR has been spent for these activities during 2009. In 2009 while implementing the first task in both countries the total amount of **211 657,00 EUR** was spent from the TA budget.

All the Programme information and publicity activities were funded while implementing the Measure 3.2: the amount of 1 127,08 EUR was spent for Programme website support and 15 620,23 EUR spent in 2008 in Poland for info activities related to the new 2007-2013 programmes as well included into this report. In total the amount of **56 494,71 EUR** from the TA budget was spent while implementing the information and promotion activities of the Programme.

The combined amount of the TA funds spent in 2009 was **268 151,71 EUR**.

5. Administration and Management

5.1. Programme Legal Framework

Major documents necessary for the Programme implementation (Programme document, Programme Complement Rules of Procedure of the Joint Monitoring Committee) have been prepared and approved by all three involved countries in the period of 2005-2006. Later on some adjustments and amendments were introduced to the Programme documents, while the TA budget has been reviewed annually.

In order to ensure efficient implementation of the Programme the following legal documents were prepared and agreed among the involved countries and, if applicable, approved by the EC **during 2009**:

- on 19 February 2009 the EC has approved **extension of eligibility period of the Programme till 30 June 2009 and extension of eligibility period of the TA till 31 December 2009**;
- on 20 February 2009 the EC has approved **changes in the Programme Complement** introduced by JMSC on 28 October 2008: two additional areas of intervention have been introduced, i.e. for Measure 1.2 – 36 (Social and public health infrastructure) and for Measure 1.3 – 181 (Research projects based in universities and research institutes) in order to reflect the actual situation in implemented projects; and a change of provision on project duration - in exceptional cases if approved by the JMSC, the project duration can be longer than 24 months;
- changes have been made by JMSC in the Programme Complement on 27 March 2009 - the following sentence was introduced into the description of each measure: “*Maximum amount of assistance to a project can be exceeded by separate decision of the Joint Monitoring and Steering Committee*”.

5.2. Joint Monitoring and Steering Committee

During 2009 the JMSC in urgent cases, like in other years, has approved the following decisions by written procedure:

- on 27 March 2009 six decisions were approved: a) TA budget of the Programme for 2009; b) decision to transfer to the Ministry for Regional Development of Poland of Polish national co-financing funds not used for co-financing of TA activities at the end of the financial year 2009; c) allocation of additional funds to 28 projects, including 9 projects with the total approved amount exceeding 1 million EUR ERDF funds, with the condition that all the necessary documents shall be

provided to the JTS within 10 working days after communication of information to the Lead Partner of the project about the approved decision, and, if justified, the amounts for performing 1st level control check of additional amounts allocated shall be indicated by project partners and could be included into the project budget and additional funding increased accordingly; d) decision that while using additional funds all the activities by projects No. 2005/072 “Investment promotion of industrial areas and ‘green fields’ in Euroregion Nemunas”, No. 2005/109 “The tourism product with the chance of the activation of societies of the Ilawa lake district, Drweca river basins and Klaipeda subregions”, No. 2005/179 “Development of road infrastructure in the Polish and Lithuanian border area in Podlaskie” and No. 2005/201 “Development of road infrastructure in the Lithuanian and Polish border area” have to be finalized till 1 June 2009; e) decision that audited project Progress reports have to be submitted to the JTS till 30 June 2009; f) approval of the changed Programme Complement - introduction the following sentence into the description of each Measure: “*Maximum amount of assistance to a project can be exceeded by separate decision of the Joint Monitoring and Steering Committee*”;

- on 30 April 2009 description of functions and costs to be financed in 2009 from the TA budget under the Lithuania, Poland and Kaliningrad Region of Russian Federation Neighbourhood Programme;
- on 4 June 2009, as a follow-up to the decision approved via written procedure on 27 March 2009 regarding the allocation of the additional funding to the selected projects, was approved extension of project duration: for the project No. 2005/202 “Development of industrial zones infrastructure in Lithuanian-Polish cross border” till 31 July 2008, and for projects No. 2005/146 “Tourism development by building bike-walk path in Lithuanian-Poland cross border”, No. 2005/148 “Development of security infrastructure of the Lithuanian and Polish border tourism”, No. 2006/273 “Sustainable energy programme for small communities in Lithuania-Poland border regions” and No. 2006/314 “‘Malbork and Mosedis Welcome Centres’ – investment support for transborder tourism development” - till 15 June 2009;
- on 19 June 2009 two documents were approved: a) the Annual Implementation Report of the Lithuania, Poland and Kaliningrad region of Russian Federation Neighbourhood Programme for 2008, and b) Communication plan of the Lithuania, Poland and Kaliningrad region of Russian Federation Neighbourhood Programme for 2009 (*Annex 2*);
- on 2 July 2009, due to extended eligibility period of the Lithuania, Poland and Kaliningrad region of Russian Federation Neighbourhood Programme the amended Programme closure schedule was approved.

On 17 November 2009 the JMSC meeting was organised in Gdańsk, Poland. Main topics discussed during the meeting, were related to the Programme Annual Report for 2009, Programme Final Report, evaluation of the Programme by external evaluators and Programme's closure issues.

5.3. Main Implementing Bodies of the Programme

There were no changes in 2009 with regard to the work of main implementing bodies of the Programme.

MoI acts as the MA and Ministry of Finance of the Republic of Lithuania as the PA, Programme's NA is the Ministry of Regional Development of the Republic of Poland while Department of the PA of the Ministry of Finance of the Republic of Poland is appointed to act as Sub-PA.

The Joint Technical Secretariat of the Programme

The public institution JTS was established for the purpose of providing technical services to the Programme in 2004. In order to ensure proper provision of services for the implementation of the Programme, at the beginning of each year a contract between the MoI and the JTS is signed – the last Contract No. 1VL-73 for ensuring Programme finalisation services in 2009 was signed on 24 March 2009.

Starting from 1 January 2009 only six positions were financed from the Programme: costs of Director and Chief Accountant were shared between 3 programmes the JTS is working with (the time worked for each programme was accounted basing on the filled in time-sheets), Office Administrator was recruited to work on part-time basis and three positions - Project Manager, Financial Project Manager and Financial Controller – were fully financed by the Programme.

5.4. Other Institutions Involved in Programme Implementation

National Sub-committee in Lithuania, which is an inter-institutional advisory body for dealing with implementation issues of INTERREG III initiative programmes of the European Communities, did not have any meetings in 2009.

National Polish Panel of Experts in Poland which is an advisory body for Polish members of JMSC did not have any meetings in 2009.

Regional Contact Points in Poland established to ensure efficient spreading of information and publicity in Poland did not perform any activities in 2009 – their functions were finished at the end of 2008.

5.5. Steps to Ensure the Quality and Effectiveness of Implementation

5.5.1. Monitoring

In 2009, following the Contract signed between the JTS and the MA, the JTS had to perform 10 checks on the spot of the projects. Basing on projects' risk assessment methodology, 10 projects were selected for the control. However, during reports' verification period it was decided to visit some projects experiencing problems while preparation of proper Progress Reports.

In 2009 JTS staff visited 10 projects, in total 13 checks on spot were performed: 12 in Lithuania and 1 in Poland. Decision to make more checks on spot in Lithuania was taken as all the employees dealing in the final phase with the Programme are nationals of Lithuania, besides 1st level controllers in Poland were still making checks on spot in 2009, therefore more attention was paid to Lithuanian project partners. Two partners of projects No. 2005/214 No. "Perspectives of Offshore Wind Energy development in marine areas of Lithuania, Poland and Russia" and No. 2005/294 "The development of vocational training in Nemunas Euroregion and stimulation of youth cooperation" were visited. The Lead Partner of the project No. 2005/289 "Development of Scientific-technical Support for Reproduction of Fish Stocks in Trans-Boundary Water of Lithuania and Russia" was visited twice, because the institution was not properly prepared for the JTS visit for the first time. If any problems and/or shortcomings were discovered during a check on spot, JTS Project Managers requested beneficiaries to correct mistakes and report to the JTS on measures taken. The list of checks on spot and the outcomes of the check are described in the *Annex 3*.

In 2009 the MA continued carrying checks on spot in the institutions of the Lithuanian partners of the projects. On 5 February 2009 the Undersecretary of the MoI signed the plan of checks on spot for 2009, in which 3 Lithuanian partners of 3 projects and the JTS were indicated. During the reporting year all the planned checks on spot were performed. In case any shortcomings were detected, specialists of the MA requested beneficiaries to put recommendations given into execution and to report on their implementation.

During the reporting period (year 2009) the NA performed 4 checks of the Technical Assistance projects regarding the following beneficiaries:

- on 1st April, 2009 - Warmińsko-Mazurski Voivodeship Office in Olsztyn – project no. IG-2004/PL-LT/3.1./57/08,
- on 13th of March, 2009 - Territorial Cooperation Department in the Ministry of Regional Development – project no. IG-2004/PL-LT/3.1/58/08
- 1-4 September, 2009 - Territorial Cooperation Department in the Ministry of Regional Development– Project no. IG-2004/PL-LT/3.1/23/07
- 1-5 October, 2009 - Territorial Cooperation Department in the Ministry of Regional Development – project no. IG-2004/PL-LT/3.2/24/07

5.5.2. Financial Control

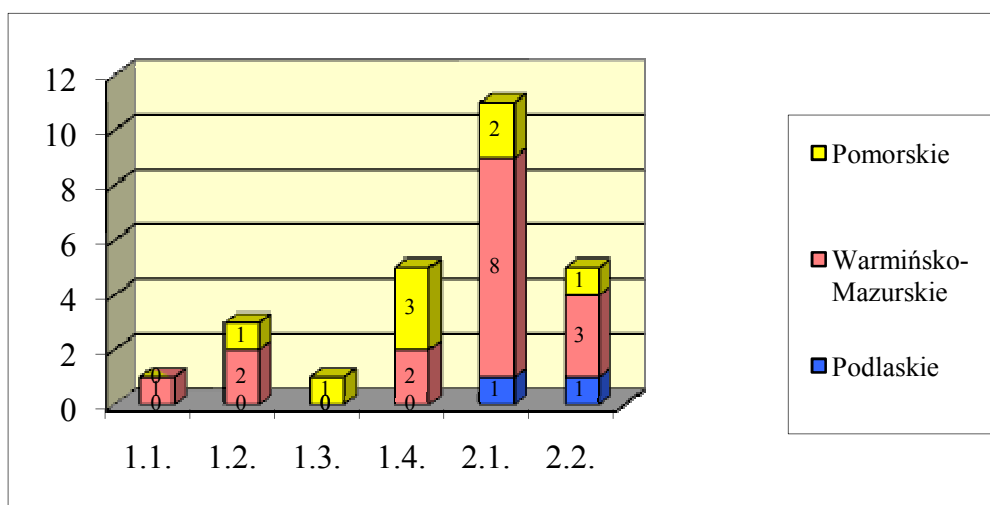
The Project Verification According to Article 4 of Commission Regulation (EC) No 438/2001 (1st Level Control)

in the Republic of Lithuania

In 2009 there were few checks on spot performed by the 1st level control institution in Lithuania – only expenditures related to additional funding distributed at the beginning of the year were checked. Since the contract with JSC “IDG auditoriai” (centralised audit company selected by the MoI) expired at the end of 2008, expenditures of the Lithuanian project partners have been checked by the audit companies selected by the beneficiaries themselves in line with the public procurement requirements.

in the Republic of Poland

The 1st level control in Poland was performed by the Voivodeship Offices of Podlaskie, Pomorskie and Warmińsko-Mazurskie regions. These institutions performed 100% controls of the project expenditure and reviewed the activities within the projects realized on the territory of Poland. In 2009 the Intermediary Bodies performed in total 29 checks on spot under the Priority 1 and Priority 2 (4 – by Podlaskie Voivodeship, 9 - by Pomorskie Voivodeship and 16 by Warmińsko-Mazurskie Voivodeship). Furthermore, Podlaski Voivodeship Office acting as 1st level controller performed 2 checks on spot regarding Technical Assistance projects in the relevant Regional Contact Point. The list of projects checked and the outcomes of the checks are described in the *Annex 4*. Information about performed checks on spot by measure is presented in *Diagram 2*.

Diagram 2. Checks on the spot performed by Polish 1st level control institutionsVerification According to Article 10 of Reg. 438/2001 (2nd Level Control)

Common methodology for the performance of the 2nd level controls in the Programme was developed in 2007 by the Internal Audit Unit of the MoI, responsible for the 2nd level control in Lithuania, and the Department for Protection of the EU Financial Interests of the Ministry of Finance in Poland, responsible for the 2nd level controls in their territory.

in the Republic of Lithuania

Functions of 2nd level control in Lithuania were carried out by the Internal audit Unit of the MoI. 6 projects were checked in 2009, taking into account expenditures declared to the EC until 30 June 2009. During the 2nd level control checks on the spot the total amount of 11 277,75 EUR of ineligible expenditure was detected. Below *Table 4* presents total value of ineligible expenditures found during audits. Detailed information on 2nd level control results are provided in *Annex 5*.

Table 4. The total value of non-eligible expenses on Lithuanian side

Expenditures declared to EC until 30.06.2009 in projects audited	Expenditures audited	Ineligible expenditures	Ineligible expenditures referring to expenditures audited
1	2	3	4 (3/2x100 %)
1 850 610,20	1 850 610,20	11 277,75	0,61

in the Republic of Poland

Coordination and supervision over the 2nd level control in Polish partners institution was carried out by the Treasury control inspectors and Treasury Control Office employees. Direct coordination of the 2nd level control activities was carried out by the Treasury Control Office in Białystok. Audits, taking into account expenditures declared to the EC until 31 March 2009, were performed from March to June 2009 towards 13 beneficiaries of the Programme (7 projects, 31 reports on project implementation) - see detailed information in *Annexes 6 and 7*. During the 2nd level control checks on the spot the total amount of 54 913,83 EUR of ineligible expenditure was detected. *Table 5* below presents total value of ineligible expenditures found during audits.

Table 5. *The total value of non-eligible expenses on Polish side*

Expenditures declared to EC until 31.03.2009 in projects audited	Expenditures audited	Ineligible expenditures	Ineligible expenditures referring to expenditures audited
<i>1</i>	<i>2</i>	<i>3</i>	<i>4 (3/2x100 %)</i>
2 431 959,67	1 621 381,17	54 913,83	3,39 %

Controls performed by other Programme bodies

by the Paying Authority

During 29-30 June 2009 the PA on has performed the check on spot in the JTS to verify eligibility of declared expenses in six selected projects as well as TA expenditures – no substantial remarks made.

by the Managing Authority

The MA has performed 3 checks on spot of the projects in 2009. In case any shortcomings were detected, specialists of the MA requested beneficiaries to put recommendations given into execution and to report on their implementation.

On 8 April 2009 the MA has performed the check on spot in the JTS. Major recommendations indicated to the JTS were related to the improvement of Programme website and request to ensure it's maintenance till closure of the Programme and related to organisation of the files and documents in the files.

6. Programme Publicity

The function of provision of information about the Programme in the Programme document has been assigned to the JTS. Usually this task was shared between the JTS Information Officer, Polish Regional Contact Points operating under the Marshal's Offices of Podlaskie, Warmińsko-Mazurskie and Pomorskie Voivodeships, and JTS key expert in Kaliningrad - financed from the TACIS TA budget. Taking into account that this year was the last year of Programme's operation and major activities related to publicising results of the Programme have already been implemented in 2008 (final conference, DVD about the Programme achievements, project compendium, articles in the newspapers, shots on the TV of all three countries), not many information activities were planned for 2009. Communication activities were mainly devoted to provide information to the general public via media about the final results of the Programme, to promote the Programme results and to preserve the information about the Programme on internet.

Information and publicity activities were carried out in accordance with the Commission Regulation 1159/2000 of 30 May 2000 on information and publicity measures to be carried out by the Member States concerning assistance from the Structural Funds, EU Visibility Guidelines for External Actions and the annual Communication action plan prepared by the JTS and approved by the JMSC written procedure on 19 June 2009 (*Annex 2*).

Three trends of external communication, i.e. mass-media, e-tools and events, were selected in order to advertise the Programme properly.

Media

Two articles were published about the results of the Programme (*Annex 8*): one in the Lithuanian national newspaper "Lietuvos žinios", another in regional Polish newspaper „Twój wieczór“.

E-tools

Internet website www.interreg3a.org

In accordance with the Communication action plan approved on 19 June 2009 by the JMSC during written procedure, throughout the year information about the Programme was placed and updated in the Programme's website www.interreg3a.org.

The MA closely cooperated with JTS by giving proposals in order to make the website of the Programme more attractive to the beneficiaries and to the general public.

Information on the website was provided in four languages: English, Lithuanian, Polish and Russian. The main information was identical in all four language versions, however some country specific information, e.g. about possibility to receive additional funds for Polish and Lithuanian projects or requirements to the reports, was published only in relevant national languages.

Visitors of the website could find the following sections: News, Documents and Logos, Projects, JTS, Polish Regional Contact Points, TACIS contacts, E-letter, Events, and Links. The electronic version of the Programme's evaluation has been placed on the website. The website was visited by 1500 visitors in 2009.

Polish Regional Websites

The websites of the Voivodeships continued providing the region-relevant information about the Programme on their regional websites. However not many actual information was published during 2009, since all activities were related to finalisation of the Programme and almost in all cases direct communication with beneficiaries was more efficient.

Pomorskie Regional Contact Point administered its own website on INTERREG initiative in Pomorskie Voivodeship (www.interreg.woj-pomorskie.pl). Significant part of the website was devoted to the Programme, including the link to www.interreg3a.org. The Regional Contact Points in Podlaskie and Warminsko-Mazurskie ensured that the most important information about the Programme was placed on the websites of their Marshal offices: www.wrotapodlasia.pl (Podlaskie) and www.warmia-mazury.pl (Warmińsko-Mazurskie).

E-letter

One issue of e-letter was produced in December 2009 (*Annex 9*). Topics covering Programme evaluation, awarded projects and a other issues are described in the e-letter. E-letter was distributed via email to various stakeholders and placed on Programme website.

Events

One public event was organised in 2009 - the evaluation study of the Lithuania, Poland and Kaliningrad Region of Russian Federation Neighbourhood Programme's impact and efficiency was presented on the 2 November 2009 in Mabre Residence Hotel in Vilnius. Evaluation of the programme

achievements, proposed recommendations for new programmes were presented during the event; afterwards participants discussed experts' recommendations and lessons learned. 30 representatives from various institutions: MoI, Ministry of the Finance of the Republic of Lithuania, Ministry of the Environment of the Republic of Lithuania, National Audit Office of Lithuania, Public entity JTS, municipalities and counties from the Programme territory participated in the event. The study was completed according to participants' comments and proposals given at the event and the final version of the study was presented at the JMISC meeting and press conference in Gdańsk on 17 November 2009. As a result the article and TV coverage were prepared by regional journalist.

Presenting Information about the Programme

Also, every occasion was used by the MA and the JTS to attend the events organised by the projects or other institutions and organisations in order to advertise the Programme. On 6 May 2009 Director of the JTS presented results and experience of the Programme to the representatives of Russian Federation, Ukraine and Belarus during the event organised by the Nordic Council of Ministers in Vilnius.

On 1-2 October 2009 the Forum of Partner Regions was organised in Kaliningrad, during which the achievements of the Programme were widely presented by the Kaliningrad beneficiaries of the Programme, the Kaliningrad, Russian and Polish authorities shared their experience while implementing projects.

The Programme was publicised during the Open days in Brussels in October 2009 by the initiative of the Local Authorities Association of Lithuania, DVDs and project compendiums of the Programme produced in 2008 were distributed to participants of some events.

In addition to public events, JTS staff participated in different evaluation activities - ex-post evaluation of the INTERREG initiative performed by PANTEIA and as well evaluation of TACIS component of the Neighbourhood Programmes performed by the group of experts lead by Mr. A. Grybauskas – these evaluations were performed by the assignment of the EC. The evaluation studies and information on the Programme also publicises the Programme.

Acknowledgement of projects

The Neighbourhood programme project No. 2006/289 "Development of scientific-technical support for reproduction of fish stocks in transboundary water of Lithuania and Russia" won the 2nd prize in the Russian national ecological competition EKOMIR in 2009.

The jury for the RegioStars 2010 Awards has chosen the project No 2006/335 “Establishing a MultiCentrum in Olsztyn and Marijampole” as a RegioStars 2010 finalist.

Evaluation of Information Activities

According to the 2009 Communications Action Plan of the Programme quantitative criteria were evaluated as follows. Actual results were not compared with target expectations of publicity measures specified in the Programme Complement, as in 2009 most activities were related to finalising of the Programme, evaluation of reports, thus only formal information was provided to general public. Programme Evaluation study was used as a case to advertise Programme’s achievements.

- Number of the visitors of the website www.interreg3a.org: target – 500, achievement – 1500;
- Number of viewers of the video clip of the Programme on www.youtube.com: target – 500, achievement – 650 viewers;
- Number of press articles: target – 2, achievement – 2 articles;
- Number of events organised: target – 1, achievement – 1 event.

7. Evaluation Study on Results and Impact of the Programme

In addition to the obligatory evaluations, the JMSC decided to carry out an evaluation study on results and impact of the projects financed by the Programme. The Annual Report 2008 showed that the project results, outputs are reached satisfactory, but it is not clear how generally implemented projects affected organisations and the Programme territory, there was no information available how the project outcomes were used after finalisation of the project activities and if not, which were the main obstacles for this. Thus, the purpose of the evaluation study was to evaluate results and impact of the Programme and to provide recommendations for the Programme's successors.

After the public call for tender announced in June 2009 the service contract was awarded to the "BGI Consulting" Ltd. The evaluation study was finalised at the beginning of November 2009. Besides prepared study, the experts presented the evaluation results in two events: for Programme authorities and representatives of the regions and as well for the JMSC members.

8. Other Steps to Ensure Successful Implementation of the Programme

The MA and the JTS, in order to find most efficient common solutions while dealing with the problematic issues related to the project implementation, in 2007 organised an internal working group to discuss such issues. In 2009 four (4) meetings of the working group took place, decisions taken were recorded in the minutes.

8.1. Conformity with Community Policies

All the implementing institutions of the Programme put efforts to ensure compatibility and coordination with Community policies and structural assistance.

While employing people in the JTS the equal treatment of genders has been applied, the main criterion for the selection of the employees was their qualification.

As it is required by the Article 12 of the Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds and by the INTERREG III Guidelines, in the framework of this Programme State Aid provisions of Articles 87 and 88 of the Commission Treaty to *de minimis* aid in the agriculture and fisheries sectors were respected.

8.2. Compatibility of the Programme with Community Structural Assistance

Coordination with other Structural Funds Programmes

The activities financed by the projects are financed only from one of the sources: either from the Programme or from the Single Programming Document in Lithuania and either from the Programme or from the Regional OPs in Poland, or other programmes financed by the EU or other Community Initiatives. The financing from different sources in both countries does not overlap, and it is ensured by the National Authorities, while analysing the projects submitted for financing in different committees or working groups (in Lithuania – National Sub-committee, in Poland – the panel of experts, consisting of members coming from the different line ministries or other public authorities involved in implementation of the EU financed programmes).

Avoiding of double financing from different sources of implemented projects in the same institution is ensured by the 1st level control both in Lithuania and in Poland by checking the original accounting documents, and in addition the JTS also constantly pays attention to this issue while checking the

Progress Reports - in case of any doubt additional clarifications/proofs are being requested from the beneficiaries and/or checks on spot are carried out.

Coordination with TACIS and PHARE

As considerable number of projects submitted under the Programme were continuations of PHARE CBC projects and taking into account that the last PHARE 2003 CBC programme in Lithuania was administered by a separate unit in JTS, thus throughout the Programme implementation period JTS employees administering this PHARE CBC programme and the staff working with Programme closely co-operated in order to exclude the possibility of double financing from this source.

Synergy and avoiding of duplication of activities in Kaliningrad region was ensured through the cooperation with the EU-Russia Cooperation Programme Local Support Office as well as through communication with EC-funded projects (“Administrative capacity Building for the Kaliningrad oblast”, “Vocational Training and Labour Resources in the Kaliningrad region”). This cooperation as well provided the background for the new CBC ENPI programme in terms of activities already implemented in certain sectors, successful partnerships established and lessons learnt.

9. Major Problems Experienced by the Programme in 2009

Since only three full-time employees were left in the Programme, workload for these employees increased substantially. On 1 January 2009 in total 50 not approved Progress Reports, submitted in 2008, were still in the JTS - most of them already have been reviewed at least once or even twice by the JTS employees. It has to be underlined that majority of these reports were prepared by the low-skilled beneficiaries that never before have had any experience in implementation of the projects; the reports were of big size, sometimes especially problematical and therefore their approval took noticeably long.

After extension of the implementation period of the Programme and after assessment of finances of the Programme, the JMSC approved allocation of additional funds to the projects that exceeded project budgets in euros due to fluctuation on PLN/EUR exchange rate (initially planned budgets were calculated taking into account higher exchange rate which after some time has decreased and the amounts in EUR were not sufficient to cover the planned expenditures of the projects) or due to general increase of the prices, especially in construction. Decision to allocate additional funds was taken to support the projects which could not finalise part of the planned activities due to lack of financial resources (approved budgets were exceeded). Collection of information and analysis of demand for additional funds, including decision making lasted till 27 March 2009. The deadline for finalisation of activities and submission of the Progress Reports was 30 June 2009, so the check of the conformity of the final documents and the process of signature of the agreements was extremely intensive. During the process it turned out that due to the 1st level control services necessary for the Lithuanian partners' duration of some projects had to be extended. Due to this, agreements on the amendments of the Subsidy Contracts had to be prepared in a limited time. Nevertheless, the JTS and the MA staff coped with this huge workload and all the agreements were signed on time.

Finally all the Progress Reports, including those for allocated additional funds, were checked and approved until the 1 September 2009 - the deadline established in the Contract between the MA and the JTS.

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