

REPUBLIC OF LITHUANIA
MINISTRY OF AGRICULTURE

FINAL IMPLEMENTATION REPORT
SPECIAL ACCESSION PROGRAMME FOR AGRICULTURE
AND RURAL DEVELOPMENT (SAPARD) 2000–2006

2007

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EXECUTIVE SUMMARY

This document is the final implementation report of the Special Accession Programme for Agriculture and Rural Development (SAPARD) implemented under the National Agriculture and Rural Development Programme (RDP) 2000–2006 officially approved on 27 October 2000 by Commission Decision C(2000) 3329 submitted to the European Commission according to the requirements of Article 37 of Commission Regulation No 1260/1999 and provisions of the Multiannual Financing Agreement.

The general objectives for the RDP were the following:

- Provision of additional income for farmers and rural dwellers as well as increased income levels leading to improved living standards and working conditions in rural areas;
- Improved competitiveness and efficiency of primary agricultural production;
- Improved processing and marketing of agricultural produce through increased efficiency and competitiveness;
 - Improved quality and hygiene standards;
 - Achieving a sustainable rural development through promotion of farming and other economic activities in harmony with the environment;
 - Creation of employment opportunities in rural areas;

The following measures outlined in Council Regulation 1268/1999 were implemented under SAPARD programme:

- *Measure I „Investments in agricultural holdings“.*

The specific objectives of this measure were to improve the quality of agricultural products as well as hygiene and environmental standards of production. These objectives were achieved parallel to increased efficiency and cost reductions leading to increased income levels and living standards.

- *Measure II “Improving the processing and marketing of agricultural and fisheries products”.*

The specific objectives of the measure were to improve the quality of food processing and food products as well as hygiene and environmental standards of production. More attention on product development

welcomed together with investments in efficiency and cost reductions. Implementation of this measure improved working conditions.

- *Measure III “Development and diversification of economic activities providing for multiple activities and alternative income”.*

New business opportunities including development of rural tourism, improvements in rural social services were supported. Implementation of this measure increased income and employment opportunities.

- *Measure IV „Improvement of rural infrastructure”;*

Improvements in infrastructure such as water supply, sewage systems, telecom systems and roads were supported to make the living conditions in rural areas better and to reduce disparities between rural and urban areas in Lithuania.

- *Measure V “Afforestation of agricultural lands and improvement of forest infrastructure”;*

Increased afforestation of abandoned agricultural land was considered under this measure. No projects under this measure were implemented.

- *Measure VI „Environmentally friendly agricultural methods”;*

The main objective of agri-environmental programme was to decrease negative impact of agriculture on the environment, restore traditional landscape and increase biodiversity and to prepare measures that ensure normal economic and social conditions for rural population. This measure wasn't implemented, because of difficult and long accreditation process and more favorable conditions in membership RDP (from may 2004)

- *Measure VII „Vocational training”;*

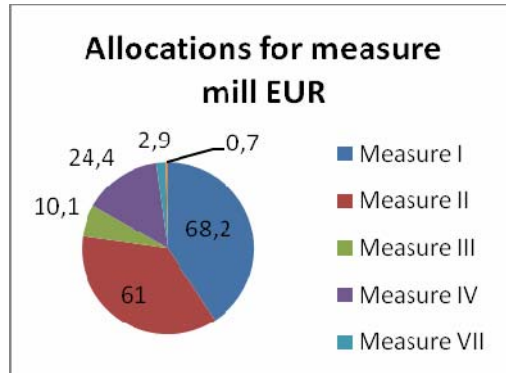
Training of farmers and forest owners was considered to be an important objective in order to support the modernisation of production and agricultural and forestry business.

- *Measure VIII „Technical assistance, information and publicity campaigns”.*

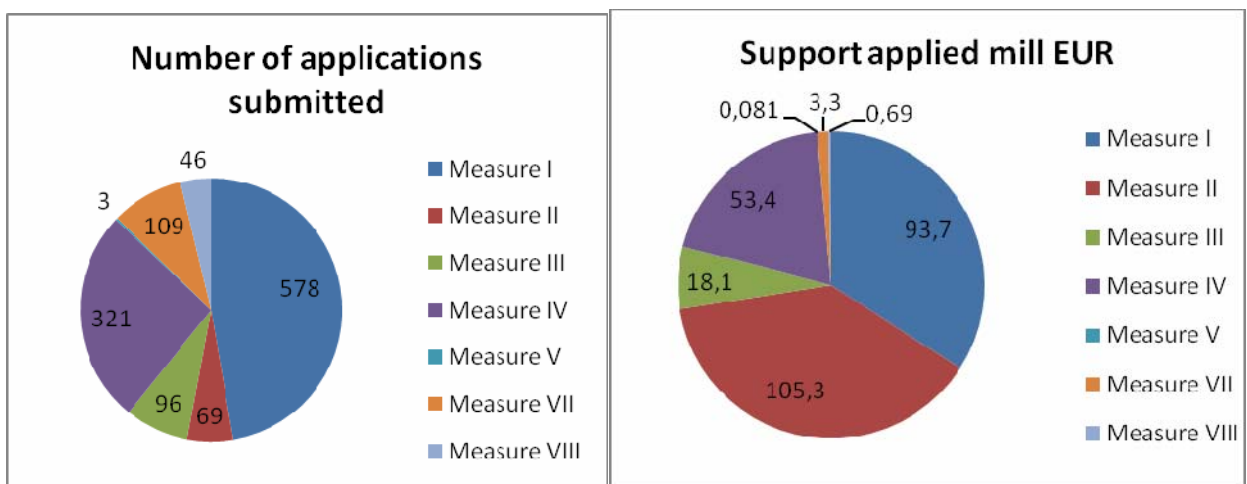
This measure was a support function for the previously mentioned measures. The objectives were to support technical assistance, information campaigns and monitoring and evaluations of projects, measures as well the overall programme.

The report describes SAPARD implementation in 2000–2006. After Lithuania's accession to the European Union on 1 May 2004, collected SAPARD applications were evaluated, support agreements were signed and funds were paid out. All approved projects had to be completed and all SAPARD support funds had to be paid out by 31 December 2006.

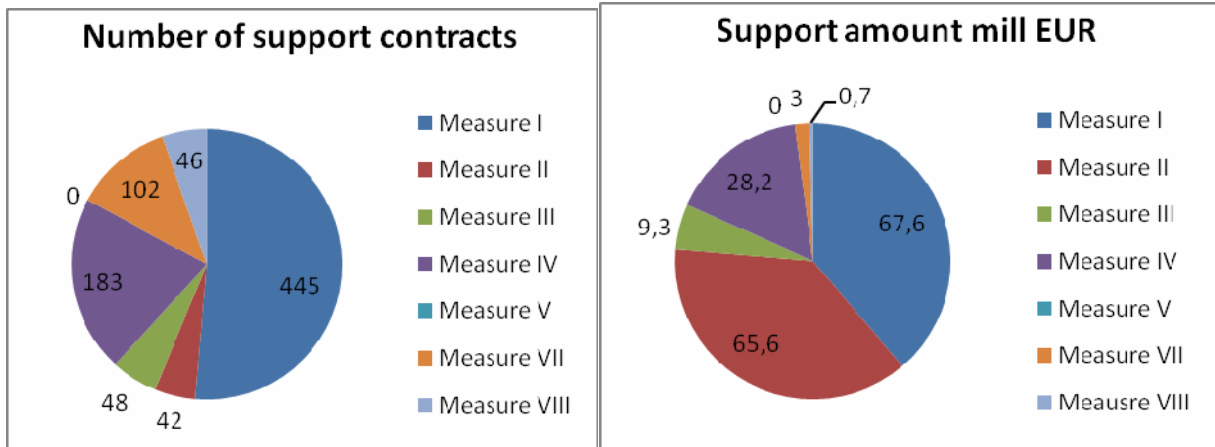
The SAPARD programme was drawn up for the Republic of Lithuania and its measures were implemented across Lithuania. In total, EUR 167.3 million were appropriated for SAPARD implementation in Lithuania.



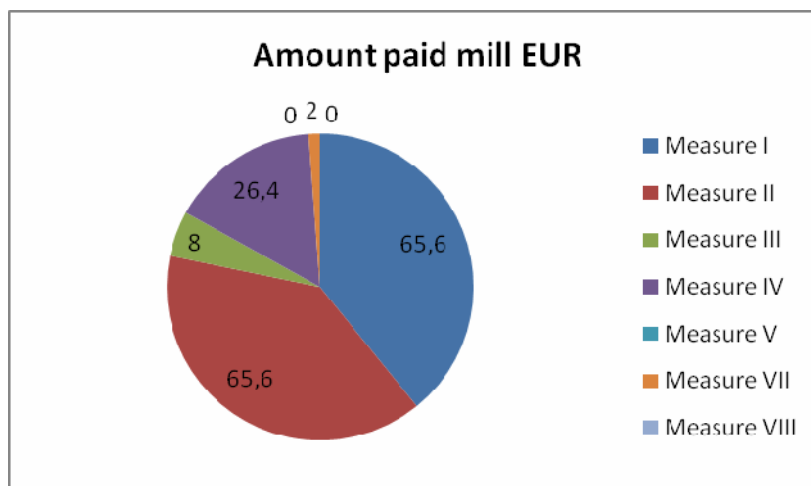
In seven application collection stages that took place, 1,222 applications were received, for 274,4 mill EUR support applied.



866 assistance agreements were signed for EUR 174.4 million.



Till the end of 2006 the 167,6 mill EUR paid to beneficiaries.



Some authorities were involved in the SAPARD support administration process: the Ministry of Agriculture of the Republic of Lithuania acted as the Managing Authority and was responsible for the Programme's management; the National Fund of the Ministry of Finance of the Republic of Lithuania was provided with the functions of a responsible authority liable to the Authorized Public Officer (the Secretary of the Ministry of Finance of the Republic of Lithuania); the National Paying Agency under the Ministry of Agriculture acting as the SAPARD Agency was accredited by the competent authority for the SAPARD Programme implementation; the National Audit Office was appointed a certifying body; to ensure the effective Programme implementation and monitoring as well as meeting the EU requirements the Monitoring Committee was established.

The report was drawn up by the Division for Coordination of Rural Development Programmes of Rural Development Department of the Lithuanian Ministry of Agriculture in cooperation with other departments of the ministry, the National Paying Agency and Lithuanian Institute of Agrarian Economics.

INTRODUCTION

The SAPARD programme is the **Special Accession Programme for Agriculture and Rural Development** approved by Council Regulation No 1268/1999 of 21 June 1999 which was published in the Official Journal (L161/87) on 26 June 1999 (as last amended by Council Regulation (EC) No 2257/2004 on 20 December 2004). This Regulation established the framework for Community support for sustainable agriculture and rural development for the pre-accession period for ten applicant countries including Lithuania. The SAPARD rules were laid down in Commission Regulation (EC) No 2759/1999 of 22 December 1999 (as last amended by Council Regulation (EC) No 2278/2004 of 30 December 2004).

Pre-accession objectives were the following:

- contribute to the implementation of the *acquis communautaire* concerning the Common Agricultural Policy (CAP) and related policies;
- solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries.

The National Agriculture and Rural Development Programme 2000–2006 drawn up by the Ministry of Agriculture and discussed with other government agencies and social partners defined the strategy, actions and measures to help achieve sustainable development in agriculture and rural areas in Lithuania. The Programme was approved by Commission Decision C(2000) 3329 of 27 October 2000, as last amended on 20 May 2005 by approved Commission Decision No PH/2005/1629.

The following global objectives were set for the Lithuanian Rural Development Programme:

- Provide for additional incomes for farmers and rural populations and increase the income level leading to improved living standards and working conditions in rural areas;
- Improve competitiveness and efficiency of agricultural holdings;
- Improve production and marketing of agricultural products through increased efficiency and competitiveness;
- Improve quality and hygiene standards;
- Achieve sustainable rural development by promoting eco-friendly farming practices and other economic activities;
- Create jobs in rural areas.

On 20 June 1999, the European Commission adopted the decision on preliminary SAPARD appropriations (at 1999 prices) for 10 applicant countries.

On 29 August 2001, the Multiannual Financing Agreement (MFA) signed on 5 March 2001 entered into effect. The MFA laid down the technical, legal and administrative framework of the Agriculture and Rural Development Programme 2000–2006 and its amendments. The MFA was concluded between the European Commission and the Republic of Lithuania. Annual Financing Agreements (AFA) set out the maximum European Community financial commitment for the Republic of Lithuania for the year concerned and the period of validity of these commitments. The following Annual Financing Agreements were signed:

- The Annual Financing Agreement (AFA) 2000 was signed on 5 March 2001, ratified on 21 June 2001;
- The Annual Financing Agreement (AFA) 2001 was signed on 29 April 2002, ratified on 25 June 2002;
- The Annual Financing Agreement (AFA) 2002 was signed on 17 February 2003, ratified on 13 May 2003;
- The Annual Financing Agreement (AFA) 2003 was signed on 26 September 2003, ratified on 9 December 2003. The amount and the dates of concluded AFAs were adjusted by Commission Regulation (EC) No 1419/2004 of 4 August 2004 on the continuation of the application of the Multiannual Financing Agreements and the Annual Financing Agreements concluded between the European Commission, representing the European Community, on the one hand and the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia on the other, and providing for certain derogations from the Multiannual Financing Agreements and from Council Regulation (EC) No 1266/1999 and Regulation (EC) No 2222/2000.

On 26 November 2001, the European Commission adopted Decision No 2001/857/EC provisionally conferring on the National Paying Agency (until the conditions laid down by the Commission (i.e. in the Decision) were met, later the right was conferred permanently) management of aid for the following measures accredited under the National Agriculture and Rural Development Programme 2000–2006:

- Measure 1: Investments in agricultural holdings;
- Measure 2: Improving the processing and marketing of agricultural and fisheries products;
- Measure 3: Development and diversification of economic activities providing for multiple activities

and alternative income;

- Measure 4: Improvement of rural infrastructure;
- Measure 7: Vocational training.

On 9 November 2003, the European Commission provisionally conferred on the National Paying Agency (until the conditions laid down by the Commission (i.e. in the Decision) were met, later the right was conferred permanently) management of aid for two accredited measures:

- Measure 5: Afforestation of agricultural lands and improvement of forest infrastructure;
- Measure 8: Technical assistance, information and publicity campaigns.

Under the same basis, the National Fund Department within the Ministry of Finance was appointed as the competent authority. The National Paying Agency (“the SAPARD Agency”, “the Agency”) was responsible for accepting and evaluating the applications and for decision-making. On 6 December 2001, the Agency began practical implementation of the SAPARD programme and initiated the first calls for proposals under 5 accredited measures.

The last measure 6 “Environmentally friendly agricultural methods” was not accredited.

SAPARD programme was applied throughout all rural areas, defined as all areas except district centres and settlements with city status (e. g. Palanga, Visaginas, etc.). Exception was provided for agro-processing industry, since a considerable number of agro-processing enterprises (directly or indirectly related to the development of rural areas) were located outside rural area. Agro-processing industry enterprises located outside rural area were eligible.

1. OPERATIONAL INFORMATION

Population in Lithuania decreased in 2000 – 2006. Depopulation was noticed in urban and rural areas.

Table 1. Population in 2000 – 2006, mill people.

	2000	2001	2002	2003	2004	2005	2006
Population	3,512	3,487	3,476	3,463	3,446	3,425	3,403
Urban population	2,357	2,334	2,326	2,317	2,297	2,281	2,269
Rural population	1,271	1,153	1,149	1,145	1,149	1,144	1,135

Source: <http://www.stat.gov.lt/lt/pages/view/?id=1290>

At the beginning of 2006, one-third of the overall population, or 1,134,500 people, lived in rural areas, down 2% from 2000. Depopulation of rural communities began before Lithuania's EU membership and is still continuing. (Figure 1).

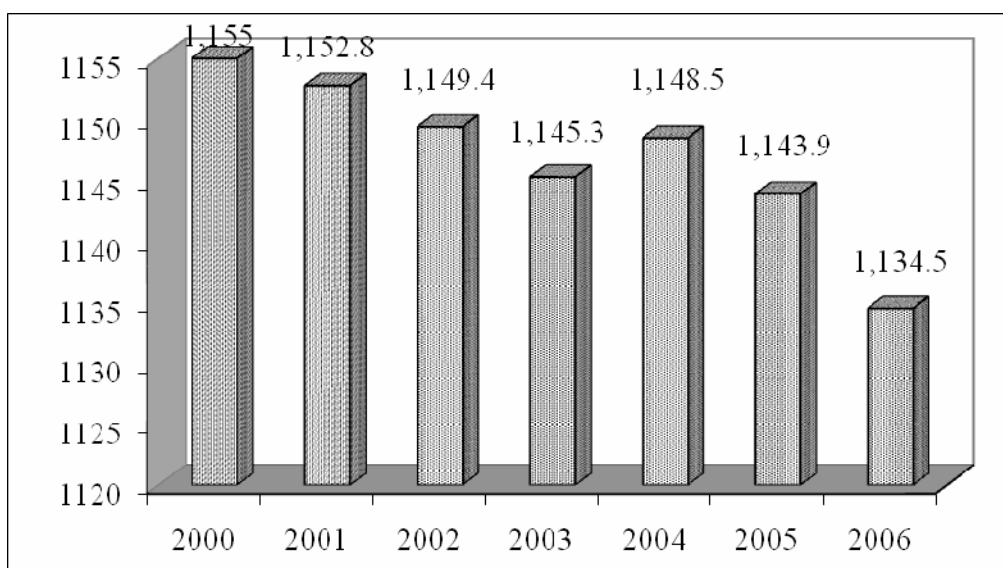


Figure 1. Rural population in early 2000–2006, thousand people

Source: <http://www.stat.gov.lt/lt/pages/view/?id=1290>

Recent economic recovery was one of the factors leading to the growing number of the employed and declining unemployment rate (see Table 2).

Table 2. Employment and unemployment in Lithuania in 2000 and 2006, thousand people

	2000	2006	2000/2006, %
Total employment	1,397.8	1,511.5	108
<u>of which:</u> in agriculture, hunting, forestry and fishery	261.6	179.6	69
Total unemployment	273.7	90.8	33
<u>of which:</u> in agriculture, hunting, forestry and fishery	18.3	6.2	34

In 2006, 1,511,500 people in Lithuania were employed, up 8% from 2000. Accordingly, the agricultural sector employed 179,600 people in 2006, or 69% of workers in the sector in 2000. The number of agricultural workers fell because of natural demographic changes, internal migration, strong emigration, early retirement from agricultural production and other factors.

The number of the unemployed kept falling against the backdrop of accelerating economic development, job creation and continuing emigration. The unemployment level in Lithuania continued to decline. From 16.4% in 2000, the unemployment rate drop to just 5.7% in 2006, which is the lowest indicator in recent years. The unemployment rate in agriculture was 12.8% in 2000 and 2.4% in 2006.

Employment in rural areas is undergoing changes. Both before the EU membership and in 2000–2006, the employment rate in rural areas changed little and was around 60% (65% in the EU). The number of people employed in rural areas is fluctuating and stood at 432,600 in 2006, down 0.2% from 2000. The number of workers in the agricultural sector was falling dramatically. According to preliminary estimates, the percentage of people living in rural areas and employed in agriculture, hunting, forestry and fishery was around 40.6% in 2006, down 13.5 percentage points from 2000. At the same time, the percentage of rural population employed in sectors other than agriculture rose from 46% in 2000 to 59.4% in 2006. From 2000 to 2006, the unemployed rural population went down 63% to 24,600 people. In 2006, the unemployment rate in rural areas was around 5.4% and fell 7.9% from 2000.

New trends, i.e. strong growth of domestic consumption, decreasing unemployment, rising labour costs and even structural deficit of the labour force, emerged in the national economy in 2002 and continued in 2004–2006. The breakthrough relied on two factors: borrowing costs went down considerably after major commercial banks were taken over by foreign investors and Lithuania's accession to the EU and NATO boosted expectations of the population, and especially the business

community, and activity of foreign investors. All this helped maintain robust growth of the national economy offsetting a slowdown in development of visible exports caused by a significantly stronger litas in relation to the dollar.

The use of SAPARD assistance served as a strong push for agricultural development and modernisation. More modern machinery, seeds of superior species and better breeding animals were used.

In 2000–2006, the gross domestic product grew very strongly. The gross domestic product (GDP) stood at LTL 82.0 billion (at historic prices) and growth was 80% compared with 2000. The GDP grew mainly as a result of operations of companies in the manufacturing industry, construction, transport, financial intermediation and real estate sectors.

In 2006, the value added of agriculture, hunting and forestry (LTL 4,087.328 million) rose 28 percent from 2000 and comprised 4.4 percent of GDP (7.9% in 2000). In 2006, the real GDP per capita was LTL 21,000, up 60.3% from 2000 and 26.5% from 2003. Despite the growing GDP, economic development in Lithuania is still almost twice as low as in the EU.

Table 3. GDP per capita (at purchasing power standards, compared with EU countries (EU-25=100)) in 2000 and 2006, %

Country	2000	2006
EU-25	100	100
EU-15	109	108
Luxembourg	222	257
Ireland	126	139
Netherlands	124	126
Austria	125	123
Denmark	126	122
Belgium	116	118
United Kingdom	112	117
Sweden	119	116
Finland	114	113
Germany	112	110
France	113	107
Italy	113	99
Spain	92	98
Cyprus	82	88
Greece	73	85
Slovenia	73	84

Czech Republic	65	76
Portugal	80	70
Malta	78	70
Estonia	42	65
Hungary	54	64
Slovakia	47	59
Lithuania	38	55
Latvia	35	52
Poland	47	51

Source: calculations based on / Eurostat data

If 2005 is compared with 2000, total investments into tangible assets grew 1.9 times. In 2000–2006, investments into the agricultural, hunting and forestry sector were growing and increased 4 times from 2000 to 2005. In the period concerned, the percentage of investments into the agricultural, hunting and forestry sector increased in the overall investment structure.

In 2006, average annual inflation was 3.8% and annual inflation (December 2005 to December 2006) was 4.5%. Both in 2000 and in 2006, inflation grew as a result of rising prices of housing, water, electricity, gas and other fuels.

In 2006, visible exports were worth almost LTL 39.0 billion, a 2.6-fold increase compared with 2000. Imports during the period concerned rose by a similar margin (2.4 times). In Lithuania, foreign trade deficit was LTL 14.3 billion, up 2.1 times from 2000 (see Table 4).

Table 4. Foreign trade balance in 2000–2006, LTL million

	2000	2006	2006/2000, %
Exports	15,237.5	38,810.9	255
Imports	21,826.0	53,073.2	243
Balance	-6,588	-14,262.3	216

In 2006, the average wage in Lithuania grew to LTL 1,654, or up 70% from 2000. Wages grew because of rising demand for labour force, improving productivity and higher minimum monthly wages.

A reduction in the personal income tax rate in 2006 (from 33 to 27%) contributed to the rise in the average monthly net salary. According to Eurostat, the average salary in Lithuania is 5.6 times lower than the EU-25 average. It is worth noting that labour efficiency in Lithuania during the period concerned was only about 50% of the EU-25 average.

In 2000–2006, disposable income of rural population increased 76%. Earnings of farmers began growing in 2002 as a result of improved environment for agricultural activities: more aid (national and EU), concentration and modernisation of farms, more favourable trading conditions and rising demand for agricultural production.

In rural areas, differentiation of sources of income is increasing. In addition to farming, some farms undertake alternative activities. Rural tourism is one of the fastest-growing industries developed by farmers and other people living in rural areas. In 2006, Lithuania had 531 rural tourism facilities, up from over 100 in 2000 and 203 in 2001.

In 2005, rural tourism facilities were able to accommodate 6,740 people and the average number of seats in one rural tourism site was 17. In 2005, the number of seats grew 33.7% from 2003, the number of rooms increased 28% and the number of nights spent rose 40.4%. EU assistance had a positive impact on development of tourism and alternative activities.

In 2006, 8,573 small and mid-sized companies operated in rural areas, up 64.5% from 2001. In 2005, the number of rural SMEs was 7,500. Most of them were commercial companies (39%), industrial companies (22%), service providers (22%) and agricultural, hunting and forestry entities (only 13%). In 2005, there were 7 SMEs operating per 1,000 rural residents, while the EU-25 average was 24. In 2001, 5,212 small and mid-sized businesses operated in rural areas.

The quality of human resources has been gradually improving: the education structure of both employed and unemployed rural residents is improving and youth employment problems are abating. Rural communities are becoming more aware and more active in improving their knowledge and taking part in the life-long learning process. Underdeveloped rural infrastructure is one of the underlying reasons of low involvement of rural populations in the education process.

Many farmers still lack essential knowledge and practical skills, especially in the field of implementation and use of hygiene and animal welfare standards, good farming practices, new production technologies. SAPARD aid created major opportunities to improve the qualification of rural population. In 2005, 2,081 people were trained under the Basic Farming Training Programme financed from the Rural Support Programme of the Ministry of Agriculture and funds of the Special Rural Support Programme were used to support training of 1,101 people in 2006.

Opportunities created by EU support had a positive impact on the activity of rural population and promoted community-building. In 2006, 1,200 active rural communities operated in Lithuania, 770 of which were members of the Lithuanian Union of Rural Communities. By comparison, there were only 10

such communities in 2000. The number of local activity groups increased considerably from merely 2 in 2003, to 29 in 2004, 31 in 2005 and 36 in 2006. Currently, the network of partnership groups covers more than 90% of Lithuanian territory.

The number of small farms kept shrinking and more large farms were set up. In 2006, the average farm size was 12.4 ha and increased 8% compared with 2005 and nearly 33% compared with 2003. There are no data available about average farms in 2000.

The age structure of agricultural workers kept improving. An increasing number of young farmers take up commercial agricultural activities and set up farms. The number of such farms was 3,171 in early 2003, 5,104 in early 2004, 10,625 in early 2006 and 14,309 as of 21 September 2006.

Impact of changes on the implementation of the programme

Despite the changes occurred during SAPARD implementation, SAPARD was successfully implemented and had positive impact for the changes mentioned in the previous chapter. It also could be the other situation than SAPARD and Lithuanian accession to the EU that had positive impact on the Lithuanian economy, unemployment decreasing, incomes increasing and so on. SAPARD impact on the socio-economic, political or legislative situation of Lithuania will be analysed in SAPARD final evaluation process.

The programme integration with or complementation by other Community funds

The Ministry of Agriculture has elaborated the agriculture and rural development strategy as well as priorities for SAPARD assistance. The strategy of agriculture and rural development and priorities for SAPARD assistance has been integrated into the National Development Plan, which was a prerequisite for PHARE 2000 socio-economic cohesion in target regions.

SAPARD assistance was focused on investment support to agricultural holdings, agri-food enterprises and small-medium rural businesses, as well as covered direct needs of farmers in terms of training. At the time, PHARE assistance made complementaries, while contributing to the financing of institution building and concentrating on activities in the context of regional development plans in priority regions. Regarding PHARE assistance at the regional level, PHARE assistance complemented SAPARD programme by the following actions:

- training for socially disadvantaged and excluded groups, as well as employees of regional business enterprises;
- supporting training initiatives (including development of new training programmes, training of teachers and trainers, development of distance learning programmes, etc.);
- promotion of business advisory services and training (including consultancy services, quality management, environmental management services, etc.);
- promotion of regions for favourable investment climate;
- promotion of innovative activities (including technology and innovation audits, support to introduction of new products and processes, etc.)

PHARE 2000 socio-economic cohesion in target regions was focused on several regions, while SAPARD assistance was nation-wide programme. Furthermore, SAPARD mostly dealt with agriculture and rural businesses (exception is Measure 2 under which agricultural and fisheries products processing enterprises were eligible for support). At the same time, PHARE 2000 socio-economic cohesion in target regions covered both rural and urban areas.

In addition, to co-ordinate SAPARD and PHARE 2000 socio-economic cohesion in target regions, it was assign a co-ordinating institution, which was capable to identify possible overlapping of the programmes. It was a close cooperation between National Paying Agency and institution, responsible for PHARE 2000 socio-economic cohesion in target regions implementation in Lithuania (Public institution Central Project Management Agency-CPMA), avoiding the duplicate of support. Upon inquiry to the CPMA the Agency's National Support Department receives information on different projects, financed by PHARE, ISPA and national programmes. Representatives (not the members of the SAPARD Monitoring Committee) had the role of observers and responsible for the supervision of PHARE in Lithuania, take part in each meeting of SAPARD Monitoring Committee.

The Instrument for Structural Policies for Pre-Accession (ISPA) in Lithuania provided financial assistance for investments in both the environment and transport sector in order to assist country during the pre-accession period in enhancing the harmonisation of legislation with *Acquis Communautaire* in force for respective sectors over the seven-year period (2000-2006).

World bank in Lithuania provided financial (credit lines) and technical assistance, advisory services.

2. PROGRAMME ADMINISTRATION AND MANAGEMENT

2.1. The activities of the Monitoring Committee; details of the main decision adopted.

To ensure effective use of support under the European Union Special Accession Programme for Agriculture and Rural Development (SAPARD) and according to the provisions of Article 5(3) of Council Regulation (EC) No 1268/1999 of 21 June 1999, the Lithuanian Government adopted Resolution No 357 on 30 March 2001 to set up the Monitoring Committee for the National Agriculture and Rural Development Programme 2000–2006. This Resolution defined the following institutional structure of the Monitoring Committee for the National Agriculture and Rural Development Programme 2000–2006:

Minister of Agriculture (chairperson of the committee);
Representative of the Ministry of Agriculture (deputy chairperson of the committee);
Representative of the Ministry of Environment;
Representative of the Ministry of Finance;
Advisor to the Prime Minister;
Representative of the Ministry of Social Security and Labour;
Representative of the Ministry of the Interior;
Representative of the Ministry of Economy;
Representative of the Ministry of Foreign Affairs;
Representative of the Lithuanian Dairy Association Pieno Centras;
Representative of the Lithuanian Fund for Nature programmes;
Representative of the Lithuanian Association of Meat Processors;
Representative of the Lithuanian Association of Agricultural Companies;
Representative of the Lithuanian Farmer's Union;
Representative of the Lithuanian Association of Municipalities;
Representative of the Chamber of Agriculture of the Republic of Lithuania.

Functions of the Monitoring Committee:

1. draw up and adopt its own rules of procedure;

2. consider and give an opinion on the criteria for selecting and for ranking the projects under each measure;

3. review progress made towards achieving the objectives set out in the programme;

4. examine the results of the programme;

5. examine the mid-term evaluation;

6. consider and approve the annual and final implementation reports before they are sent to the Commission;

7. consider and approve, where appropriate, any proposal to the Commission to amend the Programme;

8. propose to the Commission via the Managing Authority any amendment or review of the Programme which is likely to facilitate the attainment of the objectives of the programme.

9. propose to the Commission any amendment or review of the programme to improve the implementation of the programme.

10. When required by the programme to give an opinion on any matter, the Monitoring Committee shall act accordingly.

Pursuant to Order No 408 of the Minister of Agriculture of 15 October 2002 on implementation of monitoring of the National Agriculture and Rural Development Programme 2000–2006, programme implementation monitoring functions were reviewed and distributed among structural units of the Ministry of Agriculture.

According to the said Resolution, the Order of the Minister of Agriculture approved the personal composition of the Monitoring Committee. These orders were amended accordingly after individuals representing certain bodies changed.

Representatives from the European Commission attended meetings of the Monitoring Committee in supervisory capacity.

Key goals and objectives of members of the Monitoring Committee are laid down in the MFA and rules of procedure of the Monitoring Committee.

Table 5. The meetings and main decisions of Monitoring Committee.

Date	Decisions of MC
2001.11.08.	<ol style="list-style-type: none"> 1. Adoption of the Monitoring Committee work regulation, tasks and procedures. 2. Adoption of Monitoring tables and indicators. 3. Creation of the working group for mid-term evaluation. 4. Adoption of eligibility and ranking criteria.
2002.07.23.	<ol style="list-style-type: none"> 1. Amendments of the programme measures “Investments in agricultural holdings” and “Improving the processing and marketing of agricultural and fisheries products”. <ol style="list-style-type: none"> 1.1. Amendment of eligibility criteria for measure “Investments in agricultural holdings”. 1.2. Addition of a new paragraph for the support to egg production and eligibility of investment according to priority sectors under measure “Improving the processing and marketing of agricultural and fisheries products”. 2. New order of priority criterias under programme measures “Investments in agricultural holdings”, “Improving the processing and marketing of agricultural and fisheries products”, “Development and diversification of economic activities providing for multiple activities and alternative income”, “Improvement of rural infrastructure”. 3. To limit the maximum support amount under measure “Vocational training”. 4. Adoption of measures “Afforestation of agricultural lands”, “Environmentally friendly agriculture” and “Technical assistance” sheets. 5. Adoption of the financial plan of the programme. 6. Adoption for the 10% rule.
2003.03.25.	<ol style="list-style-type: none"> 1. Adoption of the annual report 2002. 2. To improve the administartion of SAPARD. 3. Adoption of new measure “Environmentally friendly agricultural methods” sheet.
2003.11.06	<ol style="list-style-type: none"> 1. Not to amend the programme for the audit, but to consider the audit findings at national way. 2. To allocate all accrued interest on the SAPARD account (in euro) to the second measure “Improving the processing and marketing of agricultural and fisheries products”.
2004.06.09	<ol style="list-style-type: none"> 1. Adoption the annual report 2003. 2. To discuss the issue of support unused in 2003 which would be allocated to SAPARD funding (around EUR 200,000) for Lithuania postponing during the sixth meeting of MC. 3. To joint meetings of SAPARD and RDP Monitoring Committees after 1 May 2004 (until the end of 2006)
2004.12.09	<ol style="list-style-type: none"> 1. Adoption of changes to financial table. <ol style="list-style-type: none"> 1.1. 100 percent of unused funds (according to SAPARD financial tables approved for 2002) allocated for measures 5 and 6 (“Afforestation of agricultural lands and improvement of forest infrastructure“ and “Environmentally friendly agricultural methods“) allocated to measure 2 “Improving the processing and marketing of agricultural and fisheries products”; 1.2. 78 percent of unused funds (according to SAPARD financial tables approved for 2002) allocated for measure 8 (“Technical assistance, information and publicity campaigns“) allocated to measure 2 “Improving the processing and marketing of agricultural and fisheries products”. 1.3. To allocate the difference between the allocated amount approved under Commission Regulation No 1419/2004 for 2003 and the allocated amount under Annual Financing Agreement 2003 signed on 15 January 2004 to measure 2 “Improving the processing and marketing of agricultural and fisheries products”.

2005.07.29	During this meeting information about SAPARD programme implementation progress and the results of written procedure for annual report 2004 were presented.
2006.02.23	The progress of SAPARD programme and SAPARD closure issues were discussed.
2006.06.22	The main decision of this meeting was adoption of the annual report 2005.

Two written procedures were applied for the approval the final report of SAPARD mid-term evaluation and the annual report 2004.

The work of the Monitoring Committee was also effective in terms of information exchange between representatives of public authorities and non-governmental organisations.

Programme amendments approved by the meetings of the Monitoring Committee were submitted to the EC.

The SAPARD programme was changed by EC three times:

1. 2002.12.23 changes to the programme financial table and measures.
2. 2003.09.09 changes to the measure “Environmental protection” measure sheet.
3. 2005.05.20 changes to the financial tables and measures.

The table below indicates only the amendments made to the financing tables.

Table 6. Amendments made to the financing tables.

Date	Decision of MC	Decision of EC.
2002.07.23.	Adoption of the financial plan of the programme.	
2002.12.23		Commission decision approves changes to financial table
2003.11.06.	Interests accounted for SAPARD euroaccount transferred to measure 2 (calculated expected amount 204.097 euro).	
2004.12.09.	1. 100 percent of unused funds (according to SAPARD financial tables approved for 2002) allocated for measures 5 and 6 (“Afforestation of agricultural lands and improvement of forest infrastructure“ and “Environmentally friendly agricultural methods“) allocated to measure 2 “Improving the processing and marketing of agricultural and fisheries products”(calculated amount 1.5	

	<p>mill.euro)</p> <p>2. 78 percent of unused funds (according to SAPARD financial tables approved for 2002) allocated for measure 8 (“Technical assistance, information and publicity campaigns“) allocated to measure 2 “Improving the processing and marketing of agricultural and fisheries products (calculated amount 606.9045 euro);</p> <p>3. To allocate the difference between the allocated amount approved under Commission Regulation No 1419/2004 for 2003 and the allocated amount under Annual Financing Agreement 2003 signed on 15 January 2004 to measure 2 “Improving the processing and marketing of agricultural and fisheries products”.</p>	
2005.05.20.		Commision decision approves changes to financial table

Table 7. The final financial plan indicated the measures and years in total amount (EU and CF contribution, EUR).

Measure	Year				
	2000	2001	2002	2003	2001-2003
Investments in agricultural holdings	12 542 712	16 184 144	18 611 767	20 842 059	68 180 682
Improving the processing and marketing of agricultural and fisheries products	14 728 913	17 859 684	15 683 885	12 720 857	60 993 339
Development and diversification of economic activities providing for multiple activities and alternative income	2 327 035	2 446 096	2 520 861	2 831 319	10 125 311
Improvement of rural infrastructure	9 962 495	3 893 440	4 702 647	5 794 453	24 353 035
Afforestation of agricultural lands and improvement	0	0	0	0	0
Environmentally friendly agricultural methods	0	0	0	0	0
Vocational training	709 796	709 796	709 796	746 188	2 875 576
Technical assistance, information	170 403	170 403	170 403	179 139	690 348
Total amount	40 441 354	41 263 563	42 399 359	43 114 015	167 218 291

2.2. The programme management and monitoring.

The administrative framework of SAPARD support comprised the Competent Authority, the Managing Authority (Ministry of Agriculture), the SAPARD Agency (National Paying Agency under the Ministry of Agriculture), the Certifying Body and the Monitoring Committee. The administrative framework of SAPARD support ensured successful implementation of the programme and thus was efficient.

The Ministry of Agriculture was responsible for implementation of the SAPARD programme. The Managing Authority was responsible for efficient and sound management of the programme. In its capacity of the Managing Authority, the Ministry of Agriculture was responsible for the following:

- setting up the system designed to collect reliable financial and statistical information about the programme implementation, programme compliance with financial and control indicators as well as mid-term and final evaluation of outputs;
- submitting the above information to the European Commission;
- on own initiative or at the request of the Monitoring Committee, putting forward proposals to the Monitoring Committee regarding programme amendments with no effect on final financial resources and specific objectives set for priority areas;
- notifying the Commission about the changes made within one month after the Monitoring Committee approves the above amendments;
- amending the programme, except for the cases referred to in paragraph 3, after approval by the Monitoring Committee and the European Commission;
- drawing up the annual and final programme implementation reports;
- organising the mid-term and ex-post programme evaluation;
- complying with the publicity and information obligations.

The National Paying Agency under the Ministry of Agriculture operated as the SAPARD Agency under the Commission Regulation laying down the financial rules for the application of Council Regulation (EC) No 1268/1999 on Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period. The SAPARD Agency was responsible for:

- accepting the applications;
- selecting the projects;

- verifying the applications according to eligibility criteria, programme content and, if necessary, public procurement provisions for approval of projects;
- setting the contractual obligations between the SAPARD Agency and potential beneficiaries as well as confirming the approval to begin work;
- carrying out on-the-spot verifications before and after project approval;
- further monitoring of projects and ensuring the progress of implementation;
- submitting progress reports about ongoing measures and achieved indicators;
- verifying the requests for payment;
- identifying eligible payments during on-the-spot verification;
- approving the payments;
- making the payments;
- keeping records of commitments and payments;
- controlling the beneficiaries after support payment and verifying their eligibility compliance.

At the beginning of SAPARD implementation after the director of the NPA approved terms for the application submission, applications were passed to Departments of Rural Development Programmes of the Administration of the County Governor. In 2002 the system was reorganized, afterwards Rural Development Departments were replaced by 10 Agency's territorial units, which started to collect applications in 2003

During the implementation of SAPARD, the structure of NPA has changed and the development of human resources in the NPA were made. When the Agency was set up (in 1999) the structure of the National Paying Agency was quite simple: management, 9 departments and 1 independent unit, it had 12 employees. At the end of 2004 Agency employed 650 people and was drastically expanded in order to prepare to administrate structural funds and CMO mechanism.

On 31 December 2006, the Agency employed 734 people across Lithuania including 415 public servants, 238 employees hired under open-ended employment contracts, 39 employees administering measures of the Rural Development Programme and 42 employees administering measures of the Single Programming Document. Many rural residents are potential beneficiaries of EU agricultural support as the workload of regional units of the Agency which employed 298 people on 31 December 2006 has been growing.

All public servants have university degrees, 4 employees have Ph.D. degrees in science. The average age of employees is 35 years, 63% of them are women.

Talking of programme management, it should be mentioned that the simplification of administrative procedures were also made.

The National Paying Agency has paid particular attention to build a highly-skilled and cohesive team. All newly hired public servants and employees undergo internal inception training in general seminars and in-service training analysing the issues related to the functions of every department and division, intercommunication between units and internal control.

The National Paying Agency regularly takes measures aimed at improving the skills of its staff. Officials and employees improve their qualification according to the established procedure in approved training centres and training sessions organised under the project entitled Support for Lithuanian Agriculture such as courses, workshops and conferences. Officials and employees receive training under programmes related to management of EU Structural Funds, enforcement of EU law, pursuit of strategic goals of the Lithuanian Government, improvement of public administration capacities and reinforcement of other special professional skills. Career civil servants newly hired by the Agency undergo inception training under the general inception training programme aimed at introducing common work methods for all public servants in implementing the programmes within the scope of public service and developing the general skills to act effectively and administer public resources. The Agency networks and shares practices with other related EU paying agencies.

To ensure monitoring and control of the SAPARD programme, the Internal Audit Service (“the Service”) was set up at the National Paying Agency on 26 July 2000 which was reorganised into the Internal Audit Department (IAD, or "the Department") by Order No BR1-187 of the Director of the National Paying Agency of 29 August 2003. The Department has the following divisions: Analysis and Planning; Support Audit; Verification Coordination and Monitoring.

The Department operates independently from internal control procedures implemented by managers at all levels. The Department has the following objectives:

- ensure that the Agency management receives objective information about the activities of structural units, related institutions and organisations as well as about potential activity risks and the status of internal control system;
- evaluate the relevance, efficiency and effectiveness of administration and use of state aid, support from the European Union or other funds;

- monitor the relevance, efficiency and effectiveness of administration of EU Structural Funds, Common Agricultural Policy and rural development measures and use of support;
- evaluate the relevance of implementation of functions delegated to institutions;
- promote introduction of new and effective internal control measures.

Activities of the IAD are based on impartiality and fairness and its work approach is based on the risk management concept consisting of four factors: goals, risks, internal control system and compatibility. The concept helps the NPA to align its strategic objectives with risk factors, internal control system and procedures. Risk factors are potential problems which may prevent the NPA from achieving its goals. Risk factors are managed effectively using an efficient internal control system. In its turn, the internal control system must ensure and all levels and aspects of the NPA meet the compatibility principle.

For the purposes of IAD action plans, the NPA activities are divided into individual processes to identify high-risk processes.

Priority areas for internal audit are identified not only during risk assessment but also during the organisational structure setup and discussions with NPA management.

One of the advantages of risk management approaches is the fact that auditing resources are focused in high-risk parts of organisation's operational processes. Processes not identified as priorities in the annual action plan are audited within the subsequent 24-month period with prior assessment of risk factors.

The NPA internal control system provides for potential deviations from Lithuanian and EU legal acts, their identification and removal. The internal control system and internal control procedures were set up to ensure that all errors are avoided and responsible officials are unable to tolerate any procedural violations due to carelessness or ambivalence.

In the autumn on 2004, the National Paying Agency awarded the last SAPARD support contracts to farmers. Investment projects under signed support contracts were implemented until the end of 2006. The Agency was responsible for monitoring and control of projects. It is important to note that the NPA must ensure control of projects during their implementation and five years after the date of last payment.

However, in contrast to previous years, only about 15% of all employees of the Agency worked with the SAPARD programme in 2006 devoting some of their working time to the SAPARD programme. The biggest workload fell on the Administration and Analysis Division and Payment Request Evaluation Division. Experts of the Administration and Analysis Division continued administering ongoing projects,

made amendments to contracts according to the requests of applicants, administered the reports sent by applicants and put forward proposals for meetings of the Project Selection Committee.

In 2006, the Payment Request Division of the Finance and Accounting Department received and registered 85 requests for payment under the SAPARD programme for the total amount of EUR 4,981,283:

- Measure 1 “Investments in agricultural holdings”: 20 requests for payment of EUR 1,502,241;
- Measure 2 “Improving the processing and marketing of agricultural and fisheries products”: 1 request for payment of EUR 296;
- Measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income”: 6 requests for payment of EUR 930,341;
- Measure 4 “Improvement of Rural Infrastructure”: 15 requests for payment of EUR 1,719,157;
- Measure 7 “Vocational training”: 16 requests for payment of EUR 722,663;
- Measure 8 “Technical assistance, information”: 27 requests for payment of EUR 106,585.

In 2006, the Payment Request Division of the Finance and Accounting Department terminated evaluation of 5 requests for payment for the total amount of EUR 78,305:

- Measure 1 “Investments in agricultural holdings”: 2 requests for payment of EUR 41,441;
- Measure 4 “Improvement of Rural Infrastructure”: 1 request for payment of EUR 29,888;
- Measure 8 “Technical assistance, information”: 2 requests for payment of EUR 6,976.

Key reasons for terminating the evaluation of requests for payment were: requests for payment returned to beneficiaries for correction of information (1 request for payment); rejected requests for payment for incompliance with support contract terms and conditions (3 requests for payment); suspended evaluation at the beneficiary’s request (1 request for payment).

In 2006, the Payment Request Division of the Finance and Accounting Department evaluated and the Payment Division made payments under 95 requests for payment for the total amount of EUR 6,860,920. Payments were made from the SAPARD funds and surplus funds of the SAPARD measure of Rural Development Plan.

- Measure 1 “Investments in agricultural holdings”: 25 requests for payment of EUR 1,913,469;
- Measure 2 “Improving the processing and marketing of agricultural and fisheries products”: 4 request for payment of EUR 624,460;
- Measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income”: 6 requests for payment of EUR 736,670;

- Measure 4 “Improvement of Rural Infrastructure”: 23 requests for payment of EUR 2,774,800;
- Measure 7 “Vocational training”: 17 requests for payment of EUR 738,040;
- Measure 8 “Technical assistance, information”: 20 requests for payment of EUR 73,454.

In 2006, 17 meetings of the Project Selection Committee took place. During these meetings, the Committee reviewed and approved requests of project owners or inquiries of administrators about the project implementation. Beneficiaries mainly asked (about 75% of cases) for extension of deadlines for submission of requests for payment and postponement of project closing dates arguing that they were unable to complete projects in time due to a variety of reasons. Some beneficiaries also asked for approval of partial project amendments or adjusted local cost estimates as well as for permission to drop specific investments. In addition, the meetings reviewed appeals of beneficiaries related to allegedly incorrect recognition of investments as ineligible for reimbursement.

In 2006, the NPA conducted SAPARD-related verifications of requests for payment, contract verifications and on-the-spot verifications of completed projects. In total, 173 on-the-spot verifications related to SAPARD were conducted in 2000–2006. Verifications of applications, request for payments are fully completed, but verifications of completed projects are not finished. It is planned to select 472 completed projects for verification in 2008-2011.

Table 8. SAPARD verifications.

Measure	Number of scheduled reference on-the-spot verifications (of applications, requests for payment)	Number of on-the-spot verifications of completed projects	Number of contract verifications
1. Investments in agricultural holdings	11	69	10
2. Improving the processing and marketing of agricultural and fisheries products	2	8	8
3. Development and diversification of economic activities providing for multiple activities and alternative income	2	6	7
4. Improvement of rural infrastructure	3	44	3

5. Afforestation of agricultural lands and improvement of forest infrastructure	-	-	-
Total:	18	127	28
Total on-the-spot verifications:	173		

2.3. Technical assistance use.

The Managing Authority was responsible for measure 8 “Technical assistance, information and publicity campaigns”. It proposed projects and was the beneficiary at the same time. The measure was accredited on 9 October 2003.

In 2004, 46 contracts were awarded for the total amount of EUR 690,000 to be paid in EU support. Particular attention was paid to publicising the programme and dissemination of information about the EU support. About 100 workshops and other events were held in order to inform about the programme achievements and examples of good practice. The funds of the technical assistance were also used for evaluation of the SAPARD programme. In 2005, the Managing Authority submitted 7 requests for payment of EUR 28,000 to the SAPARD Agency. However, payments under this measure began only in 2006. Under measure 8 “Technical assistance, information”, 20 requests for payment were received and the total of EUR 73,454 was paid (of which only EUR 38,787 were paid under SAPARD programme and the remaining funding came from the RDP).

The measure distinguished five tasks: providing support for the monitoring of the programme; ensuring an adequate flow of information and publicity; supporting studies, visits and seminars; providing support for external expertise; providing support for the evaluation of the programme. The projects approved are distributed by activities performed as follows:

Table 9. A number of projects under Measure 8 and support by sectors

Activity/ sector	Number of projects approved	Support allocated, (EU and CF contribution, EUR)
Number of meetings of the Monitoring Committee	2	2.612
Assistance of experts		
Number of advisors for the Monitoring Committee	1	1.738
Information seminars	17	291.960
Expenditure for working groups		
Expenditure for researches	9	329.575

Information and publicity campaigns	17	64.462
Total	46	690,347

Source: Tables of indicators, 31 December 2006

12 projects were related to technical assistance for the Programme implementation (meeting of the Monitoring Committee, consultancy services, researches and studies), the rest 34 were connected more with information on the Programme and its publicity (information work-shops, publicity campaigns).

The biggest share of support for the measure covered expenditure for researches and most funds were allocated to the interim evaluation of the SAPARD programme in Lithuania. During the implementation of the Programme's publicity, information work-shops required the biggest support. 5 projects intended to organize cycles of seminars related to issues of the adoption of *acquis communautaire* (informing about the EU requirements on quality, hygiene, veterinary, animal welfare). Other means of publicity included reports, information articles in press, information presented in TV and radio shows.

According to authorities administering the SAPARD Programme and socio-economic partners, technical assistance facilitated the programme implementation and monitoring, significantly contributed to raising awareness of the SAPARD support among potential applicants and distribution of support utility to public.

2.4. Steps taken to involve local bodies.

Non-governmental organisations also played an active role in the SAPARD programme implementation in 2000–2006. Representatives of the Lithuanian Dairy Association Pieno Centras, Lithuanian Fund for Nature, Association of Meat Processors, Association of Agricultural Companies, Farmers' Union, Association of Municipalities, and Chambers of Agriculture also worked in the Monitoring Committee.

Local authorities were involved to ensure smooth and effective implementation of the SAPARD programme. The National Paying Agency signed cooperation agreements with the relevant agencies on the issue of certificates of environmental, veterinary, sanitary, hygiene and animal welfare compliance to the potential SAPARD beneficiaries.

Representatives of various banks contributed to implementation of the SAPARD programme by providing in-depth information about credits to potential beneficiaries. To meet the needs of potential beneficiaries, they cooperated actively with the representatives of the Rural Credit Guarantee Fund.

Cooperation between these authorities and organisations ensured successful implementation of the SAPARD programme.

2.5. Information and publicity measures.

During the SAPARD implementation period in 2000–2006, all feasible information about the support possibilities and its scope was disseminated through the Rural Credit Guarantee Fund as well as using advertising, through various consultancy agencies, local municipalities and local groups, farms, rural magazines, also radio/TV and other media; the information was also available online.

To secure publicity of the programme, the National Paying Agency under the Ministry of Agriculture took part in exhibitions “You sow...”, “Agrobalt”, “Lithuanian Agropanorama” throughout the entire SAPARD implementation period giving presentations about the possibilities to receive the EU support after the end of the SAPARD programme and providing information about the benefits and lessons learned, outputs, difficulties and achievements in paying the support during the SAPARD programme.

Information about the SAPARD programme and its implementation was provided to target groups and general public in press releases, articles and on the Agency’s website at www.nma.lt. This website also published the list of beneficiaries who received SAPARD support as well as statistical information. The website of the Ministry of Agriculture at www.zum.lt published information about the decisions adopted at meetings of the Monitoring Committee (minutes of meetings). The press, television and radio were used to provide information about ongoing and completed SAPARD projects. The progress of support administration was also outlined in annual reports.

2.6. Data to demonstrate that Community funds have not replaced funding already available.

Along the SAPARD support there was National Rural Support Programme financed from state budget up and running, which was one of the fundamental national financial instruments for agriculture and rural development. The biggest share of this fund was devoted to the adjustment of agricultural market and support of farmers’ income. The support was provided in a form of grant aid or subsidy. The other part of national funding was devoted to the support for Rural Development.

Despite the continuing implementation of SAPARD programme, and the start of implementation of rural development support measures for 2004-2006, the national support schemes were continued,

ensuring on programme level and in technical sheets per measure that eligible expenditure was reimbursed only once and only in one programme.

Table 10. National Rural Support Programme (state budget)

Year	Allocations, thou. EUR	Payments,thou.EUR.
2000	121 409	120 738
2001	91 484	84 701
2002	90 587	88 235
2003	76 514	76 110
2004	59 479	57 219
2005	65 275	64 618
2006	92 448	90 770

Beside the above-mentioned funding there were complementary allocations that fall beyond the SAPARD programme, RDP and SDP as well, e.g. stimulation of the development of cooperation, organic farming, partial reimbursement of loan interests and the compensation of disasters' damage, Rural Guarantee Fund, etc. In principal, SAPARD programme suplimented national financing priorities for rural development.

3. PROGRAMME CONTROL SYSTEM

The National Paying Agency (SAPARD Agency) under the MoA was responsible for administration, monitoring and control of financial aid provided under SAPARD. Part of control functions were delegated to regional 10 Agency's territorial units. These bodies performed initial administrative application checks of the applications documentation provided or carried out some on-the-spot checks.

Control process was secured during calling for applications, project selection and checking of applications for approval of projects.

The simplification of administrative procedures and the development of human resources in the NPA were made in order to speed up the evaluation of application. According to internal procedures, every evaluator of the NPA has to submit the evaluation report within three days after the application receipt. However, a period from the application submission to the decision to support lasted more than a month: during the first calls to apply this process took even less than a month, but later (during the third and fourth calls, when a number of applications significantly raised) it lasted for 7–8 months. The outcome of this problem was the simplification of administrative procedures and the development of human resources in the NPA. Nevertheless, the essence of the problem was not the amount of human resources itself (a number of employees), but the planning of application collection, i.e. calls for applications were announced regardless the NPA work load and the situation of the application evaluation. Additional difficulty was data processing by primitive software. As a result, during the administration of the membership SPD, a management information system SFMIS was installed. In order to control SAPARD programme according to support agreements between the Agency and the beneficiary, the beneficiary was entitled to provide the Agency with reports on the project implementation: at the beginning of the project implementation, every four months when the project was in progress and at the end of the project. It is important that the project had to be monitored until the end of the term determined by the agreement, i.e. for five years after the last support payment. The main information employed for monitoring was the annual report on a completed project, financial accountability forms and other notes sent by a beneficiary 1 month after the end of the year.

In 2001–2006, 355 applications were rejected after evaluation. The rejected applications comprised about 29% of all applications submitted (see Figure Nr. 2). The amount of rejected applications is 100,1

mill EUR. The applications were rejected mostly because applicants didn't met the eligibility requirements and criterias or incorrectly applied public procurement provisions.

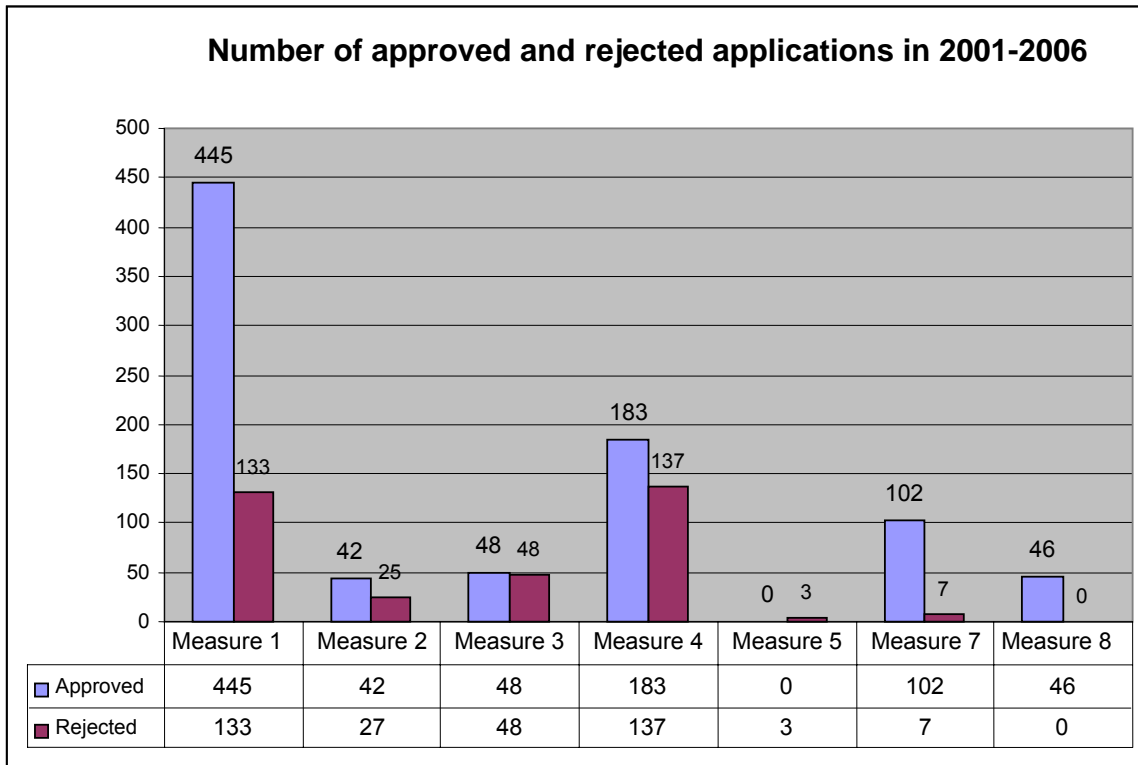


Figure 2. Number of approved and rejected applications in 2001–2006

A lot of applications (29 per cent) were not eligible under relevance criteria. This fact implies that relevance criteria were not completely clear and understandable for potential beneficiaries. Applicants did not possess project management skills and found it difficult to meet economic viability requirements. The survey revealed that most of business plans did not meet the requirements of the Agency. Due to the complexity of the project preparation, a majority of applicants were not able to prepare projects on their account. Thus, they employed consultancy services, expenditures on which were eligible for the compensation under the SAPARD funds.

Programme control was also organised during execution of on-the-spot checks both prior to and following project approval, follow-up action to ensure progress of projects being implemented, reporting of progress of measures being implemented against indicators, checking of payment claims, execution of on-the-spot checks to establish eligibility for payment, authorisation of payment, execution of payment;

accounting of commitment and payment, executing control on beneficiaries after payment of aid to establish whether the terms and eligibility conditions of the grants continue to be respected.

In order to ensure a successful implementation the Programm Monitoring Committee was established, the certifying body, i.e. the National Audit Office, carried out a performance audit in the NPA and submitted annual reports on its expenditures. In 2006 the National Audit Office carried out an audit of the NPA which aimed at analyzing the monitoring system of the entities supported.

List of irregularities detected and notified to OLAF and description of measures taken and recoveries made presented in Annex 2.

Follow up of recommendations made following EU inspection visits

EU inspection visit took place on 13-17 June, 2005 m. EU inspectors checked the expenditure made under SAPARD, but there were no substantial remarks made. Extra information about payments under several projects was provided to the European Commission via National fund in October 2005. On that basis Commission made clearance of account in September 2006.

4. PROGRAMME IMPLEMENTATION

Before joining the European Union (EU), Lithuania as well as other candidate countries was able to use the EU support for agriculture and rural development to achieve economic and social cohesion – one of the key EU objectives. Support for the SAPARD programme was EUR 167.2 million.

In 2000–2006, the SAPARD programme helped improve the structure of farms, diversify agricultural activities, modernise companies and facilitated adaptation and development of private forests and rural areas. The support was available to agricultural companies, cooperatives, farmers, rural populations, public authorities and private companies, non-governmental organisations, training institutions and other organisations within the agricultural sector. SAPARD funds were used to support projects within the agricultural sector which met the SAPARD priorities, measures and supported types of activities. SAPARD support for agricultural and fisheries sector was available for the following measures and supported types of activities.

From the start of SAPARD implementation on 6 December 2001 until 27 February 2004, 1,222 support applications were submitted under all SAPARD measures for the total amount of EUR 274.4 million, which exceeded the SAPARD allocation by 64.1%. As of 31 December 2006, 866 support contracts were awarded (for 105% of allocated funds) for the total amount of EUR 147.4 million in support.

EUR 167.2 million were paid to farmers in 2001–2006 who applied for support under SAPARD measures.

On 26 November 2001, the European Commission adopted Decision No 2001/857/EC accrediting the following five measures:

- Measure 1: Investments in agricultural holdings;
- Measure 2: Improving the processing and marketing of agricultural and fisheries products;
- Measure 3: Development and diversification of economic activities providing for multiple activities and alternative income;
- Measure 4: Improvement of rural infrastructure;
- Measure 7: Vocational training.

On 9 November 2003, the decision of the European Commission accredited the following two additional measures:

- Measure 5: Afforestation of agricultural lands and improvement of forest infrastructure;
- Measure 8: Technical assistance, information and publicity campaigns.

Accreditation of measure 6 “Environmentally friendly agricultural methods” was postponed to a later date but it was decided not to accredit the measure due to the lack of time for implementation. This measure was not implemented.

The following seven accredited measures were implemented under the SAPARD programme:

- Measure 1: Investments in agricultural holdings;
- Measure 2: Improving the processing and marketing of agricultural and fisheries products;
- Measure 3: Development and diversification of economic activities providing for multiple activities and alternative income;
- Measure 4: Improvement of rural infrastructure;
- Measure 5: Afforestation of agricultural lands and improvement of forest infrastructure;
- Measure 7: Vocational training;
- Measure 8: Technical assistance, information and publicity campaigns.

During the SAPARD programme implementation period, applications were collected in seven phases:

On 6–21 December 2001;

From 26 March to 25 April 2002;

From 8 July to 20 December 2002;

From February to 14 March 2003;

From 22 April to 23 May 2003;

From 3 October to 28 November 2003;

On 9–27 February 2004.

4.1. Financial implementation.

All applications for the SAPARD programme support were collected in the period 2001–2004.

Below is the summary table of applications for SAPARD support collected in 2001–2004.

Table 11. Summary of allocations, commitments, disbursements (EU and national contribution).

	Measure 1 Investments in agricultural holdings	Measure 2 Improving the processing and marketing of agricultural and fisheries products	Measure 3 Development and diversification of economic activities providing for multiple activities and alternative income	Measure 4 Improvement of rural infrastructure	Measure 5 Afforestation of agricultural lands and improvement of forest infrastructure	Measure 7 Vocational training	Measure 8 Technical assistance, information and publicity campaigns	Total:
Allocations 2000-2003, EUR M	68,2	61	10,1	24,4	0	2,9	0,7	167,3
Applications submitted (number of projects)	578	69	96	321	3	109	46	1222
Applications submitted (applied support, EUR M)	93,7	105,3	18,1	53,4	0,081	3,3	0,69	274,4
Applied/allocated amount ratio%	137	172	179	219	0	114	99	164
Support contracts	445	42	48	183	0	102	46	866
Support amount (contracts, M)	67,6	65,6	9,3	28,2	0	3	0,7	174,3
Contract/allocated amount ratio, %	99	110	93	116	0	103	100	105
Amount paid, EUR M	65,7	65,6	8	26,4	0	2	0	167,6
Paid/allocated amount ratio,	95	107	78	100	0	68	0	98

%								
Completed projects	445	42	47	181	0	98	23	836

After Lithuania joined the European Union on 1 May 2004, collection of applications under SAPARD programme stopped. From 1 May 2004 to 31 December 2006, applications were evaluated, contracts were awarded and payments were made. In 2004, potential beneficiaries were already submitting applications under new programming documents: measures of the Rural Development Plan 2004–2006 and measures of the Rural Development and Fisheries priority of the Single Programming Document of Lithuania for 2004–2006. SAPARD experience was used for the latter measures to ensure sustainability of rural development measures and, therefore, good practice and good neighbourhood examples created under the SAPARD programme were very helpful.

In 2006, administration of contracts awarded under the SAPARD programme continued: project implementation was checked and monitored, contractual amendments were made and contracts were terminated in cases of violations or at the applicant's request. In 2006, 46 amendments to SAPARD contracts were made, 4 contracts were terminated (2 applications under measure 2, 1 under measure 3 and 1 under measure 4). Key reasons for contract termination:

- beneficiaries cease their project activities;
- delayed payment obligations of beneficiaries;
- beneficiaries breach or fail to comply with the support contract provisions;
- support contracts are terminated on the basis of contract verification results.

Support contracts with some beneficiaries were terminated because these beneficiaries underwent bankruptcy procedures, also some beneficiaries asked to terminate their support contracts.

Nevertheless, most projects were implemented successfully: 71 SAPARD projects were completed in 2006. Completed or implemented projects are projects after the payment under the last request for payment.

As mentioned before, applications were no longer evaluated in 2005 and 2006 so the data for previous years did not change: in 2004, 378 applications were evaluated (evaluation completed in early August 2004), of which 286 applications for the total commitment of EUR 42.3 million were approved and 92 applications were rejected (381 applications were evaluated and 212 approved in 2002, 463 applications were approved and 322 approved in 2003).

Table 12. SAPARD commitment amount (EU and national contribution) and number of approved applications in 2002–2006.

Measure 1 Investments in agricultural holdings	Measure 2 Improving the processing and marketing of agricultural and fisheries products	Measure 3 Development and diversification of economic activities providing for multiple activities and alternative income	Measure 4 Improvement of rural infrastructure	Measure 5 Afforestation of agricultural lands and improvement of forest infrastructure	Measure 7 Vocational training	Measure 8 Technical assistance, information and publicity campaigns	Total:
Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)	Support amount, EUR '000 (No. of applications)
18 128 (96)	42 139 (24)	2 602 (15)	5 919 (38)	0	661 (45)	0	69 449 (218)
2002							
21 284 (152)	23 425 (18)	6 736 (33)	8 955 (62)	0	1 479 (40)	0	61 879 (305)
2003							
28 204 (197)	0 (0)	0 (0)	13 363 (83)	0	825 (17)	690 (46)	43 082 (343)
2004							
67 616 (445)	65 564 (42)	9 338 (48)	28 237 (183)	0	2 965 (102)	690 (46)	174 410 (866)
2002-2006							

The largest support commitment was for projects under measure 1 “Investments in agricultural holdings” and measure 2 “Improving the processing and marketing of agricultural and fisheries products” – EUR 67.616 and 65.564 million respectively. These measures were very important and necessary for the Lithuanian agricultural sector which enjoyed new opportunities after accession to the EU but also had to adapt to the challenges of the EU common market such as stronger competition for agricultural and food products on the domestic market, high quality standards, trading and production restrictions (quotas). Although the lack of experience in a large competitive market and emigration of highly-skilled professionals and talented young people to other countries is still posing problems, potential beneficiaries under measure 1 “Investments in agricultural holdings” were really active by the end of programme implementation and were only overtaken, in terms of activity, by applicants for support under measure 2 “Improving the processing and marketing of agricultural and fisheries products” who undertook to implement Community standards for environmental protection, veterinary, animal welfare and food quality.

In 2006, the Agency continued paying the support to final beneficiaries. In 2006, 95 requests for payment were reviewed (365 in 2005, 642 in 2004, 398 in 2003, 107 in 2002). In late 2006, the amount paid to final beneficiaries since the beginning of the programme was distributed as shown in Table 12.

Table 13. SAPARD support payments (Community support) in 2001–2006 (excluding payments under RDP)

Measure 1 Investments in agricultural holdings	Measure 2 Improving the processing and marketing of agricultural and fisheries products	Measure 3 Development and diversification of economic activities providing for multiple activities and alternative income	Measure 4 Improvement of rural infrastructure	Measure 7 Vocational training	Measure 8 Technical assistance, information	Total:
Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000
65,650	65,628	8,068	26,442	2,078	39	167,905

Beneficiaries began implementing their projects in 2002. In 2002, 16 projects were completed (all payments were made). In 2003, implementation of projects gained momentum and the number of projects implemented at the end of 2003 increased by 115, 371 projects were implemented in 2004, 253 in 2005, and 71 projects were implemented in 2006, bringing the total number of completed projects to 827 at the end of 2006, i.e. 95% of all projects which received SAPARD support. The table below provides information about implemented projects and the amount of support paid. Till the end of 2006 the total amount from national fund was paid to the beneficiaries, only the EU contribution stopped at 95 %.

Table 14. Number of implemented projects and SAPARD payments in 2001–2005

	Measure 1 Investments in agricultural holdings No. of impl. projects (support amount, EUR '000)	Measure 2 Improving the processing and marketing of agricultural and fisheries products No. of impl. projects (support amount, EUR '000)	Measure 3 Development and diversification of economic activities providing for multiple activities and alternative income No. of impl. projects (support amount, EUR '000)	Measure 4 Improvement of rural infrastructure No. of impl. projects (support amount, EUR '000)	Measure 7 Vocational training No. of impl. projects (support amount, EUR '000)	Measure 8 Technical assistance, information No. of impl. projects (support amount, EUR '000)	Total: No. of impl. projects (support amount, EUR '000)
2002	4 (786)	0 (0)	3 (625)	3 (64)	6 (27)	0 (0)	16 (1,502)
2003	62 (6,494)	3 (5,227)	4 (494)	12 (1,300)	34 (532)	0 (0)	115 (14,047)
2004	217 (31,404)	27 (43,762)	24 (3,878)	67 (8,576)	37 (1,298)	0 (0)	372 88,918
2005	148 (24,700)	11 (16,015)	10 (2,301)	80 (14,176)	4 (81)	0 (0)	253 (57,273)
2006	13 (2,302)	1 (525)	6 (770)	19 (2 326)	15 (140)	17 (39)	71 (6,102)

Total	444	42	47	181	96	17	827
	(65,686)	(65,529)	(8,068)	(26,442)	(2,078)	(39)	(167,842)

By the end of 2006, 827 projects, i.e. 95% of all projects for which contracts were awarded, were completely implemented. Most incomplete projects remained under measure 8 “Technical assistance, information” (only 37% of projects implemented) and measure 7 “Vocational training” (94% of projects implemented). Projects under all other measures were implemented by nearly 100%:

- Only 1 project was not completed under measure 1 “Investments in agricultural holdings”;
- all projects were completed under measure 2 “Improving the processing and marketing of agricultural and fisheries products”;
- 1 project was not completed under measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income”;
- 3 projects were not completed under measure 4 “Improvement of rural infrastructure”.

Since more funds were contracted than provided for in the SAPARD support plan (104%), the SAPARD funds were not sufficient to cover all projects that why some projects were financed under the RDP programme: in total 63 projects for the amount of EUR 3.4 million.

Payments under the RDP started in 2006 and reached 2 160 394 euro:

EUR 611,591 paid under measure 1;

EUR 467,205 paid under measure 2;

EUR 448,707 paid under measure 4;

EUR 598,223 paid under measure 7;

EUR 34,668 paid under measure 8.

Pursuant to the provisions of Article 10(3) of Section A of the Multiannual Financing Agreement, the Republic of Lithuania used the interest earned on the SAPARD euro account for measure 2 “Improving the processing and marketing of agricultural and fisheries products”. In total, EUR 256,776.82 in European Union contribution and EUR 85,592.27 in co-financing was absorbed. Interest earned but unused: EUR 568.61.

Table 15. SAPARD payments (Community support) in 2000–2006 (incl. returned funds)

Measure 1	Measure 2	Measure 3	Measure 4	Measure 7	Measure 8		Total:
Investments in agricultural holdings	Improving the processing and marketing of agricultural and fisheries products	Development and diversification of economic activities providing for multiple activities and alternative income	Improvement of rural infrastructure	Vocational training	Technical assistance, information	Accrued income (for measure 2 projects)	
Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000	Support amount, EUR '000
49,215.858	48,884.965	6,040.263	19,718.584	1,558.578	31.029	256.777	125,706.054

Table 16. Payments by measure in 2006 and 2000–2006 (EUR).

Support measure	2006		2000-2006	
	EU	National contribution	EU	National contribution
Measure 1: Investments in agricultural holdings	976,428.62	325,476.21	49,238,015.26	16,412,671.75
Measure 2: Improving the processing and marketing of agricultural and fisheries products	211,568.08	70,522.69	48,964,313.46	16,321,437.82
Measure 3: Development and diversification of economic activities providing for multiple activities and alternative income	202,097.94	67,365.98	6,050,914.92	2,016,971.64
Measure 4: Improvement of rural infrastructure	1,744,569.55	581,523.18	19,831,530.31	6,610,510.10
Measure 7: Vocational training	104,862.29	34,954.10	1,558,578.25	519,526.08
Measure 8: Technical assistance, information	31,029.52	7,757.38	31,029.52	7,757.38
Accrued interest (for measure 2 project funding)	256,776.82	85,592.27	256,776.82	85,592.27
Total	3,527,332.82	1,173,191.81	125,931,158.54	41,974,467.04

Table 17. Recovered from debtors in 2006 (EUR) and 2000–2006 (EUR)

Support measure	2006		2000-2006	
	EU	National contribution	EU	National contribution
Measure 1: Investments in agricultural holdings	918.39	306.13	22,157.32	7,385.78
Measure 2: Improving the processing and marketing of agricultural and fisheries products	0.00	0.00	79,348.84	26,449.61
Measure 3: Development and diversification of economic activities providing for multiple activities and alternative income	108.39	36.13	10,651.96	3,550.65
Measure 4: Improvement of rural infrastructure	0.00	0.00	112,946.06	37,648.69
Measure 7: Vocational training	0.00	0.00	0.00	0.00
Measure 8: Technical assistance, information	0.00	0.00	0.00	0.00
Total	1,026.78	342.26	225,104.18	75,034.73

Recoveries from debtors were made because during SAPARD implementation 16 contracts were stopped, projects value changed (the differences between maximum committed amount for the project and practical project value).

4.2. Implementation of individual measures

SAPARD programme funds were used effectively and efficiently. Indicators show that the gross value per one agricultural employee has grown due to competitiveness and efficiency; gross value per processing sector has also grown. Yields of grains and milk have grown. The percentage of grade A milk in the total quantity of raw milk reached the target level set for 2006. Quantities of natural production exceed the target levels for 2006 by almost 50%. The density of rural populations has decreased and household income in rural areas grew 6%. SAPARD investments into the food processing industry contributed to helping the companies to meet hygiene, food quality and safety standards.

Regional aspects

The breakdown of support applications submitted and awarded support contracts in 2001–2004: the highest activity was in Kaunas county where 267 applications were registered, i.e. 22% of all

applications submitted, of which 199 applications were approved (23 % of all applications approved), while the lowest activity was in Alytus county where just 57 applications were received (5% of all applications) and 41 were approved (5% of all applications).

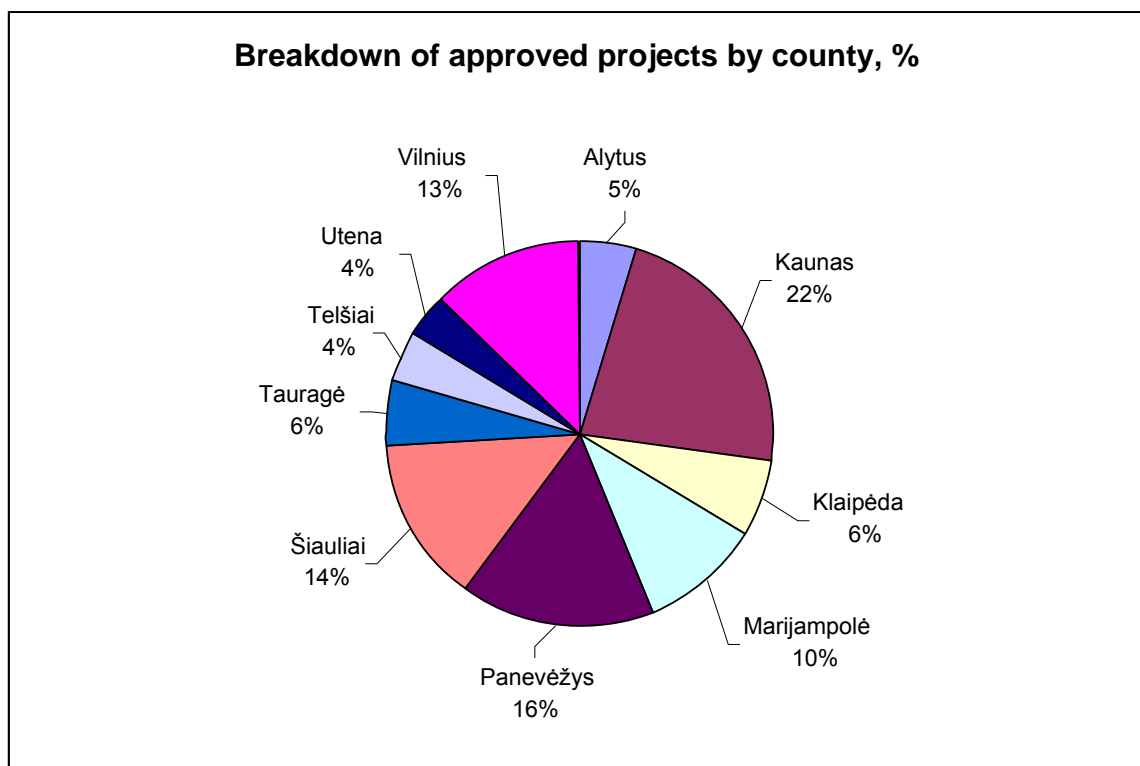


Figure 4. Breakdown of approved projects by county, percent.

Table 18. Breakdown of approved projects by county, projects

Alytus	Kaunas	Klaipėda	Marijampolė	Panevėžys	Total:
40	197	55	90	138	866
Šiauliai	Tauragė	Telšiai	Utena	Vilnius	
121	48	37	31	109	

The breakdown of support funds followed similar trends. Most SAPARD support funds were paid to applicants from Kaunas and Panevėžys counties. Alytus and Utena counties, where applicants were the most passive, received the lowest amounts of SAPARD funds respectively. SAPARD absorption by other counties was proportional.

This difference of funds and absorbed allocations can be explained by the geographic location of these regions. Since the majority of support (around 38% each) was absorbed under measures

“Investments in agricultural holdings” and “Improving the processing and marketing of agricultural and fisheries products”, the general view of the support absorption was affected by applicants who applied for support under these measures. Therefore, the majority of applicants under measure “Investments in agricultural holdings” are farmers and companies working in Kaunas, Panevėžys, Marijampolė counties where the best agricultural land in Lithuania is, while applicants from Alytus and Utena counties, where the land is worse, were more passive in applying for support related to the main agricultural production. Another measure which strongly affected the breakdown of SAPARD support was “Improving the processing and marketing of agricultural and fisheries products”. The support was used to modernise the existing processing companies and set up new businesses and, naturally, the majority of previously built companies and companies set up using the SAPARD programme funds were close to the best land in Lithuania, i.e. in Kaunas and Panevėžys counties. If the support under measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income” comprised a larger share of SAPARD support, the breakdown of support would be more even as applications from Utena, Vilnius and Alytus counties were more active under this measure.

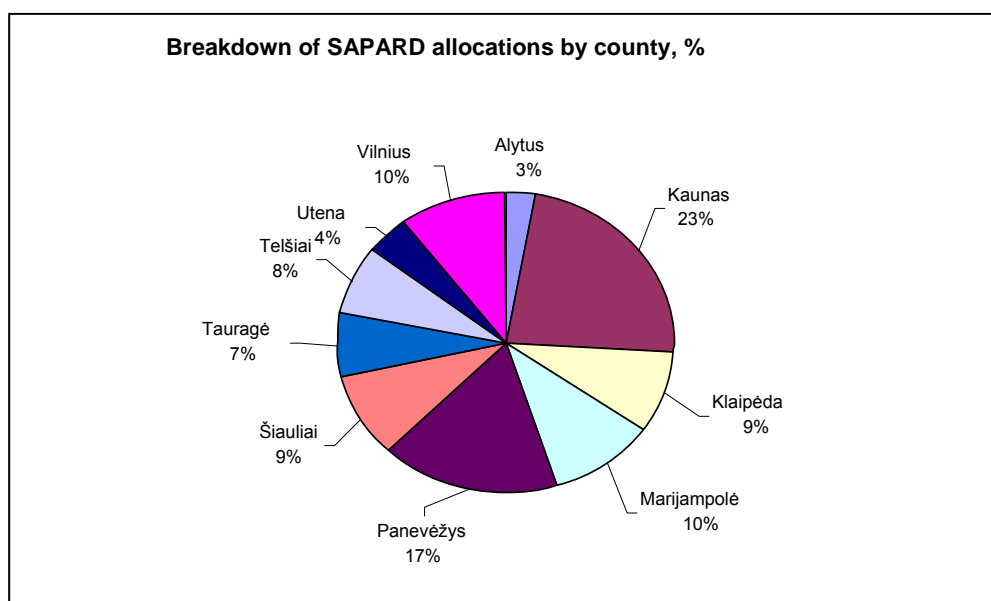


Figure 5. Breakdown of SAPARD allocations by county, percent.

Table 19. Breakdown of SAPARD allocations by county, EUR thousand.

Alytus	Kaunas	Klaipėda	Marijampolė	Panevėžys	Total
4,986	40,969	15,306	16,887	30,246	174,409
Šiauliai	Tauragė	Telšiai	Utena	Vilnius	
15,723	11,817	13,074	7,222	18,179	

Scope of achievement of objectives

The practical programme implementation period has lasted for five years. It must be noted that the Lithuanian economy has been growing strongly in recent years and that implementation of rural development measures of the new period (2004–2006) already began in 2005. Therefore, the positive impact on rural populations cannot be attributed only to successful implementation of SAPARD projects.

One of the key programme objectives related to *acquis communautaire* were improving the quality and hygiene standards as well as adaptation of the Community environmental, veterinary and hygiene standards. The SAPARD programme support helped farmers prepare for the adaptation of the Community environmental, veterinary and hygiene standards.

Farmers bought 106 milking equipment units, 35 cooling equipment units and 98 manure and waste transportation equipment units under measure 1 “Investments in agricultural holdings” from the programme implementation start until the end of 2006. Performance indicators under different measures are given in Table 20. As we can see, 1,797 applications were to be approved under measure 1 in 2000–2006 but only 25% of this performance indicator was achieved during the programme implementation. However, support contracts provide for the payment of nearly the entire (99%) support amount allocated for this measure. It shows that more and smaller projects were expected but the proposed investment projects were large (an average support amount was nearly EUR 152,000) and all allocations for this measure were absorbed when support was approved for 445 projects instead of 1,797 as planned at the beginning. As regards measure 2, it should be noted that the difference between approved applications and performance indicators of the support amount allocated is much lower: both indicators were exceeded by a small margin (102% of the approved applications and 107% of the support amount allocated). Such a successful implementation of this measure can be explained by the fact that economic entities were well aware that they would have to meet all EU standards and requirements and, therefore, took the opportunity to modernise companies according to the EU standards. Moreover, economic entities had more financial capabilities to draw up projects and ensure the required private financial contribution to projects. The situation of measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income” is very similar to that of measure 1: the indicator of approved applications is merely 6%, while the allocated support indicator is 92%. It shows that more and smaller projects were also expected under this measure. However, applications were not collected according to the sectors of traditional crafts and aquaculture (which would ensure smaller and less investment-intensive

projects), and most contracts were awarded for rural tourism and main services sectors, where applications concerned large projects and applicants often requested the maximum support amount available. Performance indicators of measure 4 “Improvement of rural infrastructure” are very different: the indicator of approved applications was exceeded by a large margin (178%), while the support amount allocation indicator was exceeded just fractionally (116%). It shows that more than expected rural residents applied under this measure asking for support for implementation of small projects such as installation of artesian wells. As a result, the number of projects is almost twice as high as expected.

Implementation of projects under measure 7 “Vocational training” was closest to the expected performance indicators: the indicator of approved applications was 102% and the support amount allocated indicator was 103%. In general, clear outputs and impacts can be expected under certain measures, for instance, improved hygiene conditions and better rural infrastructure, while the animal welfare in primary agricultural production, as seen by achievement of 25% of the performance indicator under measure 1 “Investments in agricultural holdings”, has not yet made such a good progress. However, based on the monitoring tables for 2006, we can see that support was provided for purchases of large amounts of equipment and machinery, which means that the quality was affected, hygiene standards were applied (specific indicator) and, at the same time, EU standards were met (global objective).

Table 20. Achievement of performance indicators.

2001-2005	Expected output	Approved applications	Ratio approved applications/expected output
Measure 1: Investments in agricultural holdings			
Number of approved applications	1,797	445	25%
Total support amount (EUR ‘000)	68,180,607	67,617,172	99%
Measure 2: Improving the processing and marketing of agricultural and fisheries products			
Number of approved applications	41	42	102%
Total support amount (EUR ‘000)	60,993,339	65,563,597	107%
Measure 3: Development and diversification of economic activities providing for multiple activities and alternative income			

Number of approved applications	855	48	6%
Total support amount (EUR '000)	10,125,405	9,337,932	92%
Measure 4: Improvement of rural infrastructure			
Number of approved applications	103	183	178%
Total support amount (EUR '000)	24,352,989	28,235,622	116%
Measure 5: Afforestation of agricultural lands and improvement of forest infrastructure			
Number of approved applications	-	0	0
Total support amount (EUR '000)	3,145,933	0	0
Measure 6: Environmentally friendly agricultural methods			
Number of approved applications	0	0	0
Total support amount (EUR '000)	0	0	0
Measure 7: Vocational training			
Number of approved applications	100	102	102%
Total support amount (EUR '000)	2,875,637	2,965,275	103%

Source: Monitoring tables, data as of 31 December 2006

The support funds were used to build and renovate 17 rural tourism facilities, 202 recreational places were installed. 62 industrial properties were built or renovated in the untraditional agricultural production sector. Over 772 new jobs in the alternative business sector were created in rural areas.

Considerable support was provided for improvement of rural infrastructure. Funding was provided for 166 projects for improvement of water management systems in rural areas, 17 communications and engineering installations were improved, 59 new artesian wells and 2 polders were built, 165,000 m of water supply lines and 287,000 m of sewage system were built.

SAPARD support was also provided for vocational training of farmers and rural residents. Over 21,000 rural residents attended the courses on new agricultural production technologies, business economics, management, financial accounting, environmental protection and eco-friendly farming, information technologies.

The support provided under measure 2 “Improving the processing and marketing of agricultural and fisheries products” contributed to the increased capacity of the supported sectors. Implementation of projects under measure 3 “Development and diversification of economic activities providing for multiple

activities and alternative income” helped create or maintain 772 new jobs including 574 in the services sector; 306 bedspaces (rural tourism). These results are likely to contribute to diversification of economic activities in rural areas.

The experience gained by the Managing Authority (Ministry of Agriculture) and the National Paying Agency in preparing, coordinating and actively implementing (announcing collection of applications, evaluating them, awarding support contracts and ensuring feedback) the SAPARD programme is very important for administration of assistance from Structural Funds.

Before proceeding to the analysis of indicators it is necessary to note that indicators of measures were planned according to the 7-year financial plan. However, the SAPARD programme implementation period lasted just 4 years as Lithuania, after joining the EU in 2004, began using structural assistance available to EU member states rather than candidate countries. Therefore, the indicators set before the programme implementation must be evaluated keeping in mind that the implementation period was shorter than expected.

4.2.1. Measure: Investments in agricultural holdings

The overall objective of this measure was to improve the structure of agricultural holdings, improve efficiency by reducing the costs of production, encourage acquisition of modern equipment and technologies, improve the quality of production, increase the competitiveness of Lithuanian farms and agricultural enterprises, and increase the level of income of the farming population.

Under this measure support was provided to farmers, agricultural companies and enterprises registered in accordance with the procedure established by the Laws of the Republic of Lithuania, which were producing agricultural goods and which were responsible for financing the investment in the holding.

Attained objectives for this measure: increased incomes of beneficiaries, factor productivity, gross value added per agricultural employee, average farm size, the quality of farm producing; reduced unit costs of production; farmers complied EU requirements.

In 2000–2006, support available under measure “Investments in agricultural holdings” comprised 40.8% of overall allocated support. Support under this measure was provided to milk, meat (cattle, pigs, sheep, poultry), fruit and vegetable as well as grain (flax, cereal) sectors. To help the farms improve their competitiveness, financial support was provided by partially reimbursing capital investment into

machinery, equipment, buildings and other capital goods. The support was directed to viable farms, agricultural companies, cooperatives and other companies engaged in commercial agricultural production.

Since the programme began until the end of 2006, 578 applications were received for support under measure 1 “Investments in agricultural holdings”. Of which:

- 445 were approved (support contracts were awarded);
- 131 were rejected.

The total value of support was EUR 67,617,000, or 99% of funds allocated for 2000–2003. EUR 65,650,000 were paid to beneficiaries by the end of 2006.

Table 21. Applications received and support contracts awarded under measure 1, EUR thousand

Investments in agricultural holdings															
Milk				Meat				Fruits, vegetables				Crops (flax, cereals)			
Applications		Support contracts		Applications		Support contracts		Applications		Support contracts		Applications		Support contracts	
No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount
122	23,577	87	16,210	87	22,826	55	15,709	50	6,396	34	4,151	319	40,874	269	31,547

Under this measure, most applications were received in the crop production sector. Such a high activity of applicants in the crop sector can be explained by the fact that the crop production sector was one of the most popular industries in Lithuania in 2000–2004. Also, producers usually secured their income in advance by entering into contracts with processing entities. Another important factor in this sector is a relatively quick return of investments into crop production and the fact that most operations are performed by machinery. A completely opposite situation was in the fruit and vegetable sector which was unpopular because its production is usually sold to consumers directly, return on investments could last several years (especially in the fruit sector), the overwhelming majority of operations are conducted manually and competition with other countries (especially Poland) is fierce. Therefore, very few farmers or companies operated in this sector. These general trends were also reflected in the applications for SAPARD support.

Evaluation of achievements and outputs of the measure. As can be seen from the table below, most indicators under this measure have not been achieved. This was due to the fact that it was expected to support more and smaller farmers when the programme was planned. However, since the SAPARD

programme was the first experience of EU structural assistance in Lithuania, farmers were very cautious about their chances to receive EU support and the number of applications submitted was lower than expected. It must be noted that the funds unused under this measure were reallocated and successfully utilised under another SAPARD measure “Improving the processing and marketing of agricultural and fisheries products”. At the same time, it must be stressed that the poultry sector was significantly over-supported (290% more projects supported than planned) despite the fact that the overall number of all projects supported under measure 1 is significantly below the planned number (achieved value of 14.1%). Also, many projects in the grain sector were supported (87% of the planned number).

Table 22. Measure achievement and output indicators

Indicators	Measur. unit	2000-2006		
		planned	actual	ratio, %
Physical indicators				
Number of projects supported, of which:	unit	3,153	445	14.1
Dairy farms	unit	2,200	87	3.9
Meat farms				
Cattle production	unit	300	4	1.3
Pig production	unit	60	20	33.3
Sheep production	unit	20	2	10
Poultry production	unit	10	29	290
Fruit and vegetable farms	unit	120	34	28.3
Cereal farms:				
Grain	unit	300	261	87
Flax	unit	120	8	6.6
Total appropriation for public expenditure in support for projects	EUR million	127.7	31.119	19
Performance indicators				

Increase in productivity				
Agricultural gross value added by agricultural workers		180	N/A	N/A
Grain yield	t/ha	3.8	N/A	N/A
Milk yield	t/cow	4.8	N/A	N/A
Improvement in agricultural production quality				
milk, grade A	%	85	N/A	N/A
Average farm size	ha	15	75	500
Land, additionally under organic farming	ha	6,000	N/A	N/A
Percentage of young farmers to total farmers	%	25	35	140

It shows that the most active entities in absorbing support under measure “Investments in agricultural holdings” were farmers and agricultural companies engaged in crop production.

This lower number of farmers participating under this measure is further highlighted by the fact that the programme indicator of an average farm of 15 ha was exceeded 5 times as the average farm size of all farmers participating in the programme was 75 ha. It means that only large farms took part in the programme as they had sufficient financial resources and knowledge to implement projects. Moreover, the large size of an average farm was also determined by the fact that crop producing farmers were very active in implementing projects under this measure and their farms, as compared with other sectors (milk, meat, fruit and vegetable), are much larger.

It is also worth mentioning that despite the fact that the number of supported projects was much lower than expected during programme preparation, young farmers were more active in participating in the SAPARD programme. It was expected that the percentage of young farmers would be 25% of all supported farmers but it can be seen that they comprised 35% (97 of farmers that implemented 276 projects were younger than 40) and achievement of this indicator was 140%. It shows that the young generation of Lithuanian farmers was interested in the EU support possibilities and they continue to be active in using EU structural assistance (675 contracts were awarded under SPD 2004–2006 measure “Setting-up of young farmers” by the end of 2006).

Measure impact. The SAPARD programme measure “Investments in agricultural holdings” ensured support for investments into agricultural machinery, equipment, buildings and other areas related to production. Given the fact that much (around 90%) of agricultural machinery in Lithuania was outdated, acquisition of new machinery using the SAPARD support improved labour productivity during preparation for sowing and yield harvesting and, at the same time, helped tackle the lack of labour force in agriculture which became very pressing in Lithuania after accession to the EU due to stronger emigration of Lithuanian population to other EU member states. The SAPARD support under this measure contributed to production of competitive and high-quality products. Working conditions improved and the value added per agricultural worker grew 6.9% from 2000 to 2006. The average farm size also increased 33% from 2003 to the end of 2006. In 2000–2006, the level of income of rural households rose 76%. The quality of agricultural production improved and now it meets the EU requirements.

Due to the investments made under this measure 379 pieces storage and refrigerating equipment, 247 pieces feeding equipment and 106 milking machines, 1048 units of cultivation technique, 98 units of manure transportation technique, 262 combine-harvesters and 330 tractors were acquired. 211 new industrial buildings were restored and built in the traditional agricultural sector.

4.2.2. Measure: Improving the processing and marketing of agricultural and fisheries products

The main objectives of this measure was to support the restructuring (concentration and rationalisation) and modernisation of agri-food industry, improvement of quality of the processed products, to introduce innovative and effective production methods, and make progress towards achievement of EU hygiene, sanitary and veterinary requirements. Support to such investments, therefore, will contribute to increased competitiveness and higher added value of agricultural products.

Under this measure support was provided to agricultural and other entities engaged in the processing of agricultural and fishery products ultimately responsible for financing the investment in enterprises.

Attained objectives for this measure: increased added value through better capacity utilisation, increased competitiveness, higher quality products and improving market outlets.

Meat, milk, fish and grain, fruit and vegetable, and flax processing sectors were supported under this measure. The support was provided to agricultural and other companies engaged in processing agricultural and fishery products. The support under this measure contributed to improving production

efficiency, ensuring better quality of products, investments into technologies that comply with national and European environmental, hygiene and health standards and delivering benefits to suppliers of primary agricultural production.

At the end of 2006, the situation of measure 2 “Improving the processing and marketing of agricultural and fisheries products” was as follows: 69 applications received in total. Of which:

- 42 were approved (contracts were awarded);
- 27 were rejected.

The total value of support was EUR 65,563,000, or 107 % of funds allocated for 2000–2003. EUR 65,628,120 were paid to beneficiaries by the end of 2006.

Table 23. Applications received and support contracts awarded under measure 2, EUR thousand

Improving the processing and marketing of agricultural and fisheries products																			
Milk				Meat				Fishery				Fruits, vegetables				Crops (flax, cereals)			
Applications		Support contracts		Applications		Support contracts		Applications		Support contracts		Applications		Support contracts		Applications		Support contracts	
No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount
4	11,762	3	8,802	39	68,996	23	39,509	10	9,604	7	6,113	7	4,800	3	2,254	9	10,094	6	8,885

Under this measure, most applications were received in the meat sector. This sector was very popular because it faced most of the problems during preparation for the EU membership and economic entities were well aware that they would have to meet all EU standards and requirements and, therefore, took the opportunity to modernise companies according to the EU standards. It is expected that supported companies in the meat sector will be processing up to 50% of raw meat in the future. Implementation of supported projects helped create 1,158 jobs.

At the same time, the lowest number of applications was from the milk sector which is very concentrated in Lithuania and has relatively few strong economic entities. All three major milk processing companies in Lithuania used the SAPARD support to modernise production. Supported dairy companies processed over 80% of total milk quantities purchased in Lithuania.

Evaluation of achievements and outputs of the measure. The SAPARD measure “Improving the processing and marketing of agricultural and fisheries products” was implemented extremely successfully.

Although the number of projects was lower than expected (59%), larger projects were implemented and larger than expected amounts were invested (112% of the planned indicator).

Indicators of the meat sector are especially good (support for meat processing modernisation provided to more companies than expected (280% of the target value), more poultry slaughterhouses supported (3 slaughterhouses implemented projects instead of the expected 2)). It is also very important that the number of companies with assigned veterinary service number was higher than expected (191%) in the meat sector.

Milk sector, on the other hand, is very concentrated in Lithuania and has relatively few strong economic entities. Progress indicators of the sector were slightly lower than expected: the number of approved projects reached 60% of the target and the indicator of additionally processed whey was 82%.

Unfortunately, not a single project was approved in the flax processing sector. The number of applications received and projects approved in the grain processing sector was lower than expected (24%). It is possible that flax processing entities had little expectations for the flax processing sector during the SAPARD implementation period and, therefore, no applications were received.

Achievement of the job creation indicator was 77%. This was because the number of supported projects was lower than expected and, in addition, several contracts were terminated (1 beneficiary went bankrupt, several failed to fulfil their contractual obligations) which reduced the job creation indicator in total for measure.

Table 24. Measure achievement and output indicators

	Unit	2000-2006		
		planned	actual	ratio, %
(a) Physical indicators				
Number of projects approved, of which:		71	42	59
milk sector		5	3	60
meat processing modernisation		5	14	280
new cattle and pig slaughterhouses		7	5	71
poultry slaughterhouses		2	3	150
recyclers of secondary raw materials		1	1	100
fishery sector		15	7	46
fruit and vegetable sector		7	3	42

grain processing		25	6	24
flax processing		4	0	0
Total public expenditure for project support				
	EUR million	58.1	65.6	112
(b) Performance indicators				
Companies with assigned veterinary service number Milk sector		5	3	60
Meat processing sector		12	23	191
Fish processing sector		15	7	46
Additionally recycled animal waste	t/year	50,000	13,040	26
Recycled whey	t/year	350,000	289,800	82
Created jobs		1,500	1,158	77
Percentage of supply of major products which depend on multiannual contracts (supported companies)	%	75	N/A	
Gross value added of food processing industry	1998=100	123	N/A	

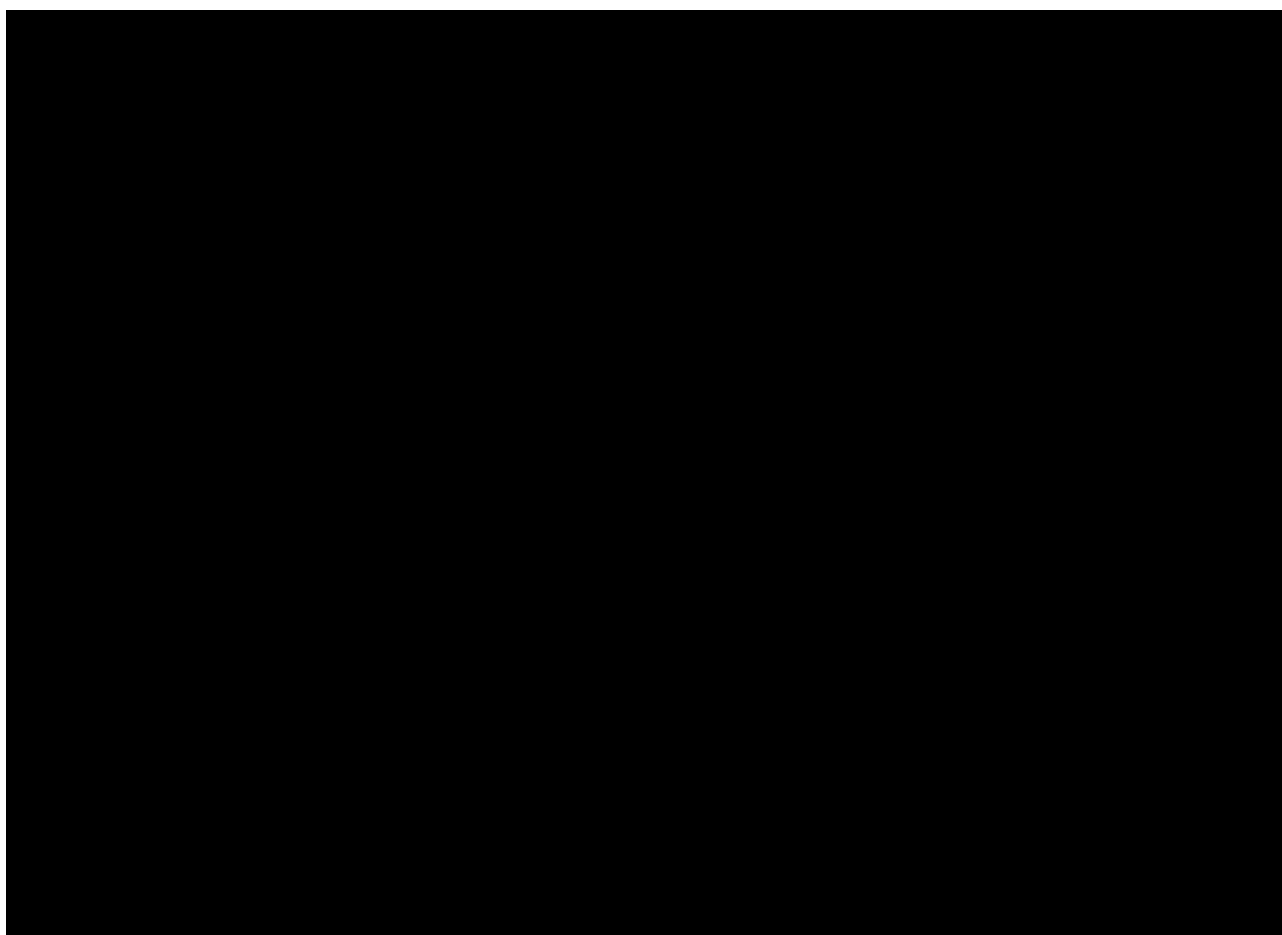
Measure impact. Renewal of the production potential of agricultural processing companies must be directly linked with qualitative technical changes in agricultural holdings since the use of new technologies for production of new and better quality products is inseparable from high-quality agricultural raw materials. Also, any development of a new product is closely related to production development at agricultural holdings. Only proportionate investments into both branches and support provided to them helped avoid the problems related to shortages of raw materials. In 2000–2006, support contracts were awarded for the total amount of EUR 67.6 million under SAPARD measure “Investments in agricultural holdings”. Support to companies processing agricultural production was EUR 65.5 million under the measure concerned. In 2000–2006, the overall ratio of these measures was 40/60 for the benefit of primary agricultural production.

SAPARD improved the efficiency and quality of processing companies and the value of their products through investments into low-input technologies, compliance with European and national environmental, hygiene and health standards to ensure better services to suppliers of primary production.

Better utilisation of capacities, stronger competition, higher quality of production and larger markets contributed to increasing value added of products. Human and animal health and welfare conditions also improved.

Information about sensitive sectors

There was no reason for expecting significant increase or decrease in processing capacities.



4.2.3. Measure: Development and diversification of economic activities providing for multiple activities and alternative income

The main objective for this measure was to support non-traditional activities and services in rural areas, in order to create additional employment and generate additional income for rural inhabitants.

Under this measure support was provided to agricultural and other entities engaged in the processing of agricultural and fishery products ultimately responsible for financing the investment in enterprises.

Objectives attained: increased non-traditional agricultural products, rural tourism and recreational activities and basis services for the rural economy and population.

This measure was aimed at increasing the income of rural population and farmers, retaining current employment levels and creating new or alternative jobs, diversifying rural activities and services, establishing cooperatives and promoting small and mid-sized business, developing rural tourism services, widening the services to rural population and improving the quality of these services. The support was provided to farmers, agricultural and private companies registered in rural residential areas with at least 50 employees.

At the end of 2006, the situation of measure 3 “Development and diversification of economic activities providing for multiple activities and alternative income” was as follows: 96 applications were received in total. Of which:

- 48 were approved (support contracts were awarded);
- 48 were rejected.

The total value of support was EUR 9,338,000 or 92% of funds allocated for 2000–2003. EUR 8,067,000 were paid to beneficiaries by the end of 2006.

Rural tourism was the most attractive area for investment under this measure. In the last decade, the demand for rural tourism services in Lithuania has grown continuously and economic entities were active in using the SAPARD support as they envisioned a bright future for the sector and invested into modernisation and establishment of rural tourism sites and facilities (45

Table 25. Applications received and support contracts awarded under measure 3, EUR thousand

Development and diversification of economic activities providing for multiple activities and alternative income																
Untraditional agri. production				Rural tourism and recreation				Aquaculture		Basic services and other activities				Traditional crafts		
Applications		Support contracts		Applications		Support contracts		Applications		Support contracts		Applications		Support contracts		
No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	
11	2,503	6	1,220	45	5,912	17	1,780	0	0	40	9,637	26	6,319	0	0	

applications received, 17 support contracts awarded, the average support amount per project was around EUR 106,000). So many applications were rejected because the projects were difficult and badly prepared. However, support contracts for the largest amount (EUR 6,319,000) were awarded in the sector of basic

services and other activities, where the average support amount per project was around EUR 245,000. 767 new jobs were created during project implementation.

Evaluation of achievements and outputs of the measure. Indicators of implementation of measure “Development and diversification of economic activities providing for multiple activities and alternative income” were much lower than planned for two reasons:

First of all, as already mentioned, the SAPARD programme was implemented for 4 years only instead of 7 years and, therefore, support allocations were lower. If we compare the funds allocated to this measure for the 4-year period (EUR 10.1 million), the indicator of public expenditure for project support would be 80%. However, achievement of indicator set for the 7-year programme was only 36%, i.e. EUR 8.067 million in public expenditure.

Secondly, similarly to measure “Investments in agricultural holdings”, this measure was prepared hoping for more and smaller projects but applicants aimed at large-scale projects and often asked for the maximum support amount (EUR 350,000). Therefore, indicators of the number of supported projects (3–4%), created jobs (3%) and new rural tourism businesses and premises adapted to tourism (7%) were so low.

Table 26. Measure achievement and output indicators

	Unit	2000-2006		
		planned	actual	ratio, %
(a) Physical indicators				
Number of projects supported, of which:		1,500	48	3
SME development		910	25	3
improvement of rural tourism facilities		350	17	5
untraditional agricultural activities		140	6	4
fishing in internal waters		10	0	0
public expenditure for project support	EUR million	22.304	8.067	36
(b) Performance indicators				
Number of created jobs (including part-time jobs)		27,000	767	3
Number of new rural tourism businesses and premises adapted for tourism		250	18	7
Additional SMEs in rural areas		360	N/A	N/A

Rural employment dependency on agricultural activities	%	48	N/A	N/A
Monthly income of rural population per capita	LTL/month (1998=100)	134	N/A	N/A

Measure impact. The amount contracted under measure “Development and diversification of economic activities providing for multiple activities and alternative income” comprised 5.3% of the total value of all SAPARD support contracts. Out of 96 applicants, support was provided to 48. It can be assumed that this support did not have a major impact on the overall socioeconomic situation of agriculture and rural development. However, the measure enabled individual agricultural entities to raise the employment and income level by diversifying economic activities and to achieve the measure target at the level of specific farms and companies rather than across all rural areas. Positive examples of support utilisation encouraged other rural residents to show more interest in diversification possibilities. In 2004–2006, the number of applicants for support of economic activity diversification (including rural tourism) increased 1.5 times. The data of general agricultural census showed that the percentage of farms engaged in additional activities was just 1.7% in 2003. The agricultural structural survey in 2005 revealed that the percentage of these farms rose to 4% of all respondent farms. An increase in the number of rural companies and rural tourism facilities (up 2.6 times from 2001 to 2006) shows improving entrepreneurship of rural residents which would be much lower without the support under SAPARD and subsequent equivalent SPD measures. An increasing number of rural residents participating in training on activities alternative to agriculture and untraditional agricultural activities allows to assume that the number of rural residents diversifying their economic activities will keep growing in the future, the variety of undertaken activities will increase and the number of rural residents interested in production of untraditional agricultural products and crafts will grow. Interest in the support, either under SAPARD or SPD later, provided to the latter two activities was low.

The SAPARD support under this measure helped set up workshops, renovate buildings, acquire special equipment and improve services to the rural economy and population, ensure production of untraditional agricultural products the demand for which keeps growing as the income of the Lithuanian population keeps rising. The support contributed to a significant increase in bedspaces in rural tourism facilities, widened the scope of recreational activities offered to visitors and enabled provision of catering services. This helped attract more foreign and local visitors, increased employment and income of rural residents related to rural tourism. The funds paid under SAPARD, and priority 4 of the SPD later, helped

improve the quality of tourism services, widen the scope of products and services, raise prices for services and, at the same time, income of rural population. Investments into the settings of rural tourism facilities contribute significantly to improving the appeal of rural residential areas. These locations become more attractive to both tourists and local residents who work and live in rural areas. Development of rural tourism boosted by support under SAPARD, and priority 4 of the SPD later, is creating a positive image of rural areas, rural population and the entire country. The support funds helped persuade rural residents in the success of rural tourism as one of the most promising economic activities in rural areas in Lithuania.

In the projects implemented in the sector of basic services most investments were allocated to special production equipment that was not directly related to agriculture (162 pieces of equipment) and equipment to build and reconstruct industrial machinery as well as buildings (57 pieces of equipment) – almost 10.5 million EUR out of 12.6 million EUR of overall investments.

4.2.4. . Measure: Improvement of rural infrastructure

The main objective of this measure was to support the creation and renovation of rural infrastructure. More specifically, investments in accordance with this measure were focused towards development of water management in rural areas, road and electricity infrastructure.

Under this measure support was provided to farmers and other agricultural entities registered in accordance with the procedure established by the Laws of the Republic of Lithuania: permanent rural dwellers; municipalities, if investments concerns water management systems.

Objectives attained: increased competitiveness as a result improved roads, improved water supplies improved health and quality of life.

The support under this measure was provided for development of communication and engineering works (roads, power supply lines) and water management systems.

At the end of 2006, the situation of measure 4 “Improvement of rural infrastructure” was as follows: 321 applications were received in total. Of which:

- 183 were approved (support contracts were awarded);
- 138 were rejected.

The total value of support was EUR 28,235,000 or 116 % of funds allocated for 2000–2003. EUR 26,442,000 were paid to beneficiaries by the end of 2006.

Table 27. Applications received and support contracts awarded under measure 4, EUR thousand

Improvement of rural infrastructure											
Communications and engineering works				Water management				Applications		Support contracts	
Applications		Support contracts		Applications		Support contracts		No.	Sup. amount	No.	Sup. amount
No.	Sup. amount	No.	Sup. amount	No.	Sup. amount	No.	Sup. amount				
34	3,300	17	1,643	287	50,079	166	26,592	321	53,379	183	28,235

Most applications under this measure were submitted for water management projects. This popularity of water management projects relied on aspirations of municipalities to use the opportunity to renovate water supply and sewage systems. 61% of applicants for whom support was approved in the water management sector under this measure were municipalities.

Evaluation of achievements and outputs of the measure. Implementation of measure “Improvement of rural infrastructure” was successful. Although the programme was implemented for 4 years instead of 7, the indicator of supported projects was achieved and even exceeded (102%), which shows that, by contrast to measures 1 and 3, support was provided not only to large-scale projects, mainly prepared by municipalities and communities, but also to rural

Table 28. Measure achievement and output indicators

	Unit	2000-2006		
		planned	actual	ratio, %
(a) Physical indicators				
Number of projects supported, of which:		180	183	102
Communications and engineering works		50	17	34
Improvement of water management systems		130	166	128
Public expenditure for project support	EUR million	43.033	26.442	61
(b) Performance indicators				
Rural settlements with physical infrastructure installations				
Water supply systems	%	60	N/A	N/A
Waste water systems	%	65	N/A	N/A

residents, e.g. they successfully built artesian wells. It can be mentioned that 135,838 metres of new water supply lines were built and 30,464 metres renovated, 255,750 metres of new sewage lines were built and 31,668 metres were renovated under this measure. 69 artesian wells and 2 polders were built. Also, 7.6 km of power supply lines and 31 km of roads (22 km newly built and 9 km renovated) were built.

Measure impact. Improvement of rural engineering infrastructure forms the basis for farming and other alternative activities. Reclamation of fields is inseparable from arable farming. It is more than just special installations to remove excess water as brushes and stones have to be also removed and the surface must be levelled to ensure that agricultural machinery can operate smoothly. Physical and chemical properties of soil improve in areas which undergo reclamation. As the efficiency grade of drained and tamed land increases, farmers are able to enjoy higher value added. Project implementation output is improved public-use water management systems.

In 2000–2006, support provided under activity “Agricultural water management” comprised 14.6% of total SAPARD support. Support provided under this activity in 2000–2006 did not have a major impact on the overall socioeconomic situation in the agricultural sector. However, operation of drainage systems in supported locations and their use according to environmental requirements was ensured in both the agricultural land and other lands used for public needs, settlements, forests, road zones thereby improving the living and working conditions in rural areas and making them more appealing to people living and working in rural areas as well as to rural tourists. Rural infrastructure improved access to drinking water, roads and energy sources and contributed to improving quality of life for people. Newly built roads and water supply lines increased competitiveness. In the field of rural infrastructure, the most common types of investment were installation of new/improved water supply equipment, artesian wells and new/improved sewage systems as well as road building and electrification. Infrastructure projects improved living conditions for rural households and rural tourists.

4.2.5. Measure: Afforestation of agricultural lands and improvement of forest infrastructure

Increased afforestation of abandoned agricultural land was considered an important activity to reduce dependency on agriculture and to improve environmental conditions in rural areas.

This measure was aimed at afforestation of abandoned or infertile land and improvement of forest infrastructure. Beneficiaries were private land owners, municipalities and municipal associations.

Three applications for support under measure 5 “Afforestation of agricultural lands and improvement of forest infrastructure” were submitted and 2 of them were rejected as they failed to comply with eligibility criteria. The third application was recognised as eligible for support and the contract preparation began. However, the staff of the Control Department conducted on-the-spot verification and determined that the applicant had already begun the project implementation (afforestation) before the support was allocated, so the contract was not awarded to the applicant. Due to these reasons, no target indicators for this measure were achieved, the measure had no impact on the environment or socioeconomic situation.

4.2.6. Measure: Environmentally friendly agricultural methods

This measure was planned for three pilot sites: in the intensive farming region with environmental constraints, i.e. the karst region, in the Žuvintas biosphere reservation and Rusnė island. Support in these sites was planned for managing manure in an eligible manner, protecting the landscape and increasing the biodiversity, protecting historical and archaeological monuments, rearing local endangered livestock varieties and environmentally friendly farming. Implementation of this SAPARD measure was planned to begin in 2004. However, implementation of this measure was halted due to its lengthy accreditation and more favourable support conditions for environmentally friendly farming projects under the Rural Development Plan 2004–2006.

4.2.7. Measure: Vocational training

This measure was designed to prepare farmers for qualitative reorientation of production, the application of production practices compatible with the maintenance and enhancement of the landscape, the protection of the environment, hygiene standards and animal welfare and acquisition of the skills needed to enable them to manage an economically viable farm

Support under this measure was provided to educational and training institutions and organisations that had valid licences for education and offered vocational training seminars on the following topics: training for agricultural entities on new technologies of agricultural production, business economics, management, financial accounting, environmental protection, eco-friendly farming, alternative businesses in rural areas, business development, information technology consultations.

Objectives attained: increased skills of those working in agricultural.

In total, 109 applications were received for support under measure 7 “Vocational training”. Of which:

- 102 were approved (support contracts were awarded);
- 7 were rejected.

The total value of support was EUR 2,965,000 or 103 % of funds allocated for 2000–2003. EUR 2,078,000 were paid to beneficiaries by the end of 2006.

Table 29. Applications received and support contracts awarded under measure 7, EUR thousand

Vocational training					
Applications			Support contracts		
No.	Sup. amount		No.	Sup. amount	
109	3,291		102	2,965	

Evaluation of achievements and outputs of the measure. Implementation of measure “Vocational training” was successful. Considering that the programme implementation period was shorter than expected, it can be said that the indicator of participants of vocational training courses was fully achieved (100%) during 4 years of programme implementation. It means that the indicator was achieved with funding which was more than 2 times smaller than originally planned. (EUR 2.078 million instead of EUR 4.968 million). And although the indicator stands at just 42%, it is a welcome achievement given the circumstances. Under this measure, 1,209 training courses on the following topics were organised: new technologies of agricultural production; business economics, management, financial accounting; environmental protection, eco-friendly and sustainable farming; alternative businesses in rural areas; cooperation and business development; information technology training.

Table 30. Measure achievement and output indicators

	Unit	2000-2006		
		planned	actual	ratio, %
(a) Physical indicators				
Number of projects supported, of which:		125	102	82
Public expenditure for project support	EUR million	4.968	2.078	42
(b) Performance indicators				
Number of vocational training		21,000	21,012	100

participants				
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Measure impact. The SAPARD support helped streamline vocational training according to the needs and made it more accessible to the population. Vocational training improved the quality and accessibility of services to rural population, helped agricultural workers shift to non-agricultural activities which raised the employment rate and productivity of rural residents and ensured higher quality of life in rural areas.

SAPARD aid created major opportunities to improve the qualification of rural population. Investments in vocational training improved the qualification of workforce, raised the employment level and ensured innovations which became a priority objective of the national agricultural economic policy. Expenditure for vocational training and attaining a qualification are classified as human investments contributing to the relevant increase in the gross national product. This SAPARD measure is extremely important because of the rapidly changing situation in the labour market as investments in human resources can bring significant economic benefits given the current lack of skilled workers. Competence building of the labour force is exceptionally important in terms of social exclusion prevention (growing employment). It also helps cut social expenditure of the national budget and improves competitiveness of companies. Its social function is even more important as it reduces the social divide of the public. The use of human capital improves labour efficiency and increases income, also ensures better provision for social needs. Training courses funded by SAPARD met the needs. Both the participants of courses and the agricultural sector benefited from newly acquired skills. Measure “Vocational training” was effective as it developed the skills necessary for the sector’s competitiveness and restructuring.

Enlarge description of the attainment of measures and programme objectives will be presented in ex-post evaluation report.

4.3. Overview of SAPARD mid-term evaluation

The SAPARD mid –term evaluation was done by AHT-Agrisystems-Consortium consisting of: AHT International GMBH and Agrisystems Limited. The mid-term evaluation covered the period 1 January 2000 – 30 June 2003. The main purpose of it was to determine at 30 June 2003 whether the Government was using available SAPARD funds in the most efficient manner to:

- Achieve the objectives set out in the Agricultural and rural Development Plan 2000-2006

- Contribute to the implementation of the acquis communautaire concerning the common agricultural policy and related policies and solve priority and specific problems for the sustainable adaption of the agricultural sector and rural areas.

Table 31. The main findings and implementation of the mid-term evaluation.

No.	Findings and Recommendations	Level of implementation	Comments
1.	Streamline the management responsibility of the NPA, including giving more delegated powers and decision-making responsibility to the regional offices, with a view to speeding up the application/approval process and bringing a SAPARD project commitment into line with the beneficiary's business cycle, but ensuring that any streamlining is consistent with recommendations drawn up by the last NPA Peer Review mission (15-18 July 2003) (applicable to Measures I-VIII).	Implemented	<p>1. This recommendation was considered in preparation of working procedures for the administration of the Rural Development Plan 2004-2006 (RDP) measures. More powers in decision making were delegated to the regional units of National Paying Agency (NPA) under the Ministry of Agriculture (MoA).</p> <p>2. In order to accelerate the evaluation of projects (as in applications for SAPARD support), new staff was employed in the Project Evaluation unit of NPA.</p>
2.	Linked to this, provide further professional training for national and regional NPA staff, including IT development and the introduction of an appropriate relational data base, (funded under the National Programme)	Implemented	<p>NPA has a SAPARD accounting and reporting database introduced and working.</p> <p>Professional training of staff has always been a continuous task of NPA, and with these recommendations and recommendation No. 2 in particular, the program of professional training was modified, and also in the measure „Technical Assistance“ of RDP a</p>

	(Measures I-VIII).		possibility to finance the vocational training of staff is foreseen.
3.	Hold training programmes for NPA staff to simulate implementation of measure V (afforestation of agricultural lands and improvement of forest infrastructure), and measure VI (environmentally friendly agricultural methods), in order to ensure that the NPA has some experience to start processing calls for applications when these measures start under RDP 2004-6 (Measures V and VI).	Implemented	Three seminars were organized for the NPA's staff concerning the SAPARD measure „ Afforestation of agricultural land and improvement of forest infrastructure”, and two seminars were organized on the questions on the administration of SAPARD measure „Environmentally friendly agricultural methods”.
4.	Set up a temporary public/private working party to identify all markets where Lithuania has a comparative advantage, and identify a national marketing strategy for each market that will ensure the agri-rural sector is producing what the market wants in the second half of the decade, as well as agree best international practice in key sub-sectors, and use recognised international benchmarks for individual activities (Measures I-VIII).	Implemented (partly)	Both in RDP (concerning the issues of rural development) and in Lithuania's Single Programming Document for 2004-2006 the various aspects of Lithuania's economy were analyzed, and, basing on this analysis, the support measures were foreseen. This means, that the priorities were already chosen (i.e. which areas have highest perspective in Lithuania), and this made the need for such separate group redundant.

5.	Increase opportunities at local level for measure-specific vocational training , including SME development support, particularly for women, youth and rural entrepreneurs, and monitor the effect of it subsequently on trainees' performance and incomes (under Measure VII).	Implemented	There are two measures in Lithuania's SPD (priority 4 – Rural development and fisheries): LEADER+ type measure and measure Training. The latter's objective is to pay particular attention to the vocational training of young farmers, rural women and entrepreneurs, and the follow-up on trainee's performance is foreseen as an the impact indicator. In the other mentioned measure – LEADER + type measure - attention for the education of representatives from local communities is also strong.
6.	Increase support for rural diversification , particularly rural tourism (under Measure III).	Implemented	NPA has contracted 17 rural tourism projects under SAPARD for the total of 6 214 thousand LTL (1 800 EUR). And for the future – there are 20.99 million EUR allocated for the activity „Promotion of rural tourism and crafts” in the measure „Adaptation and development of rural areas” according to the Lithuania's SPD.
7.	Ensure action is taken on recommendations of the Utena Pilot Project , and of the mid-term evaluation team, particularly implementation of the activities based on SMART (specific, measureable, agreed, realistic, timed) method, derived from the mid-term evaluation team's SWOT analysis (Measures I-VIII).	Implemented (partly)	The suggested comments were partly taken on board during the finalization of preparation of programming documents for the period 2004-2006, and RDP was the more influenced by these comments. Further use of these comments is possible during the preparation of programming document(s) for the next programming period.
8.	Circulate at farm level all available information on rural diversification and	Implemented	Various informational seminars (and series of seminars) and workshops were organized.

	<p>vocational training opportunities, as well as financing opportunities that are available through the Rural Credit Guarantee Fund, and advertise this via the NPA, the various consultancy services, local municipalities and local action groups, farm and rural magazines, as well as the radio/TV, other forms of media and the internet (Measures I-VIII).</p>		<p>This recommendation was taken on board when setting up the strategy for the information campaign for potential beneficiaries under SPD (priority 4) and RDP.</p>
9.	<p>Hold a seminar at central level to explain the results of the mid-term evaluation to all stakeholders, including the media, in order to ensure transparency and get maximum feedback for the benefit of future decision-making within the MC, the MA and the NPA (Measures I-VIII).</p>	<p>Implemented (partly)</p>	<p>The idea of specialized seminar was rejected. The final report on mid-term evaluation of implementation of SAPARD in Lithuania was placed in the internet pages both of MoA and NPA, and the final report was published (limited edition). The feed-back functions not only exclusively on the institutional level, but also in the cooperation with scientists - students of appropriate specializations use the report as a basic material for their conclusive thesis; the report is used as the informational digest on SAPARD in Lithuania and material for the seminars.</p>

5. ASSESMENT OF THE EXPERIENCE GAINED FROM THE IMPLEMENTATION OF SAPARD AS REGARDS THE IMPLEMENTATION OF POST-ACCESSION PROGRAMMES

Implementation of the SAPARD programme was successful. All available funds were absorbed and indicators were achieved and even exceeded. One of the major difficulties in implementing the SAPARD programme was unreasonably lengthy evaluation of applications/requests for payment. The problem was

tackled by simplification of administrative procedures and strengthening of human resources. Data processing with primitive software was another problem and, therefore, a management information system SFMIS was developed for the SPD administration. However, the most important thing is that the SAPARD programme was an excellent lesson in preparation to administer the European Union agricultural support for Lithuania as a member state. Lessons learned during the SAPARD implementation were successfully used in preparing and administering the SDP measures which are similar in nature to SAPARD measures (calls for proposals, applications, evaluations, support contracts, requests for payment, support payments) and RDP. The SPD administration procedures were designed to cut the timeframe for evaluation of applications and requests for payment as much as possible so some functions were delegated to regional units (such as verification of administrative compliance).

Given the SAPARD experience, administration of the SPD measures was based on improvements in work organisation (e.g. distribution of projects among evaluation team members) and more detailed procedures were drawn up. Programme officials gained more practical experience in dealing with the applicants and addressing their problems; the knowledge acquired is used for evaluation of projects, administration of contracts and evaluation of requests for payment under structural assistance programmes; the knowledge acquired is shared with new colleagues from the Agency and other agencies. Also, more experience was gained in communicating with and reporting to the European Commission.

Practical experience was gained by both the Agency and the applicants. They began submitting higher-quality projects and are better informed, better access to information (by telephone, online, e-mail) was ensured for the applicants. A special hotline was set up to ensure transparency of EU structural assistance administration.

A lot of administrative experience and knowledge was also accumulated in implementing the SAPARD programme for the RDP, especially in relation to the project selection procedure, monitoring and control.

6. CO-ORDINATION OF SAPARD AND THE OTHER FINANCIAL INSTRUMENTS OF INTERNATIONAL SUPPORT

To avoid support overlap, it was very important to take the relevant measures to coordinate SAPARD and other financial instruments of international assistance. However, the threat of support overlapping was small.

Under PHARE, the focus was on the transposition of *acquis communautaire* by building administrative capacity and supporting related investments. Major investment categories were the following: institutional development and related investments, economic and social cohesion, transnational cooperation and participation in Community programmes. The PHARE programme provided support for economic and social cohesion. Overlapping of support under PHARE and SAPARD programme was avoided because of different scope of applicants and projects. Moreover, the National Paying Agency and the body responsible for PHARE programme implementation in Lithuania (the Central Project Management Agency) cooperated closely. The National Support Department of the NPA made inquiries and received information about various projects financed under PHARE, ISPA and national programmes. Moreover, individuals who are not members of the SAPARD Monitoring Committee, i.e. representatives with an observing function and responsibility over monitoring PHARE in Lithuania, have attended every meeting of the SAPARD Monitoring Committee.

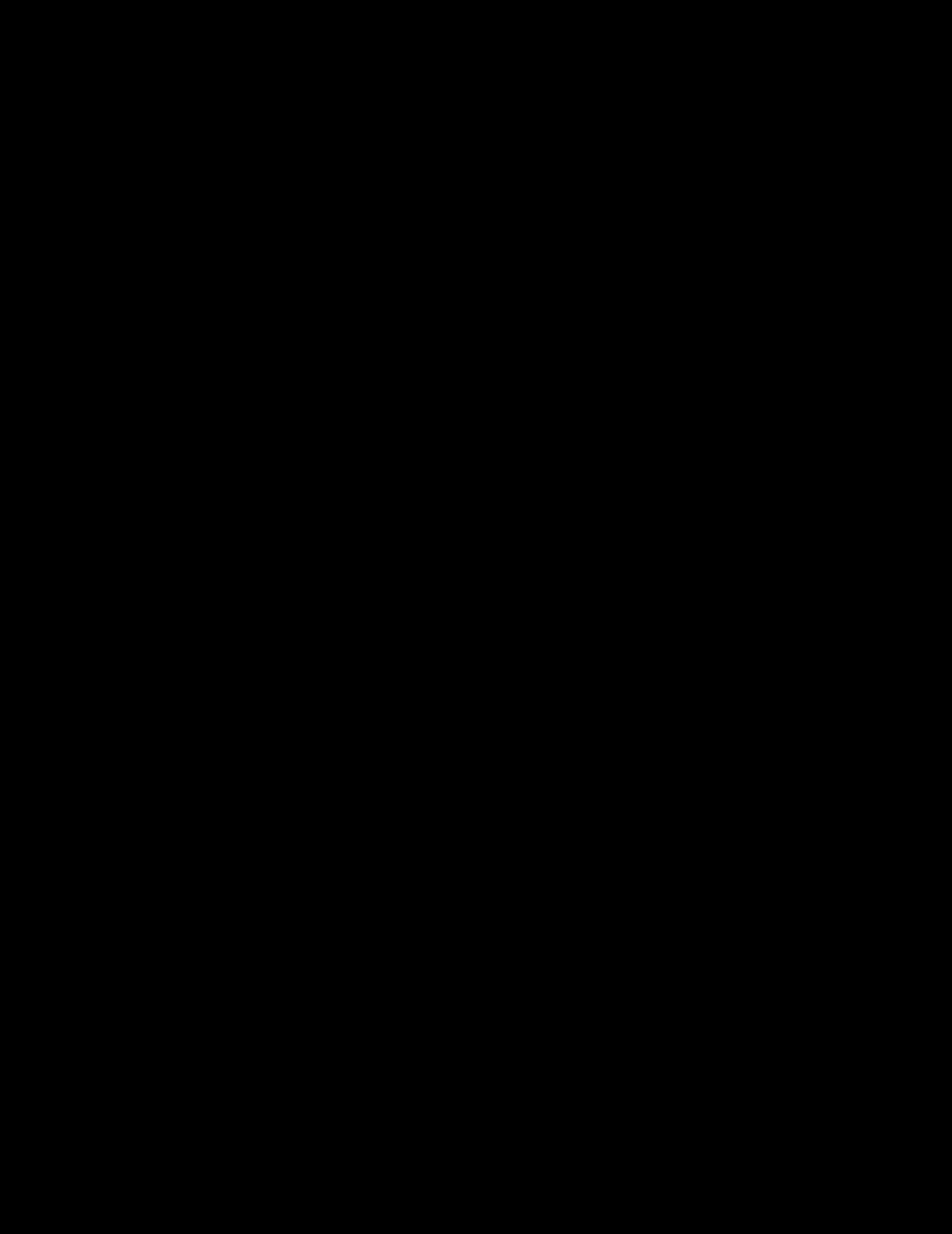
ISPA provided financial assistance to large-scale environmental and transport projects.

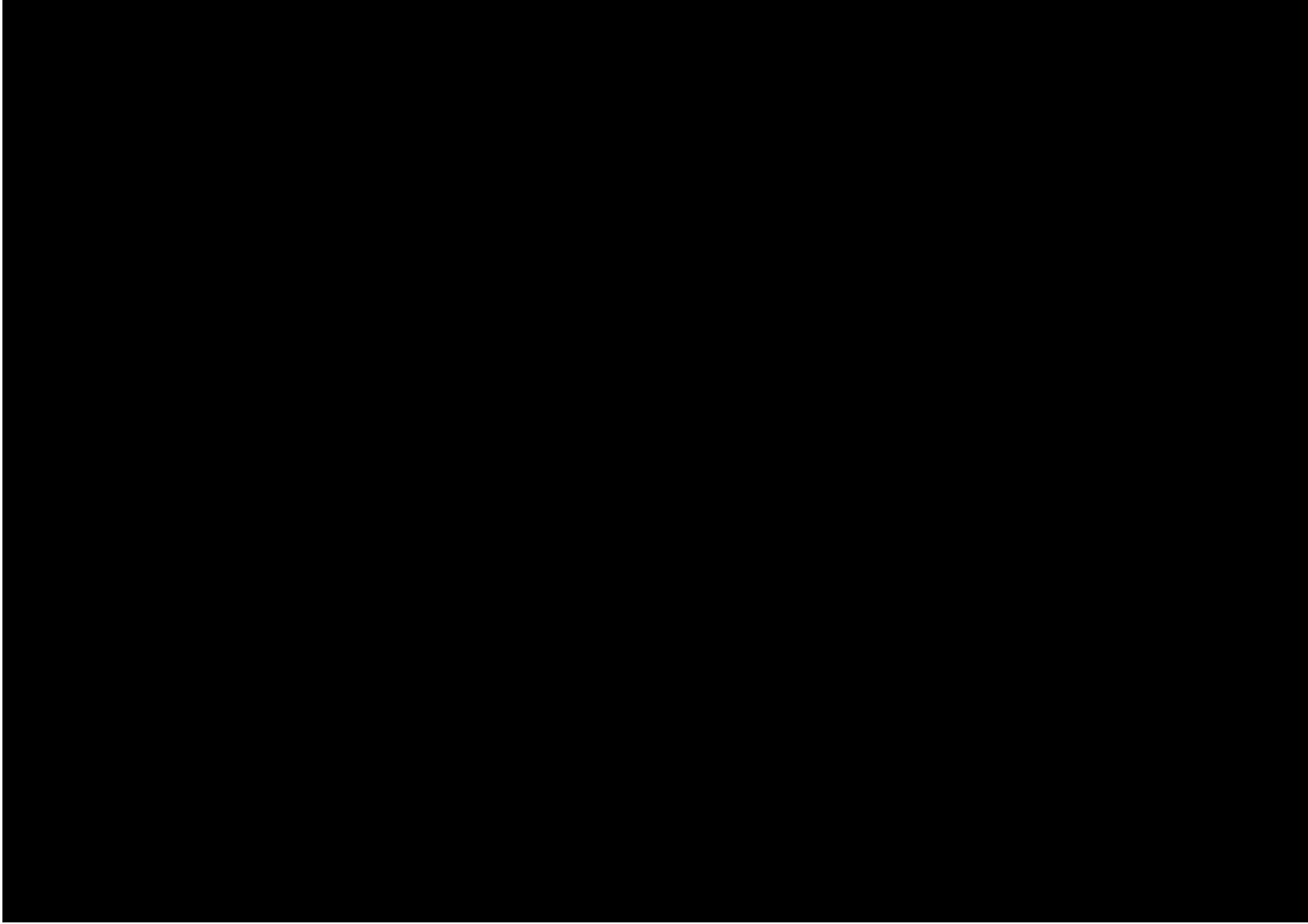
SAPARD is different from the other two accession instruments (PHARE and ISPA) as it was financed (and administered) on a multiannual basis – according to the National Agriculture and Rural Development Programme 2000–2006.

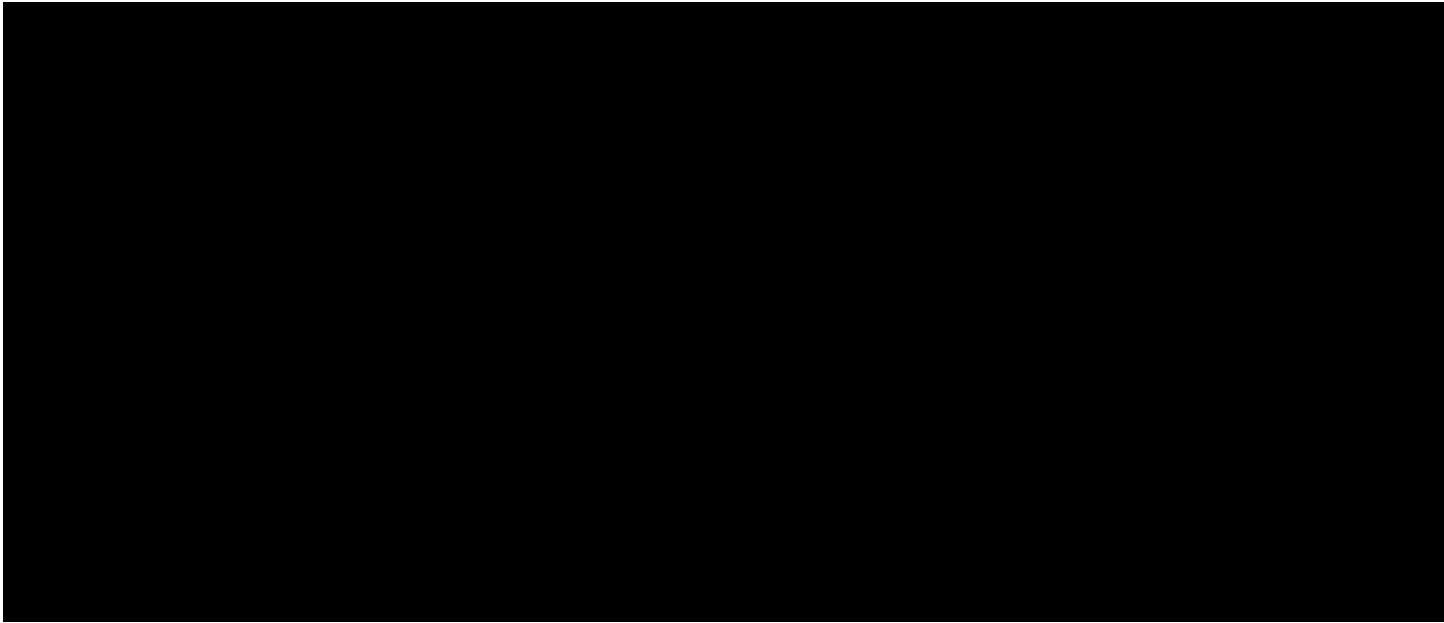
The experience gained in drawing up the National Rural Development Programme was useful for the preparation of the agricultural section of the SPD, while implementation and administration of rural development measures can be based on the experience and administrative structures of the National Paying Agency.

After Lithuania's accession to the EU, SAPARD funds were no longer committed and implementation of other financial assistance instruments for rural development, agriculture and fisheries began.

ANNEX 1. MONITORING TABLES.







3. Profile of agricultural holdings

Year of reference: _____ 2006 _____

Main type of production	Number of agricultural holdings (1)				Country total: ha or LU 2	Average size of the UAA, or numbers of LU				Private farmers less than 40 years old 3	Private farmers more than 55 years old 3
	Private/ individual	Private companies	co- operatives 1	State		Private/ individual	Private companies	co- operatives 1	State		
Field crops:	151183	191	20	38	1.044.489	5,97	666,42	608,09	66,88	20,398	130,785
cereals	148473	187	20	38	1.029.432	5,98	678,44	608,44	66,88	20,082	128,391
flax	17	1	0	0	1.089	54,47	163,31	163,31	0,00	4	13
sugarbeet	179	3	0	0	4.550	23,99	85,17	85,17	0,00	49	130
potatoes	2514	0	0	0	9.418	3,75	0,00	0,00	0,00	263	2.251
Horticulture	6595	15	1	2	21.642	3,13	66,80	1,00	10,05	938	5.657
Fruit cultivation	148	6	1	0	2.841	2,30	33,54	1,00	17,43	25	123
Other holdings (including mixed holdings)	123	1	0	0	2.554	19,75	125,10	0,00	0,00	25	98
Dairying	36903	27	8	0	198.727	4,71	838,50	271,98	0,00	4.905	31.998
Cattle-rearing and fattening	6468	3	0	0	20.969	3,24	0,00	0,00	0,00	1.158	5.310
Pigs	2	1	0	0	8	0,91	6,15	0,00	0,00	0	2
Sheep and goat	364	0	0	0	1.134	3,11	0,00	0,00	0,00	72	292
Poultry	393	3	1	0	2.353	1,18	137,35	1.478,04	0,00	29	364
Other types of livestock farming	661	9	0	1	2.936	3,83	26,11	0,00	167,46	93	568
Others	9175	42	2	9	44.273	3,49	246,61	11,21	210,83	0	7.863
Total	9175	42	2	9	44.273	3,49	246,61	11,21	210,83	0	7.863
of which forestry and mixed sylvo- agricultural holdings	145	4	0	0	355	1,81	23,30	0,00	0,00	26	119
TOTAL	212015	298	33	50						27.643	183.060

(1) Co-operative are included only if they belong to the private sector

(2) LU: Livestock Unit

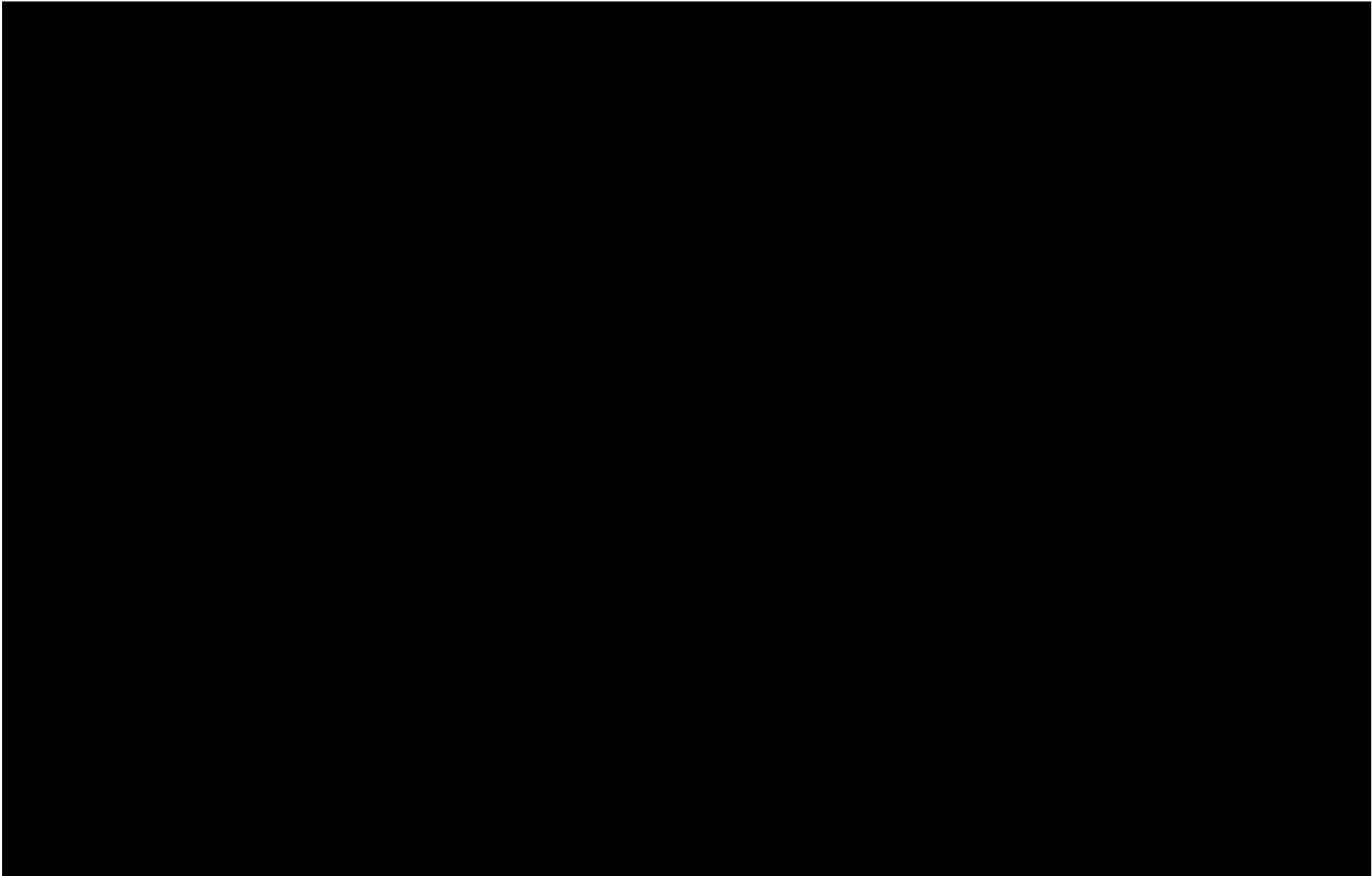
(3) To consider only the owner/manager of the farm (facultative)

4. Geographical breakdown of the various support SAPARD measures (1)

December 2006

According to REGIONS (cumulated data in thousand EURO)

Measures		ALYTUS		KLAIPEDA		KAUNAS		MARIJAMPOLE		PANEVEZYS		SIAULIAI		TAURAGE		TELSIAI		UTENA		VILNIUS		TOTAL ²
			%		%		%		%		%		%		%		%		%		%	
		a	b = a/i	c	d = c/i	e	f = e/i															g
1. Investment in agricultural holdings	Number of beneficiaries	11	2,5%	28	6,3%	99	22,2%	75	16,9%	86	19,3%	91	20,4%	20	4,5%	12	2,7%	7	1,6%	16	3,6%	445
	Total of public expenditure	1.429,00	2,1%	5.607,00	8,3%	15.377,00	22,7%	11.317,00	16,7%	12.269,00	18,1%	12.398,00	18,3%	3.150,00	4,7%	1.742,00	2,6%	952,00	1,4%	3.376,00	5,0%	67.617,00
2. Improving the processing and marketing of agricultural and fishery products	Number of beneficiaries	0	0,0%	6	14,3%	13	31,0%	2	4,8%	5	11,9%	0	0,0%	6	14,3%	3	7,1%	1	2,4%	6	14,3%	42
	Total of public expenditure	0	0,0%	6.632,00	10,1%	15.460,00	23,6%	3.593,00	5,5%	11.559,00	17,6%	0	0,0%	6.262,00	9,6%	8.525,00	13,0%	4452	6,8%	9.081,00	13,9%	65.564,00
3. Development and diversification of economic activities providing for multiple activities and alternative income	Number of beneficiaries	7	14,6%	3	6,3%	14	29,2%	1	2,1%	1	2,1%	3	6,3%	1	2,1%	1	2,1%	7	14,6%	10	20,8%	48
	Total of public expenditure	1.435,00	15,4%	743,00	8,0%	3.209,00	34,4%	340	3,6%	63	0,7%	806,00	8,6%	101	1,1%	20	0,2%	714,00	7,6%	1.907,00	20,4%	9.338,00
4. Improvement of rural infrastructure	Number of beneficiaries	13	7,1%	12	6,6%	38	20,8%	10	5,5%	33	18,0%	17	9,3%	18	9,8%	13	7,1%	8	4,4%	21	11,5%	183
	Total of public expenditure	1948,00	6,9%	2.083,00	7,4%	5.606,00	19,9%	1628,00	5,8%	6.278,00	22,2%	2.374,00	8,4%	2.123,00	7,5%	2.651,00	9,4%	850,00	3,0%	2.694,00	9,5%	28.235,00
5. Afforestation of agricultural lands and improvement of forest infrastructure	Number of beneficiaries																					
	Total of public expenditure																					
6. Environmentally friendly agricultural methods	Number of beneficiaries																					
	Total of public expenditure																					
7. Vocational training	Number of beneficiaries	9	8,8%	6	5,9%	33	32,4%	2	2,0%	13	12,7%	10	9,8%	3	2,9%	8	7,8%	8	7,8%	10	9,8%	102
	Total of public expenditure	174,00	5,9%	241,00	8,1%	1.317,00	44,4%	37,00	1,2%	270,00	9,1%	145,00	4,9%	181,00	6,1%	135,00	4,6%	254,00	8,6%	211,00	7,1%	2.965,00
8. Technical assistance, information	Number of beneficiaries																			46	100,0%	46
	Total of public expenditure																			691	100,0%	691
TOTAL (number of beneficiaries enjoying at least one support measure) ³		40		55		197		90		138		121		48		37		31		109		866
Total of public expenditure		4.986,00		15.306,00		40.969,00		16.915,00		30.439,00		15.723,00		11.817,00		13.073,00		7.222,00		17.960,00		174.410,00



MI Investment in agricultural holdings (amount of supports)

a. 1. Breakdown by types of production (cumulated data in EURO)

2006

Type of production concerned by the investment	Number of projects			No. of young farmers beneficiaries	Eligible cost committed by SAPARD Agency			Total eligible cost borne by the beneficiaries	Public contribution paid to beneficiaries		
	Total no of applications received	Rejected	Approved		Completed	Total	Public		Total	EU	
							Total				EU
Meat and milk sector	209	67	142	142	16	68.379.316,68	31.919.459,00	23.939.594,25	36.459.857,68	30.584.873,00	22.938.654,75
mainly meat	87	32	55	55	3	34.179.751,68	15.708.865,00	11.781.648,75	18.470.886,68	14.601.898,00	10.951.423,50
<i>cattle</i>			4	4	1	1.126.437,00	533.931,00	400.448,25	592.506,00	514.067,33	385.550,50
<i>pork</i>			20	20	1	13.416.747,68	5.867.201,00	4.400.400,75	7.549.546,68	5.126.370,35	3.844.777,76
<i>sheep</i>			2	2	1	252.299,00	119.590,00	89.692,50	132.709,00	115.140,93	86.355,70
<i>poultry</i>			29	29	0	19.384.268,00	9.188.143,00	6.891.107,25	10.196.125,00	8.846.319,38	6.634.739,54
milk	122	35	87	87	13	34.199.565,00	16.210.594,00	12.157.945,50	17.988.971,00	15.982.975,00	11.987.231,25
Fruit, vegetables etc.	50	16	34	34	9	9.073.865,00	4.150.781,00	3.113.085,75	4.923.084,00	3.946.193,00	2.959.644,75
mainly Fruit			18	18	2	2.880.696,00	1.357.234,00	1.017.925,50	1.523.462,00	1.289.589,00	967.191,75
Vegetables			16	16	7	6.193.169,00	2.793.547,00	2.095.160,25	3.399.622,00	2.656.604,00	1.992.453,00
Crop sector	319	50	269	269	72	69.540.670,39	31.546.932,00	23.660.199,00	37.993.738,39	31.119.621,00	23.339.715,75
grain			261	261	70	68.238.967,39	30.929.925,00	23.197.443,75	37.309.042,39	30.593.289,00	22.944.966,75
flax			8	8	2	1.301.703,00	617.007,00	462.755,25	684.696,00	526.332,00	394.749,00
Total	578	133	445	445	97	146.993.852,07	67.617.172,00	50.712.879,00	79.376.680,07	65.650.687,00	49.238.015,25

(1) "Young farmers" - farmers less than 40 years old.

MI Investment in agricultural holdings (amount of supports in Euro)

2006

Type of investment	Number of projects				Unit of reference		Eligible cost committed by the SAPARD Agency			Total eligible cost borne by the beneficiaries	Public contribution paid to beneficiaries	
	Total no of applications received	Rejected	Approved	Completed	Physical Unit	Quantity of equipment purchased	Total	Public			Total	EU
								Total	EU			
Meat and milk sector	209	67	142	142		x	67.894.888,00	31.919.460,00	23.939.595,00	35.975.428,00	30.584.873,00	22.938.654,75
of which												
<i>Purchase and installation of equipment</i>												
milking machines					Number of machines	106	3.130.116,00	1.483.675,00	1.112.756,25	1.646.441,00		
cooling facilities					Number of facilities	35	920.700,00	436.412,00	327.309,00	484.288,00		
fodder preparation equipment					Number of equipment	178	6.656.278,00	3.155.076,00	2.366.307,00	3.501.202,00		
silage handling equipment					Number of equipment	18	287.763,00	136.399,00	102.299,25	151.364,00		
feeding equipment					Number of equipment	247	3.005.369,00	1.424.545,00	1.068.408,75	1.580.824,00		
manure and sludge transportation equipment					Number of equipment	98	3.944.327,00	1.869.611,00	1.402.208,25	2.074.716,00		
machinery related to grazing and pasture areas					Number of machines	20	263.264,00	124.787,00	93.590,25	138.477,00		
cages (for poultry)					Number of bridges	212.301	1.811.719,00	858.755,00	644.066,25	952.964,00		
construction/reconstruction of operational buildings					Number of buildings	188	18.765.480,00	8.632.121,00	6.474.090,75	10.133.359,00		
land cultivation equipment					Number of equipment	236	5.667.234,00	2.686.269,00	2.014.701,75	2.980.965,00		
tractors					Number of tractors	79	5.253.766,00	2.490.285,00	1.867.713,75	2.763.481,00		
harvesters					Number of harvesters	43	5.722.310,00	2.712.375,00	2.034.281,25	3.009.935,00		
technological equipment					Number of equipment	78	11.557.087,00	5.478.059,00	4.108.544,25	6.079.028,00		
expenses for consultation					Number of business plans	86	524.977,00	248.839,00	186.629,25	276.138,00		
specialized transportation equipment					Number of equipment	2	178.795,00	84.749,00	63.561,75	94.046,00		
expenses for planning matters					Number of plans	13	205.703,00	97.503,00	73.127,25	108.200,00		
Fruit and vegetable sector	50	16	34	34		x	8.829.928,00	4.150.780,00	3.113.085,00	4.679.148,00	3.946.193,00	2.959.644,75
of which												
garden-plot and berry-fields equipment					Number of equipment	99	1.251.918,00	585.193,00	438.894,75	666.725,00		
harvesters					Number of harvesters	40	924.293,00	438.115,00	328.586,25	486.178,00		
tractors					Number of tractors	19	853.133,00	401.257,00	300.942,75	451.876,00		
storage and freezing equipment					Number of equipment	379	2.752.631,00	1.282.610,00	961.957,50	1.470.021,00		
construction/reconstruction of operational buildings					Number of buildings	11	2.131.354,00	1.010.262,00	757.696,50	1.121.092,00		
handling and packaging equipment and machinery					Number of equipment and machinery	17	503.643,00	238.727,00	179.045,25	264.916,00		
transportation equipment					Number of equipments	12	217.188,00	102.947,00	77.210,25	114.241,00		
expenses for consultation					Number of business plans	24	103.146,00	48.891,00	36.668,25	54.255,00		
expenses for planning matters					Number of plans	7	92.622,00	42.778,00	32.083,50	49.844,00		
Crop sector	319	50	269	269		x	68.617.233,00	31.668.972,00	23.751.729,00	36.948.261,00	31.119.621,00	23.339.715,75
of which												
<i>Grain sector</i>												
grain drying and cleaning systems					Number of systems	54	2.736.572,00	1.297.135,00	972.851,25	1.439.437,00		
grain storage facilities					Number of facilities	30	2.450.004,00	1.161.302,00	870.976,50	1.288.702,00		
harvester					Number of harvesters	178	26.587.367,00	12.230.189,00	9.172.641,75	14.357.178,00		
tractors					Number of tractors	227	14.948.100,00	6.876.126,00	5.157.094,50	8.071.974,00		
construction/reconstruction					Number of buildings	11	1.014.865,00	481.046,00	360.784,50	533.819,00		
land cultivation equipment					Number of equipment	792	18.859.156,00	8.675.212,00	6.506.409,00	10.183.944,00		
Expenses for consultation					Number of business plans	219	719.465,00	330.954,00	248.215,50	388.511,00		
<i>Flax sector</i>												
harvest reaping equipment and machinery						1	107.232,00	50.828,00	38.121,00	56.404,00		
tractors					Number of tractors	5	372.812,00	176.713,00	132.534,75	196.099,00		
flax seeds bed drying system						1	62.677,00	29.709,00	22.281,75	32.968,00		
construction/reconstruction					Number of buildings	1	9.487,00	4.497,00	3.372,75	4.990,00		
land cultivation equipment					Number of equipments	20	730.905,00	346.449,00	259.836,75	384.456,00		
expenses for consultation					Number of business plans	6	18.591,00	8.812,00	6.609,00	9.779,00		
TOTAL	578	133	445	445		x	145.342.049,00	67.739.212,00	50.804.409,00	77.602.837,00	65.650.687,00	49.238.015,25

MII Improving the processing and marketing of agricultural and fishery products (amount of supports)

b. 1. Breakdown by sectors (cumulated data in EURO)

2006

Sector	Number of projects				New jobs	Unit of reference		Eligible cost committed by the SAPARD Agency			Total eligible cost borne by the beneficiaries	Public contribution paid to the beneficiaries	
	Total number of applications received	Rejected	Approved	Completed		Physical unit	Capacities increase after SAPARD	Total	Public			Total	EU
									Total	EU			
Milk and dairy processing	4	1	3	3	36			19.559.833,00	8.801.925,00	6.601.443,75	10.757.908,00	8.792.366,00	6.594.274,50
<i>Milk processing</i>			3**			Raw material bought t/year	846.640	19.559.833,00	8.801.925,00	6.601.443,75	10.757.908,00	8.792.366,00	6.594.274,50
<i>Dairy production</i>			3**			Production produced t/year	301.637	19.559.833,00	8.801.925,00	6.601.443,75	10.757.908,00	8.792.366,00	6.594.274,50
Meat processing	39	16	23	23	436			87.797.847,00	39.509.031,00	29.631.773,25	48.288.816,00	40.548.944,00	30.411.708,00
beef			14***			Production produced t/year	18.219	22.846.016,00	10.280.707,00	7.710.530,25	12.565.309,00	10.160.664,00	7.620.498,00
pork			14***			Production produced t/year	26.726	32.931.640,00	14.819.238,00	11.114.428,50	18.112.402,00	16.024.912,00	12.018.684,00
poultry			8			Production produced t/year	12.127	20.909.080,00	9.409.086,00	7.056.814,50	11.499.994,00	9.792.569,00	7.344.426,75
utilization			1			Livestock waste utilised t/year	13.040	11.111.111,00	5.000.000,00	3.750.000,00	6.111.111,00	4.570.799,00	3.428.099,25
Fish processing	10	3	7	7	478			13.170.816,00	6.113.040,00	4.584.780,00	7.057.776,00	5.663.166,00	4.247.374,50
Fruit and vegetables	7	4	3	3	105			5.009.716,00	2.254.372,00	1.690.779,00	2.755.344,00	2.222.090,00	1.666.567,50
processed			3			Production produced t/year	595	5.009.716,00	2.254.372,00	1.690.779,00	2.755.344,00	2.222.090,00	1.666.567,50
fresh			0					0,00	0,00	0,00	0,00	0,00	0,00
Crop processing:	9	3	6	6	103			19.744.796,00	8.885.158,00	6.663.868,50	10.859.638,00	8.401.554,00	6.301.165,50
grain			6			Production produced t/year	96.608	19.744.796,00	8.885.158,00	6.663.868,50	10.859.638,00	8.401.554,00	6.301.165,50
flax			0					0,00	0,00	0,00	0,00	0,00	0,00
											0,00		
TOTAL	69	27	42	42	1.158	x	x	145.283.008,00	65.563.526,00	49.172.644,50	79.719.482,00	65.628.120,00	49.221.090,00

** The same projects comprise milk processing and dairy production

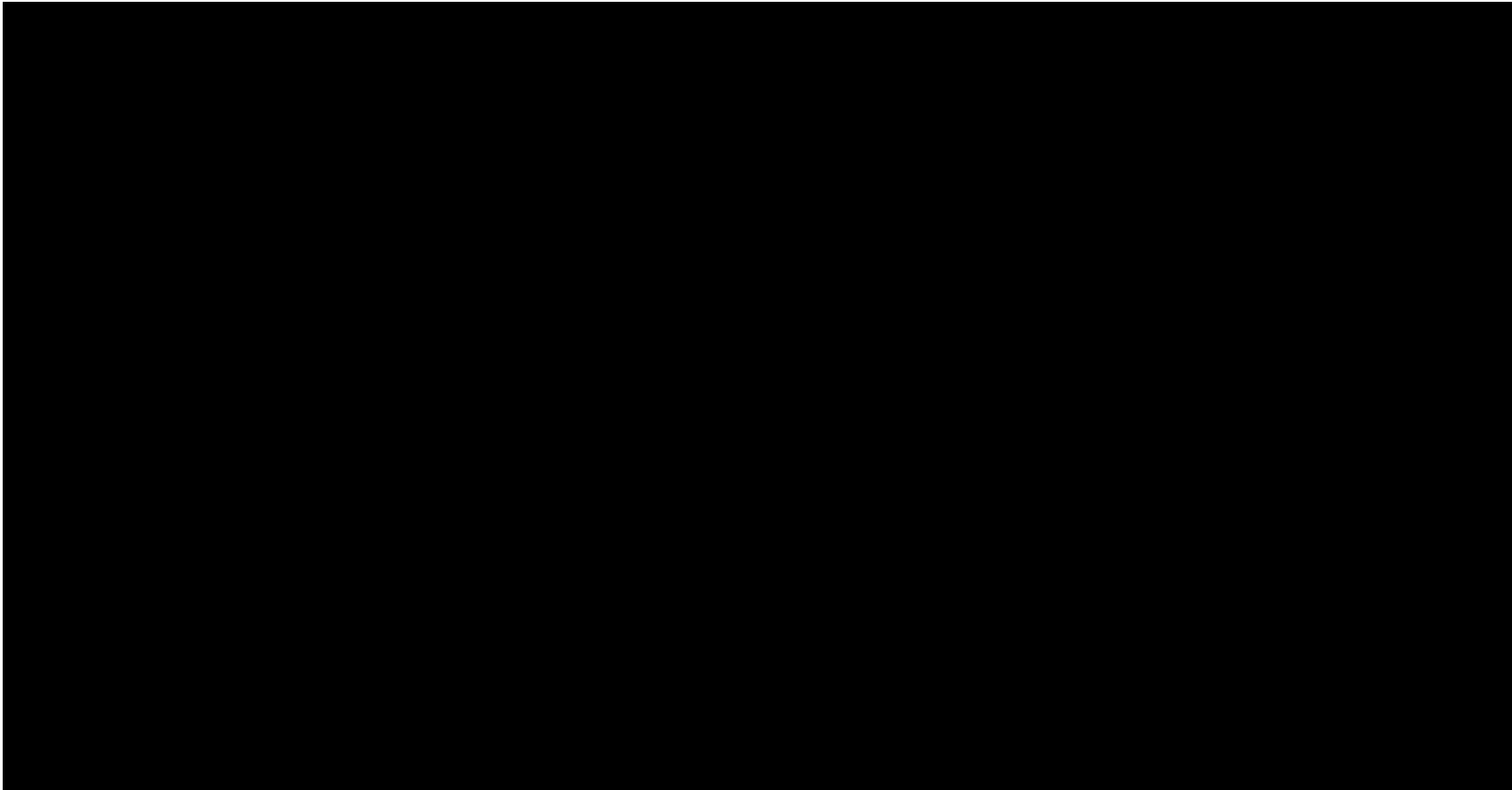
*** The same projects comprise beef and pork processing

PI/III Improving the processing and marketing of agricultural and fishery products (amount of supports)

b. 2. Breakdown by type of investment (cumulated data in EURO)

2006

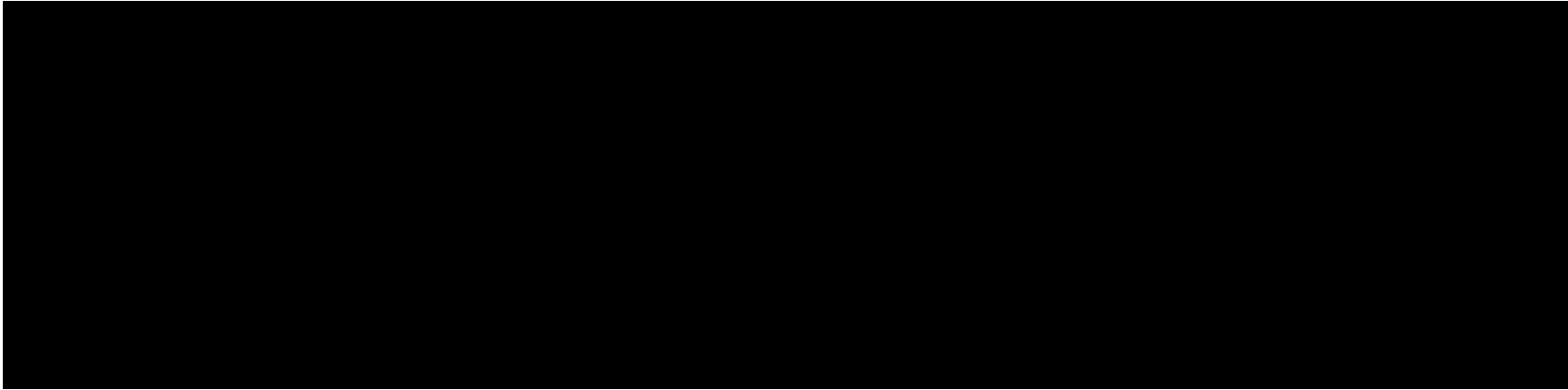
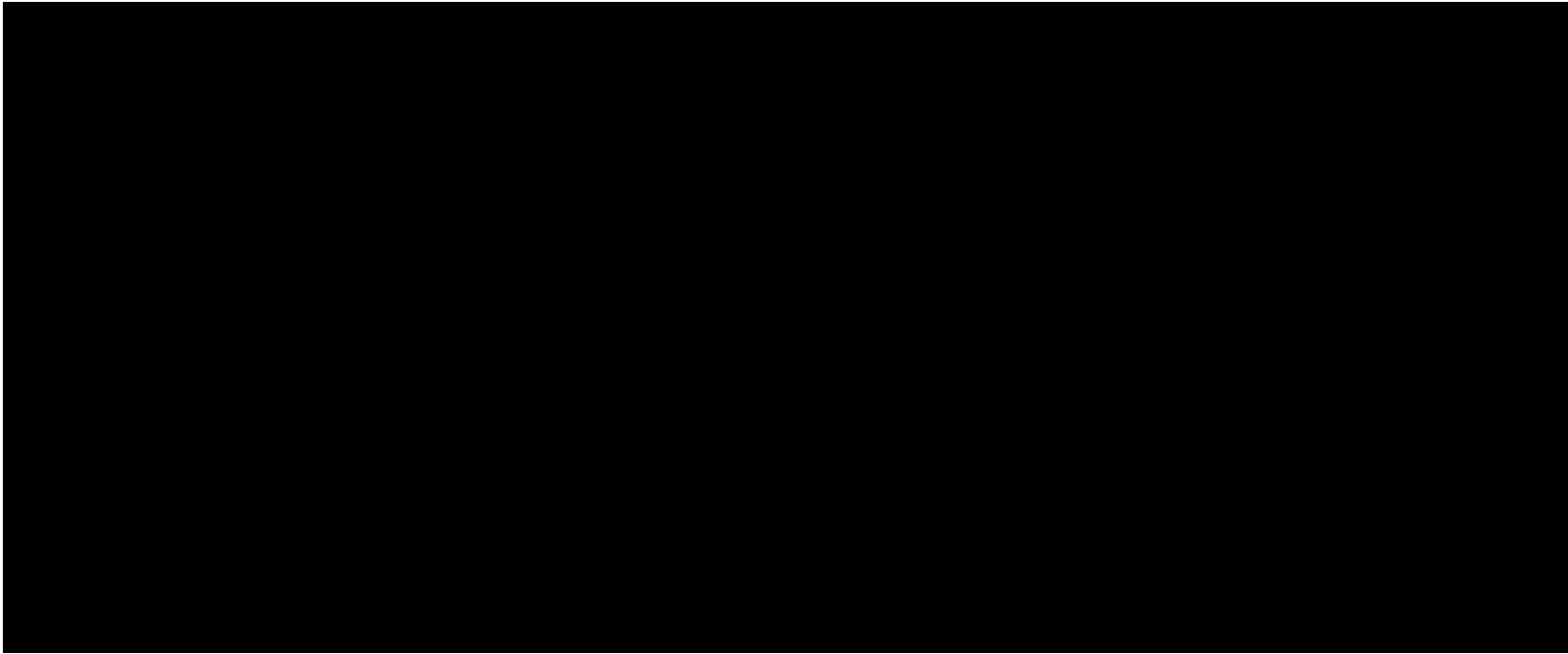
Type of investment	Number of projects				Unit of reference			Eligible cost committed by the SAPARD Agency			Total eligible cost borne by the beneficiaries	Public contribution paid to the beneficiaries	
	Total number of applications received	Rejected	Approved	Completed	Physical unit	Capacities involved		Total	Public			Total	EU
						New	Increase after SAPARD		Total	EU			
Milk and dairy processing	4	1	3	3				19.559.833,00	8.801.925,00	6.601.443,75	10.757.908,00	8.792.366,00	6.594.274,50
Modernisation of dairy enterprises			2		Production quantities increase	x	26,3	12.760.283,00	5.742.128,00	4.306.596,00	7.018.155,00		
Treatment of wastewater from cheese production			1		Increase in t/year	x	289.800	6.799.550,00	3.059.797,00	2.294.847,75	3.739.753,00		
											0,00		
Meat processing	39	16	23	23				87.797.847,00	39.509.031,00	29.631.773,25	48.288.816,00	40.548.944,00	30.411.708,00
establishment/modernisation of slaughterhouses			9		Production quantities increase in t/year	x	59.152	36.743.908,00	16.534.758,00	12.401.068,50	20.209.150,00		
modernisation of meat processing enterprises			13		Production quantities increase in %	x	30,1	39.942.828,00	17.974.273,00	13.480.704,75	21.968.555,00		
investment in rendering plants			1		Rendered livestock waste t/year	x	0	11.111.111,00	5.000.000,00	3.750.000,00	6.111.111,00		
											0,00		
Fish processing	10	3	7	7				13.170.816,00	6.113.040,00	4.975.767,00	7.057.776,00	5.663.166,00	4.247.374,50
improvement of fish landing and market infrastructure			0				0	0,00	0,00	0,00	0,00		
Construction/reconstruction and modernisation of processing facilities			7		Production quantities increase in %	x	69	13.584.533,00	6.113.040,00	4.584.780,00	7.471.493,00		
- of which in fishing vessels			1					3.277.392,00	1.474.826,00	1.106.119,50	1.802.566,00		
											0,00		
Fruit and vegetables	7	4	3	3				5.009.716,00	2.254.372,00	1.690.779,00	2.755.344,00	2.222.090,00	1.666.567,50
Modernisation of processing and packing equipment			3		Production quantities increase in %	x	14	5.009.716,00	2.254.372,00	1.690.779,00	2.755.344,00		
								0,00	0,00	0,00	0,00		
Crop sector	9	3	6	6				19.744.796,00	8.885.158,00	6.663.868,50	10.859.638,00	8.401.554,00	6.301.165,50
Grain: laboratory equipment for testing of raw material and production quality control			0		Production quantities increase in %	x	15	0,00	0,00	0,00	0,00		
Flax: Modernisation of primary fibre flax treatment lines			0				0	0,00	0,00	0,00	0,00		
											0,00		
TOTAL	69	27	42	42	x	x	x	145.283.008,00	65.563.526,00	49.563.631,50	79.719.482,00	65.628.120,00	49.221.090,00

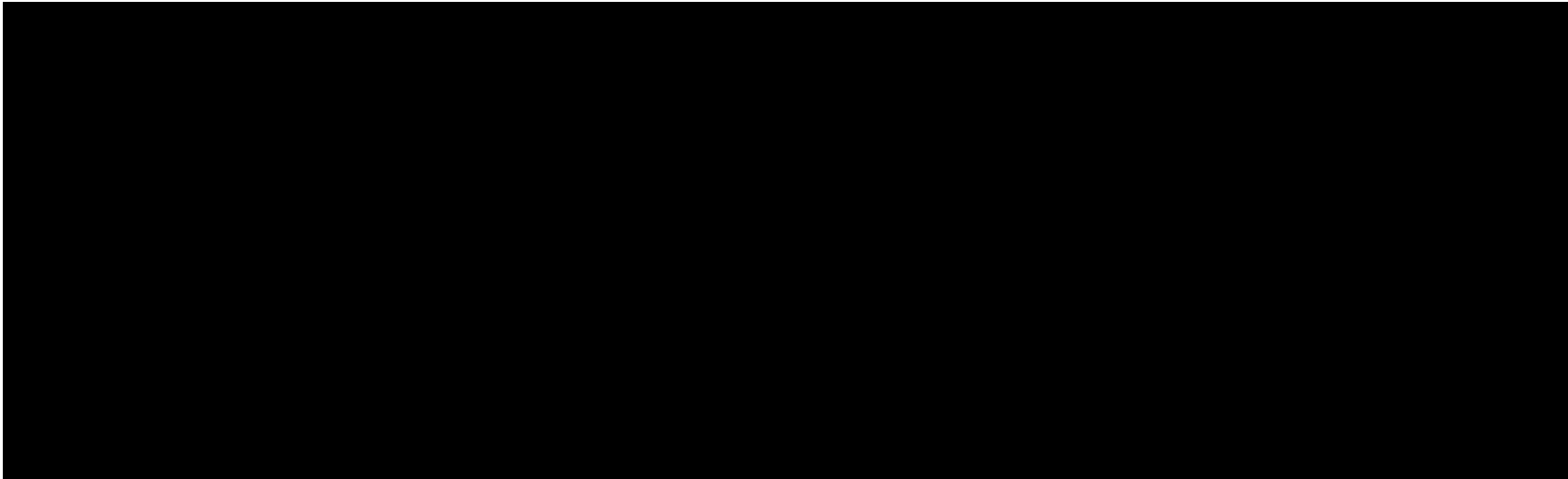


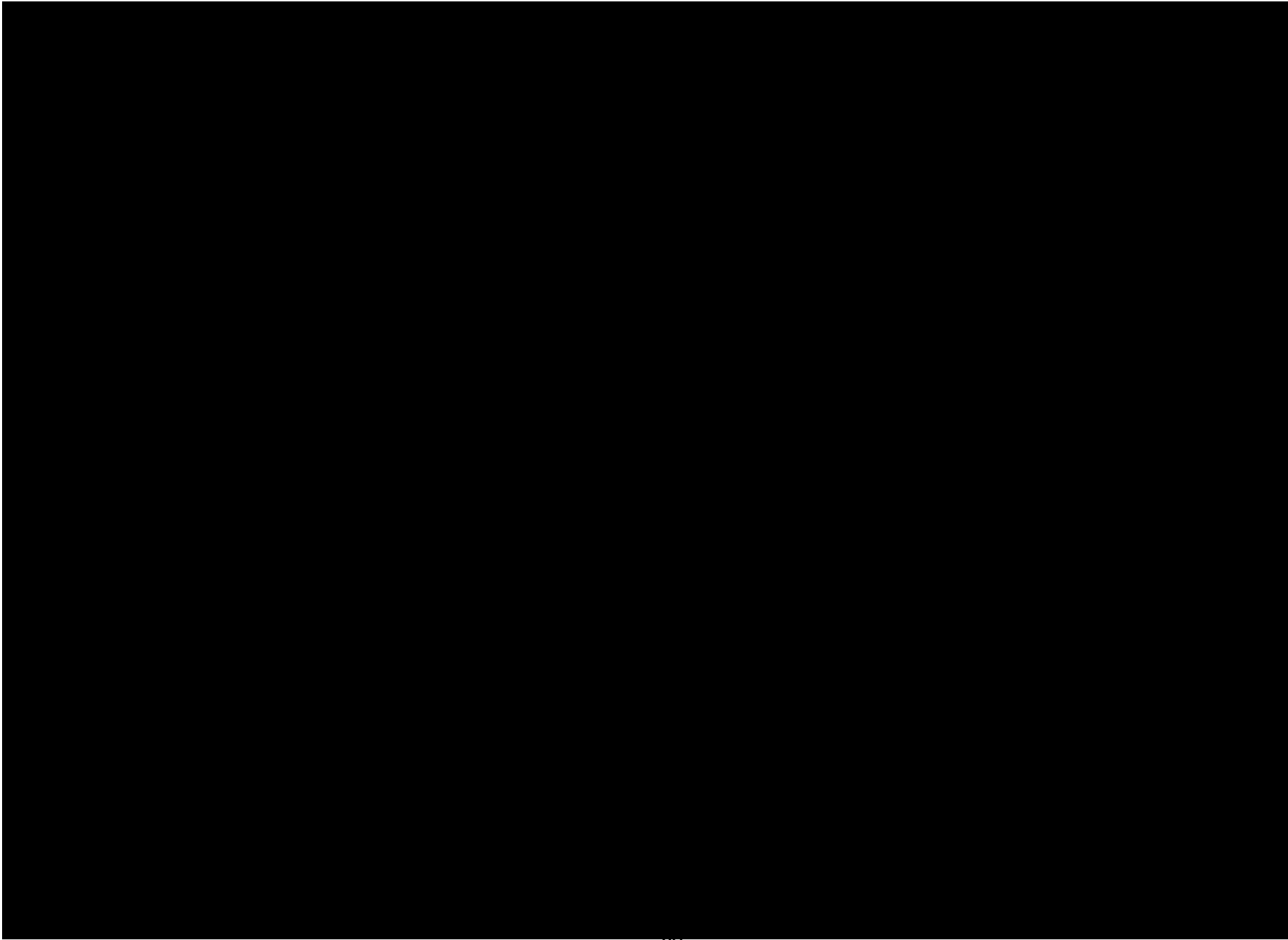
MIII Development and diversification of economic activities providing for multiple activities and alternative income (amount of supports)

e.2. Breake down by type of investments (cumulated data in EUR)
December 2006

Type of investment	Number of projects				Unit of reference		Eligible cost committed by the SAPARD Agency			Total eligible cost borne by the beneficiaries	Public contribution paid to beneficiaries	
	Total no of applications received	Rejected	Approved	Completed	Physical Unit	Quantity of purchased/built/reconstructed equipment/buildings, etc.	Total	Public			Total	EU
								Total	EU			
Non-traditional agricultural products	11	5	6	6			2.439.722,00	1.219.861,00	914.895,75	1.219.861,00	468.820,37	351.615,28
Specialised operational equipment					Number of equipment		1.503.234,00	751.617,00	563.712,75	751.617,00		
Construction/reconstruction of operational facilities and buildings					Number of buildings	12	903.280,00	451.640,00	338.730,00	451.640,00		
Consultations					Number of consulted	6	33.208,00	16.604,00	12.453,00	16.604,00		
Rural tourism and recreational activities	45	28	17	17			3.599.118,00	1.799.559,00	1.349.669,25	1.799.559,00	1.609.494,00	1.207.120,75
Setting of tourist homesteads and recreational zones					Number of zones	13	2.495.614,00	1.247.807,00	935.855,25	1.247.807,00		
Modernisation of existing tourist facilities					Number of facilities	6	661.856,00	330.928,00	248.196,00	330.928,00		
Equipment for recreational activities					Number of	126	226.272,00	113.136,00	84.852,00	113.136,00		
Facilities and equipment for leisure fishing, hunting and horse riding						x	0,00	0,00	0,00	0,00		
Development of tourist catering					Amount	202	161.130,00	80.565,00	60.423,75	80.565,00		
Consultations					Number of consulted projects	5	54.246,00	27.123,00	20.342,25	27.123,00		
Aquaculture and fishing in inland waters	0	0	0	0			0,00	0,00	0,00	0,00	0,00	0,00
Construction and reconstruction and setting of incubation shops and reservoirs						0	0,00	0,00	0,00	0,00		
Modernisation of water-pumps						0	0,00	0,00	0,00	0,00		
Basic services for the rural economy and population	40	15	25	24			12.637.026,00	6.318.513,00	4.738.884,75	6.318.513,00	5.989.572,00	4.492.178,89
Special operational equipment, workshops and service stations related to agriculture					Number of equipment	1	278.672,00	139.336,00	104.502,00	139.336,00		
Established workshops and service stations					Number of stations	7	1.809.718,00	904.859,00	678.644,25	904.859,00		
Special operational facilities and equipment for services not directly linked with agriculture					Number of equipment	162	5.529.428,00	2.764.714,00	2.073.535,50	2.764.714,00		
Construction/reconstruction of operational facilities and buildings					Number of facilities	57	4.897.362,00	2.448.681,00	1.836.510,75	2.448.681,00		
Consultations					Number of consulted projects	15	121.846,00	60.923,00	45.692,25	60.923,00		
Traditional crafts activities	0	0	0	0			0,00	0,00	0,00	0,00	0,00	0,00
Facilities and equipment in weaving, tying of dried flowers and other plants						0	0,00	0,00	0,00	0,00		
Facilities and equipment in woodwork, ceramic, smith or other handicraft workshops						0	0,00	0,00	0,00	0,00		
Establishment of handicraft sales and demonstration facilities						0	0,00	0,00	0,00	0,00		
TOTAL	96	48	48	47			18.675.866,00	9.337.933,00	7.003.449,75	9.337.933,00	8.067.886,37	6.050.914,92







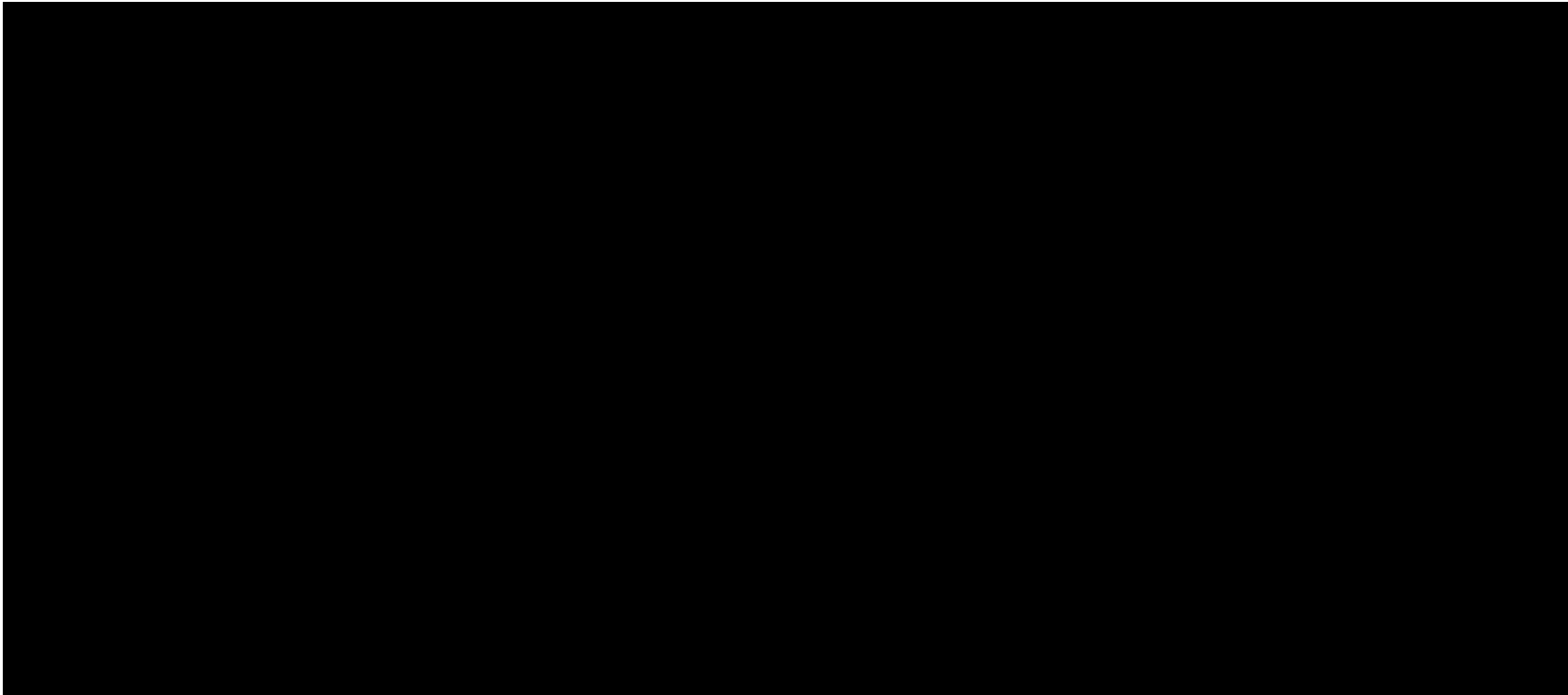
MVII Vocational training (amount of support)

k. 1. Breakdown by types of training (cumulated data in EURO)

2006

Sector (type of training)	Number of training actions (courses, etc.)	Number of participants	Average number of days of training per participant	Contribution to costs by			Amount of public expenditure paid to beneficiaries	
				Farmers	Others	Total	Total	EU contribution
New technologies of agricultural production	511	8.975	5	6.940	2.035	8.975	313.570,16	235.177,62
Business economy, management, financial accounting	182	3.603	10	2.522	1.081	3.603	402.185,95	301.639,46
Environmental protection, ecological and preserving farming	215	3.779	6	2.816	963	3.779	371.915,33	278.936,50
Alternative businesses in rural areas	288	4.511	7	913	391	1.304	761.614,81	571.211,11
Co-operation and development of businesses	85	1.242	5	869	373	1.242	40.223,99	30.167,99
Information technologies	148	2.109	5	1.476	633	2.109	188.594,08	141.445,56
TOTAL	1.209	21.012	6,3⁽¹⁾	15.536,00	5.476,00	21.012,00	2.078.104,32	1.558.578,24

(1) Average





ANNEX 2.LIST OF IRREGULARITIES

Country: LITHUANIA

Date: 19 January 2007

Report on Irregularities for all Quarterly Periods

Case number	Applicant country's project number	Name of measure	Title of project	Date sent of the last update	Community expenditure found to be irregular	Community amount to be recovered	State of play
SA 8-P27010010	LT/03/001/S	Processing and marketing of agricultural and fishery products	Investment in building of the manufactory for slaughterhouse and meat processors	24/01/2007	1060561	1124936 (including interests)	The Support Agreement was terminated. On going judicial procedure
SA 8-P13020061	LT/03/002/S	Investment in agricultural holdings	Establishment of modern poultry farm	29/08/2006	43183	34913	The Court adopted the decision to meet the civil suit brought by the National Paying Agency in order to recover the adjudged amount
SA 8-P13020016	LT/03/003/S	Investment in agricultural holdings	I. Vidrinskiene the sheep stock farm's modernization	31/08/2005	0	0	Pre-trial investigation is in a process.
SA 8-P14030003	LT/03/004/S	Investment into primary agricultural production	Investment into grain farm	28/02/2005	88368	0	Hearing
SA 8-P27020011	LT/04/001/S	Investment in agricultural holdings	Reconstruction of the premises of UAB "Grimeda" consistent with the EU requirements and expansion of export output	30/11/2004	31489	31489	Pre-trial investigation discontinued.
SA 8-P33020095	LT/04/002/S	Development and diversification of economic activities providing for multiple activities and alternative income	Building and reconstruction of the centre of rural tourism of farmer Rokvaldas Bartusevicius	31/08/2005	0	0	Pre-trial investigation discontinued.

SA 8-P27020015	LT/04/003/S	Improving of the processing and marketing of agriculture and fishery products	Equipment and reconstruction of the meat processing workshop	01/06/2005	7770	3570	Pre-trial investigation discontinued.
SA 8-P27020012	LT/05/001/S	Improving of the processing and marketing of agriculture and fishery products	Equipment and reconstruction of the meat processing within the company ZUB "Kontauteliai"	31/08/2005	0	0	Hearing
SA 8-P13020014	LT/05/002/S	Investment in agricultural holdings	Growing of cucumbers	24/01/2007	67661	77519 (including interests)	The Support Agreement was terminated. On going judicial procedure
SA 8-P10020019	LT/05/003/S	Investment in agricultural holdings	Development and updating of pig farm	28/11/2006	34078	34040	The Support Agreement was terminated. Administrative procedure is in process
SA 8-P43030050	LT/06/001/S	Improvement of rural infrastructure	Rasa Juoceviciene's road	24/01/2007	under calculation	under calculation	Criminal case was initiated. On going judicial procedure
SA 8-P22020048	LT/06/002/S	Processing and marketing of agricultural and fishery products	Fish processing enterprise	24/01/2007	under calculation	under calculation	On going pre-trial investigation
SA 8-P15020006	LT/06/003/S	Investment in agricultural holdings	The update of the pigs breeding complex	24/01/2007	under calculation	under calculation	On going pre-trial investigation