

WORKING DOCUMENT
RURAL DEVELOPMENT COMMITTEE

Member State: **LITHUANIA**

1. APPROVED PROGRAMME: *The Rural Development Programme 2007-2013 (EAFRD) for Lithuania. C(2007)5076 of 19/10/2007.*

2. LEGAL BASIS FOR THE MODIFICATION

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

This programme modification proposal follows closely an update to the Lithuanian NSP for rural development, which was carried out due to the Health Check and Recovery package adoption, on the basis of the revised Community Guidelines on Rural Development and rural development regulations, with the overall objective to integrate the additional financing into the Lithuanian Rural Development Plan.

4. DESCRIPTION OF THE AMENDMENTS PROPOSED:

4.1 New priorities / types of operations

As it is stated in the updated NSP, most of the new challenges are already covered by the NSP and being addressed by the RDP. Therefore Lithuania has chosen to focus the limited new resources only on few areas which are the most problematic for Lithuania. These are the dairy sector restructuring, renewable energies, and broadband development.

Total financial allocation to the new challenges and economic recovery in Lithuania is 22,43 M€. The following strategic choice was made by Lithuania:

- 0.43 M€ (1.94 %) shall be allocated to renewable energies (under measure 121 of Axis 1 in the RDP);
- 17.51 M€ (78.06 %) shall be allocated to measures accompanying restructuring of the dairy sector (under measures 121 and 123 of Axis I of the RDP); and
- 4.49 M€ (20 %) shall be allocated to broadband infrastructure in rural areas (under measure 321 of the RDP).

The following table 5.3.6 has been provided in the RDP:

List of types of operations referred to in Article 16a(3)(a) of Regulation (EC) No 1698/2005 up to the amounts referred to in Article 69(5a) of that Regulation

Axis/ measure	Type of operation	Potential effects	„Existing“ or „new“ type of operation	Reference to the description of the type of operation in the RDP	Output indicator - target	
					Number of farm holdings that received investment support	Total volume of investments ('000 EUR)
Axis 1 Measure 121	Investment support related to dairy production	Improvement of competitiveness of the dairy sector	Existing	RDP Annex 1, Axis 1, Measure 6, Activity 2	Total – 30: men -16, women - 11; natural persons - 27, legal bodies - 3.	Total - 9482: machinery – 4741; building - 3793; other - 948. Milk -9482: organic - 948; other - 8534.
	Perennial energy crops (short rotation coppice and herbaceous grasses)	Substitution of fossil fuels, carbon sequestration, reduction of nitrous oxide (N2O)	Existing	RDP Annex 1, Axis 1, Measure 6, Activity 3	Total – 3: men - 1, women - 1; natural persons - 2, legal bodies – 1.	964
Axis/ measure	Type of operation	Potential effects	„Existing“ or „new“ type of operation	Reference to the description of the type of operation in the RDP	Output indicator - target	
					Number of enterprises supported	Total volume of investments ('000 EUR)
Axis 1 Measure 123	Improvements in processing and marketing related to dairy	Improvement of competitiveness of the dairy sector	New	RDP Annex 1, Axis 1, Measure 9, Activity 2	2 micro/small – 1, medium-1; food industry – 2.	24529,630 (medium; food industry; processing/marketing)
Axis/ measure	Type of operation	Potential effects	„Existing“ or „new“ type of operation	Reference to the description of the type of operation in the RDP	Output indicator - target	
					Number of supported actions	Total volume of investments ('000 EUR)
Axis 3 Measure 321 (combined with measures 322 and 323)	Creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies)	n. a.	New	RDP Annex 1, Axis 3, Measure 4	1	4985,556

4.2 Description of the amendments proposed to axes and measures

RDP main text (amendments from (a) to (f)):

a) Chapter 3 “An analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex-ante evaluation”:

- i) The chapter is updated with the newest statistical and other data from the year 2008. More information is added on the state of play of environment and land management, renewable energies, and on the dairy sector problems.
- ii) General description of economic and social situation in rural areas is supplemented with additional information on the state of play of broadband development and internet access in rural areas.
- iii) The SWOT analysis of the Lithuanian rural development is supplemented with untapped reserves for bio-energy and renewable energy sources as an environmental strength; unfavourable structure of the dairy sector and underdeveloped renewable energies as economic weaknesses; and lack of internet access in rural areas as a socio-economic weakness.
- iv) Under the Strategy chosen, restructuring of the dairy sector and increasing of broadband coverage in rural areas is added to the list of horizontal priorities. It is specified that activities benefiting the environment, as a horizontal priority, shall include protection of biodiversity, well-balanced water supply and production of the energy by sustainable usage of renewal energy resources.
- v) The following information is added to the description of the strategy chosen under different axes:
 - Under Axis I it is added that "The development of the usage of the renewal energy sources shall encourage the production of green energy, reduce the environmental pollution and complement other measures, designed for the maintenance of the efficiency of the policy for the management of the climate change processes". Furthermore, it is specified that support to encourage cooperation of farmers shall include the set-up of cooperative dairy processing companies, controlled by farmers, and that "The encouragement of dairy producers to process milk on their holdings will lead to the higher value added, additional income, more attention to the quality of raw milk and hygiene standards" (p. 54 of the RDP General Part).
 - Under Axis II it is specified that climate change will be also addressed by "support under the measures of Axis 3, designed for the encouragement of the small-scaled businesses and non-agricultural activities in rural areas (for example, such as construction and installation of the renewal energy power stations)". The following paragraph is added: "More attention to the landscape and biodiversity protection was given after Ministry of Environment and Ministry of Agriculture in 1998 approved the Biodiversity Conservation Strategy and Action Plan. It provides measures to protect and facilitate the sustainable use of landscape and biological diversity, the formation of a complex system of protected areas, the development of Lithuanian natural frame. It is important to preserve woodland key habitats, which inventory has already occurred" (p. 58 of the RDP General Part).

- Under Axis III it is added that the EARDF funds under the Axis III priority No 2 (making life in rural areas more attractive) will be also targeted at development of broadband network infrastructure. For this purpose, a sub-measure (corresponding to measure 321) “Development of broadband network infrastructure in rural areas”) is proposed under the measure 322, which is merged in the RDP with measures 321 and 323 under the dominant code 322. Indicators for the whole Axis III are revised accordingly (p. 62-63 of the RDP General Part).
 - vi) Indicative allocation of resources (Table 14 on p. 65 of the RDP General Part) is revised by adding the new funds for the new challenges and the broadband.
 - vii) The sub-chapter on Strategic Environmental Assessment is updated with new information on broadband development (p. 93 of the RDP General Part), biodiversity (p. 96-97 of the RDP General Part), and water management (p. 101 of the RDP General Part).
- b) **Chapter 4 “Justification of the priorities chosen, having regard to the Community strategic guidelines and the additional strategy plan as well as the expected impact according to the ex-ante evaluation”** is supplemented with a new section on the New Community Guideline on the New Challenges (p. 128 of the RDP General Part), which describes the Lithuanian choice to focus the new funds on the dairy sector restructuring and renewable energies. A new sub-chapter 4.2 is added on the European Economic Recovery Plan providing information on the Lithuanian decision to invest in broadband infrastructure. Table 37 on compatibility of investments under the programme with other Community funds is also revised by specifying the demarcation line of investments in broadband infrastructure between the EAFRD and the ERDF (p. 145 of the RDP General Part).
- c) **Chapter 5 “Information on the axes and measures proposed for each axis and their description”** is supplemented with a new table 5.3.6 of the Annex II of the Commission Regulation (EC) No. 1974/2006. For more detailed changes in the measures sheets see further amendments described under points (g) to (i) below in this document.
- d) **Chapter 6 "Financial Plan"** is modified to integrate additional financial allocation. On the basis of the new legal provisions, tables 6.1, 6.2, and 7 are revised, and a new table 6.3 is added (see section 7 of this document).
- e) **The State aid table (Table 38 in Chapter 9)** is supplemented with information that de minimis rules shall be apply to sub-measure "Development of broadband network infrastructure in rural areas" of measure 322.
- f) **Chapter 10 “Information on the compatibility with the measures financed by the other CAP instruments, through Cohesion policy as well as by the European Fisheries Fund”** indicates that the demarcation criterion for broadband development between the EAFRD and ERDF shall be the geographical area on the basis of detailed maps (p. 161 of the RDP General Part). It further specifies that "In order to coordinate the interventions in the area of broadband infrastructure regular meetings will take place between Ministry of Agriculture, on one side, and all relative authorities, dealing with the support from structural funds, on the other side" (p. 165 of the RDP General Part).

g) Measure 121 "Modernization of agricultural holdings"

- **Section 1 "Rationale for intervention"** is supplemented with the following information:

(a) "Lithuanian milk producers (as well as other milk producers in the EU countries) are facing the new challenges. Farmers, producing milk will have to take certain actions to adapt to changing market conditions (abolition of quota system etc.). Dairy sector has a particular structure of disadvantage: dairy farms are small, poorly organized (lack of cooperation), the major part of milk (93 pct.) is sold to the processing companies without generating the higher value-added milk products. Natural milk purchase price in 2009 was the lowest in the EU. Given the difficult situation in this sector, it is necessary to take additional action, therefore, is expected to support measures that contribute to the restructuring of the dairy sector.

It is important to encourage farmers to start processing of milk in their own farms. This way the higher value added will be reached, additional attention paid to the quality of raw milk. Generation of additional income will allow farmers to make investments into new technologies which are in conformity to the highest quality, hygiene and environmental standards. In addition, bigger variety of production will create the conditions where income of farmer is more resistant to fluctuation in the market and will safeguard the continuity of activity."

(b) "The growing share of the production of energy, made by using renewal energy recourses, such like short rotation plants, wind energy, solar energy, water power resources and etc., shall contribute to the implementation of the European Climate Change Strategy, and the extraction of the energy from the biomass shall contribute to the implementation of the EU's objectives to develop the usage of the bio fuel. The production of energy related with local and renewal energy sources will become very important after closing Ignalina nuclear power station in 1 of January 2010."

- **Section 9 "Aid Intensity"** is revised in accordance with Article 16a(2) of the Council Regulation (EC) No. 74/2009:

(a) Sub-section 9.2.1 is supplemented with the following sentence: "If a dairy farm implements a complex project of primary agricultural production together with processing of products produced on its agricultural holding or implements only the project of processing the products produced on its agricultural holding, the aid intensity rate is increased by 10 percentage points."

(b) Sub-section 9.2.2 is supplemented with the following sentence: "If a dairy farm implements a complex project of primary agricultural production together with processing of products produced on its agricultural holding or implements only the project of processing the products produced on its agricultural holding, the funding intensity rate is increased by 10 percentage points."

(c) Sub-section 9.3.1 is laid down as follows: "9.3.1. Support may cover up to 50 per cent of the total eligible expenditure of the project and up to 60 per cent for young farmers. For farmers in less favourable areas support may cover up to 60 per cent of total eligible expenditures of the project; and for young farmers in such areas – up to 70 per cent."

- **Section 10 “Financing”**: the Table "Funding over the period of 2007–2013 (in current prices)" is revised to integrate additional funding for the new challenges under this measure:

Funding for 2007–2013 (in current prices)

Year	In Total		Community funding		National funding	
	EUR	%	EUR	%	EUR	%
2007–2013	40 129 847	40–60	300 974 135	75	100 324 712	25
New Challenges:						
Restructuring of dairy sector	4 741 111	50-70	4 267 000	90	474 111	10
Renewable energy resources	482 222	50-70	434 000	90	48 222	10

- **Indicator targets** are also revised.

h) Measure 123 "Processing of agricultural products and increasing added value"

- **Section 1 "Rationale for intervention"** is supplemented with the following information:

"It should be noted that 93 pct. of all milk producers supplying milk to the market, sell the milk to companies, which process milk. Milk producers are weakly organized, without a developed logistical system and the possibility to choose milk buyer, cannot influence the milk sale conditions. The average milk procurement price in Lithuania is the lowest in the entire EU. Milk procurement price has dropped to the level that was observed in 2004 (before the membership in the EU). In 2009, as compared to 2008, dairy producers' income from sold milk dropped by 43,6 % . The level of milk procurement price is determined mainly by these factors: a high concentration of processing sector and retail enterprises, unfavorable structure of dairy sector and dependence from export markets.

In addition, Lithuanian dairy processing companies produce ordinary (mass) products; the major part of exported dairy products is used for further processing. The share of dairy products intended for final consumer (with brand name) is relatively low. In global markets, Lithuanian dairy products without any exclusive features are confronted with similar products of competitors and therefore are forced to compete in respect of price. The market of mass dairy products is usually unstable, therefore in order to achieve more stable milk procurement prices, what in return will allow the planning and generating of income needed for the increase of competitiveness, it is essential to supplement the assortment of products of Lithuanian dairy processing companies with high quality innovative products."

- **Section 2 "Description of the measure"** is supplemented with the following information:

"Support for the set-up of cooperative dairy processing companies, controlled by the farmers, is also a necessary step for the restructuring of dairy sector. The new cooperative dairy processing companies will be modern with features such as the best structure of dairy processing, orientation to the exports, high level of automation, high level of diversification, low input of labour force, energy and substances, the production of new generation dairy products, minimal environmental pollution; production waste will be used for the production of biogas and energy, waste will be treated up to the level appropriate for the discharge into municipal wastewater treatment networks.

Set-up of such companies will also have a positive impact on milk quality because the production of raw milk and the processing chain will be owned by the same farmers. Being the owners of cooperative dairy processing companies, dairy producers will decide by themselves about the level of price for raw milk. It is foreseen that due to competition the procurement price will increase not only in cooperative dairy processing companies, but also in other non-cooperative dairy processing companies.

It is expected that after the restructuring of the dairy sector all companies working in effective manner and producing competitive products will be able to stay in the market."

- **Section 3 "Objectives"** is supplemented with the following new objective "3.3.2. To restructure milk sector by establishing milk processing companies controlled by milk producers";
- **Section 4 "Scope and Actions"** is supplemented with the following new activity: "4.3. Activity 2: Restructuring of milk sector by the establishment of new milk processing companies. Based on Activity 2, the establishment of new milk processing units controlled by milk producers is funded";
- **Section 5 "Type and size of beneficiary enterprise"** is supplemented with the following new description of eligible beneficiaries:
 - “5.2. For Activity 2:
 - 5.2.1. Cooperatives of milk producers that have been acknowledged as agricultural cooperatives before the submission of application.
 - 5.2.2. Legal entities not less than 51 per cent of share capital whereof belongs to cooperated producers of agricultural production or cooperatives that have been performing economic agricultural activity and have been acknowledged as agricultural cooperatives before the submission of application”.
- **Section 7 "Eligibility Criteria and Requirements of support"** is supplemented with the following criteria:
 - “7.3. For Activity 2:
 - 7.3.1. The applicant shall prove enterprise’s conformity to economic viability criteria in the business plan. To ensure the selection of the highest quality projects in terms of economic viability and proper entry conditions to the measure, the MoA may set lowest/highest values of economic viability criteria.

7.3.2. In the business plan, the applicant shall ensure that the cooperative or its controlled company will process the quantity of appropriate raw material determined by the Implementing rules of the Measure.

7.3.3. Investments shall improve the overall performance of the company (increasing volume of new trade outlets, added-value, production of new products, decreasing cost of production, receiving certificates of quality etc.)

7.3.4. Support shall only be granted for the processing or marketing of products covered by Annex I to the Treaty (input (raw material) and output) except fishery products.”

- **Section 9 “Aid Intensity“** is supplemented with the following new point: “9.2. For Activity 2 aid intensity is up to 60 per cent of the total eligible expenditure of the project. The limitation set in point 12.2 of Chapter III of Annex I is not applicable. ”
- **Section 10:** Table “Funding over the period of 2007–2013 (in current prices)“ is revised to integrate the new funding:

Funding over the period of 2007–2013 (in current prices)

Year	In Total		Community funding		National funding	
	EUR	%	EUR	%	EUR	%
2007–2013	137 498 487	40	103 123 865	75	34 374 622	25
Restructuring of dairy sector	14 717 778	60	13 246 000	90	1 471 778	10
IN TOTAL:	152 216 264		116 369 865		35 846 399	

- **Indicator targets** are also revised.

i) **Measure 322 "Village renewable and Development"** is supplemented with a new sub-measure linked to measure code 321 and called "Development of broadband network infrastructure in rural areas". Description of the new sub-measure is annexed to this document.

5. THE EXPECTED IMPACTS OF THE AMENDMENTS

Amendments to the programme are intended to enhance the response to the new challenges to promote, in particular, dairy sector restructuring, renewable energies and broadband infrastructure.

Target indicators are created for new sub-measure on broadband development, and they are revised for measures 121 and 123.

6 ASSESSMENT

General assessment of the modification

The amendments to the programme are in line with the updated Lithuanian National Strategy Plan for Rural Development and support the achievement of its objectives.

The changes are in conformity with the Council Regulation (EC) No1698/2005 and with the Commission Regulation (EC) No 1974/2005.

7 FINANCING

Tables 6.1, 6.2 and 6.3 tables provided in the RDP:

6.1 Annual contribution from the EAFRD (in EUR)

Year	2007	2008	2009	2010	2011	2012	2013
Convergence regions	260.974.835	248.836.020	236.928.998	244.741.536	248.002.433	250.278.098	253.598.173
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence region	0	0	13.020.000	9.114.000	0	0	300.000
Total	260.974.835	248.836.020	249.948.998	253.855.536	248.002.433	250.278.098	253.898.173

6.2 Financial plan by axis (in EUR total period)

Axis	Public contribution			Additional financing
	Total public	EAFRD contribution rate (%)	EAFRD amount	
Convergence regions				
Axis 1	930.197.109	75	697.647.832	-
Axis 2	824.590.405	80	659.672.324	-
Axis 3	275.613.992	75	206.710.494	-
Axis 4	136.993.804	80	109.595.043	-
Technical assistance	92.979.200	75	69.734.400	-
Total	2.260.374.510	77.13	1.743.794.093	
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence region				
Axis 1	19.941.111	90	17.947.000	
Axis 2	0	0	0	-
Axis 3	4.985.556	90	4.487.000	
Axis 4	0	0	0	-
Technical assistance	0	0	0	-
Total	24.926.667	90	22.434.000	
Total				
Axis 1	950.138.220	75,31	715.594.832	
Axis 2	824.590.405	80	659.672.324	
Axis 3	280.599.548	75,27	211.197.494	
Axis 4	136.993.804	80	109.595.043	
Technical assistance	92.979.200	75	69.734.400	
Total	2.285.301.177	77.27	1.765.794.093	-

6.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) No 1698/2005 between 1 January 2009 and 31 December 2013 (Articles 16a(3)(b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005)

Axis/Measure	EAFRD contribution for 2009-2013
Axis 1	
Measure 121 Modernisation of agricultural holdings (Article 20, paragraph b, subparagraph i and Article 26 of Council Regulation (EC) No 1698/2005)	4 701 000
Measure 123 Adding value to agricultural and forestry products (Article 20, paragraph b, subparagraph iii and Article 28 of Council Regulation (EC) No. 1698/2005)	13 246 000
Total Axis 1	17 947 000
Total Axis 2	0
Axis 3	
Measure 321 Development of broadband network infrastructure in rural areas (combined with measures 322 and 323) (Articles 52 and 56 of Council Regulation (EC) No. 1698/2005)	4 487 000
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	4 487 000
Total Axis 3	4 487 000
— Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
— Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	4 487 000
Total Axis 4	0
Total programme	22 434 000
Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	17 947 000
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	4 487 000

ANNEX

Description of the new sub-measure "Development of broadband network infrastructure in rural areas" (an extract from the measure 322 description in the programme)

SUB_MEASURE "DEVELOPMENT OF BROADBAND NETWORK INFRASTRUCTURE IN RURAL AREAS"

1. RATIONALE FOR INTERVENTION

For the past 10 years the investments for creation of the broadband communications infrastructure in rural areas have been insufficient as commercial entities and operators found rates of return unacceptable. This fact is supported by the available data on the infrastructure objects owned by the operators performing in the market: their towers and fixed communication lines where base and fixed communications stations are constructed do not have connection of sufficient bit rate with available networks, which limits provision of broadband communications services from such objects.

Various types of communication operators in the greater part of the country have developed a sufficient infrastructure for provision of broadband communications services. The main obstacle preventing commercial operators to provide broadband communications services of high quality via such infrastructure segments to all residents and organizations of rural areas is the missing part of the network infrastructure, which by connection of sufficient bit rate could integrate the infrastructure segments of the operators. Construction of various parts of the missing infrastructure requires vast investments. Moreover, if different operators constructed separate infrastructures, they would be used inefficiently.

European Regional Development Fund (ERDF) funds the project "Rural area information technology broadband network RAIN". The objective of the projects is to develop the missing part of the network infrastructure in the rural areas. The project was started in 2006. The current available results of the project: 3357 kilometres of new optical fibre cable lines, 509 terminal nodes in the centres of rural elderates installed, 330 schools supported with broadband communications infrastructure, access to broadband infrastructure to over 300 thousand rural residents.

The project was implemented by public institution "Plačiajuostis internetas" (*eng. Broadband network*). Decision to establish Public institution "Placiajuostis internetas" was made on 29 September, 2005 according to the order of the Minister of Transport and Communications of the Republic of Lithuania. Public company "Placiajuostis internetas" is a non-profit organization which objective is to develop broadband access for rural administrative institutions and prepare background for broadband services for members of rural communities; purvey, gather, analyze and announce social economical information, organize trainings, publish informational, methodical and other publications, prepare and manage projects.

The sub-measure "Development of broadband network infrastructure in rural areas" shall provide assistance for the creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment. Such support is an important element in reducing "digital divide" between urban and rural areas.

This sub-measure will enable several alternative platforms (such as wire line, wireless, mobile solutions) to utilise the publicly funded infrastructure. Therefore, it does not favor any particular technology or network platform leaving it to commercial operators to come up with the most appropriate technological solutions to provide retail broadband services to end users.

Legal background. The Law on Electronic Connection of the Republic of Lithuania regulates public relations concerned with electronic links' services, networks related with measures and services, the use of electronic links' resources and public rapport related with radio rearmost equipment and electromagnetic compatibility.

The guiding document setting the aims of broadband network infrastructure in Lithuania is the Government Decision of the Republic of Lithuania No 1231 „On the Strategy of Lithuanian broadband network infrastructure for 2005–2010“ adopted on November 16, 2005. The aims of the strategy: to set the preconditions for the preparation and implementation of broadband network infrastructure development projects; to establish favourable conditions determining public administrations', institutions' and bodies' approach to broadband networks; to influence the infrastructure of broadband network safeguarding the use of electronic services and for the speed of development – to promote the partnership of business representatives in the field of the development of broadband network infrastructure and the establishment of e-services, their rendering and safety in Lithuania; to create favourable conditions for the development of competitiveness in the field of access to internet market and influence socio-economic development in the country.

In the long-range strategy “On Lithuanian Economy Development up to 2015” adopted on June 12, 2002 by the Government Decision No 853 the following aim was raised – to generate information society by evolving regional structure of information, developing managing authorities'and self-governing institutions' infrastructure, reorganizing public services supply with the aim that information required for the business and citizens economic activities is accessible via computer networks. Information society is the strategic aim of Lithuania. In order to reduce social exclusion it is necessary to eliminate unequal telecommunications and information technologies infrastructure between towns and rural areas.

On December 31, 2002 the Government of the Republic of Lithuania by the Decision No 2115 approved the Concept of Electronic Governance. The aim of this concept is to enhance the transparency of the decisions taken by the executives, to qualitatively and effectively supply public services and information to society, business subjects and institutions by accessing information technologies.

In the Lithuanian Information Society Development Programme for 2006–2008 approved by the Government Decision No 615 adopted on 21 June, 2006 there are four goals related with the development of e-governance: to develop information technologies that help public administrations to perform their functions; to create favourable conditions in electronic exchange of information among public sector institutions; to safeguard interaction among state information systems and registers; to transfer public services into electronic medium and monitor them.

In the Electronic Governance concept's implementation measures plan approved by the Government Decision No 1468 adopted on 25 November, 2003 there are actions foreseen related with the development of e-governance in Lithuania. A group of managing authorities is responsible for the implementation of the latter measures. The measures are both of national and local levels.

2. OBJECTIVES OF THE MEASURE

- 2.1. To supply the rural economy and rural population with broadband;
- 2.2. To improve access to services for rural population and businesses;
- 2.3. To increase rural areas' attractiveness, business competitiveness and employment in rural areas by provision of access to high-speed internet

3. SCOPE AND ACTIONS

3.1. To expand the broadband infrastructure, reaching about 150 residential areas with a population of about 20 thousand population.

3.2. To connect to the broadband infrastructure or increase the bandwidth to about 400 agricultural institutions and organizations, production and processing enterprises, rural communities, educational institutions, libraries, public internet centres, etc. The exact list of institutions will be determined during the project.

3.3. To install the equipment necessary to ensure network functionality;

3.4. To create an e-infrastructure system, allowing for State and local government agricultural institutions, organisations of the rural part of the country as well as all the interested SMEs to provide public services.

4. TYPES OF BENEFICIARY

Public institution "Plačiajuostis internetas".

5. TYPE OF OPERATIONS SUPPORTED

5.1. Creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies) in line with Annex III of Regulation (EC) No 1698/2005.

6. ELIGIBLE EXPENDITURE

6.1. Creation of and enabling access to broadband infrastructure including backhaul facilities and fixed ground equipment;

6.1.1. Design and construction of the optical fibre cable lines;

6.1.2. Equipment necessary to ensure functionality of network and service infrastructure, acquisition and installation;

6.1.3. Support activities to ensure the proper implementation of the project (technical support, project management, publicity) (up to 7 pct. in relation to the total eligible costs).

7. AID INTENSITY

7.1. Support shall cover up to 100 per cent of the total eligible expenditure.

7.2. Advanced payments up to 50 % of the public aid in 2010 or up to 20 % of the public aid in 2011-2013 may be paid in accordance with the Commission Regulation (EC) No 1974/2006, Article 56.

8. STATE AID PROVISIONS

Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L 379 of 28.12.2006, and will respect Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks (2009/C 235/04).

9. FINANCING

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013	4 985 556	100	4 487 000	90	498 556	10

Taking into account the mid-term evaluation report of the RDP and the actual use of resources allocated for restructuring of dairy sector, the financing may be increased (this sub-measure will have a priority).

10. QUANTIFIED TARGETS FOR EU COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported actions	1
	Total volume of investment (EUR)	4 985 556 EUR
	Equipped optical fibre cable lines	360
Result	Increase in internet penetration in rural areas (No of persons)	800
Impact	Broadband coverage in rural areas	100 %

Baseline indicators	
DSL coverage in rural areas (per cent)*	54,6

* in 2005

11. DEMARCATION LINES AND CRITERIA WITH OTHER EU FINANCIAL INSTRUMENTS

The measure is closely related with the priority axis “Information Society for all” of the Operational Programme for Economic Growth. European Regional Development Fund (ERDF) is funding project “Rural area information technology broadband network RAIN”. Its objective is to provide broadband access for all rural public sector administration institutions, schools, libraries and also for rural residents and business companies.

Demarcation criterion between ERDF and EARDF is geographical area. The broadband communications infrastructure will be developed only in rural areas, which do not duplicate each other. ERDF project remains several white areas uncovered with broadband infrastructure. These white areas are the object of EARDF initiative. The applicant can not apply for support for the same area under measure RAIN.