



EUROPEAN COMMISSION

Observations on the Partnership Agreement with the Republic of Lithuania

PART I

Introduction

The observations set out below have been made within the framework of the Common Provisions Regulation (CPR) and the fund-specific regulations. The observations take into account the 2013 country-specific recommendations (CSR) adopted by the Council on 9 July 2013 (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:217:FULL:EN:PDF>) as well as its supporting analysis (SWD) (http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm), and are based on the Commission Services' Position Paper (CPP) for the use of the European Structural and Investment Funds (ESIF) in 2014-2020.

The observations refer to the Partnership Agreement submitted by the Republic of Lithuania on 4 February 2014.

The observations are presented following the structure of the Partnership Agreement as set out in the template. The most critical issues for the Commission are noted in Part I.

1. Assessment of Member State's policy objectives

- (1) The Partnership Agreement is a framework document that should set out clear political commitments to the strategic goals to address the key challenges identified by the Europe 2020 strategy, the CSRs and the National Reform Agenda (NRA) for Lithuania. It should define a well-planned and thoroughly considered framework for achieving the maximum European value added of ESIF investments in Lithuania for 2014-2020.

The European Union's (EU) co-financed measures envisaged in the Partnership Agreement shall mobilise national public and private funding that is necessary not just to address the bottlenecks hampering growth but to pursue an ambitious broader development strategy that enables an enhanced long-term competitiveness of the Lithuanian economy and a further reduction in regional disparities. By establishing strong links between ESIF interventions, the NRA, National Development Programme (NDP) for 2014-2020 and the strategic development vision of Lithuania, the Partnership Agreement can deliver a positive impact in reaching the Europe 2020 targets set for Lithuania.

- (2) The Commission appreciates the Lithuanian authorities' commitment to the new policy framework for the ESIF with their alignment to the Europe 2020 objectives of smart, sustainable and inclusive growth, and its orientation to the achievement of higher impact and results through the clear focusing of investments. Overall, the quality of the Partnership Agreement has been significantly improved compared to the previous version.

- (3) While a sound progress in the elaboration of the Lithuanian Smart Specialisation Strategy framework (RIS3) is achieved, important further steps need to be made to address a number of remaining issues; these include a robust and reliable monitoring and evaluation system, an effective and dynamic involvement of stakeholders, and a focused priority setting by concentrating on fewer innovation and knowledge-based development priorities.
- (4) The intervention logic has been considerably strengthened; however, there are still cases where development needs are omitted or not substantiated in the analysis part, proposed actions are not complete or justified by the analysis, or results do not demonstrate a qualitative change (as further explained in Part II).
- (5) In line with EU transport policy, the EU financing should increasingly favour low-carbon and environmentally sustainable modes of transport, i.e. electrification and modernisation of rail transport, development of sustainable and green public transport, measures to increase capacity for mobility and other innovative transport infrastructure solutions, which the Commission services confirmed as priorities in the CPP. However, the analysis and proposals included in the Partnership Agreement do not satisfactorily reflect these indications; specific detailed observations are included in Part II, points (26), (28), (40), (43) and (44).

2. Financial allocation proposed by the Member State

- (6) As the draft Rural Development Programme (RDP) is not yet available, the Commission cannot currently assess, from the financial data at thematic objectives' (TO) level, whether Lithuania fulfils the requirement that at least 30% of the European Agricultural Fund for Rural Development (EAFRD) expenditure be allocated to environment and climate-related measures. Please add a statement in the Partnership Agreement confirming that such a commitment will be undertaken and respected for the whole programming period.
- (7) As a general rule, for the European Regional Development Fund (ERDF) and Cohesion Fund (CF), the Commission strongly recommends not to use the maximum co-financing rate for priority axes in the Operational Programme (OP) and instead to modulate it according to the rules stipulated in Article 121 of the CPR to reflect the needs, as well as to assure maximum leverage for the ERDF and CF investments concerned.

3. Cross-cutting policy issues and effective implementation

- (8) Concerning TO-specific sections of chapter 1.3, the expected results should be specified separately for each ESI fund relevant to a given TO. This is not the case for TO5 where results specific to the CF are missing, while the planned financial allocations are presented in table 1.4; the same comment is relevant for TO6, TO7 and TO8 where the specific results of the CF and the ERDF for TO6 and TO7, and the ERDF and the European Social Fund (ESF) for TO8 are currently merged and should be specified separately.
- (9) A reference to the Blue Growth Strategy is included in chapter 1.3.6 with an emphasis only to the European Union Strategy for the Baltic Sea Region (EUSBSR) and expected results of the European Maritime and Fisheries Fund (EMFF). However, the concept of blue growth as well as Integrated Maritime Policy (IMP) could also be reflected in the relevant TO3 and TO6, together with a clear description of allocation of funding, if appropriate, from ESI funds other than the EMFF.

4. Other critical issues

- (10) The Commission disagrees with Lithuania's self-assessment of the fulfilment of the following *ex-ante* conditionalities: 4.1, 6.1, 7.1, 7.2, 7.3, 8.2, 9.1, 10.2, general *ex-ante* conditionalities on anti-discrimination and on environmental legislation. In line with the observations made in Part II (chapter 2.3) the Lithuanian authorities should provide additional information and clarification on particular *ex-ante* conditionalities in order to allow the Commission to perform its assessment properly.

Concerning the *ex-ante* conditionalities requiring an action plan for their fulfilment, the Commission reserves its final assessment on the possible significant prejudice to the effectiveness and efficiency of the achievement of the specific objectives until the time when the programme has been submitted and all necessary information has been made available.

More details on the elements indicated in points 1-10 above are provided in Part II.

PART II - FURTHER OBSERVATIONS

1.1. Analysis of disparities, development needs and growth potentials with reference to the thematic objectives and the territorial challenges

- (11) To ensure comparability of data, European Statistical System (ESS) statistics should be used to support the needs analysis. In case the necessary data is not available at EU level, links to similar ESS statistic datasets should be provided in addition to the national data sources. It is crucial that territorial analysis on a sub-national level makes use of the harmonised spatial definitions (e.g. Nomenclature of territorial units for statistics or NUTS)¹, urban and rural², coastal³ and metropolitan regions⁴ referred to in the analysis, which should also be delineated according to the harmonised definitions.
- (12) The Partnership Agreement often refers to the situation of rural areas. However, it is not clear what definition of rural areas has been used (Commission typology, national definition or other) for purposes of the analysis and, where relevant, is envisaged for the implementation of the policy. Please indicate the definition of rural areas used in drawing up the Partnership Agreement, and the share of territory and population in such areas.
- (13) Although the EAFRD-related analysis in the first chapter of the Partnership Agreement now contains core data, the statistical references are mostly made to the national averages or to the other sectors of the national economy, thus not reflecting the relative position of Lithuania as compared to the EU average. Lithuania puts a strong focus on promoting competitiveness in the agri-food sector, which cannot be assessed only at the national level. For a better comparability of the situation and gaps in Lithuania's agri-food and forestry sectors, such data could, for example, be added to support statements on low labour efficiency and low productivity in agriculture (p. 29 of the Lithuanian language version of the Partnership Agreement), age structure in agriculture (p. 13) or small/polarised farm structures (p. 34). Please also move this analysis on structures from the section on landscape

¹ http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction

² http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Urban-rural_typology

³ http://epp.eurostat.ec.europa.eu/portal/page/portal/maritime_coastal_regions/introduction

⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/metropolitan_regions

to chapter 1.1.2.2.2, as it is primarily presented as a constraint on competitiveness. The same remark can be made for the section on the age structure of farmers currently placed under chapter 1.1.2.3.2.

The following improvements need to be made with regard to specific TOs.

TO1: Strengthening research, technological development and innovation (RTDI)

- (14) Please complement the analysis in part 1.1 by summarising the main shortcomings of the RTDI environment in regard to institutions, policies, funding instruments or other organisational features, and give clear indications of reasons causing the inefficiency of the RTDI system. The reasons causing the inefficiency should be named – e.g. complex governance structures, fragmented policy priorities, poor coordination or lack of communication and remedial measures proposed to prove the intervention logic behind investments in RTDI. A summary of the results of the strengths, weaknesses, opportunities and threats (SWOT) analysis carried out when preparing RIS3 should also be incorporated.
- (15) The text related to the improvement of RDI human resources (section 1.1.2.1.1) should refer to innovative doctoral training. Attention should be paid to improve the conditions for researchers' careers, notably by fostering open, fair and merit-base recruitment and international advertisements for researcher positions (e.g. on EURAXESS), and to develop international cooperation.
- (16) The Commission welcomes Lithuania's commitment to concentrate the investments on the priorities set in RIS3. Priority areas identified so far seem to be very broad; however, the Commission notes that expert groups are working on defining specific priorities within each priority area. Please include references to specific RIS3 priorities in the revised version of the Partnership Agreement.
- (17) In line with the CPR Annex I point 4.3.2, smart specialisation strategies are to be developed through an entrepreneurial discovery process. Please provide a comprehensive explanation on how this process is implemented in Lithuania.
- (18) In the Partnership Agreement, the Commission expects Lithuania to commit to a continuation of the reforms aimed at consolidation and optimisation of RTDI institutions, capacities and infrastructures.
- (19) Links with the EUSBSR are missing in the analysis of RTDI. Please incorporate them in the analysis accordingly (especially as Lithuania leads a flagship project under the priority area for innovation).

TO3: Enhancing the competitiveness of SMEs

- (20) Creative industries are explicitly mentioned in the Partnership Agreement. This sector is important to Lithuania's economy but the Partnership Agreement lacks justification as to why they need to be supported by ESIF. Please improve the analysis by using the most recent data (instead of 2008) and results of the evaluations.

TO4: Supporting the shift towards a low-carbon economy in all sectors

- (21) It is important to take into account the European Strategic Energy Technology (SET) Plan while designing the energy investments under priority TO4.
- (22) In relation to the planned investments to increase the renewable energy sources (RES) uptake in the grids, there should be a clear distinction, combined with an appropriate needs analysis, between the investment needs for the distribution networks for electricity and district heating and/or smart grid infrastructure under TO4, and those investments that fall under broader energy infrastructure reinforcement priorities under TO7.
- (23) Lithuania has added some helpful data on unused biomass potential. As Lithuania puts a strong focus on investments in production of local renewable energy, it should be made clearer in the Partnership Agreement that there is sufficient (domestic) biomass supply, from sustainable sources, for the envisaged expansion in production. In addition, it should confirm that EAFRD support will be limited to the production of bioenergy that meets the sustainability criteria laid down in EU legislation (i.e. the Renewable Energy Directive and the Fuel Quality Directive).
- (24) Considering that Member States should support the transition from first to second generation biofuels, indications should be provided as to how this orientation will be addressed in Lithuania.
- (25) The Partnership Agreement does not include information on energy efficiency in agri-food and forestry, which is suggested as a funding priority in the CPP (for the EAFRD). If there are not any gaps or needs for investments in this area, it should be made clear in the Partnership Agreement, together with a relevant justification.
- (26) The Partnership Agreement mentions a 10% renewable energy obligation in transport but it is not clear how the ESIF will contribute to attaining this goal. Indications must be provided of the actions planned to increase the use of RES fuel in transport and/or low greenhouse gas (GHG) measures in urban transport.
- (27) Challenges as regards urban mobility and public transport are not sufficiently explained, despite the Lithuanian authorities' intention to develop environmentally friendly public transport. A general assessment of public transport (i.e. its accessibility and use) would bring added value to the analysis. Sustainability of public transport and the take-up of infrastructure should be demonstrated and ensured.
- (28) Public transport's role and the interconnection of the main nodes are not considered as adequately important. From the point of view of public transport connection in a multimodal context, it is necessary to explain the specificities and the envisaged basic solutions for sustainable mobility systems, with a particular emphasis on the need for integration of urban-suburban territories, intra-urban mobility and intermodal linkages within city areas, as well as the question of accessibility from/to settlements. Financial allocations envisaged for these investments seem insufficient in comparison to existing needs and should be significantly increased (in the Commission's view it should be at least doubled).

TO5: Promoting climate change adaptation and risk prevention and management

- (29) Nature-based solutions in addressing flood risks as well as green infrastructure and ecosystem-based approaches to address the growing climate change pressures should be further considered in the needs analysis. The Partnership Agreement does not reveal what

interventions will be supported in order to achieve the following results: (i) enhancing environmental resilience in those parts of Lithuanian territories that are most sensitive to climate change; (ii) reducing significant negative impacts of threats caused by climate change to the environment, human health and life, cultural heritage, economic activities and infrastructure.

- (30) The investments towards reduction of air pollution should be properly justified by the analysis. In this context, please also refer to point (70).

TO6: Protecting the environment and promoting resource efficiency

- (31) According to the analysis, in 2012, the share of households connected to drinking water supply and wastewater treatment systems accounted for 81% and 79%, respectively. In chapter 1.3, the corresponding target figures for 2014-2020 are stated as 83% and 81%. Please ensure the consistency of the data between the Partnership Agreement and the Operational Programme for EU Structural Funds Investments for 2014-2020 (Operational Programme): the draft Operational Programme indicates initial (2012) values for water and wastewater services accessibility at 76% and 67% respectively, and both target values at 95%.
- (32) Please note that the Operational Programme indicates support to management improvement in the water supply companies, while relevant development needs have not been indicated in the Partnership Agreement.
- (33) In the informal observations on the draft Operational Programme, the Commission Services noted that the prioritisation of agglomerations exceeding 10 000 inhabitants for surface (rain) wastewater management infrastructure should be based on the challenge identified in the Partnership Agreement. This prioritisation of the agglomerations is still missing in the Partnership Agreement.
- (34) Better reflection of waste hierarchy would be welcome, supported by information on how waste prevention and re-use will be promoted. The links to the National Waste Prevention Programme need to be explained.
- (35) The part on landscape, biodiversity, ecosystems and habitats needs to be revised. Currently it is still quite fragmented and contains descriptive information that does not lead to any identification of needs (e.g. p. 35 of the Lithuanian language version of the Partnership Agreement).
- (36) In addition to the requirements of the Water Framework and the Nitrates Directives, reference should also be made to the Sustainable Use of Pesticides Directive.
- (37) Soil remediation actions, especially in terms of regeneration of brownfield sites, should be better reflected. The information on the urban sprawl and failure to make use of the conversion potential does not lead to specific results for the ESIF, therefore the intervention logic and the links with identified development requirements need to be better substantiated.
- (38) The Partnership Agreement could refer to the Helsinki Convention (HELCOM) as a means to address many different aspects of marine ecosystem health.
- (39) The Partnership Agreement states that the key challenge in preserving landscape and biodiversity, territorial complexes and objects of natural and cultural heritage is 'their proper compatibility with the population's daily life and economic activities'. This statement should

be reformulated to clearly spell out that such compatibility will be achieved by respecting environmental requirements and the principles of sustainable development.

TO7: Promoting sustainable transport and removing bottlenecks in key network infrastructure

- (40) Point 1.1.2.2.1 of the Partnership Agreement on the challenges in the transport sector needs to be substantiated by an additional analysis, namely (i) the missing assessment of the North-South connection hindering the completion of the single market and Single Transport Area needs to be included; (ii) the analysis on inland waterways and (iii) on air transport is lacking in substance and needs to be provided. More comprehensive analysis (including key statistical data and explanation of the trends) should be provided to illustrate the current situation and to identify challenges, development trends and opportunities (e.g. plans to attract more passengers and cargo) in order to justify the need and economic rationale of the planned investments for inland waterways and airports.
- (41) As regards transport, the whole array of investment opportunities is currently listed. However, the hierarchy of problems should be presented more clearly, including indicating which areas will be tackled from national resources. The prioritisation should take into account the Commission's priorities as presented in the CPP:
- Railways should be the first priority and account for the majority of the funds (>50%) allocated to transport infrastructure under TO7 from the ERDF and the CF, including the funding through the Connecting Europe Facility (CEF), with a specific focus on a new 1435 mm Rail Baltica. The investments in railways should reflect adequate standards for ensuring attractiveness to passenger and freight traffic, electrification and the development of the European Rail Traffic Management System.
 - Adequate levels of funding must also be identified to ensure multimodality through investing into intermodal platforms and port-rail interconnections.
 - Investments in roads, other than local roads referred to under point (43) below, should be limited to the trans-European transport network (TEN-T) lines and immediate connections to TEN-T network, with priority given to the elimination of bottlenecks, notably bypasses around cities, and safety measures to reduce traffic accidents.
 - Investments in airports must be limited to investments related to environmental protection or accompanied by the investments necessary to mitigate or reduce their environmental impact and restricted to TEN-T core airports, provided that commercial financing of those investments is not possible.
 - Aerodromes and non TEN-T (sea)ports, like Sventoji port, shall not be considered for ESIF financing as they are not considered to materially contribute to the relevant policy objectives of promoting sustainable transport and removing bottlenecks.
- (42) A clear commitment is necessary in the Partnership Agreement to assure that future investments in transport infrastructure will be properly maintained in order to avoid further deterioration of the existing infrastructure, and to assure sustainability of the new and/or rehabilitated ones.
- (43) Investments in roads of local importance should not be financed from the ESIF in Lithuania. Only in the exceptional cases, when such roads constitute a specific action directly contributing to the regeneration of a deprived urban or rural community area and are

envisaged in an integrated development plan, the investments might be considered. A definition of what is meant by regional or local roads should be included in the Partnership Agreement to provide assurance and conformity with the scope of the ESIF in this area. Lithuania has indicated that it envisages such support under the EAFRD in rural areas and under the ERDF via integrated territorial investments (ITI) in urban areas. In this context, Lithuania is requested to undertake in the Partnership Agreement that the envisaged EAFRD support for local roads under TO9 will be targeted on those areas where it can deliver improved connectivity between rural areas and the wider transport network, and where potential contribution to local economic development can be maximised.

- (44) Lessons learned from 2007-2013 transport investments should be better explained (only bypasses are mentioned in the Partnership Agreement).
- (45) Links with the EUSBSR are missing in the part on analysis. It is very important to ensure this linkage as Lithuania coordinates the priority area for transport in the Action Plan of the EUSBSR. Accordingly, the consistency of chapters 1.3 and 3.1.4 with the analysis should also be ensured.
- (46) Please indicate the main strategic objectives to ensure energy supply and risk safeguards in relation to the various sources of energy or transmission modes of energy, electricity, gas and other. The main connections of the electricity networks (key supplier and synchronisation) and the interaction with RES sources need to be specified.
- (47) In relation to the planned investments to increase RES uptake in the grids, there should be a clear distinction, combined with an appropriate needs analysis, between the investment needs for the distribution networks for electricity and district heating and/or smart grid infrastructure under TO4 and those investments that fall under broader energy infrastructure reinforcement priorities under TO7. Equivalent needs analysis is required for gas infrastructure investments and their relevance to objectives in the areas of energy efficiency and renewable energy.

TO8: Promoting employment and supporting labour mobility

- (48) Lessons learned from 2007-2013, especially regional development-related investments, should be presented in the Partnership Agreement. In addition, there should be a direct and clear link with the change and/or continuation of the policy choices. The current version of the Partnership Agreement only includes the reference to the Entrepreneurship Promotion Fund, which is presented just as a fact, without any assessment on what should be continued and what should be modified.
- (49) The Partnership Agreement text should clearly set out how the Youth Employment initiative (YEI) should be delivered by making reference to the National Youth Guarantee Implementation Plan (the quality of which should be improved in line with the Commission comments provided during the bilateral meeting of 11 February 2014).
- (50) The Partnership Agreement should be consistent with the YEI and set the age groups that are eligible under the initiative (the age groups 14-29, 15-29, and below 29 and 30 are mentioned). The Commission suggests using the same wording in all parts of the document, i.e. 'under the age of 30'.
- (51) In order to ensure the right skills and qualifications related to the blue economy, a reference to the blue growth sector should be added.

TO9: Promoting social inclusion and combating poverty

- (52) With regard to investments in social and health infrastructure, the long-term mapping showing the 2007-2013 investments and plans for 2014-2020, as part of an overall strategic framework for an accessible, sustainable and cost-efficient social and health system, together with assessment of its contribution to the set objectives, is crucial and should be made available to the Commission, together with the revised programming documents. The demographic trends should be taken into account as an important aspect of strategic planning. The proposed investments form part of an integrated approach with ESF actions.
- (53) Concerning social inclusion, Lithuania should make a reference to the principles of the Social Investment Package (COM(2013) 83 final) linked to the three pillars of active inclusion, i.e. a clear policy and strategy should be defined to ensure adequate income support, inclusive labour markets and an enabling, integrated service delivery to all citizens, but also specific support for the population targeted by poverty and social inclusion policies.
- (54) A specific reference should be also made to the voluntary quality framework for social services adopted by the Social Protection Committee (SPC/2010/10/8 final), which offers policy guidance on the design of quality social services, aiming at responding to a growing interest among public authorities, service providers, social partners, users and other stakeholders in the debate on the quality of social services, as well as for a greater accountability for public spending.

TO10: Investing in education, skills and lifelong learning

- (55) The part on analysis should be enriched by the main achievements during the period 2007-13 in each level of education, assessing investment policy in previous programming periods – what was successful, what was not, what should be continued, what should be adjusted and how, taking into account the expected changes. Currently the text only includes a few sentences on past experience in vocational education and training (with regard to ERDF investments) and on adult learning (with regard to ESF investments).
- (56) The Partnership Agreement should state a clear commitment to enhance the effectiveness of apprenticeship schemes in Lithuania, linking it to the implementation of the corresponding CSR. Currently the text only mentions apprenticeship as one of the adult learning forms and as an element of the youth guarantee but with no emphasis on quality.
- (57) The Partnership Agreement should refer to information and communication technology (ICT) education and teachers' digital competencies. It should recognise the need to offer specific curricula in vocational and higher education in order to respond to the needs of the students and industry, and to ensure a better recognition of qualifications across countries by stimulating the take-up of a European certification scheme for digital skills.
- (58) With regard to investment in education infrastructure, the long-term mapping showing the 2007-2013 investments and plans for 2014-2020, as part of an overall strategic framework for an accessible, sustainable and cost-efficient education system, is crucial and should be made available to the Commission, together with the revised programming documents. The demographic trends should be taken into account as an important aspect of strategic planning. It should cover all levels of education where the ESIF investment is planned and provide an assessment of the (achieved/planned) contribution of this investment to improve education quality.

1.2. Summary of *ex-ante* evaluation

- (59) Results of the *ex-ante* evaluation, presented in chapter 1.2 of the Partnership Agreement, should provide more evidence-based information to substantiate the conclusions made, particularly in relation to:
- the contribution to the Union Strategy for smart, sustainable and inclusive growth (including a contribution to the headline targets);
 - the internal coherence of interventions and consistency between needs and objectives, as well as consistency with the main results per fund with selected strategic result indicators (intervention logic);
 - the consistency of budgetary resources with the objectives.
- (60) For those programmes where the *ex-ante* process is still ongoing, the text should be updated in the next version of the Partnership Agreement if new relevant elements emerge.

1.3. Selected thematic objectives and investment priorities

TO2: Enhancing access to and use and quality of ICT

- (61) It is not clear from the Partnership Agreement text how the planned investments in broadband infrastructure in rural areas will be shared between the ERDF and the EAFRD. In chapter 1.1.2.1.4 it is indicated that some 50% of targeted broadband connections in rural areas were realised by the EAFRD under the current RDP (400 'objects'). Is financing envisaged under the EAFRD in 2014-2020 for the remaining 400? Will this be at next-generation access (NGA) speeds?
- (62) The expected results for the EAFRD seem to focus primarily on broadband infrastructure. Lithuania is asked to specify whether investments will be in fixed or mobile infrastructure, and to reconsider the need for ICT applications to help develop economic potential in rural areas, or measures to support training and promote digital competence among farmers and the rural population, as proposed in the CPP. In addition, the Partnership Agreement should indicate how the envisaged investments will contribute to the demand side in order to ensure higher Internet penetration.

TO3: Enhancing the competitiveness of SMEs

- (63) The expected results of the EAFRD are missing as regards the use of financial instruments and need to be provided.

TO4: Supporting the shift towards a low-carbon economy in all sectors

- (64) Please note that infrastructure for smart electricity distribution, storage and transmission consists of 'smart grids' as defined in Regulation 347/2013/EU on the Guidelines for trans-European energy infrastructure: 'an electricity network that can integrate in a cost-efficient manner the behaviour and actions of all users connected to it, including generators, consumers and those that both generate and consume, in order to ensure an economically efficient and sustainable power system with low losses and high levels of quality, security of

supply and safety'. Investments in developing and implementing smart distribution systems should comply with this definition. Investments in smart grid infrastructures for low and medium voltage levels could be supported under TO4, while those for high voltage levels should fall within the scope of TO7.

- (65) While promoting the installation of combined heat and power (CHP) in industrial enterprises, the Partnership Agreement should explicitly refer to high-efficiency CHP as indicated in Article 5(4)(g) of the ERDF Regulation.
- (66) Please clarify the EAFRD expected results related to forest environment measures under TO4. The current text appears contradictory ('Considering the importance of forest environmental measures, the 2014-2020 programming period will introduce measures for wood biomass, which is not used for biofuel production yet. By 2020, these measures should increase the annual volume of logging waste and fine non-liquid wood used for biofuel production up to 500 000 m³.'). In view of the considerable amounts of wood foreseen to be used as biomass for energy uses, please note that sustainable forest management should be assured, and a balanced approach as regards all forest functions (environmental and socioeconomic) should be the basis of the actions.
- (67) As regards the actions to reduce energy intensity and to improve resource efficiency, the Partnership Agreement could refer to the expected results relevant to the improvement of enterprises' competitiveness.
- (68) The building of new roads and reconstructing existing ones in the context of noise prevention is clearly out of the scope of support within TO4. The expected results for noise management should consequently be clarified. They should not result from 'stand-alone' actions but constitute a part of road projects and should be moved to TO7 where appropriate.
- (69) A more clear description must be provided on the main strategic principles on which the Sustainable Urban Mobility Plans will be based and what the expected results will be in terms of mobility and reduction of GHG emissions. A global view of the key strategic principles needs to be provided, taking into consideration the different transport systems.

TO5: Promoting climate change adaptation and risk prevention and management

- (70) The challenges related to air quality would logically fall within TO6 instead of TO5. These challenges and the corresponding responses involving the ESIF will need to be analysed and explained.
- (71) The expected EAFRD results need to be more clearly focused on climate change adaptation (some are currently focused on climate change mitigation). Lithuania is invited to reconsider soil management (i.e. practices to prevent soil degradation and depletion of soil carbon stock), as proposed in the CPP and the Commission service's informal observations dated 8 October 2013, or to confirm that there are no related needs.
- (72) Risk management measures should be moved as a funding action/expected result under EAFRD from TO5 to TO3 as these are economic instruments (mutual funds, insurance) to protect farmers from risk (see mapping for EAFRD priority 3(b) in annex to the Partnership Agreement template).

TO6: Protecting the environment and promoting resource efficiency

- (73) The Partnership Agreement refers to investments in cultural heritage to contribute to integrated regional growth and the stimulation of economic and social activities. Article 3(e) ERDF Regulation specifies that 'investment in the development of endogenous potential through fixed investment in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure (...)' may be supported. The Partnership Agreement should therefore indicate that only small-scale infrastructure shall be supported.
- (74) The plans to coordinate economic and regulatory measures on waste management could be further specified so as to spell out the planned actions' relevance to reaching the stated recycling targets. It should also be clarified as to whether measures other than the use of individual waste collection systems and promotion of on-site waste sorting are foreseen.
- (75) The expected EAFRD results for soil quality improvement only refer to compliance with the standards of good agricultural and environmental condition (GAEC), which is a mandatory/baseline requirement for the receipt of many support schemes under the EU common agricultural policy (CAP). The result target should go beyond this, e.g. involving sustainable land management and improvement of soil quality.
- (76) As regards the envisaged EAFRD investments to achieve good status of water bodies, they should also include actions for water quality improvement and should establish a link with the Nitrates Directive and the Pesticides Sustainable Use Directive. In addition, advisory services are incorrectly listed under the expected EAFRD results and should be removed from this TO.
- (77) The expected EAFRD result for protection and development of the "ethnic heritage" is incorrectly placed under the EMFF expected results for TO6 and needs to be clarified.
- (78) TO6 refers only to environmental monitoring and fisheries control data. This would need to be broadened to include maritime spatial planning and the collection of socioeconomic data necessary for its implementation, as well as the integration of maritime surveillance systems. The results (specific to the ERDF/EMFF) should be described.

TO7: Promoting sustainable transport and removing bottlenecks in key network infrastructures

- (79) In chapter 1.3.7, the main expected results in most of the cases are formulated like actions and should consequently be amended to reflect result-orientation.
- (80) The synergy with the CEF has to be further developed. In line with the CCP, a clear reference to the North Sea-Baltic core network corridor and a commitment for the 1435 mm higher speed Rail Baltica project, respecting the relevant technical specifications of interoperability (TSIs), has to be stated in the Partnership Agreement. A short description of the present situation and next steps could be provided, together with information on planned construction activities and indicative funding.
- (81) In relation to the expected results to be achieved with Rail Baltica, the emphasis is put on the interoperability with the EU railway network and the interconnection between the Russian and European standards. However, more detailed specific actions/operations aiming

at modernisation, interconnections and intermodality of the IX B Corridor (Klaipeda-Radviliskis-Vilnius-Minsk) should be provided.

- (82) As stated in the CPP, Lithuania shall ‘tackle the limitations in competition and increase the competitiveness of railway transport’. Therefore, the Partnership Agreement shall include a commitment to ensure the free competition where all rail operators would be able to benefit from EU investments.
- (83) The Partnership Agreement states that a large part of the TEN-T road network needs EU investments in order to comply with the TEN-T requirements. Only a continued modernisation of Via Baltica is identified for roads; however, information on the targeted roads with high traffic intensity, which are to be upgraded to meet the standards applied to the TEN-T network, should be provided in order to obtain a clearer picture of the expected results of these actions. Please indicate the commitment in the Partnership Agreement that the road safety procedures established by Directive 2008/96/EC will be applied to all road infrastructures that will be co-financed by the Union.
- (84) Regarding investments in ports, it should be noted that EU Funds can support only investment projects, including in ports, which can clearly demonstrate through a cost benefit analysis (CBA), that they are desirable from an economic point of view and financially viable. Furthermore, the use of cohesion policy resources to support investment in port infrastructure operating on competitive markets should be avoided because commercial financing can be used. The wider impact on the distribution of traffic between ports should be considered before the merits of investment at a particular location can be assessed. This is because investment in one port may result in diverting traffic from another and – eventually – in the decrease of regional economic efficiency and welfare. Moreover, the requirement to dredge the main entrance channel at Klaipeda State Seaport should be considered in relation to the sustainable development of the port's facilities in support of blue growth and should only be done after a full environmental assessment has been carried out.
- (85) As regards electricity grids and gas infrastructure, the Partnership Agreement should refer explicitly to smart energy distribution, storage and transmission systems in order to make a clear distinction between simple renovation and modernisation (which cannot be co-funded).

TO8: Promoting employment and supporting labour mobility

- (86) Observations provided in points (43) and (73) should be taken into account for the investments under ITIs and sustainable urban development (SUD). This commitment should be stated in the Partnership Agreement.

TO9: Promoting social inclusion and combating poverty

- (87) The fourth paragraph in the section on the results to be achieved by the ESF investments includes a long list of actions, but lacks any reference to the expected results. Therefore, the Partnership Agreement text should be completed by including the expected results, e.g. actions that would allow children from at-risk-of-poverty or social exclusion families to develop their skills and to successfully achieve the highest possible educational attainment.

- (88) Actions promoting employment for older people should also cover measures for the support of healthier working lives and the promotion of innovative accessible and older worker-friendly forms of work organisation.
- (89) The upgrading of skills and training in the healthcare sector to meet the requirements of older patients should be included in the Partnership Agreement in line with the CPP.
- (90) Please clarify for the EAFRD what type of investments are envisaged for drinking water supply and wastewater treatment services for rural areas below 200 inhabitants, and whether all similar types of investments in larger settlements are to be supported by the ERDF. The new population threshold introduced for the EAFRD appears low and does not fit with the priorities of the Urban Wastewater Treatment and Drinking Water Directives. Therefore, the Commission requires further clarification/justification to ensure that such investments, e.g. in collective systems for wastewater, would be economically justifiable.

TO10: Investing in education, skills and lifelong learning

- (91) The expected results related to active-ageing populations should express a result and not an activity. Activation and lifelong learning measures mentioned in the text could, for instance, increase the employability of this group or its participation in lifelong learning activities.
- (92) The text related to the working conditions of scientists and other researchers (section 1.3.10) should make a clear reference to the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.

TO11: Enhancing institutional capacity and ensuring an efficient public administration

- (93) The expected results under TO11 need to be more specific and focused, and address the quality of civil justice more clearly. In addition, the description of expected results should also include an explanation on how e-government measures under TO2 will supplement measures under TO11 so as to achieve the overall strategic goals of public administration reform.
- (94) The Partnership Agreement should mention that the ESF, where relevant, will support general and specific national anticorruption initiatives on the basis of recommendations established in the framework of the EU anticorruption reporting mechanism for periodic assessment.

1.5. The application of horizontal principles and policy objectives

1.5.1. Partnership

- (95) Please provide information on the main results of the consultation with partners (e.g. significant concerns, comments and recommendations raised by the partners or cases where strategic choices for the Partnership Agreement were influenced by the partners). The current text of the Partnership Agreement is insufficient on this point.

1.5.3. Sustainable development

- (96) The text on sustainable development is unbalanced. Most of it refers to the OP, and only the last two paragraphs relate to the EMFF and EAFRD programmes. Moreover, a great part of the text of the OP could be applicable to all of the ESI funds. Please revise the chapter on sustainable development by focusing primarily on what is valid to all of the ESI funds and signalling any specifics as per the ESI Fund, where they exist.
- (97) Please note that this chapter should not be a mere synthesis of the Partnership Agreement in terms of planned measures under TO4, TO5 and TO6; rather it should present the specific additional horizontal measures (such as project selection criteria that take into account sustainable growth aspects, green public procurement, inclusion of life-cycle approaches during programming and uptake of the CO2MPARE carbon management tool under the Operational Programme).

2. ARRANGEMENTS TO ENSURE EFFECTIVE IMPLEMENTATION

2.1. Arrangements ensuring coordination between the ESI Funds and other Union and national funding instruments and with the EIB

- (98) As concerns arrangements ensuring coordination between the ESI Funds and other Union and national funding instruments and with the European Investment Bank (EIB), the strategic choices of Lithuania in defining concrete intervention areas of those programmes to ensure complementarity are missing and should be provided. Mechanisms and structures to coordinate the investments or avoid duplication of efforts should be further elaborated.
- (99) In the Partnership Agreement text, Lithuania refers to a more detailed map of the compatibility and demarcation measures of the ESIF which will show exactly how the ESIF contribute to the implementation of thematic objectives and how they are compatible when striving for complementarity. If such a map is already available, it could be provided as an annex to the Partnership Agreement; if not, please specify when this map will be available.
- (100) The first pillar of the CAP (the European Agricultural Guarantee Fund) is missing from Table 3 and needs to be added to the list of relevant EU financial instruments with which the ESIF needs to be coordinated.
- (101) In 2.1.1 it should be explained how the ESIF will be used in a complementary and coordinated way to unlock the potential for maritime growth.

2.3. Summary of the assessment of the fulfilment of applicable *ex-ante* conditionalities

- (102) In relation to the *ex-ante* conditionalities, the Commission makes a preliminary assessment of the self-assessment provided by Lithuania, without prejudice to a final assessment upon the submission of the programmes by Lithuania. According to Article 19(2) CPR for the *ex-ante* conditionalities not fulfilled at the date of submission of the Partnership Agreement, the relevant action plans should be included.
- (103) Lithuania has indicated certain *ex-ante* conditionalities (EAC) as not met (1.2, 2.1, 2.2, 9.2, 10.4 and general EAC 7) or partially met (1.1., 6.2, 7.1, 7.2, 7.3, 7.4, 8.4, 8.5, 9.3, 10.1 and 10.3) and has provided an action plan. The Commission appreciates Lithuania's substantial efforts to meet the EACs. We note that the majority of EACs are envisaged to be

fulfilled by May 2014 (i.e. before the expected date of the adoption of the Partnership Agreement), therefore the Commission is looking forward to receiving updated information on the EACs' implementation in the revised Partnership Agreement.

(104) Although the self-assessment of applicability of the three EAFRD-specific *ex-ante* conditionalities is now provided in Annex 5, it should be indicated (e.g. in the last column 'Explanations' of the self-assessment table) that the applicable national legal acts will be revised in 2015 following entry into force of the new baseline requirements under the CAP reform.

(105) There is no self-assessment of applicability of the water sector EAC No 6.1 to the 'sectors supported by EAFRD' (see Annex V of EAFRD regulation, where formulation is different to CPR). This is due to a technical issue in the structured tables available in System for Fund Management in the European Community (SFC) at the time of the official submission of the Partnership Agreement, which should be resolved shortly.

Smart specialisation

(106) 1.1. Research and innovation and 1.2. Research and innovation infrastructure. According to the Commission assessment, the full set of criteria (except SWOT) is not met. The missing elements are also recognised by Lithuania. The Commission stresses the importance of fulfilling these criteria. Lithuania plans to develop such a system by April 2014. With respect to the comprehensiveness and importance of this exercise the Commission urges Lithuania to ensure that the deadline provided in the action plan is realistic and feasible.

Digital growth and NGA

(107) 2.1. Digital growth. Lithuania recognises that the conditionality is not met and envisages an amendment to the Lithuanian Information Society Development Programme for 2011-19 by the end of February 2014. The Commission expects Lithuania to update programming documents, taking into account these amendments.

(108) 2.2. Next-generation network (NGN) infrastructure. The EAC is not met but the action plan indicates building a framework for the promotion of broadband infrastructure development and services (by the end of June 2014) and the adoption of the NGA plan by September 2014, thus specifying how Lithuania will meet the Digital Agenda targets concerning broadband and NGN.

Competitiveness of SMEs

(109) 3.1. Small Business Act (SBA). Taking into account the additional information provided by Lithuania, the Commission services agree with the fulfilment of the *ex-ante* conditionality.

Transition to low-carbon economy (energy efficiency and RES)

(110) 4.1. Energy efficiency. Lithuania considers all the criteria to be fulfilled. Full transposition of the Energy Performance of Buildings Directive 2010/31/EU has been notified. The legislative package is currently under assessment by the Commission services. During the preliminary assessment it was observed that there were potential gaps in transposition, mainly of Articles 4 and 11. Additional clarification is needed.

(111) 4.2. High efficiency co-generation and 4.3. Renewable energy. The EACs are fulfilled.

Climate change and risk prevention

- (112) 5.1. Risk prevention and risk management. Lithuania considers the EAC to be fulfilled. The Commission agrees with this assessment. However, a technical error in Annex 2 (link to the publication of the National Risk Assessment) shall be corrected.

Environment acquis

- (113) 6.1. Water sector. Lithuania considers the EAC to be fulfilled. The Commission cannot agree with this assessment and considers criteria 1 as partially fulfilled. Please provide an action plan on how incentive water pricing recovering costs of water services in the domestic sector will be introduced in the sectors which are covered by the ERDF and CF.
- (114) 6.2. Waste sector. Lithuania envisages the adoption of the National Waste Management Plan for 2014-20 by July 2014. Please note that the adopted plan shall be in conformity with Articles 28 and 11(2) Directive 2008/98/EC.

Transport

- (115) 7.1. Road, 7.2. Rail, 7.3. Other modes of transport. Lithuania recognises that the conditionality is partially met; however, the Commission considers the EAC 7 as not fulfilled. Please note that the adopted National Transport Development Programme 2014-2022 (transport plan) has to be accompanied by the action plan, which defines the specific measures, preliminary financial needs for these measures and the responsible institutions. A realistic and mature pipeline for transport projects for all modes of transport should be provided to ensure prioritisation for the ERDF and CF investments, at least during the period 2014-2020 (indicating dates for feasibility studies, a cost-benefit analysis, environmental impact assessment (EIA) procedure, procurement and permission procedures, and for potential state aid notification). Besides, the Commission asks the Lithuanian authorities to provide an adequate description of the measures so as to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.
- (116) Also, the Commission would like to highlight the following elements that are missing or are not correctly addressed in transport plan:
- The analysis of the current situation should clearly describe the existing context (national background, transport system – supply and demand, including a realistic potential demand evolution), including a final SWOT analysis.
 - The objectives of the transport plan must set national priorities. The objectives should be translated into measures (a measure can answer to more than one objective). Example of measure: Rail Baltica (for North-South corridor) or improving the railway on the East-West corridor.
 - A potential list of projects should be identified. Between the list of objectives and the final list of projects, a logical process needs to be described and followed (methodology – for instance multi-criteria, with listed and weighted criteria, and marks).
 - The result should be a ranked list of projects. The funding of the projects (by order of priority) needs to be determined based on available CEF, CF, ERDF or other financing.
 - The condition of contributing to the completion of the Single European Transport Area consistent with Article 10 of the TEN-T Guidelines is not fulfilled: the transport plan lacks analysis of how the issue of missing cross-border links will be tackled; the North-

Sea-Baltic core network corridor and its main cross-border project 1435 mm Rail Baltica from Tallinn to Warsaw are not analysed; there is no prioritisation of investments on TEN-T core and comprehensive networks where ESIF and the CEF are envisaged.

- As was stated in the CPP, the transport plan should include ‘an explicit chapter on railway development, which contains an appropriate prioritisation of investments in the core TEN-T network, in the comprehensive network and in secondary connectivity’. This is not fulfilled.
- Objective 1 does not cover issues on interoperability, namely the European Rail Traffic Management System (ERTMS) (not corresponding to Article 10 of TEN-T Guidelines).
- Regarding Objective 4 on energy efficiency in transport, the prioritised actions are missing and only very general goals are stated.
- The CPP has raised an issue of degenerated public transport fleets and missing integrated passenger transport development strategies, but the national transport development plan does not cover the issue of renewal of public transport fleet or the adoption of Sustainable Urban Mobility Plans.
- The CPP states that ‘the transport plan should include chapters indicating necessary coordination arrangements for any cross-border infrastructure’, which is not fulfilled.
- Annex to the plan on ‘criteria for the evaluation of objectives and tasks’ does not cover Rail Baltica (1 – the rail target only takes into account the current lines); connections to Klaipeda port are not taken into account even though discussed under needs (3 – port targets); and the development of cross-border collaboration with the states in the Baltic Sea Region (10) only mentions participation in freight corridor VIII.

(117) The criterion on strategic environmental assessment (SEA) is indicated as fulfilled. However, according to the publicly available report on SEA, the SEA has not been carried out for the adopted transport plan. Please provide clarification.

(118) 7.4. Energy infrastructure. The Commission welcomes Lithuania's commitment to adopt the national energy infrastructure development plan by March 2014 and expects to receive the information as soon as it is available.

Employment

(119) 8.2. Self-employment, entrepreneurship and business creation: the existence of a strategic policy framework for inclusive start-ups. The third criterion of this *ex-ante* conditionality is indicated as fulfilled. The quoted document (Employment Promotion Programme for 2014–2020) sets specific objectives (e.g. that business environments should be improved, investments should be promoted, etc.). The Commission considers that these objectives cannot be considered as ‘actions linking suitable business development services and financial services (access to capital), including reaching out to disadvantaged groups, areas or both, where needed’. Therefore, the criterion in question could only be fulfilled when the concrete actions are set in the inter-ministerial action plan, as provided for in the implementation provisions of the above-mentioned programme or when the Ministry of Economy will adopt the entrepreneurship promotion action plan with the relevant content that is now being prepared (expected to be approved in the first quarter of 2014).

Social inclusion

(120) 9.1. The existence and the implementation of a national strategic policy framework for poverty reduction aiming at the active inclusion of people excluded from the labour market in the light of the employment guidelines. All criteria of this *ex-ante* conditionality are indicated as fulfilled. The Commission considers that the fifth criterion ‘upon request and where justified, relevant stakeholders will be provided with support for submitting project applications and for implementing and managing the selected projects’ is not fulfilled, as the quoted document (*Rules and procedures of the management of OP*) is relevant to the 2007-2013 programming period. Therefore, this criterion could be considered as fulfilled but only when the current provisions are transposed to the 2014-2020 programming period.

Education

(121) 10.2. Higher education: the existence of a national or regional strategic policy framework for increasing tertiary education attainment, quality and efficiency within the limits of Article 165 Treaty on the Functioning of the European Union (TFEU). All criteria of this *ex-ante* conditionality are indicated as fulfilled. The Commission considers that the quoted documents do not confirm that the last criterion ‘reduce gender differences in terms of academic and vocational choices’ is fulfilled, as the quoted documents are not relevant to the reduction of gender differences – they are relevant to career guidance in general, changing the share of students in social and technical sciences, promoting the choice of study programmes relevant to the labour market, etc. (regardless of whether the students are male or female). Therefore Lithuania should either provide links to other documents reflecting gender equality policy in higher education or set appropriate measures in the action plan.

General ex-ante conditionalities

(122) Lithuania indicates fulfilment of the general EACs 1 to 6; however, the Commission has a different opinion of the following EACs:

- General *ex-ante* conditionality 1 – anti-discrimination. The Commission cannot agree that the second criterion (‘arrangements for training for staff of the authorities involved in the management and control of the ESIF in the fields of EU anti-discrimination law and policy’) is fulfilled as there is no information provided on this. Lithuania should therefore assess the fulfilment of this criterion and provide links to the relevant documents. If the self-assessment reveals that this criterion is not fulfilled, Lithuania should prepare the corresponding action plan (the training can be covered by the technical assistance priority axis of the Operational Programme).
- General *ex-ante* conditionality 6 – EIA and SEA. The Commission cannot agree on the fulfilment of EAC 6 because the criterion on environmental legislation is not fulfilled without a long-term EIA and SEA capacity development programme. The evidence of a capacity development system for EIA and SEA can only be an approved comprehensive action plan at national level, which has been adopted by an institution that holds the responsibility to implement, maintain and develop the said system.

(123) General *ex-ante* conditionality 7 on statistical systems is indicated as not fulfilled. The text should take into account more specifically and explain the actions that are to be taken to

meet the requirement set by Article 125(2)(d) CPR to 'establish a system to record and store in computerised form data on each operation necessary for monitoring, evaluation [...], including data on individual participants in operations, where applicable'. Please also specify the deadline for implementation of the action by giving a concrete date (not the range).

- (124) General *ex-ante* conditionality 4 – public procurement. Overall, the Commission agrees with Lithuania's self-assessment regarding the fulfilment of the relevant *ex-ante* conditionality; however, the Lithuanian authorities should be reminded that the revised directives on public procurement provide for a gradual transition to mandatory e-procurement starting in 2016. Thus, the Lithuanian authorities are urged to prepare a national strategy for a timely and efficient transition of end-to-end e-procurement, setting out the specific objectives to be achieved, the processes to be followed, and the milestones and indicators.
- (125) General *ex-ante* conditionality 5 – state aid. Overall, the Commission agrees with Lithuania's self-assessment regarding the fulfilment of the relevant *ex-ante* conditionality and requests the integration of additional information on and explanations of self-assessment to Annex 2.

2.4. Methodology and mechanism to ensure consistency in the functioning of the performance framework

- (126) The actions enumerated to address problems concentrate too much on the reallocation of finances rather than on tackling the underlying causes of problems. The role of *ad hoc* process evaluations or other analyses to assess the problems encountered and suggested solutions should be made more prominent.

2.5. Assessment of the need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and the beneficiaries

- (127) Please indicate the number of staff involved in the management and control of the programmes of the ESIF and whether this is considered to be sufficient. Please clarify whether staff turnover is considered to be a problem for the effective administration of the programmes and how you plan to address this issue.
- (128) Please explain if there will be new institutions involved in the administration of ESIF which have no such previous experience. If yes, please clarify how their need for administrative capacity is going to be addressed.
- (129) The Commission expects managing authorities to adopt a proactive, structured and targeted approach to managing the risk of fraud. This is based on Article 125(4)(c) CPR regulation, which obliges managing authorities putting 'in place effective and proportionate anti-fraud measures taking into account the risks identified'. There are several new guidance materials and tools developed by the Commission and their applicability to the national/regional context should be given consideration.
- (130) Where the text in chapter 2.5.1 refers to administrative capacity building in horizontal issues, notably public procurement, it needs to clarify whether the information provided applies to all ESIF. If not, adequate information on strengthening administrative capacity in public procurement needs to be added for other ESI funds, including the EAFRD.

2.6. Summary of the actions planned in the programmes to achieve a reduction in the administrative burden for beneficiaries

(131) An indicative timetable for the achievement of a reduction in the administrative burden on beneficiaries as required by Article 15(1)(b)(vi) CPR regulation is missing and shall be provided.

3. ARRANGEMENTS TO ENSURE AN INTEGRATED APPROACH TO THE USE OF THE ESI FUNDS FOR THE TERRITORIAL DEVELOPMENT OF SPECIFIC SUB-REGIONAL AREAS

3.1. Measures towards ensuring integrated development of the territories

(132) Please clarify the use of ESF in urban areas: in the Partnership Agreement (EN version) on p. 141, EUR 15 million of ESF is estimated for community-led local development (CLLD) in urban areas; in table 11 (p.145) EUR 13.5 million of ESF is estimated for ITIs; and in table 12 (p.146) EUR 6 million of ESF is estimated for SUD. Please clarify how these amounts relate to each other.

(133) Given that the proposed provisions appear to envisage potential for the territories of ITIs, LEADER local action groups (LAGs) and fisheries' local action groups (FLAGs) to overlap, appropriate coordination mechanisms should be outlined in the Partnership Agreement to ensure that complementarity and synergies between the respective local strategies are maximised.

3.1.1. Community-led local development (CLLD)

(134) In the Partnership Agreement (EN version) p.139, it is stated that CLLD is a mandatory part of ITI for territories of integrated sustainable urban development. Consideration needs to be given to the likely size of these ITIs and the minimum size of CLLD areas – there is a risk that they will be too similar in terms of size.

(135) Please clarify the meaning of 'territories of transitional period'.

(136) The Partnership Agreement text, as currently formulated, appears to encourage re-selection of existing LAGs under rural development, and should make it clearer that any new LAG is not excluded from applying for support. Please review the Partnership Agreement text in this respect (i.e. description of rural CLLD territory).

(137) As regards CLLD under EAFRD, justification is missing for the derogation for certain small LAGs in rural areas below the minimum threshold of 10 000 inhabitants. The existence of such LAGs in the 2007-13 period is not *per se* a justification; focus could, for example, rather be on low-population density (subject to a sufficient critical mass to draw up and implement a LAG strategy).

3.1.3. Sustainable urban development

(138) Please correct the calculations provided in the table in chapter 3.1.3; percentage should be calculated from each fund's (the ERDF and ESF) allocations (not from the total ESIF allocations).

(139) It is stated that cities are responsible for the initial selection of projects. Please clarify what is meant by ‘initial selection’.

3.1.4. ETC, areas of co-operation and EUSBSR

(140) The preparation of the ETC programmes seems not to be fully finalised yet. The consequence is that the Partnership Agreement is not clear enough about the links between the operational programmes for the Investment for Growth and Jobs and for the European Territorial Co-operation. The Commission expects this chapter to be improved in the revised Partnership Agreement.

Editorial and technical comments:

(141) On p. 118 of the Partnership Agreement, ‘Marie Curie Research Fellowship Programme’ should be replaced by ‘Marie Skłodowska-Curie actions’.