



Agence canadienne de
développement international

Canadian International
Development Agency

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Our File

Project No.: Z250004

February 1, 2005

Mr. Rokas Bernotas
Director of Multilateral Relations Department
Ministry of Foreign Affairs
Republic of Lithuania

Subject: Letter of Arrangement between the Ministry of Foreign Affairs of Lithuania and the Canadian International Development Agency to jointly fund Trilateral Development Cooperation projects

Dear Mr. Bernotas,

I have the pleasure to confirm that the Canadian International Development Agency (CIDA), on behalf of the Government of Canada, is prepared to participate with the Ministry of Foreign Affairs of Lithuania (MFA) in the joint sponsorship of development assistance projects selected by the MFA as part of its Development Cooperation program.

This Letter of Arrangement between CIDA and the MFA of Lithuania is not an international treaty. It refers to, and is in full accord with, the Memorandum of Understanding (MOU) between the MFA and CIDA concerning the Official Development Assistance in Central Europe Program (ODACE) signed on April 16, 2004. The purpose of this Letter of Arrangement, together with Annexes A and B, is to elaborate on and provide specific direction with respect to Trilateral Programming and Funding.

The total CIDA contribution will be in the amount of up to *five hundred thousand Canadian dollars \$500,000 CAD*. For each project approved for funding by the MFA and endorsed by CIDA, CIDA will provide matching funding on a 50/50 basis with the MFA. Any deviation from this funding formula will be subject to negotiation between CIDA and the MFA.

CIDA will continue to fund approved projects for all expenditures incurred up to and including November 25, 2007, or the end date of the ODACE Program, whichever occurs later. The terms of this Arrangement will remain in effect for a period of six months following the above end date.

Two signed originals of this Letter of Arrangement together with Annexes A and B are being forwarded for your counter-signature.

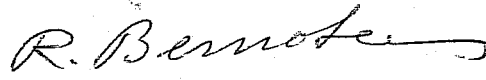
Yours sincerely,

ACCEPTED ON BEHALF OF THE MFA


Mr. Jean-Marc Métivier

Vice President
Central and Eastern Europe Branch
Canadian International Development Agency


Date


Mr. Rokas Bernotas

Director of Multilateral Relations Department
Ministry of Foreign Affairs
Lithuania


Date

Canada

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1. Program

- 1 The MFA will utilize the Contribution exclusively for the purpose of the Program as set out herein and in Annex B.
- 2 The MFA will manage and supervise the Program and will keep CIDA informed of its progress.
- 3 The MFA will administer the Contribution in accordance with its rules and procedures.
- 4 The MFA will enter into such arrangements with the other donors and recipient countries as are necessary for the implementation of the Program.
- 5 CIDA's contribution under this Arrangement will be used exclusively for program funds for approved trilateral projects. All direct operating costs (salaries, travel, etc) will be paid from the MFA contribution.
- 6 Except as otherwise determined by CIDA, the MFA will return, through CIDA, to the Receiver General for Canada, any portion of the Contribution which is not disbursed or not accounted for six months following the date of expiry or termination of this Arrangement.

2. Project Selection Procedures

The MFA is responsible for approving projects to be submitted to CIDA for joint funding. These projects will be selected on the basis of jointly agreed criteria and through a process that is seen to be fair and transparent. Those submitted for trilateral funding will reflect the advice of the Canadian Field Advisor and/or designated consultants. The request for matching funding will be made by the MFA in letter format to the ODACE Project Team Leader at CIDA, identifying the projects and their budgetary requirements. Funding approval will be based on a validation of the selection process and confirmation that the projects do not contradict Canadian policies with respect to the recipient country. CIDA's contribution will be confirmed in writing and provided directly to the MFA in amounts and according to timeframes determined jointly.

3. Terms of payment

- 1 CIDA will issue advances in Canadian dollars of its Contribution under this Arrangement in accordance with each round of approved projects. Following CIDA's formal approval of specific projects to be supported for a particular selection round, i.e. the letter from the MFA to CIDA requesting payment, CIDA will issue to the MFA 50% of the estimated budget of each approved project, which will represent CIDA's full share of costs for that round of projects.
- 2 CIDA will deposit the agreed amount in Canadian dollars to the bank account of the MFA as follows:

Bank Name: Lietuvos Bankas

Bank Account Number: LT 091010000000632409

Bank Address: Gedimino pr. 6, LT-01103 Vilnius, Lithuania

Swift: BIC-LIABLT2X

- 3 Any interest earned by the MFA on CIDA advances will be reported to CIDA in quarterly financial reports and will be utilized exclusively for the purpose of the Program.

4. Environmental assessment

- 1 For each project to which CIDA will contribute funds, CIDA will decide whether an environmental assessment is required and will inform the MFA of its decision. The MFA will be responsible for arranging for any such environmental assessment to be performed and will provide CIDA with a full written report of the findings of the assessment. CIDA will not commit to any financial contribution to the specific project before having approved, in writing, the assessment report submitted by the MFA. Such report will include the following detail:
 - i) the environmental effects of the Project, including those resulting from accidents or malfunctions, and any cumulative environmental effects that are likely to result from the Project in combination with other projects or activities that have been or will be carried out;
 - ii) the significance of the effects referred to in paragraph (4.1);
 - iii) comments received from the public, if any;
 - iv) measures that are technically and economically feasible and that would mitigate any significant adverse environmental effects of the project; and
 - v) any other relevant matter such as the need for and alternatives to the project.

5. Reports

- 1 The MFA will provide CIDA with the following documents and reports:
 - a) quarterly progress reports detailing activities undertaken and briefly outlining the progress achieved in relation to each individual project funded under the Program and any other relevant information. Quarterly reports are due within six weeks of the end of each fiscal quarter;
 - b) quarterly financial reports showing commitments and disbursements for each individual project funded under the Program, until the completion of the Program. Quarterly reports are due within six weeks of the end of each fiscal quarter;

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c) a final financial statement within six months of the expiry or termination of this Arrangement certified by the MFA; and

d) a final narrative report within six months of the expiry or termination of this Arrangement detailing major inputs, activities, outputs and effects of the Program and outlining the lessons learned.

- 2 All financial statements with respect to the Contribution will be expressed in Lithuanian litas and Canadian dollars.

6. Monitoring and Auditing

- 1 CIDA may, at its discretion, conduct audits of individual trilateral projects and/or executing agencies within the Program country at its own cost. Executing agencies will be required to retain a complete record of expenditures (including all original receipts) for a minimum of two years after the project is completed.
- 2 Although it is planned that joint monitoring and evaluations will be carried out between CIDA and the MFA, CIDA retains the right to undertake such activities alone, with notification to the MFA.

7. Notice and communications

- 1 Any notice under this Arrangement will be in writing and delivered in person or sent by registered mail or facsimile at the address of either CIDA or the MFA mentioned in this Arrangement.
- 2 Any communication other than a notice under this Arrangement will be in writing and delivered in person or sent by mail, registered mail, facsimile or e-mail at the address of either CIDA or the MFA mentioned in this Arrangement.
- 3 Any notice or communication will be deemed to be received or effective on the day of delivery, if hand-delivered; ten workdays following posting if sent by mail; when acknowledgment of receipt is signed, if sent by registered mail; and one workday following transmission, if sent by facsimile or e-mail.
- 4 Any notice or communication to CIDA will be addressed to:

Canadian International Development Agency

Senior Program Officer, ODACE

International Partnerships Program
Central and Eastern Europe Branch
200 Promenade du Portage, 11th Floor
Gatineau, Quebec, Canada K1A 0G4

Facsimile: (819) 994-1208

Telephone: (819) 994-7418

- 5 Any notice or communication to the MFA will be addressed to:

Ministry of Foreign Affairs of the Republic of Lithuania
Multilateral Relations Department
J. Tumo-Vaižganto g. 2, LT-01511
Vilnius, Lithuania
Facsimile: +370 5 2313090
Telephone: +370 5 2362572, +370 5 2362803

- 6 The address of either CIDA or the MFA may be changed by written notice.

8. Compliance

- 1 CIDA may withhold payment of all or part of the Contribution, or may request reimbursement of any or all payments made pursuant to this Arrangement, should the use of the Contribution not be exclusively for the purpose of the Program, or fail to respect the terms of this Arrangement.

9. Duration

- 1 Either CIDA or the MFA may at any time, by giving ninety (90) days' advance notice, terminate this Arrangement in whole or in part, or suspend it in whole or in part by giving notice. The MFA will have no claim against CIDA other than the reimbursement of costs actually incurred by the MFA until the termination or suspension takes place, less the sums already paid in this regard.
- 2 This Arrangement will come into effect upon the date of the last signature and will remain in effect until November 25th, 2007, or the end date of the ODACE Program, whichever occurs later.

10. General provisions

- 1 This Arrangement may be modified by an amendment signed by CIDA and the MFA. CIDA and the MFA will give full and sympathetic consideration to any proposal to amend.
- 2 This Arrangement will not be assigned by the MFA without the prior written consent of CIDA.
- 3 Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If CIDA's appropriation is changed by the Parliament of Canada, CIDA may reduce the Contribution by notice, or terminate this Arrangement.

OVERVIEW

The overall aim of the Program of Trilateral Projects is to enhance the ability of the Ministry of Foreign Affairs (MFA) and the organization designated by it to deliver successful international development programs and projects, so that they will be able to contribute effectively to increasing the flow of Development Cooperation funding to countries in need. The Trilateral Projects should therefore provide a solid basis of experience, lessons, and confidence upon which the Development community can build for the future.

A wide variety of projects will be eligible for funding, however it is hoped that those proposed will aim to use the comparative advantages they have (including lessons learned from the transition experience), to re-establish or strengthen historical connections, and to draw on relevant Canadian expertise, particularly where this is based on an existing partnership.

Proposed projects should be presented within the context of a planning framework, that identifies priority countries and sectors and that highlights these areas of comparative advantage. Partners will be guided by some of the key lessons learned by the established community of donors with respect to effective international development. These principles are outlined in the following paragraphs.

GUIDING PRINCIPLES

Experience shows it is critical that projects are developed in response to a real need in the recipient country. The project proposal should demonstrate clearly that *local ownership* has been achieved, since it can be an important factor in building *sustainability* in the longer term, including *environmental sustainability*.

Participatory methods are an important way of building local ownership and of ensuring that projects meet the real needs of the poorest and most marginalized members of society, in particular women who tend to be a majority of the most vulnerable. It is therefore recommended that proposals indicate the extent to which participatory methods have been employed in the development of the project and how they will be used throughout its implementation. It is also important to demonstrate that issues related to *gender equality* have been fully considered.

Similarly, *capacity-building and institutional strengthening* play an important role in achieving sustainability. Projects should therefore aim not only to transfer knowledge or to create infrastructure, but also to ensure that the necessary skills, tools, and commitment are in place to enable the activities to continue beyond the closure of the project.

Each proposal should be grounded in a *results-based approach*, which emphasizes and quantifies the anticipated outputs, outcomes and impact of the project, and which indicates how the results will be measured over time. It would be helpful if proposals could also indicate how the planned activities fit alongside and ideally complement the actions of other donors, and how they will create or strengthen *partnership arrangements* within the recipient country and between donors.

SUMMARY

The MFA of Lithuania has agreed to participate in the Trilateral Program as one component of its Development Cooperation Programme. The Trilateral Program is executed and implemented directly by the MFA which is responsible for:

- producing a preliminary assessment of priority countries and sectors of focus for cooperation programs, based on a general understanding of recipient country needs, and of Lithuanian expertise and capacity,
- defining and publicizing general criteria for the submission and selection of project proposals and issuing a call for proposals
- assessing and approving project proposals and, on the advice of the Canadian Field Advisor and/or designated consultants, submitting approved projects to CIDA for matching funding,
- preparing a monitoring and evaluation plan
- establishing and maintaining effective disbursement, financial monitoring, and accounting systems,
- agreeing to a funding formula with CIDA and to receive CIDA's financial contribution,
- organizing disbursements and monitoring expenditures effectively,
- overseeing the implementation of the projects,
- providing timely and accurate narrative and financial reports to CIDA,
- addressing any delivery issues in a timely and appropriate manner,
- working with CIDA on the monitoring, evaluation and audit of projects.

FUNDING PRINCIPLES

Funding under this arrangement for approved projects will be provided jointly by Canada and the Lithuanian MFA. In addition, CIDA is committed to working closely with the MFA on the monitoring and evaluation of projects.

The cost of trilateral projects will be variable. It is expected, however, that the total combined amount of Canadian and Lithuanian contributions to a specific project should neither be less than \$20,000 nor exceed \$1,000,000 CAD.

The total direct costs of projects will be shared equally between CIDA and the MFA. Thus, CIDA contributions are likely to range from \$10,000 to \$500,000 CAD for individual projects. Direct costs include all those associated with the actual delivery of projects in recipient countries but exclude project planning, management and monitoring costs incurred by the MFA, or by CIDA.