Implementation
of the EEA Financial Mechanism 2009-2014
in Lithuania

Strategic Report No.3

Reporting period:
1 January 2013 - 31 December 2013

Prepared by the National Focal Point (Ministry of Finance)
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Audit Authority</td>
</tr>
<tr>
<td>CA</td>
<td>Certifying Authority</td>
</tr>
<tr>
<td>CPMA</td>
<td>Central Project Management Agency</td>
</tr>
<tr>
<td>CC</td>
<td>Cooperation Committee</td>
</tr>
<tr>
<td>DoRIS</td>
<td>Documentation, Reporting and Information System</td>
</tr>
<tr>
<td>DPP</td>
<td>Donor Project Partner</td>
</tr>
<tr>
<td>EEA</td>
<td>European Economic Area</td>
</tr>
<tr>
<td>FMC</td>
<td>Financial Mechanism Committee</td>
</tr>
<tr>
<td>FMO</td>
<td>Financial Mechanism Office</td>
</tr>
<tr>
<td>Grants</td>
<td>European Economic Area and Norway Grants 2009-2014</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HRMI</td>
<td>Human Rights Monitoring Institute</td>
</tr>
<tr>
<td>IFR</td>
<td>Interim Financial Report</td>
</tr>
<tr>
<td>IRA</td>
<td>Irregularity Reporting Authority</td>
</tr>
<tr>
<td>NBF</td>
<td>National Bilateral Fund</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NFP</td>
<td>National Focal Point</td>
</tr>
<tr>
<td>NMFA</td>
<td>Norwegian Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>MCS</td>
<td>Management and Control System</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>PA</td>
<td>Programme Agreement</td>
</tr>
<tr>
<td>PO</td>
<td>Programme Operator</td>
</tr>
<tr>
<td>RAI</td>
<td>Request for additional information</td>
</tr>
<tr>
<td>RDI</td>
<td>Research, development and innovation</td>
</tr>
<tr>
<td>Regulation</td>
<td>Regulation on the implementation of the EEA Financial Mechanism 2009-2014</td>
</tr>
<tr>
<td>SFMIS</td>
<td>Structural Funds Management Information System</td>
</tr>
</tbody>
</table>
1 EXECUTIVE SUMMARY

During the reporting period main tasks of the responsible authorities while implementing EEA Grants 2009-2014 in Lithuania were related to the finalisation of the development of the national management and control system (MCS), approval of the programmes and starting the implementation of the projects.

The appraisal of the remaining programme proposals was finished and programmes were approved by the FMC. Harmonisation procedures on specific aspects of approval of programmes were finalised; Programme Agreements and Programme Implementation Agreements were signed and implementation of the programmes turned into actual implementation stage.

All programmes financed under the EEA Grants are in line with the National long-term (National Development Plan approved by the Government) and sectoral strategies and with highlight to bilateral cooperation element (transfer of knowledge and good practices from Donors countries) are significantly important to Lithuania’s cohesion policy. The EEA Grants supplement the EU funds in the national priority areas and moreover supports socially and economically sensitive niches which otherwise could not be afforded at current economic situation.

Bilateral cooperation at all levels was rather intensive and provided a solid background for achievement of the planned bilateral objectives. Programme Operators and their counterparts from Donor countries effectively co-operated in developing guidelines for applicants as well as implementing joined programmes’ activities and realising initiatives to facilitate partners’ contacts for future joint projects. National Bilateral Fund’s (NBF) work plan developed in a way to provide a platform for increasing mutual political, cultural, professional and academic relations in the key priority areas selected for cooperation: good governance, equal opportunities and social inclusion, academic and research cooperation, cultural exchange and reinforcement of the bilateral elements of the programmes. In 2013 NBF activities were targeted to the Lithuania’s Presidency of the European Council which highlighted Donors’ priority towards promoting fundamental human rights and values, as well as significantly contributing to the increased visibility of the EEA Grants.

During reporting period main national legal acts establishing unified requirements and procedures for management and implementation of programmes and projects were finalised. Detailed description of the MCS which covers centralised level of programmes implementation as well as procedures developed by each PO and horizontal implementing agency was prepared. The developed IT based grants’ accounting and management system, which automated and computerised administrative functions, not only relieve administrative burden and minimize human error chance, but also increases transparency and allows for the controlling institution to get sufficient and timely information on all the processes and persons involved in the programmes’ implementation and decision making.

The main issues encountered during the reporting period, which delayed the start of the actual implementation of programmes, were longer than expected preparation and approval of calls documents as well as insufficient quality of projects’ applications.

The most immediate tasks for the upcoming year should be directed at mitigating the risks arising from the accumulated delays, first and foremost, preparation for project selection and immediate start of implementation of pre-defined projects.
ASSESSMENT OF THE EFFECT OF THE GRANTS

2.1 Cohesion

The underlying Lithuania’s long term-planning document - Lithuania’s Progress Strategy “Lithuania 2030” reflects a national vision and priorities for development as well as guidelines for their implementation by 2030\(^1\). The Lithuanian National Development Programme (NDP) for 2014-2020\(^2\), intended for the implementation of the Lithuania’s Progress Strategy ‘Lithuania 2030’, is aimed at the creation of an advanced, modern and strong state distinguished by the harmony of smart society, smart economy and smart governance. The NDP covers not only the major provisions of the national policy but also the main provisions of the EU policy set forth in Europe 2020 (Smart Growth Sustainable Growth, Integral Growth), and sets out the following five vertical priorities: ‘Development of the society, science and culture’, ‘Active and solidarious society’, ‘Favourable environment for economic growth’, ‘High value-added focuses, integral economy’ and ‘Advanced public governance meeting the society’s needs’, as well as three horizontal priorities, i.e. ‘Culture’, ‘Regional development’ and ‘Health for all’ which can be implemented through vertical priorities.

The NDP provided for compatibility of all financial resources (Structural Funds, Rural Development Fund, the national budget and other international financial assistance) while reaching set country development objectives.

**Country situation analysis, challenges and growth potentials:**\(^3\) from 2004 to 2012, the Lithuanian economy grew by 3.55% per year on average. The economic growth was stimulated by the added-value generated by sectors of construction, real estate, rent, wholesale, retail, transport, warehousing, and by communications enterprises. At that time, export positions of traditional industries strengthened, exports of agricultural produce and food products grew and the share of this production in the total structure of the country’s exports increased and created a positive foreign trade balance. In 2007, a record low unemployment rate was observed standing merely at 4.3%. In 2008, Lithuania’s gross domestic product (GDP) exceeded the record threshold of LTL 122 billion (EUR 35.33 billion) at the prices of that period; the average net pay amounted to LTL 1,651 (EUR 478.16). The share of tangible investments accounted for 23.5% in the GDP structure in 2007.

Lithuania’s rapid economic growth was slowed down by the global financial and economic recession. In 2009, Lithuania’s real GDP reduced by nearly a fifth and the Lithuanian economy suffered the greatest recession since 1993. The global downturn considerably limited possibilities for exports, the consumption of households and private enterprises and investments shrunk in particular. Unemployment started growing – compared to 2007, it grew by 1.5%. In 2010, a record unemployment rate of 17.8% was observed in Lithuania, the average monthly pay reduced. The share of tangible investments in the GDP structure reduced more than twofold from 2007 to 2010. In 2010, this indicator was merely 11.9%.

Signs of the economic recovery have been recorded since 2011 and the Lithuanian economy has been growing for three consecutive years, demonstrating that saving and internal devaluation can be an adequate means for crisis management. However, the growth was rather slow and depended on the situation in the EU and the global economy, as well as other key trade partners. The GDP growth was stimulated by the gross fixed capital formation, which in Lithuania is primarily related to internal investments into civil and engineering structures constructed by the state and state enterprises. The recovering modernisation of production in the private sector and the real net exports

---


of goods and services also contributed to the GDP growth. Since 2011, the growth of tangible investments was observed – they grew by LTL 2.7 billion (EUR 0.78 billion) compared to 2010 and amounted to LTL 14 billion (EUR 4.05 billion) (13.2% of GDP), in 2012 tangible investments grew further by nearly LTL 0.5 billion (EUR 0.14 billion). Unemployment reduced by 2.1 percentage points over the period of 2011-2012.

Lithuania stands out as a Member State with the most rapid growth in the EU over last decade, accounting for 5% every year from 2000 to 2010. However, it is a Member State with the highest migration rate in the EU – the net annual migration accounted for 4.4% from 2000 to 2010. Unemployment, long-term unemployment in particular, remains high and exceeds the EU average (in 2012, unemployment accounted for 13.3% in Lithuania, while in the EU it stood at 10.5%). Lithuania badly lags behind in terms of the key welfare indicator – life expectancy, especially among men. Lithuanian men’s life expectancy is the shortest in the entire EU. According to the data of the 2012 study on income and living conditions, the risk of poverty or social exclusion was experienced by 32.5 % of the Lithuanian population. Lithuania was the fifth poorest country in the EU (the EU average is 24.8%) by this indicator.

A large gap between the current values of Lithuania’s national targets and the target values for 2020 is seen in most priority areas of Europe 2020 (employment, research and development (R&D), climate change and energy, poverty and social exclusion), except education (see Table 1).

Table No. 1. Europe 2020 targets and current situation in Lithuania

<table>
<thead>
<tr>
<th>Europe 2020 headline targets</th>
<th>EU average (recent situation)</th>
<th>Recent situation in Lithuania</th>
<th>National target for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% of the EU’s GDP to be invested in R&amp;D</td>
<td>2.03% (2011)</td>
<td>0.92% (2011)</td>
<td>1.9%</td>
</tr>
<tr>
<td>A 20% reduction in greenhouse gas emissions</td>
<td>-17% (2011)</td>
<td>-4% (2011)</td>
<td>- 15%</td>
</tr>
<tr>
<td>20% of energy from renewable energy sources</td>
<td>13% (2011)</td>
<td>20.3% (2011)</td>
<td>23%</td>
</tr>
<tr>
<td>A 20% increase in energy efficiency</td>
<td>- 12.1% (2012)</td>
<td>-4.5% (2011)</td>
<td>-17%</td>
</tr>
<tr>
<td>75% of the 20-64 year-olds to be employed</td>
<td>68.5% (2012)</td>
<td>68.7% (2012)</td>
<td>72.8%</td>
</tr>
<tr>
<td>Reducing school drop-out rates below 10%</td>
<td>12.8% (2012)</td>
<td>6.5% (2012)</td>
<td>&lt; 9%</td>
</tr>
<tr>
<td>At least 40% of 30-34–year-olds completing third level education</td>
<td>35.8% (2012)</td>
<td>47.9% (2012)</td>
<td>47.9%</td>
</tr>
<tr>
<td>At least 20 million fewer people in or at risk of poverty and social exclusion</td>
<td>24.2% of total population</td>
<td>33.4% of total population (1,080,000) (2011)</td>
<td>170,000 less people in or at risk of poverty and social exclusion</td>
</tr>
</tbody>
</table>


Drawing on the experience in implementing operational programmes for 2007-2013 and the examples of best practice, national and regional strategic documents, as well as the comparison of the major social and economic indicators of Lithuania and the EU, and taking into account the Council’s country-specific recommendations for Lithuania, the analysis of territorial differences, the potential for growth and development needs was performed and the following major challenges which are in line with Europe 2020 priorities were identified:

(1) Efforts to achieve **smart growth** face challenges related to the promotion of RDI, the quality of education, the efficiency of public administration and the development of digital society;

(2) Efforts to achieve **sustainable growth** face challenges related to the development of basic modern infrastructure, the creation of a better business environment, as well as the sustainable and efficient use of natural resources;

(3) Efforts to achieve **integral growth** face challenges of promoting employment and reducing poverty and social exclusion in aligning them with the targets of social and territorial cohesion.

The funding from EEA Grants 2009-2014 supplements to EU funds and is expected to contribute to the above mentioned long-term national development strategies as well as sectoral ones.

Due to the size of the EEA Grants (see Chart No 1), the planned outcomes of the financed programmes could not be measured in terms of impact at the national level. Nevertheless, the funding from the EEA Grants helps to address the Lithuanian needs in specific areas, mostly, that are not covered by other financial instruments; some quite significant and appreciable effects can be expected in these targeted niches (see Chart No. 2). None of the programmes financed by the EEA Grants are directly targeted at economic development, but instead could be described as being more of the social character. Though they will not promote economic growth, their role is important in financing the society needs that could not otherwise be afforded by the state at its current economic capacity.

**Chart No. 1. Distribution of the EEA grants among programme areas, in euros**

- Integrated Marine and Inland Management
- Biodiversity and Ecosystem Services
- Funds for Non-Governmental Organisation
- Children and Youth at Risk
- Conservation and Revitalisation of Cultural and Natural Heritage
- Promotion of Diversity in Culture and Arts within European Cultural Heritage
- Scholarships
The environment is an important national priority thus a significant amount of 1,224 billion EUR is allocated under the EU 2007-2013 funds\(^5\) to this area, including other priorities that have environmental implications. The environmental programmes LT02 and LT03 were probably the only ones that were chosen more based on the obligatory requirement to allocate at least 30% of the EEA Financial Mechanism assistance to environmental sector than the persistence of problems in the sector due to the lack of financing. Nevertheless, the programmes LT02 and LT03 are concentrated on the fields that were not yet covered by the EU assistance and are expected to produce important

\(^5\) Source: www.esparama.lt – official website of the EU assistance in Lithuania
results in terms of tools developed for environmental status assessment and prediction and management of protected areas. This will strengthen the capacities of the responsible state institutions to deal with the relevant challenges and contribute to the improvement of the environmental status, sustainable and efficient use of natural resources..

The EEA Grants NGOs Fund together with the Swiss Contribution programme remained the biggest instruments directed at strengthening the communities and NGOs and their role in the political and social process during the reporting period. The programme LT04 is very much concentrated on the core values such as democracy and good governance, human rights, vulnerable groups, protection of environment and climate change, thus positive developments are expected in these selected areas.

The effect of the EEA Grants is already seen in the area targeted at improving the well-being of vulnerable groups of children and youth. The content of programme LT05, in particular the establishment of the new method of integration of necessary care services for children subjected to sexual abuse built a sound bases for the real implementation of the relevant articles of the Lanzarote Convention as well as made a significant impulse for its ratification in Lithuania in 2013. In addition, the programme through development of the network of the child day care centres and open youth centres, in parallel with its direct purpose, will have indirect effect to the reduction of juvenile’s delinquency, as the level of juvenile crime in Lithuania (1.2% of the total prisons population) falls behind the Beneficiary states’ average (1%) and far exceeds the Donors States level (0.1% – 0.6% accordingly Norway and Liechtenstein)\(^6\).

The cultural heritage sector is another area where the EEA Grants can really make a difference. Lithuania has over 16,000 immovable cultural values, but only a small share of them is adequately researched, renovated and adapted for use. There is a risk that part of this heritage may completely deteriorate. Local heritage objects are poorly known and thus are not used. EU structural funds in 2007-2013 programming period invested into the revival of cultural heritage objects only four tourism needs, without considering the value of cultural heritage items, possibilities for using the items being restored for social and educational needs\(^7\). EEA Grants still remains the only available source of funding in addition to state budgetary assignments aimed at raising of cultural awareness and sociocultural integration of wider public thus strengthening identity, citizenship, responsibility and cooperation. With the help of programme LT06 is expected to finance restoration of 10 wooden and 5 non-wooden cultural heritage objects, while only up to 20 objects per year at best are being restored from the state fund; the results achieved under the programme will be extremely significant for the sector. In addition the programme will provide considerable amount of work for traditional craftsmanship which is not only important in respect of preservation of the crafts, but will have an effect to the economic situation of people in this line of work. The programme LT07 dedicated to the cultural exchange will especially target the regions outside the more developed biggest cities and prioritise national minorities; therefore it will directly contribute to the diminishing of sociocultural inequalities in Lithuania and promote creativity and cooperation.

According to the Eurostat data base the share of adults (25-64 years old) engaged in lifelong learning activities aiming at better performing one’s work, acquiring professional knowledge, developing new skills, and acquiring knowledge and skills necessary in daily life is still low in Lithuania and lagging behind many EU countries. In 2012 only 5.2% of Lithuanian adult population participated in education and training, which was notably low compared with the EU average of 9\(^8\). Although 218 MEUR is dedicated for this priority from the EU 2007-2013 funds\(^9\), in respect of content of

\(^9\) Source: www.esparama.lt – official website of the EU assistance in Lithuania
programme LT08, some added value is expected from the bilateral element, which in a longer term perspective could have an effect on the quality of curriculum and pupils’ achievements in Lithuania.

2.2. Bilateral relations

Existence of several different instruments (Donor Programme Partnership, National Bilateral Fund, bilateral funds under programmes, encouragement of partnership under open calls) will ensure that bilateral relations will be increased and strengthened on both programme and project level and probably even outside the immediate boundaries of the implementation of the EEA Financial Mechanism. It could be observed that in 2013 year the bilateral cooperation at all levels in EEA Grants financed programmes was rather intensive and provides a solid background for achievement of the planned bilateral objectives at the end of the Grants if risk factors were minimised.

National Bilateral Fund work plan was developed by the NFP in consultations with the FMO, Norwegian Embassy in Vilnius, Lithuanian Ministry of Foreign Affairs and relevant national line ministries. The Fund is designed to provide a platform for increasing mutual political, cultural, professional and academic relations and in particular aims to:

- increase cooperation and strengthen relations between donor states and Lithuania (to establish new partnerships in new possible fields for cooperation as well as to strengthen and deepen cooperation in the areas with already existing contacts and common results);
- solve particular issues through working together for common results and sharing experience, knowledge, know-how and technology;
- create space for improving knowledge and mutual understanding between the entities of the donors and Lithuanian entities.

The key priority areas selected for cooperation:

- Good governance;
- Equal opportunities and social inclusion;
- Academic and research cooperation;
- Cultural exchange;
- Reinforcement of the bilateral elements of programmes indicated in the MoUs.

Selected forms of support include compensation mechanism, pre-defined projects and open call.

To give a good starting point for the POs and pre-defined projects promoters to develop such relations further the reimbursement scheme was introduced to compensate travel expenses related to experience sharing events in the programme preparation phase until the bilateral funds at programme level become available. However, the established measure was not requested as much as it was expected up to date and only amount of EUR 451 (of which EUR 206 EEA Grants) was used out of EUR 70 000 (of which EUR 32 000 EEA Grants) available. After having assessed the future funding demand from this measure, the NFP considers a possibility to reallocate the major part of the unused compensation scheme measure to the open call or for financing other pre-defined initiatives. The issues regarding the reallocation of funds will be raised in the forthcoming Annual Meeting on 9 April 2014 in Vilnius.

In 2013 NBF activities were targeted to the Lithuania’s Presidency of the European Council in the second half of the year. In line with general key priority areas of the Fund, two international conferences were partly financed in second half of 2013 from the Fund.

The high level conference under the patronage of the President of the Republic of Lithuania and welcome word of State Secretary, Norwegian Ministry of Education and Research was organized by Vilnius University on November 21-22, 2013 and attracted a number of high level science and
political actors from EU, donors states, EU  and international organisation. The conference was a part of the ongoing NBF project ‘Gender Equality Implementation in Research Institutions: Collaborative Approach’ under which Norwegian University of Science and Technology (NTNU) and the University of Iceland are partners of the project and University of Liechtenstein is involved in a number of activities. Based on good practices of Norway and Iceland the project aims to develop mechanism of ‘cooperative approach’ for collaboration between scientists, high level executives of research institutions and science policy making bodies and use them to support implementation of gender mainstreaming policy in science in Lithuania and other countries participating in European regional programmes. In addition to direct outcomes of the project (partnership agreements, joint events, joint articles), the wider effect is expected while developing professional networks between institutions in beneficiary and donor states, joint initiatives in the European or international arena or multilateral organisations.

The conference ‘Combating hate crime in the EU’ organised by the European Union Agency for Fundamental Rights (FRA) in cooperation with the Lithuanian Presidency of the Council of the EU on 12-13 November, 2013 should also be mentioned as a key event for promoting tolerance and multicultural awareness. A study on hate crime speech ‘Protection of Hate Crime Victims’ Rights: the case of Lithuania’ funded under NBF was presented during the conference. The study was prepared by Human Right Monitoring Institute (HRMI) and provided analysis on hate-crime related frame (environment) in Lithuania comparing the existing practices with EU norms (requirements).

Thematic event on Hate Speech and Hate Crime for NGO Programme Operators was organised as a follow-up meeting to the Fundamental Right Conference by HRMI together with the FMO on 14 November, 2013. The meeting aimed to consolidate the knowledge of the hate issues as well as to design further programmatic steps as set forth in the Action Plan drafted at the Fundamental Right Conference.

Open call for financing ad hoc initiatives that consist mainly of one or several related specific actions (e.g. participation in events, meetings, or release of joint publications) with clear implementation schedules is planned to announce in the second quarter of 2014. Indicative budget reserved for the open calls is EUR 200 000 (of which EUR 91 000 EEA Grant).

Expected bilateral relations results under programmes can be described in the following four dimensions:

- **Extent of cooperation.** 5 out of 6 programmes operated by Lithuanian POs are being implemented with Donor Programme Partners from Norway. No DPPs are involved in Lithuanian programmes from Iceland and Liechtenstein. 1 pre-defined project will be implemented with a donor project partner from Iceland. Compulsory partnership requirements will be set in the calls under programmes LT07 and LT08. Bilateral cooperation was encouraged and prioritised in the calls under programmes LT05 and LT06.

Existence of programme bilateral funds facilitated partner search for potential applicants (measure ‘a’). The most common form of implementation of this measure, i.e. partner search forums organised by POs (in cooperation with DPP when relevant) in combination with other means, i.e. calls for proposals for bilateral activities, received a lot of attention from both potential project promoters and potential project partners under programmes LT05 and LT06. For the meantime, it is not possible to assess success and measure results due to uncompleted evaluation of applications received. Although an exact number of selected for financing donor partnership projects is unclear yet, the partnership is obviously very much appreciated in the cultural heritage area (38 out of 112 received applications involves donors partners).

Measure “b” will be used at projects implementation stage and will provide opportunities for bilateral initiatives in addition to the ones already included into the projects. It will be used in
most of the programmes except LT07 and LT08 where the small total budget of the programmes also limits the size of bilateral funds which will be fully used up by measure “a”.

- **Shared results.** The programmes themselves that are implemented in cooperation with the DPPs are already to some extent shared results. Although the extent of DPPs’ actual involvement in the implementation process differed among the programmes. The same can be said about project level, where partnership projects (and even those without formal partnership but having *ad hoc* cooperation elements) will definitely create some shared results although it is hard to forecast the scope and relevance of these results at this stage. The most likely types of shared results are joint articles on specific subjects published and new technologies/practices/methodologies introduced.

- **Knowledge and mutual understanding.** This has already materialised to a significant extent on the level of PO-DPP cooperation while preparing programme proposals, developing guidelines for applicants as well as implementing joined programmes’ activities. Regular Cooperation Committee meetings or pre-defined projects partners (if relevant) visits to Lithuania carried out in programmes made possible to learn more about various practices and organisation of systems in respective policy areas in the shorter period of time compared to other communication means. On project level additional effect is expected when project promoters and partners participate in various related conferences, workshops and other events where third parties will also learn about the practices of partnering entities and countries as well as the EU and the EEA Agreement.

- **Wider effects.** Successful partnerships are likely to generate further cooperation initiatives but it depends heavily on the availability of additional resources. However, improved knowledge and capacities tend to have spill-over effects into other areas both on the institutional and individual level.

The most prominent risk related to achieving bilateral goals at current stage - availability of partners from Donor States – remains unchanged. With the total number of 15 Beneficiary States and only 3 Donor Countries it is obvious that Beneficiary States is practically competing for partners among themselves. The programmes that start earlier will have a relative advantage, but even obtaining a partner cannot secure smooth implementation. This mostly relates to the uncertain interest of cooperative parties and different expectations from the partnership or even understanding of partnership as such.

### 3. REPORTING ON PROGRAMMES

#### 3.1 Overview of Programme status

All outstanding problems related to the amendment of the MoU as well as quality issues were resolved and remaining programme proposals, i.e. LT02, LT03 and LT08 were approved by the Donors till mid of 2013. All Programme Agreements and Programme Implementation Agreements under the EEA Grants were signed by the end of the reporting period.

Overall progress towards the expected programmes outcomes and defined outputs is rather modest. Delayed approval of the programme proposals and consequently late signing of the Programme Agreements, moreover, protracted preparation of necessary documentation for open calls and pre-defined projects leaded to the launching of calls in late autumn (LT06; LT05 launched at the end of December 2013) or even transferring them to year 2014 (LT03, LT07, LT08). No projects were selected for financing nor contracts signed for pre-defined projects during the reporting period.
Overview of the status of actual implementation of the approved programmes as well as financial reflection is presented in the table No. 2 below. (More detailed information on individual programmes status is provided in section 3.2 of this report).

Table No. 2. Operational and Financial Status of Programmes

<table>
<thead>
<tr>
<th>Programme</th>
<th>Calls/ pre-defined projects (actual status for 4Q)</th>
<th>Commitment*</th>
<th>Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Disbursed from State Treasury (EUR)</td>
<td>Disbursed from the Donors (including advanced payment) (EUR)</td>
</tr>
<tr>
<td>LT02</td>
<td>Pre-defined projects under appraisal (no calls planned)</td>
<td>598 853</td>
<td>26 214</td>
</tr>
<tr>
<td>LT03</td>
<td>Call delayed Pre-defined projects under preparation</td>
<td>1 002 352</td>
<td>54 037</td>
</tr>
<tr>
<td>LT05</td>
<td>Call launched</td>
<td>911 161</td>
<td>98 998</td>
</tr>
<tr>
<td>LT06</td>
<td>Call closed</td>
<td>1 185 837</td>
<td>74 978</td>
</tr>
<tr>
<td>LT07</td>
<td>Call delayed</td>
<td>156 000</td>
<td>7 505</td>
</tr>
<tr>
<td>LT08</td>
<td>Call delayed</td>
<td>233 631</td>
<td>9 607</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4 087 834</td>
<td>271 339</td>
</tr>
</tbody>
</table>

* As no projects were selected for financing, column shows only amounts committed for programme management, bilateral fund, complementary actions and programme preparation.

3.2 Individual Programme summaries.

Based on the information provided by the POs in the Annual Programme Reports, a summary for each Programme that include assessment on overall progress as regards implementation of the Programmes and their sub-projects, progress towards expected outcomes and actual achievement of outputs, usage of bilateral funds as well potential risks that may threaten the achievement of the Programme objectives is provided below.

**LT02 Integrated marine and inland water management.** Approval of the LT02 Programme ‘Integrated marine and inland water management’ proposal (approved on 12 April 2013), signing of LT02 Programme Agreement and LT02 Programme implementation agreement, preparation and harmonisation of 2 pre-defined projects’ financing documents – were the main activities implemented during the year 2013.

In consequence of longer than expected approval of the programme also preparation of the Guidelines for the pre-defined projects and not adequate quality of the received complete applications prepared by the pre-defined Project Promoter, none of 2 pre-defined projects contracts were signed and implementation activities started during 2013. As a result, no appreciable improvements in relation to outcomes and information on achievement of LT02 Programme outputs were recorded in 2013.

Due to delayed start of implementation of the projects (contracts planned to be sign in March 2014), even though Project Promoter was encouraged to start preparations for planned procurements before conclusion of the contract, both projects (Strengthening Marine and Inland Water Management – Part I and Part II) faces a serious risk of non-achievement of planned outputs due specificity of the activities planned. The required and reliable data should be collected only during relevant season. The initial plan was to collect data in three seasons, however 2013 summer was lost and remaining 2 seasons of implementation might lead to poor quality off data thus have a negative impact on planned project results. The situation could even worsen in case of delays in public procurement process. The measures to minimise the identified risk – development of the strict project activities...
schedule and control of it’s implementation, start of preparation of public procurement documents before signing the contract, high quality of procurement documents – might not be enough to fully achieve planed objectives, therefore, the PO and the NPO considers possibility to approach the donors asking to extend the period of eligibility of expenditures for both projects of the LT02 programme.

Some positive developments in bilateral cooperation were achieved through the instrument of intensified communication between pre-defined projects’ promoter and DPP by means of CC meeting and public awareness raising events. The procedures for the use of LT02 Programme bilateral fund was developed and is expected to be approved in 1Q of 2014. Financial resources of measure “b” under the bilateral fund remained unused; no certain outcomes of bilateral relations were achieved.

LT02 Programme Bilateral activities plan for 2014 is provided in Annex 3 to this report.

**LT03 Biodiversity and ecosystem management.** During the reporting period LT03 Programme ‘Biodiversity and ecosystem management’ proposal was approved, LT03 Programme Agreement and LT03 Programme Implementation Agreement were signed, Guidelines setting pre-defined projects’ financing and appraisal conditions were prepared and approved. Call for proposals launched in February 2014.

Whereas preparation and harmonisation of the Guidelines setting financing requirements for 4 pre-defined projects were prolonged (approved in December, 2013), none out of 4 pre-defined projects’ implementation started in 2013. As the launching of the open call was carried forward, no projects were selected for implementation of planned activities under small grants scheme as well. Therefore, no information on achievement of LT03 Programme outputs is recorded during 2013.

In 2013, due to changing circumstances, the PO asked for adjustment of Programme agreement twice. It was requested to include Iceland and Liechtenstein as countries eligible for bilateral cooperation and to delete a reference to minimum grant amount for project under the bilateral fund as unfounded. For the second time, the risk of infringement of Programme’s Agreement due to delayed open call in 4Q, 2013 was handled through the adjustment of obligation to announce open call in 1Q of 2014.

Due to similar reasons outline above for LT02 programme (delayed start of the projects implementation, activities could be implemented during vegetation season, additional factor – unfavourable weather conditions for the fieldwork, delays in procurement), 2 out of 4 pre-defined projects (‘Capacity building in species monitoring’; ‘Preparation of national study on the distribution and stage of the main ecosystems services on Lithuanian territory’) faces a risk on non-achievement of planned results. With the same argumentation as for the LT02 programme, the PO and the NFP considers possibility to approach the donors asking to extend the period of eligibility of expenditures for above-mentioned 2 projects of the LT03 programme.

Positive effect and added value of bilateral cooperation were achieved using different instruments. Live contacts and relations built up between potential projects’ promoters and potential partners from Norway during the Match-making conference was a very valuable impulse for further developments of cooperation through possibilities available under the measure ‘a’ of bilateral fund. The Call for proposals for bilateral fund activities under measure ‘a’ was announced at the end of December 2013.

LT03 Bilateral activities’ plan for 2014 is provided in Annex 3 to this report.

**LT05 Children and Youth at Risk.** The final content of the LT05 Programme Agreement was approved in June 2013 and Programme Implementation Agreement was signed in August 2013. The total allocation within the Programme amounted to EUR 7 425 882. Programme is being implemented through one open call and one pre-defined project.
Notwithstanding delay in preparation of necessary call documentation (Guidelines), call for proposals was launched at the end of December, 2013. Due to corrections necessary to be introduced in the call documentation the deadline for submission of applications was extended by 2 weeks. A huge interest on the open call is expected. Pre-defined project’s implementation did not start in 2013; preparation and harmonisation of the Guidelines setting financing conditions for pre-defined project were approved only in December, 2013. As a result, no appreciable improvements in relation to outcomes and information on achievement of LT05 Programme outputs were recorded in 2013.

In 2013, a need for adjustment of Programme agreement was identified twice. Firstly, due to a clerical error made in calculating of costs for preparation of programme proposal Programme budget was reallocated. Prolonged administrative procedures for drawing and harmonizing Guidelines for applicants led to the postponement of open call from the 3 Q of 2013 to the 4 Q of 2013. Secondly, a reference to a minimum grant amount for project under the Bilateral fund was withdrawn as unfounded.

During the reporting period PO and CPMA have actively worked in informing the public, potential applicants and partners about the Programme. Organized Programme launching event, information events and applicant trainings received a lot of interest – over 200 people attended them. Promotion of bilateral relations between Lithuania and donors states was actively performed. The real benefit of organized partner search forum will be seen after completion of evaluation of applications received under the call.

No major risks that may affect the achievement of the Programme outputs could be identified at this stage.

LT05 Bilateral activities plan for 2014 is provided in Annex 3 to this report.

LT06 Conservation and Revitalization of Cultural and Natural Heritage. During the reporting period the Programme Agreement and Programme Implementation Agreement were signed in the first half of the year. Due to the prolonged administrative procedures for drawing and harmonizing Guidelines for applicants, the modification of the LT06 Programme Agreement was requested - the launch of the open call had been postponed with a donors’ approval from the 2 Q of 2013 to the 4 Q of 2013. Relevant call documentation was prepared and the call for proposals was launched on 4 October, 2013. The changes in policy forced to make some adjustments in the Guidelines for applicants therefore, the deadline for submission of applications was extended almost by 1 month (call closed on 20 December 2014). A huge interest on the open call was recorded; 112 applications were received with a total requested amount of EUR 51 701 082 while only amount of EUR 9 402 398 is available under the Programme. The primary evaluation of the applications received showed that proposed projects are in line with the LT06 Programme outputs, all 3 measures defined for funding in the Programme Agreement were addressed. Actual distribution within these measures will be known after the completion of selection procedures that is expected to be finished in April, 2014. As no projects have been selected during 2013, no significant changes towards achievement of the LT06 Programme outcomes were recorded.

As evaluation of such a big number of applications received is taking some time (planned duration - 3 moths), taking into account the nature of the projects (time consuming season dependent construction, renovation or restoration works) poses a risk of non-completion of projects by 30 April 2016. The main corrective measures – to speed up procedures for final selection of the applications to be financed and signing of the contracts; to ensure prompt preparation of good quality procurement documents and efficient procurement procedures (training for Project Promoters, close supervision of the projects activities schedule and procurement plans). It should also be mention that taking into consideration time related risks. Guidelines set requirement for Project Promoters
together with the applications submit a technical project together with the building permit for the reconstruction works and to save a considerable time for project implementation.

LT06 Programme addresses the horizontal concerns related to fundamental values such as anti-Semitism, promoting tolerance and respect for the rights of minorities. Clear requirements in respect of addressed horizontal concerns and cross-cutting issues were set in the Guidelines for applicants. As projects selection procedures were not finished, no information about the progress on horizontal concerns and planned cross-cutting issues was recorded.

Tangible improvement on bilateral Programme implementation aspects could be identified during 2013. Close cooperation between PO and DPP in organizing partnership seminar (in May 2014) resulted in success of the call for proposal for bilateral activities under measure “a” from the Programme Bilateral fund announced in the 2 Q of 2013. Due to limited funding only 12 Lithuanian entities were facilitated in finding partner and preparing the application for donor partnership project. The number of partnership project applications received (38) shows the real benefit of the activities organized.

LT06 Bilateral activities plan for 2014 is presented in Annex 3 to this report.

**LT07 Promotion of diversity in culture and arts within European cultural heritage.**

Programme Agreement and Programme Implementation Agreements were signed in the first half of reporting period.

It could be observed that whereas the same PO administers both LT06 and LT07 programmes, a priority (due to the nature of Programme activities) was given to LT06 programme. Due to the delays in drawing the Guidelines for open calls, the request to amend Programme Agreement was initiated twice to postpone the deadline of the open calls. Considering time related risks it was agreed to have only one call under measures 1 and 2 instead of separate ones in 1Q, 2014. As the planned open calls were postponed, no changes in relation to the LT07 Programme outcomes were recorded. A doubt on the PO’s ability to launch call in 1Q 2014 remains relevant, however progress in developing and coordinating Guidelines could be noted. Despite planned to be financed project are of ‘soft’ nature, taking into consideration time need for evaluation, selection and signing of the contracts - the delayed launch of the calls poses a moderate risk of non-achievement of programme results. Risk mitigation measures – allocate adequate resources for Guidelines development (PO), as prompt as possible process of evaluation and selection.

In order to facilitate cooperation between the PO and DPP there were important meeting of the CC as well presentation of the Programme to the potential Norwegian partners were organized in the 2 Q of the year (11 April, 2013) in Trondheim, Norway. LT07 Programme was presented to the Lithuanian audience in Vilnius (May 7, 2013); then the effective cooperation and strengthen of bilateral relations between the parties were highlighted.

Horizontal concerns, directly addressed by the Programme, related to the fundamental values such as multicultural understanding, anti-Semitism, non-discrimination and tolerance will be secured by setting up appropriate requirements in the call documentation.

LT07 Bilateral activities plan for 2014 is provided in Annex 3 to this report.

**LT08 EEA Scholarship Programme**

During the first half of the reporting period, the programming activities concerned mainly the final consultations and negotiations on the content of the LT08 Programme proposal. The LT08 Programme was finally approved in June 2013. LT08 Programme Agreement between NFP and FMC was signed on 28 October 2013 and LT08 Programme Implementations Agreement was signed on 19 November 2013. The total allocation within the Programme amounted to EUR 1.670.588.
PO, the Ministry of Education and Science, delayed to appoint the employees responsible for implementation of LT08 Programme and unfortunately this influenced the delay in preparation of call documents. Due to protracted preparation of documents the call for proposals for preparatory visits under bilateral fund was not announced at the end of 2013 as provided in the Programme agreement. After several meetings with the NFP, the PO designated responsible employees and by the end of the reporting period the necessary documents for calls for proposals were at an advanced stage of preparation. The call for proposals under bilateral fund was launched at the end of February 2014. Taking into consideration the recent pace of development of the necessary documents for programme implementation, it is anticipated that the Guidelines of calls for proposals under Measures 3 and 5 will be submitted to the FMO at the end of March 2014 and calls announced with slight delays in comparison with initial plans (1st Q 2014).

Due to the fact that no project contracts were signed during 2013 no significant changes in relation to outcomes and information on achievement of LT08 Programme outputs is recorded.

In order to mitigate the new identified risks “Low interest in bilateral partnership” and “Low interest in the call for application for the projects” close work with DPP in organizing match-making events as well as wide publicity campaign is planned by the PO.

LT08 Bilateral activities plan for 2014 is provided in Annex 3 to this report.

4. MANAGEMENT AND IMPLEMENTATION

4.1 Management and control system

MCS set-up and national legal acts for Grants implementation. The institutional set-up MCS and functions and responsibilities of the central management authorities (NFP, CA, PA, IRA, AA), POs and CPMA were established in 2012. While developed in 2012 the following legal acts establishing unified requirements and procedures for management and implementation of programmes we approved by respective orders of the Minister of Finance in the beginning of the 2013:

- Rules for the Funding and Implementation of the Programmes and Projects under the EEA and Norwegian Financial Mechanisms 2009-2014, dated 29 January 2013. General unified administrative, visibility, payment and monitoring rules and procedures both on the programme and project level were set (including development of the Guidelines for applicants, organisation of appraisal and selection process, standard project contract, monitoring of project implementation, verification and certification of expenditures, management of irregularities etc.). In the course of 2013 Rules were amended taking in account further development of the MCS, clarification of Regulation requirements and to upgrade requirements which were not functioning in the practice.

- Rules for the Funding and Implementation of the Technical Programme under the European Economic Area and Norwegian Financial Mechanisms 2009-2014 (i.e. TA and the NBF), dated 14 February 2013, established the procedures for the TA implementation and the compensation measure under the National Bilateral Fund. On 8 October 2013, the rules were supplemented with the detailed procedures for implementation of another 2 measures of the NBF, i.e. pre-defined projects and open calls.

- Procurement Rules for Project Promoters that are Non-purchasing Institutions were adopted on 16 April 2013.

Based on the set general unified requirements the POs and the CPMA were further developing their internal work procedures. During 2013 the most POs developed detailed procedures for implementation of Bilateral Funds at programmes level.
**Detail description of the MCSs.** The compliance of the submitted description of the MCS with paragraph 1 of Article 4.8 of the Regulation (1st stage) was confirmed by the FMO on 14 June 2013. Detailed description of the MCS (excluding programmes administered directly by the Donor States institutions, i.e. Fund for Non-governmental Organizations LT04 and Global Fund for Decent Work and Tripartite Dialogue LT22), considering the requirements specified in paragraph 2 of Article 4.8 of the Regulation (2nd stage) and based on the the information provided by the central management authorities, POs and the CPMA, was prepared and approved by the NFP on 16 December 2013. It should be noted that due to specific Grants management set-up in Lithuania (centralised implementation system with one implementing agency and centralised unified rules for programmes' and projects' implementation) the NFP prepared one description which covered description of centralised level of programmes implementation as well as procedures developed by each PO and the CPMA in the separate attachments. The description of the MCS 2nd stage together with the audit report and opinion will be submitted to the FMO in April 2014 (for the assessment of the 2nd stage of the MCS compliance to the requirements of the Regulation external audit office was contracted).

**Development of IT system for grants management.** The procurement of the services to adapt the Structural Funds Management Information System (SF MIS) for the administration, management and control of the Financial Mechanisms and include a new subsystem on the EEA and Norway Grants was completed and the contract with the service provider was signed in October 2013. The contract implementation work plan was set in a manner to create the IT system functionalities taking into account the specificity of different project administration cycles. The functionalities of the first stage, i.e. subsystem's administration, project and payment modules have been installed and operate since December of 2013. During the second stage, preliminary April of 2014, it is planned to develop and install the functionalities of the data exchange website (which would allow Project Promoter to receive partly prepared payment claims, submit payment claims in e-version, co-ordinate some documents for project implementation with CPMA etc.) and declaration of expenditure to the FMO. During the third stage, preliminary July of 2014 for the control module (storing and management of information on irregularities, project on-the-spot checks, performance of the project implementation plan, progress of implementation of financial and monitoring indicators) and November of 2014 for analysis module (for making various section reports on the basis of the data stored in other SFMIS modules) will be implemented.

**4.2 Compliance with EU legislation, national legislation and the MoU**

Apart from the exception on general payment model which was agreed with the Donors and described in the 1st stage description of the MSC, the implementation system of the EEA Grants in Lithuania is in line with the Regulation and the MoU. As a slight deviation from paragraph 2 of Article 4.8 of the Regulation could be identified – due to very specific set-up in Lithuania, the NFP prepared a single detailed description of the MCS 2nd stage covering all the programmes (see more details in the section 4.1 ‘Management and control system’ of the Report).

All programmes were prepared and are being implemented in compliance with the MoU, Regulation\(^{10}\), national legal acts, as well as relevant national and sectorial strategies, however, some issues regarding the compatibility of projects selection procedure established in the Rules on Financing and Implementation of Programmes and Projects with the Regulation arose. After several rounds of consultation with the FMO the agreement was reached and respective changes were introduced to the relevant national legal acts.

---

\(^{10}\) Compatibility of LT02, 05, 08 programme proposals with the MoU, Regulation and the best international practices were solved in the previous reporting period.
Regarding the related EU legislation, appropriate provisions of national legal acts on the implementation of the Financial Mechanisms and programme implementation agreements will secure that all involved actors must comply with applicable EU policy requirements including state aid, environmental directives and public procurements.

4.3 Irregularities

No irregularities at project level were detected during 2013 since the actual implementation of projects was not yet started.

Providing an assessment and analysing possible trends of irregularities in the management of different programmes it should be noted that irregularities detected in 2013 are very minor, made by the POs mainly during the Programme proposals preparation period as a result of errors made by the staff members of the POs due to inattention or inconsiderateness. Whereas unduly used funds were not included into the Interim Financial Reports (IFR) the detected irregularities were remedied according to the national legal acts. Consequently, no financial corrections in relation to the detected irregularities were applied. The irregularities were fully remedied by reimbursing unduly used funds, in total EUR 2 485 at programme level and EUR 106.45 (of which EUR 48.66 EEA Grants) at state level, to appropriate bank accounts; they had and will have no effect on any stage of the implementation of the EEA Grants as well as on the implementation and the budget of the appropriate programmes. Moreover, it could be observed, that created MCS allows for early detection of irregularities.

The list of the irregularity cases giving nature and description as well as remedying actions taken regarding the detected irregularities on programme level and state level is provided in Annex 2.

4.4 Audit, monitoring, review and evaluation

No audit, reviews and evaluations have been undertaken by the NFP during the reporting period. However, the NFP having its overall responsibility for reaching the objectives of the mechanisms carried out regular day-to-day monitoring of the programmes.

The audit of 2\textsuperscript{nd} stage of the MCS as requested in Article 4.8 of the Regulation started in December 2013. The task is being performed by the certified and independent external auditors appointed by the AA (external audit company was contracted using public procurement procedure).

AA, in compliance to the Audit Strategy for EEA and Norway Grants 2009-2014 and annual audit plan, will carry out audits to verify the effective functioning of the MCS at the national and programme levels.

CA and IRA will perform financial checks/audits of selected programmes’ or projects’ expenditure recognised to be declarable to the FMO.

4.5 Information and publicity

The Communication Strategy for the EEA and Norway Grants was approved on 14 November 2012. Given the fact that the implementation of Communication Strategy was divided into three stages, in 2013 publicity activities planned in stage 2 started to be implemented.

Qualitative analysis of media coverage was started to carry out from 20 September 2013. The first Media Publicity Analysis showed that 153 reports related to the EEA and Norwegian Financial Mechanisms were captured during the period September 20th -December 31st 2013. Majority of the reports (53) were published in December (49 in November, 32 in October). Also during the period of the analysis 221 keywords (related to the EEA and Norway grants and all the programmes) were captured with the reach of 10.73 million. The EEA and Norwegian Financial Mechanisms were mentioned most often and accounted for 62.0% of all keyword hits. The programme LT06
Conservation and Revitalization of Cultural and Natural Heritage ranked the second with 23.1% of keyword hits. The rest of keywords were not as visible in the Lithuanian mass media (varying from 3.2% to 0.5%). The neutral publicity was dominating the communication flow and accounted for 95.0% of all keyword mentions. 11 slightly positive mentions were captured during the period of the analysis.

The biggest information event in 2013 was the training in reporting and in results and risk management for NFPs and POs from Lithuania, Latvia and Estonia. Trainings involved a total of 75 people from which 20 were representatives from Estonia, 18 representatives from Latvia, 34 representatives from Lithuania, 2 representatives from the FMO and one representative from the Innovation Norway. During these trainings POs had an opportunity to access other country POs who are working in the same field, to discuss the problems, which arise in implementation of programmes, in reporting, in reaching outcomes, and in managing the risks, share best practices, build up contacts.

Some activities were behind the planned time schedule. It was planned to launch the new joint EEA and Norway Grants website in the second half of 2013, but due to complexity of the website and therefore longer than expected preparation of public procurement documents it was postponed to the first quarter of 2014 (launched in February). The main task and challenge for the upcoming year – to use this tool in most effective way to reach targeted audiences, to ensure, that all the involved parties (NFP, POs, CPMA) included relevant information timely and in good quality.

Electronic newsletters and information publication about the programmes were not issued as planned in 2013. At the beginning of the year 2013 it was decided to have one large public procurement for acquisition of various publicity activities (including newsletters and information publication), but due to unforeseen internal procedural delays and prioritization of tasks to having the programmes approved and agreements signed the procedures of public procurement started only on December 2013 and likely will be finished in the first half of 2014. So the newsletters and information publication likely will be published in the second half of 2014.

The intensity of publicity and information activities of POs depended on the programme approval date and the dates when the Programme Agreement and Programme Implementation Agreement were signed. Publicity and information activities were more intensive in whose programs which were approved earlier, such as LT06 and LT07, and less intensive or no activities in those programmes which were approved later, such as LT08.

4.6 Work plan

<table>
<thead>
<tr>
<th>Task</th>
<th>Planned implementation deadline</th>
<th>Responsible institution(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring Committee meeting</td>
<td>7 April 2014</td>
<td>NFP</td>
</tr>
<tr>
<td>Approval of the Rules on recoverable and recovered grant amounts</td>
<td>2Q 2014</td>
<td>CA (NFP, PA, POs, CPMA also involved)</td>
</tr>
<tr>
<td>(Order of the Minister of Finance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completion of creation of last modules of the EEA/NOR Grants subsystem in the SFMIS</td>
<td>3Q 2014</td>
<td>NFP (CA, IRA, POs, CPMA also involved)</td>
</tr>
<tr>
<td>Submission of the MCS II stage description and Audit opinion and report</td>
<td>April 2014</td>
<td>NFP (AA, CA, IRA, PA, POs, CPMA also involved)</td>
</tr>
</tbody>
</table>
### Implementation of programmes

| Call for proposal under Programme LT03 | 1Q | PO, CPMA |
| Call for proposal under Programme LT07(Measures 1 and 2) | 2Q | PO, CPMA |
| Call for proposal for preparatory visits under Programme LT08 | 1Q | PO, CPMA |
| Call for proposal under Programme LT08 | 2Q | PO, CPMA |
| Call for proposal under Programme LT08 | 4Q | PO, CPMA |

### Implementation of the National Bilateral Fund

| Launching of the open call under NBF | 2Q 2014 | NFP |

### Audit, monitoring, review and evaluation

| Procurement of the external audit for the verification of the effective functioning of the MCS | 2Q-3Q 2014 | AA |

### Communication and Publicity

| Provision of relevant information on the joint website | throughout 2014 | NFP, POs, CPMA |
| Launch of the joint website | February 2014 | NFP, CPMA, POs (through outsourced service provider) |
| Preparation of Communication and Design Manual in Lithuanian language | 1Q-2Q 2014 | NFP |
| Other communication activities (electronic newsletter, Facebook account, information publication about the programmes, poster, roll-up banners) | 3Q-4Q 2014 | NFP (through outsourced service provider) |
| Analysis of media coverage | throughout 2014 | NFP (through outsourced service provider) |

### 5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

In general it could be stated that during the reporting period progress in the implementation of the EEA Financial Mechanism have been achieved. Outstanding issues in respect of programmes were resolved; all programmes were approved by the Donors, Programme Agreements as well Programme Implementation Agreements were signed and programmes turned into actual implementation stage. More visible results are achieved in bilateral cooperation fields both on national, programme and project level; close PO and DPP work and consultations on implementation of bilateral elements as well as organized joint activities succeeded in establishing contacts and developing partnership in projects.

Overall implementation of the EEA Financial Mechanism is behind the schedule, while delay in programmes’ activities differs from programme to programme. Small scale programmes are those which are lagging behind most. It could be observed that due to their size, small programmes attract less attention from the senior management staff of the POs. All programmes have to fulfil the same requirements of the Regulation and national legal acts, despite the funds available. Programmes with
very limited funds due to extensive workload and comparatively less visible results do not motivate operational staff to work with.

As an external factor which in some cases averted the focus from the implementation of the programmes - in the second half of 2013, a priority of public institutions was given to activities under the Lithuania’s Presidency of the European Council. The Presidency related issues to some extent withdrew the attention from programmes and reduced human resources that could be made available for accelerating implementation of programmes. On the other hand, a possibility to organize joint events in the context of Presidency was of great importance and a significant benefit in the fields of development of bilateral relations was gained (e.g. events financed by the NBF).

Overall, the implementation of Grants was vulnerable to risks related to delays from the very beginning: later than anticipated agreement reached between the EU and the EEA, protracted preparation of some programme proposals, approval and signing of programme agreements. During the reporting period the cumulative delays were even enhanced by prolonged development and harmonisation of the Guidelines for applicants and pre-defined projects. While acknowledging that in a number of cases the PO delayed to start preparation of call documents or first drafts were not of adequate quality, the complexity of the system itself tends to produce delays inherently. A big number of actors at different levels involved in the coordination of every task (e.g. harmonization of guideline for applicants: PO-CPMA – procedural, PO-DPP – strategic, PO-FMO – conformity with Regulation) is extraordinary time-consuming. Usage of a new instrument – bilateral fund at programme level – certainly facilitates development of partnership and achievement of agreed bilateral objectives, however to make this new instrument operational it took a considerable time for POs due to the need of developing and harmonising with relevant authorities the procedures also while clarifying the expenses eligibility rules (a number of uncertainties arose regarding the proper separation of cost that could be financed from programme management, bilateral fund at programme level and complementary action budget) to avoid possible irregularities. In addition, during the reporting period POs at the same time were requested to develop their internal working procedures and to contribute to the preparation of the detailed description of the Management and Control System (2nd stage, programme level).

All those accumulated and complex delays are considered as a major challenge to successful implementation of programmes and achievement of the agreed cohesion and bilateral objectives. Furthermore, due to overall delay, the priority given to timely completion of the projects could leave aside the quality element of expected results.

To minimise the above mentioned risk the POs are requested to summon up all the available resources to prepare necessary Guidelines for the remaining pre-defined projects and calls for proposals. It should be done in close cooperation with the CPMA in order to be able to manage the acceptable distribution of the workload during the appraisal process and considering the schedules of all the programmes collectively. NFP and POs initiated exchange of good practice/already prepared documents/noticed common potential discrepancies from Regulations indicated by the FMO during coordination of the Guidelines would also facilitate timely preparation of good quality documents. In specific cases request to the donors to prolong the implementation deadline for the Project might be initiated.

Constant dialogue and exchange between FMO and NFP, between NFP and POs/CPMA, the NFP and CPMA involvement in communications between POs and DPPs/FMO on programme major developments would provide for reducing system complexity risks.

In addition to above mentioned, the NFP suggests the donors to discuss a possibility of extension of the projects implementation deadline (30 April 2016) by adding additional favourable
implementations season for implementation of infrastructure projects (till autumn 2016) what would work in favour of achievement of qualitative programme objectives and still would not affect negatively finalization procedures in terms of the programme completion date before 30 April 2017.

In 2013 year the bilateral cooperation at all levels in EEA Grants programmes was rather intensive and provided a solid background for achievement of the planned bilateral objectives, however the most prominent risk - availability of partners from Donor States – remained unchanged. To minimise this risk the POs are suggested to use strategic approach and set priorities in which specific programme/call partnership is desired (no obligatory requirement for all the calls but instead for calls of specific interest and potential). Advanced involvement of the DPPs and other relevant institution for setting the plan how to encourage and facilitate partners from donor countries to participate in projects also publicising information about the goals of the programmes and expected activities to the targeted audiences as widely as possible proved to be very effective and suggested for future calls.

A number of operational risks, identified for most of the programmes and closely related to the time risk: protracted public procurements or unsuccessful procurement procedures, late start of the projects - will be addressed with means of additional consultation and exchange of good practise, closer monitoring of programmes and projects with higher risk, training of the project leaders on preparation of the procurement documents and ex-ante control of risky procurements, start for preparations for implementation as early as possible before signing the project contract.

Among the additional operational challenge addressed to the responsible authorities – the smooth adoption of euro from 1 January, 2015 could be identified. All relevant MCS legislation and IT based accounting and management system (SFMIS) shall be adjusted to the use of new currency accordingly. Taking this into account major steps for the adoption of the system have already been discussed and plan for smooth transition to the new currency developed and under implementation.
6 ATTACHMENTS TO THE STRATEGIC REPORT

Annex 1 List of applications received and projects selected/contracted
Annex 2 List of irregularities at the State level and Programme level
Annex 3 Bilateral activities plan
Annex 4 Risk assessment at the national level
Annex 5 Risk assessment of the programmes
Annex 6 Implementation of the Technical Assistance