



# **Implementation of the EEA Financial Mechanism 2009-2014 in Lithuania**

*Strategic Report No.5*

Reporting period:  
1 January 2015 - 31 December 2015

Prepared by the National Focal Point (Ministry of Finance)

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## *Abbreviations*

AA	Audit Authority
CA	Certifying Authority
CPMA	Central Project Management Agency
CC	Cooperation Committee
DoRIS	Documentation, Reporting and Information System
DPP	Donors Programme Partner
dpp	Donor Project Partner
EEA	European Economic Area
ESIF	European Structural and Investment Funds
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
Grants	European Economic Area and Norway Grants 2009-2014
GDP	Gross Domestic Product
HRMI	Human Rights Monitoring Institute
IFR	Interim Financial Report
IRA	Irregularity Reporting Authority
NBF	National Bilateral Fund
NDP	National Development Plan
NGO	Non-Governmental Organisation
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
MCS	Management and Control System
MoU	Memorandum of Understanding
PA	Programme Agreement
PO	Programme Operator'
PP	Project Promoter
R&D	Research and Development
Regulation	Regulation on the implementation of the EEA Financial Mechanism 2009-2014
SFMIS	Structural Funds Management Information System

## 1 EXECUTIVE SUMMARY

During reporting period all programmes financed under the EEA Grants remain in line with the National long-term (National Development Plan 2020 approved by the Government) and sectoral strategies, or even contributed to development of the latter (e.g. in environmental sector). With the highlight to bilateral cooperation element (transfer of knowledge and good practises from Donors country) the EEA Grants programmes contribute to more consistent social and economic development of Lithuania. The Grants supplement the EU funds in the national priority areas and, more important, provide opportunity to invest funds and external expertise to socially and economically sensitive niches (e.g. children at risk, development of NGO sector, preservation of cultural heritage), what otherwise could not be afforded at present.

In 2015, all programmes were in actual implementation stage - the remaining open calls for proposals launched, applications evaluated and awarded for financing (except Scholarship programme). Implementation of projects, approved in previous reporting period, were in advanced stage and first visible results already came out reflecting the significant progress towards the achievement of the expected project objectives. The state of play of the programmes demonstrated positive trends in respect of reaching defined programme level objectives – the most advanced programmes already reported full achievement of some outcome target values (e.g. Cultural exchange programme) while some reached only first project results due to operational delays in previous years.

Bilateral cooperation at all levels was rather intensive and provided a solid background for achievement of the planned bilateral objectives. Most of Programme Operators (with some exceptions) and their counterparts from Norway were actively engaged in bilateral activities and effectively co-operated in supporting partnerships in projects as well as fulfilling their potential to facilitate share of experience and transfer of knowledge and best practice. As a result, cooperation significantly progressed towards the achievement of the set bilateral indicators through a number of partnership projects selected and partnership agreements signed (almost half of contracted projects have partners from Donor states), study tours and seminars organized, published joined article and professional networks established.

During the reporting period the national legal acts regulating implementation of the Grants were amended several times taking into account further development of the Management and Control (MCS) System, clarification and amendment of the Regulation on implementation of Norwegian Financial Mechanism and seeking to upgrade requirements to ensure more effective and efficient procedures. A few programmes were involved in assessment on MCS efficiency and eligibility of expenditure on programme and project level by external audit company. Notwithstanding some recommended improvements, the established MCS is functioning efficiently and any remarks on expenditure eligibility issues were made.

A risk of non-achievement of the agreed cohesion and bilateral objectives until the deadline was minimized by very welcomed by national authorities' donors' decision to grant possibility of extension of project implementation period in case of need, a number of projects (due to late start or nature of activities) will use possibility of extension to deliver planned/or better quality results. Exception is Scholarship programme, due to operational delays and no possibility to extend eligibility deadline, time is a crucial risk for successful completion of projects. In addition, in some programmes risk of not using programme bilateral funds remains – additional administrative efforts from relevant institutions are required to facilitate creation of partnerships.

Therefore, the most immediate tasks for the upcoming year for all involved parties should be directed at and all the efforts should be assigned for facilitation of partnerships and development of bilateral dimension on all levels, in addition to monitoring of the programmes/projects progress in order to assure a smooth process towards the defined goals.

## 2. ASSESSMENT OF THE EFFECT OF THE GRANTS

### 2.1 Cohesion

**National development strategies.** The underlying Lithuania's long term-planning document - Lithuania's Progress Strategy "Lithuania 2030"<sup>1</sup> reflects a national vision and priorities for development as well as guidelines for their implementation by 2030. The Lithuanian National Development Programme (NDP) for 2014-2020<sup>2</sup>, 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, Sustainable and Inclusive Growth), and sets out the following five vertical priorities: 'Development of the society, science and culture', 'Active and solidary 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 (EU funds, the national budget and other international financial assistance) while reaching set country development objectives. The National Reform Agenda is one of the key national documents, which establishes Lithuania's commitment to achieve Europe 2020 targets.

**Country situation analysis, challenges and potentials.** Accession to the euro area confirms Lithuania's commitment to sound and sustainable economic policies. As observed in the Country Report 2016<sup>3</sup>, Lithuanian economy showed a remarkable recovery. After a major recession (with one of the sharpest declines in real GDP across the EU in 2009), its regained competitiveness has supported solid growth in recent years. On average, real GDP grew at 4.1% of GDP over the period 2011-2014 (1.7% in 2015 but is set to rebound to 2.9% in 2016). This was initially led by exports, but domestic demand has taken over as the main growth engine later on. It is expected that domestic demand growth will carry its momentum into 2016, largely driven by rising wages, falling unemployment and subdued inflation. Growth is projected to gain momentum despite weak external conditions: recession in Russia and counter-sanctions caused the value of Lithuanian export to Russia to shrink by 40% in 2015; however a success in reorienting exports to the Middle East and Asian countries amortized the negative impact<sup>4</sup>. Unemployment is set to further continue its downward trend to 8.1% in 2016 due to growing economy and a shrinking labour force.

Despite the solid gains in employment, structural challenges persist, particularly demographic ones. Population decline is due to negative demographic developments but further aggravated by net emigration, in particular among the young, and poor health outcomes as illustrated by low life expectancy and high morbidity rates. Young people still face some difficulties to integrate into the labour market. With more than 27% of its population being at risk, Lithuania ranks among the worst performers in the EU in this respect. Despite a decrease in number of people receiving cash social assistance, the risk of becoming poor is increasing for the unemployed, the elderly, disabled people, and single parents. Lithuania, also, lags behind regarding many indicators of well-being measuring the quality of life. Although the situation has improved somewhat in recent years, the poor overall situation raises concerns about the adequacy of the Lithuania's social measures. There is room for making social support and labour market institutions more effective at bringing jobless people back to labour market and reducing social inequality.<sup>5</sup>

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<sup>1</sup> Lithuania's Progress Strategy "LITHUANIA 2030", approved by Lithuanian Parliament on 15 May 2012 (Decision No. XI-2015), <http://lietuva2030.lt>

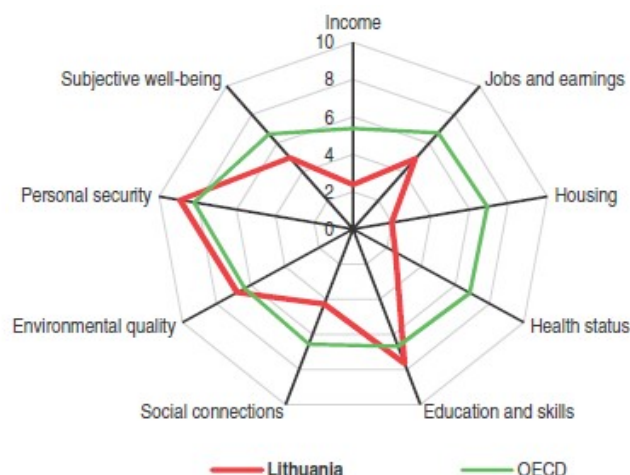
<sup>2</sup> The Lithuanian National Development Programme for 2014-2020, approved by the Governmental Resolution of 28 November 2012, No. 1482.

<sup>3</sup> Commission staff working document, Country Report Lithuania 2016, [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_lithuania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf)

<sup>4</sup> <http://www.oecd.org/economy/surveys/Lithuania-2016-overview.pdf>

<sup>5</sup> <http://www.oecd.org/economy/surveys/Lithuania-2016-overview.pdf>

**Chart No. 1. Lithuanian well-being indicators**



Source: 2016 OECD economic assessment of Lithuania, 2016

<http://www.oecd.org/economy/surveys/Lithuania-2016-overview.pdf>

Environmental challenges remain high. Lithuania shall continue to work on ensuring security of energy supply and competition on its energy market. Several projects have been launched, and some have already been implemented. Following these developments, Lithuania is no longer dependant on a single energy source, however more progress is needed. Energy-intensity in Lithuania is high making it one of the least energy-efficient countries in the EU and no much improvement is evident in these fields yet<sup>6</sup>.

According to the statistical data regarding achievements of Europa 2020 targets Lithuania exceeded both of its national education targets. It is ranked among the best performing countries across the EU in terms of early leavers from education and training and tertiary educational attainment of 30 to 34 year olds. However, an improvement of pupil's basic skills and quality of teaching as well as tertiary education reform are the challenges Lithuania still has to overcome.<sup>7</sup> Poverty rates have fallen since 2010 and country has met its national 2020 commitment, however there still is a room to make Lithuania more inclusive. A significant increase in the share of renewable energies from 2005 to 2014 has moved the country above its national target of 23 %. After a significant drop between 2008 and 2009, the country's employment rate increased again by 7.5 percentage points between 2010 and 2014, moving it closer to the national target. In terms of R&D expenditure, almost one percentage point gap still needs to be closed for the target of 1.9 % of GDP to be reached. Additionally, Lithuania has remained below its target to limit Greenhouse gas emission increases and reduce final energy use.

Progress achieved in respect of target values for 2020 is presented in Table No. 1.

Europe 2020 national targets	Progress/recent situation in Lithuania (latest available data)
R&D target: 1,9% of GDP with half coming from private sector	1.02% of GDP (2014 ) while business expenditure on R&D is 0.30% of GDP.
Greenhouse gas emission target: 15%. +15%compared to 2005 emissions (the level of emissions would not increase by more than 15 percent compared to 2005 level, and would not exceed 15.46 million t CO <sub>2</sub> -eqv. )	Lithuania is expected to meet its target by a margin of 18 percentage points: -3% in 2020 compared with 2005. This is according to the latest national projections submitted to Commission, and when existing measures are taken into account.
Renewable energy target: 23%.	23.9% (2014)
Energy efficiency target: 17% reduction in final energy use compared to 2009 level.	5.37% (2014)

<sup>6</sup> <http://www.oecd.org/economy/surveys/Lithuania-2016-overview.pdf>

<sup>7</sup> Commission staff working document, Country Report Lithuania 2016, [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_lithuania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf)

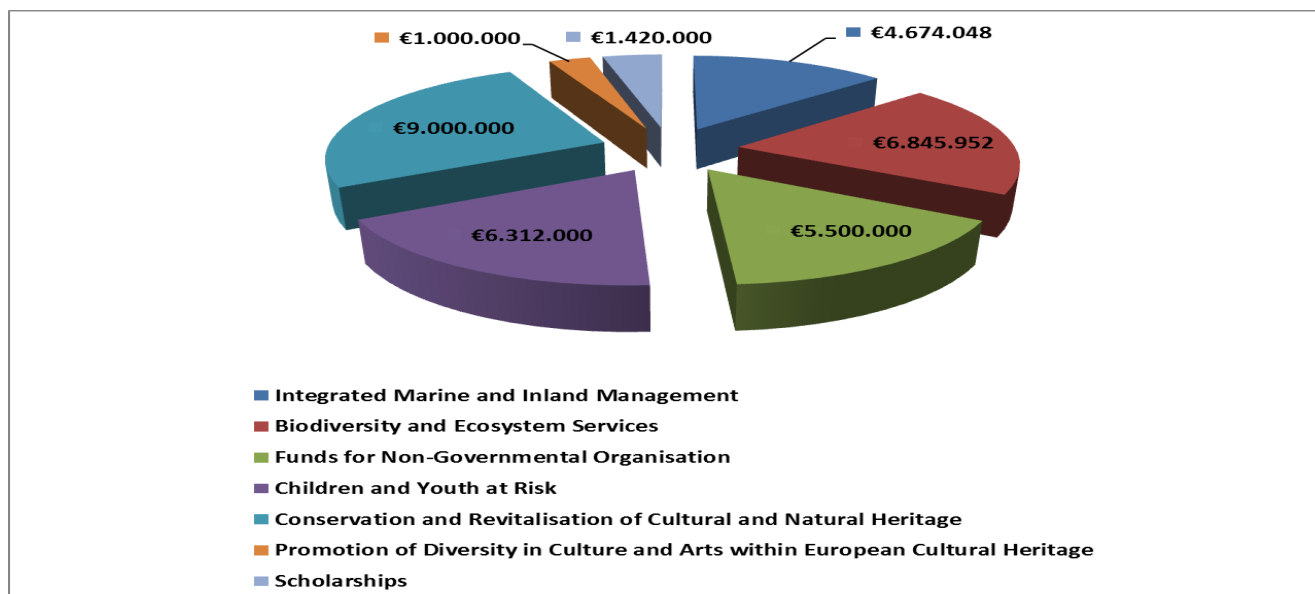
Employment rate target: 72,8%	71.8% (2014)
Early school leaving target: < 9%.	5.9% (2014)
Tertiary education target: 48.7%	53.3% (2014)
Risk of poverty and social exclusion target: reduce to less than 814,000 people	804,000 or 27.3% of total population (2014)

Sources: [http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index\\_en.htm](http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm) , February 2016;  
[http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015\\_lithuania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_lithuania_en.pdf)

**EEA Grants contribution to the national development objectives.** The funding from EEA Grants 2009-2014 supplements to national budgetary allocations and EU funds and is expected to contribute to the above mentioned Lithuania's medium and long-term national development strategies as well as sectoral ones.

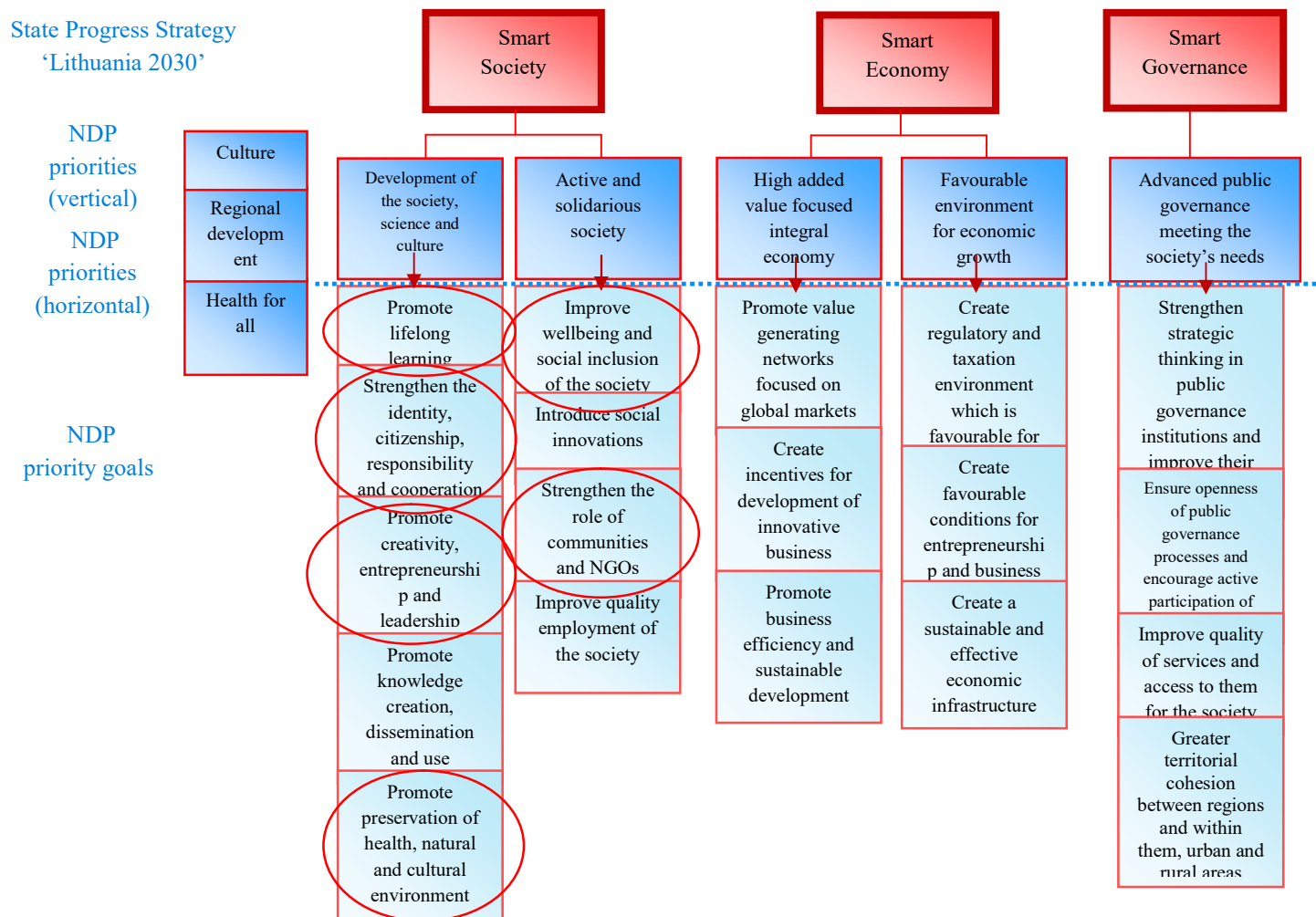
Due to the size of the EEA Grants (see Chart No. 2), the planned outcomes of the financed programmes could not be measured in terms of impact at the national level. Nevertheless, the funding from the EEA Grants helps to address the Lithuanian needs in specific areas, mostly, that are not covered by other financial instruments; some quite significant and appreciable effects can be expected in these targeted niches (see Chart No.3). 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. 2. Distribution of the EEA grants among programme areas, in euros**





**Chart No 3. Lithuania's Progress Strategy, Priorities, Goals and link with EEA Grants Programmes**



## Environment

The environment is an important national priority thus a significant amount of EUR 1,693 billion under the European Structural and Investment Funds (ESIF) 2014-2020<sup>8</sup> is allocated to this area, including other priorities, both vertical and horizontal, 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 Grants assistance to environmental sector than the persistence of problems in the sector due to the lack of financing. Nevertheless, Programmes LT02 and LT03 are concentrated on the fields that were not yet covered by the other means and are expected to produce some important results in terms of tools developed for environmental status assessment and prediction and management of protected areas.

Approved in April 2015, the National Environmental Strategy covers four priority environmental policy areas, including the sustainable use of natural resources and waste management, environmental quality improvement, preservation of ecosystem stability, and mitigation of and adaptation to climate change. The Strategy sets out long-term objectives for the period until 2030 and a vision of Lithuania's environment until 2050. **Programme LT03** contributes to the main objectives set in the National Environmental Strategy and helps to integrate environmental aspects such as biodiversity conservation and ecosystem restoration into different activities. The National Action Plan for the Landscape and Biodiversity Conservation for 2015–

<sup>8</sup> Source: [www.esinvesticijos.lt](http://www.esinvesticijos.lt) – official website of the EU investment in Lithuania



2020 was approved in the very beginning of 2015. While drawing up this plan, due account was taken of the specific contribution of the LT03 Programme. This action plan provides for national strategic guidelines and specific measures for biodiversity conservation until 2020, including measures financed with EU funds.

In 2015 while developing the relevant national strategies and actions plans, as well as indicating measures aimed at sustainable marine and inland water management the content of **Programme LT02** was taken into strong consideration. Outcomes obtained from LT02 programme will be fully used for preparing updated (3<sup>rd</sup> cycle) river basin district management plans (RBDMPs) also the preparation of Water Strategy; while the implementation of the measures set will be covered by available ESIF 2014-2020.

### **Civil society**

Lithuania has taken important steps forward in developing the needed legal and policy framework to modernise its public administration, improve efficiency and effectiveness, and support accountability and transparency to establish as such a context for citizens to engage in the public policy-making processes. Lithuania's strategic documents, such as the NPP 2014-2020, the Lithuania 2030 Strategy and the Public Governance Improvement Programme, all accept the importance of developing active citizenship and citizen participation in policy making and service delivery. However, when designing and implementing initiatives to improve civic engagement, major challenge is to move beyond the current approach based on compliance with legal requirements and procedures, rather focus on achieving impacts. Until 2014, NGO sector was even lagging clear legislation, what was identified as one of the biggest handicaps for the positive development in the sector. Law on NGOs sector development has introduced a long awaited legal NGO definition as well defined NGO collaboration with state institutions and involvement in decision making process.

Despite all the intensive discussions in relation to the ESIF for 2014-2020, the EEA Grants **Programme LT04** (NGO Fund) still remains the biggest financial instrument directed at strengthening the NGOs and their role in the political and social processes. NGO fund 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 could already be observed in these selected areas. Taking on the best practices from Iceland, Liechtenstein and Norway provides an opportunity to further develop NGO capacity building and drive their activities for societal impact.

### **Human and social development**

Despite a positive movement towards resolution of various social issues and fostering quality of life, Lithuania is still below the EU average in almost all elements of social cohesion indicators; persons of vulnerable groups (disabled people, addicts, victims of human trafficking, ethnic minorities, orphans or children deprived parental care, the elderly, convicts) experience inequality and social exclusion, one fifth of total population live in relative poverty and quality of life does not meet expectations. Lithuanian Human Development Index is ranked 37<sup>th</sup><sup>9</sup> according to the Human Development Report Office as of 2014, and it has dropped by one position down compared to the previous year.

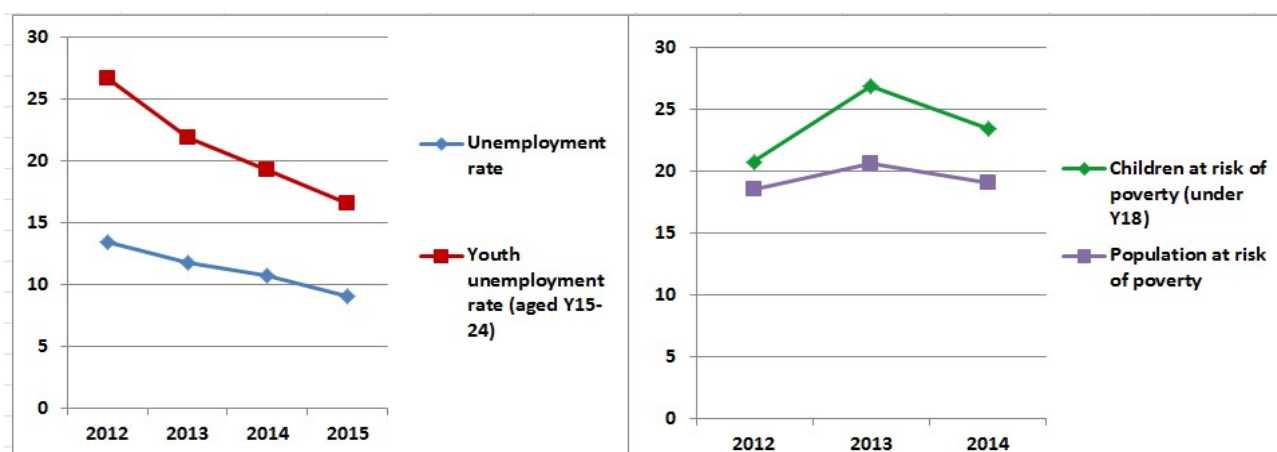
Children and young people experience even greater risk of poverty and social exclusion than the average population. According to Lithuania's Statistics Department, in 2014, 23,5% of children aged under 18 still lived at risk of poverty<sup>10</sup>. Children are regarded as the most vulnerable group being at risk of poverty and social exclusion, due to inability/incapacity to influence the existing situation. Although youth unemployment has decreased by 2.7 percentage points in 2015 compared to 2014, but still was almost twice higher than the average unemployment rate. Early school-leavers as well as young people who have committed offences are more likely to be unemployed thus may live at risk of poverty.

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<sup>9</sup> [http://hdr.undp.org/sites/default/files/hdr15\\_standalone\\_overview\\_en.pdf](http://hdr.undp.org/sites/default/files/hdr15_standalone_overview_en.pdf)

<sup>10</sup> <http://osp.stat.gov.lt/statistiniu-rodikliu-analize1>

**Chart No. 4. Social cohesion indicators (%)**



Source: <http://osp.stat.gov.lt/statistiniu-rodikliu-analize>

Studies show that about 10% of all children have experienced some form of sexual violence including sexual assault, rape or harassment during their childhood. Unfortunately, this phenomenon is not decreasing and certain forms of sexual violence (like child pornography) are becoming a matter of growing concern. The prevalence of child sexual abuse is difficult to determine because it is often not reported; experts agree that the incidence is far greater than what is reported to authorities. And this is very much understandable, because children that experienced sexual abuse are vulnerable, and often ashamed and afraid to report any incidents. Furthermore, there is not enough only to disclose the fact of abuse, equally important to assist the child with all relevant care and prevent additional trauma from participating in criminal proceeding.

Through the establishment of the new method of integration of necessary care services for children subjected to sexual abuse as well as the development of the network of child day-care centres and open youth centres, **Programme LT05** strives for improving the well-being of vulnerable groups of children and youth, protect them from violence, abuse and exploitation. Additionally, due to children's and youth active engagement into activities organised in day centres/youth centres, the indirect effect is expected in the reduction of juvenile's delinquency.

There have been important updates in policy areas related to the Programme: in August 2015 the Government approved the changes to the Child Right Protection Law initiated by the Ministry of Social Security and Labour; person who have been sentenced for child sexual harassment, violence and/or abuse are not allowed to work with children ever.

### Cultural heritage and diversity

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. The cultural heritage sector is another area where the EEA Grants really makes a difference. Quite for a period, the EEA Grants remained 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, cooperation as well as responsibility in using the items being restored for social and educational needs. Besides its direct impact – restored cultural heritage values, implementation of **Programme LT06** in many cases indirectly contributes to the objectives of the Programme as provides considerable amount of work for traditional craftsmanship which is not only important in respect of preservation of the crafts, but will also have an effect to the economic situation of people in this line of work. The wider impact of the programme is the added value in regional development, tourism and local business. The **Programme LT07** dedicated to the cultural exchange especially targets the regions outside the more developed biggest cities and prioritises national minorities; therefore it directly contributes to the diminishing of sociocultural inequalities in Lithuania and promotes creativity and cooperation. Additionally to its direct aim, the programme contributes to the social inclusion by organizing events for socially excluded and disadvantaged groups, and making all the events free of charge.

## Scholarship

Despite the leading position in some educational indicators, such as level of tertiary attainment, with 56,4% of citizens 30 to 34 years old, having completed a tertiary degree in 2015<sup>11</sup>, or rate of early school leaving at just 5.5% in 2015<sup>12</sup>, which is far below the EU average, the Lithuania still needs to brace up in many fields.

While 90,9%<sup>13</sup> of 20-24 years Lithuanian youth has attained secondary or higher level of education, still even 5,5%<sup>14</sup> of 18-24 years Lithuanian youth haven't got secondary education and doesn't study further. The country's youth unemployment rate of above 30% at the end of 2011 has decreased to 16,3%<sup>15</sup> in 2015, but still remains relatively high. High youth unemployment rate partly associated with young people's insufficient skills and lack of practical experience.

Participation of adults in lifelong learning activities aims at better performing one's work, acquiring professional knowledge, developing new skills, and acquiring knowledge and skills necessary in daily life. However Lithuania is still lagging behind many EU countries according to the share of adults (25-64 years old) engaged in lifelong learning. Only 5.5%<sup>16</sup> of adults took part in adult learning four weeks prior to the survey in Lithuania in 2015 (which was significantly lower compared to the EU average (10.6%)) and the main reason of non-involvement in formal and non-formal education is lack of perceived need.

The number of pupils in the pre-school education is increasing constantly (from 2010 to 2014 the number of pupils in the pre-school education increased by nearly 20%)<sup>17</sup>. The number of pupils in pre-primary education shall increase shortly due to the decision of Parliament of Lithuania of 22<sup>nd</sup> of December 2015 which made the pre-primary education obligatory from 1<sup>st</sup> of September 2016. These circumstances lead not only to the need of more and better prepared specialists in the system of pre-school and pre-primary education, but as well growing demand of constantly on-going qualification raising, capacity building and development of skills various actors of pre-school and pre-primary education system.

Lithuania needs to increase the quality of its education programs as well quality of teaching by using new innovative teaching methods and information and communication technologies. Moreover, it must address mismatches between the skills of graduates and other participants of labour market and labour market needs. In this respect the added value from outcomes of **Programme LT08** was expected, especially from the bilateral element. However the initially estimated potential to contribute to the quality of educational outcomes is reduced due to operational delays.

## 2.2. Bilateral relations

Existence of several different instruments (Donor Programme Partnership (DPP), National Bilateral Fund (NBF), programmes bilateral funds, partnership under projects) ensure that bilateral relations are increasing and strengthened on different levels and even outside the immediate boundaries of the implementation of the EEA Financial Mechanism. It could be observed that in 2015 the bilateral cooperation at all levels was rather intensive (except of rather limited scope in LT02, LT08) and some tangible results in respect of the planned bilateral objectives were already achieved.

**NBF**, implemented via financing of pre-defined activities, travel reimbursement scheme and planned open call for ideas, is designed to provide a platform for increasing mutual political, professional and academic relations in areas considered to have a cross-sector effect and is complementary to the agreed programmes.

Following the defined aims, in 2015 the pre-defined projects awarded under the NBF had completed their activities targeted at initiatives in the areas of energy security in the Baltic Sea Region, human rights as well as gender equality in research institutions. In addition to the achieved direct bilateral outcomes of these projects (partnership agreements, joint events, joint articles, studies or methodologies) the wider effect is

<sup>11</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_41&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_41&plugin=1)

<sup>12</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_40&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_40&plugin=1)

<sup>13</sup> <http://osp.stat.gov.lt/statistiniu-rodikliu-analize1>

<sup>14</sup> <http://osp.stat.gov.lt/statistiniu-rodikliu-analize1>

<sup>15</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tipslm80&language=en>

<sup>16</sup> <http://osp.stat.gov.lt/statistiniu-rodikliu-analize?id=1496&status=A>

<sup>17</sup> <http://osp.stat.gov.lt/statistiniu-rodikliu-analize?id=1378&status=A>

seen while developing professional networks between institutions in the beneficiary and donor states, joint initiatives in the European or international arena. An interest on the produced projects' outcomes is likely will go beyond the frame of only bilateral cooperation as well as cooperation established for a certain activities will grow into a longer term partnership. Approach to finance pre-defined activities proved to be successful in reaching tangible bilateral cooperation results as well as flexible in addressing both beneficiary and donors interests and rather simple in administration.

The idea of introduced reimbursement scheme was to facilitate POs and pre-defined projects promoters in development of bilateral relations by compensating travel expenses related to experience sharing events till the bilateral funds at programme level became available or eligibility of these funds is to some extent limited. However, the established measure was not requested as much as it was expected, thus the major share of funds was already reallocated for financing of pre-defined initiatives. No requests for financing activities under the reimbursement scheme were received in 2015; a small amount of funds is planned under this measure in case of need during final stage of implementation of programmes.

Open call for selection of pre-defined project ideas and then development and implementation of the activities with clear and targeted bilateral results was not announced as initially planned in 4Q 2015. Seeking not to duplicate or compete in the same priority areas or measures, the NFP postponed the call till the final decisions as regards use of remaining funds (in some programmes rather significant, e.g. LT10) at programme level are taken. Taking into account POs plans for their bilateral funds, the NFP would suggest to use NBF open call funds for bilateral academic and research co-operation activities between Lithuanian and donor higher education institutions and is planning to specify the thematical areas in close co-operation with donors (Embassy).

Summary information about the progress in respect of 4 bilateral outcomes achieved at national level as well as financial reflection spread by the measures to be implemented is presented in the tables below.

**Table No. 2. NBF budget breakdown by defined measures**

No.	Measure	Used funds, EUR (EEA/Norway grants)	Status/completion (%)	Remaining funds, EUR
<b>1.</b>	<b>Pre-defined activities</b>	<b>264,987</b>	<b>100%</b>	<b>0</b>
1.1.	Gender Equality Implementation in Research Institutions – Collaborative approach (GEIRICA)	143,774	100%	0
1.2.	Conference in Vilnius on 12 – 13 November 2013 on Combating hate crime in the EU, organised by the Fundamental Rights Agency in cooperation with the Lithuanian Presidency of the Council of the EU	39,824.52	100%	0
1.3.	Research 'Protection of Hate Crime Victims' Rights: the case of Lithuania'	9,999	100%	0
1.4.	Energy security in the Baltic Sea region	54,025	100%	0
1.5.	Humans Rights in Lithuania 2013-2014: overview	17,365	100%	0
<b>2.</b>	<b>Compensation scheme</b>	<b>3,889</b>	<b>38,89%</b>	<b>6,111</b>
<b>3.</b>	<b>Open call for ideas</b>	<b>0</b>	<b>0 %</b>	<b>145,013</b>
	<b>Total (out of available EUR 420,000):</b>	<b>268,876</b>	<b>64, 02%</b>	<b>151,124</b>

**Table No. 3. Bilateral cooperation results at national level**

<b>Bilateral outcome</b>	<b>Bilateral indicator</b>	<b>Result</b>
<b>Extend of cooperation</b>	Number of beneficiary /donor state organizations taking part in the actions.	9
	Number of events organised.	15
	Number of project partnership agreements in the public sector.	3
	Number of beneficiary representatives traveling to donor state.	5
	Number of women involved in exchange visits between beneficiary and donor states.	14
	Number of men involved in exchange visits between beneficiary and donor states	6
<b>Shared results</b>	Number of projects with expected shared results (both partners are involved professionally in planning and implementation and can claim credit for achieved results).	1
	Number of joint (bilateral) scientific papers written with co-researchers in at least one beneficiary and one donor state, and published in a national or international scientific publication, originated from a project financed by the programme.	1
	Number of joint (bilateral) articles published, written by persons from both an institutions in a beneficiary and donor state, published in national or international publications, originated from a project financed by the programme.	2
<b>Improved knowledge and mutual understanding</b>	Number of articles published in one country about the other partner country	5
<b>Wider effect</b>	Number of joint initiatives in the European or international arena or multilateral organisations	4
	Number of professional networks between institutions in beneficiary and donor states established and operational	3
	Number of European and international networks where project and programme partners participate together	1

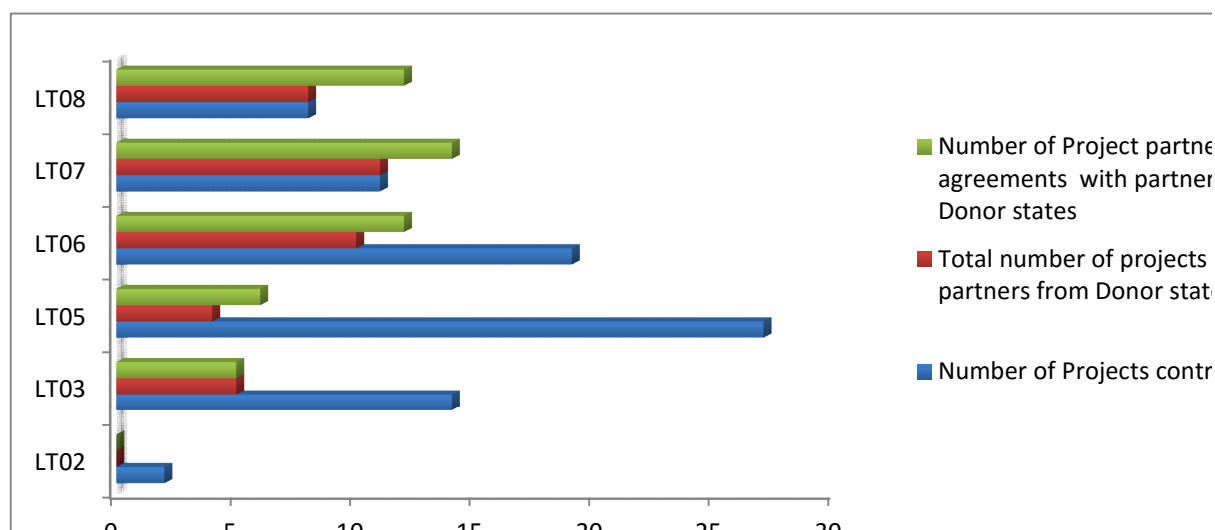
### Programme level

Programme bilateral funds constitute a significant source of financing for undertakings and partner initiatives on programme level in addition to those already planned in the projects. As in a previous year of implementation, the POs continued playing an active role in fostering bilateral relations. Also the DPPs involvement in all phases of implementation of programmes contributed to the preparation of programme proposals, development of guidelines for applicants, projects' selection processes and elaboration of ideas on bilateral programmes' elements as well as implementation of joined programmes' activities. Especially contribution appreciated in finding partners through their professional networks distributing information in donor country. While the later one was identified as a key challenge in programmes that have no DPP.

Selected forms of support for bilateral cooperation included mostly pre-defined activities organized by the POs as well as activities under the open calls in a form of study tours, seminars and conferences targeted for learning from more developed countries' experiences. The positive feedbacks from participants reported that the events were very much to the target, useful and relevant information provided and wholesome advises shared as well as meaningful contacts established.

It is good to acknowledge that in total almost 47% of the projects awarded are implemented with one or more partners from donor states with regards to only one programme being under the compulsory partnership requirement; while in other programmes partnership obligation depended on calls requirements, but in all cases were very much promoted.

**Chart No. 5. Bilateral partnership under the projects**



Regular Cooperation Committee (CC) meetings or projects promoters' visits to donor states and project partners' visits to Lithuania carried out in programmes made also possible to learn more about various practices and organisation of systems in respective policy areas and what already materialized into a number of methodologies, guidelines and other methodical material to be used for better performance. It is worth to mention that in parallel to possibilities available from programme bilateral funds the Complementary Action means also contributed to better knowledge and mutual understanding and created some additional added value in these fields.

Successful partnerships are likely to generate further cooperation initiatives in other projects, connections with professional networks or increased access to participation in the initiatives in an international arena. For the meanwhile, when all projects are still in the implementation stage is too early to speculate upon possible results or effect achieved.

Aggregated/consolidated information on the progress made in respect of the defined bilateral outcome indicators is presented in the table below.

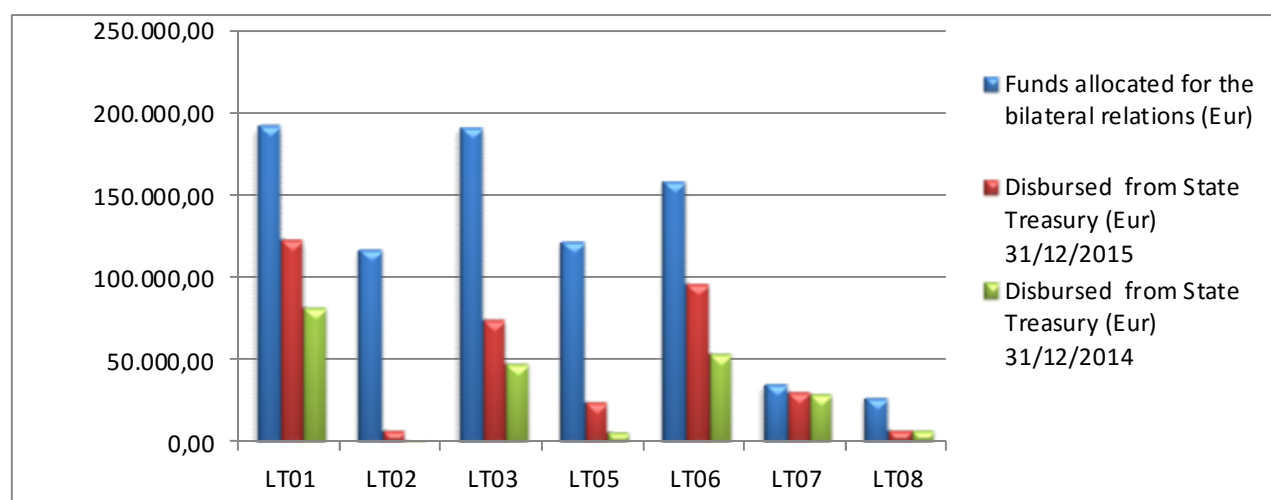
**Table No. 4. Bilateral cooperation result at programme level**

Bilateral outcome	Bilateral indicator	Result	PO
<b>Extend of cooperation</b>	Number of donor state entities involved in BF activities.	50	LT02,LT03, LT05, LT06, LT07
	Number of various events/meetings/seminars/study tours organised.	26	LT05, LT03, LT06, LT07
	Number of project partnership agreements.	49	LT03, LT05, LT06, LT07, LT08
	Number of beneficiary representatives traveling to donor state.	33	LT06,LT05
<b>Shared results</b>	Number of projects with expected shared results (both partners are involved professionally in planning and implementation and can claim credit for achieved results).	11	LT07
	Number of new technologies/new practises, including IT-systems, adopted in a beneficiary state, as a result of transfer of knowledge from a donor state partner.	1	LT05
	Number of professional networks between institutions in beneficiary and donor states established and operational	1	LT06



Financial performance of the NBF and programme bilateral funds is presented in Chart No.6.

**Chart No. 6. NBF and programme bilateral funds financial progress**



The most prominent risk related to achieving bilateral goals at current stage - availability of partners from Donor States – is still relevant in programmes with no compulsory partnership requirements set under the calls but with significant budgets planned for bilateral activities. With the total number of 16 Beneficiary States and only 3 Donor Countries it is obvious that competition for donors' partners attention among applicants that did not succeed in making partnerships under the regular calls but still are willing to materialise their ideas through bilateral activities as well as new competitors eligible under recently amended relevant Regulation provisions is certain.

But even obtaining a partner cannot secure smooth implementation and achievement of bilateral goals. This mostly relates to the uncertain interest of cooperative parties and different expectations from the partnership or even understanding of partnership as such. It is worth to emphasize challenges posed by differences in management systems, including expenditure eligibility requirements, in Lithuania and Donor Countries, different specific natures of a given thematic area, practices established as well as some cultural issues which do not work in a favour of establishment of strong and sound cooperation. Some steps if were taken at the very early stage of implementation of the mechanisms, i.e. bring the DPPs and national authorities together for a discussion on substantial partnership issues, expectations of future cooperation and introduce the other side on national requirements and peculiarities of management systems under the applicable laws, could prevent from misunderstandings between cooperative parties and avoid a number of odds on a later stage.

Risks that might hinder the achievement of bilateral outcomes on both national and programme level are presented in [Annexes 6 and 7](#) to this report.

### 3. REPORTING ON PROGRAMMES

#### 3.1 Overview of Programme status

There are 7 programmes implemented within the EEA Financial Mechanisms in Lithuania. Six programmes are operated by Lithuanian national administrative bodies and the remaining one (LT04) is operated directly by the FMO through the selected Fund Operator - Human Rights Monitoring Institute (HRMI).

Year 2015 was intensive in terms of implementation of projects, both, pre-defined and selected via the open calls, preparation, announcement and implementation of the remaining calls for proposals as well as taking decisions on projects financing, implementation of activities, financed from bilateral funds. The biggest share of funds available for re-granting of projects was distributed except for the comparatively small amount under LT08. Overall progress towards the expected programmes outcomes and defined outputs is well forward compared to the previous period. However the level of achievements differs from programme



to programme depending on level of progress in implementation and nature of activities (“soft” or infrastructure projects): e.g. programme LT07 already exceeded significantly most of its planned programme outputs target values, some programmes (LT02, LT03, LT05, LT06) could report about full achievement of part (several) of planned output indicators, however no programme level output achievement reached under LT08 Programme due to operational delays.

In general, the implementation of Grants is far below the initial time schedule due to delays accumulated from the very beginning: starting from the late signing of the EU and Norway agreement then followed by protracted operational procedures till project contracts were signed. A major role in managing time related risks and overcoming challenge to successful implementation of programmes and achievement of the agreed cohesion and bilateral objectives played donor’s decision to extend projects eligibility deadline. The NFP, after having consulted all the POs, decided to take advantage of the possibility to extend the eligibility deadline for all the projects within the conditions set by the donors seeking to minimize the risk of non-completion in time but also to reach higher quality results. However, it should be noted, that extension to each single project is not granted automatically; extension is a subject to PO’s consideration on case by case basis taking into account justification provided by the Project Promoter as well as ex-ante assessment on significance and related risks performed by the CPMA.

Basic information of the status of actual implementation of the approved programmes as well as financial reflection is presented in the Table No. 5 below. (More detailed information on individual programmes status is provided in section 3.2 of this report).

**Table No. 5. Operational and Financial Status of Programmes** (data as of 31/12/2015)

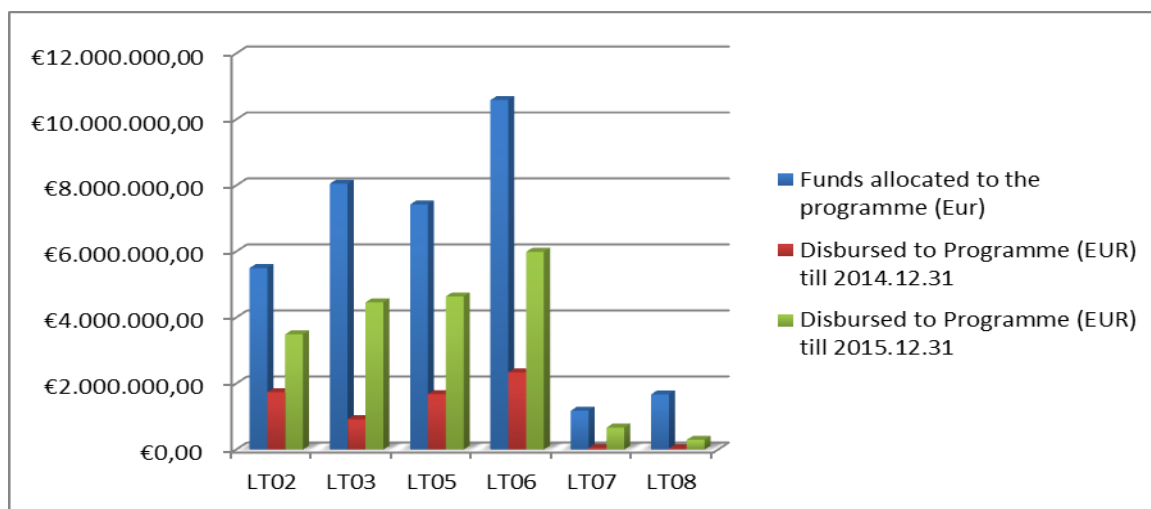
Programme*	Calls/ pre-defined projects (actual status for 4Q)	Commitment		Disbursement		
		Projects* (EUR) (% of total available)	Programme**	Disbursed from State Treasury to Programme** (EUR) (% of total available)	Disbursed from State Treasury to projects (EUR) (% of total available)	Disbursed from the Donors (inc. advanced payment) (EUR)
LT02	Pre-defined projects under implementation (no calls planned)	4,900,026 (100%)	598,853	181,631 (30,33%)	3,309,120 (67,53%)	3,358,257
LT03	Projects (incl. pre-defined) under implementation	7,041,759 (99,86%)	1,002,352	289,513 (28,88%)	4,171,243 (59,15%)	5,277,208
LT05	Projects (incl. pre-defined) under implementation	6,523,522 (100%)	902,360	336,691 (37,31%)	4,302,342 (65,95%)	5,581,957
LT06	Projects under implementation	9,402,398 (100%)	1,185,837	461,581 (38,92%)	5,528,925 (58,80%)	6,568,225
LT07	Projects under implementation	1,015,384 (99,50%)	156,000	70,031 (44,89%)	594,322 (58,24%)	744,106
LT08	1 <sup>st</sup> call: projects under implementation 2 <sup>nd</sup> call closed, evaluation of applications completed, no decision on financing taken yet.	671,086 (46,70%)	233,631	81,264 (34,78%)	214,100 (14,90%)	637,260
Total		29,554,175 (97,43 %)	4,079,034	1,420,709 (34,83%)	18,120,053 (59,73%)	22,721,249

\* LT04 is not presented.

\*\* Columns show amounts committed/disbursed for programme management, bilateral fund, complementary actions and programme preparation.

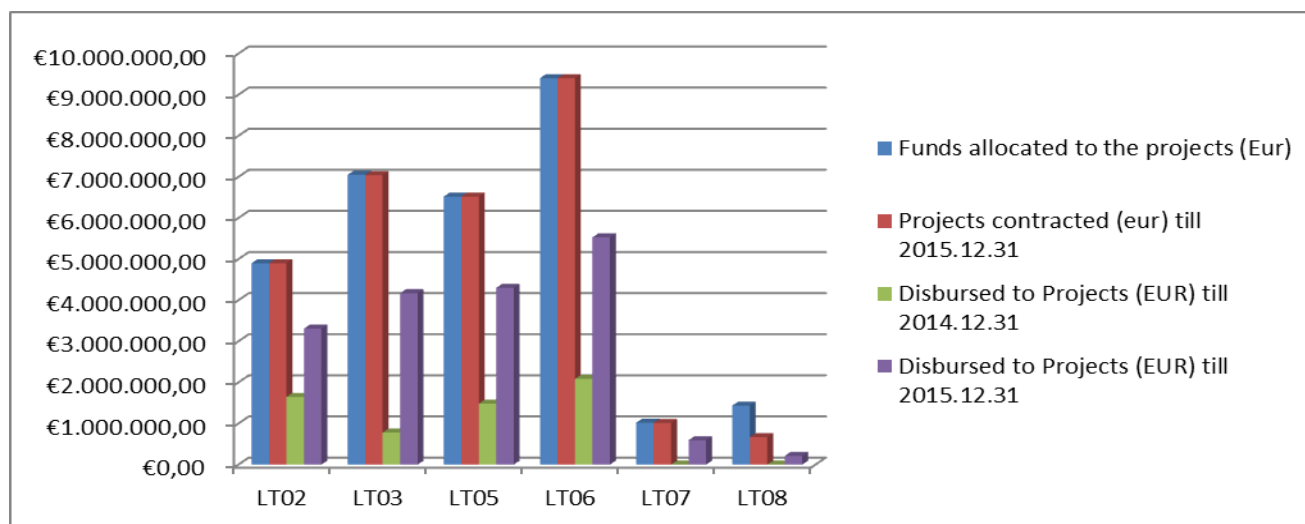
In 2015, in addition to the programmes management costs where the first payments were made much earlier, the expenditure in projects has grown significantly compared to previous period. The relevant financial data on the amounts committed, paid out to programmes is presented in the chart below (Chart No. 7).

**Chart No. 7. General financial data breakdown**



With regards to the pre-defined projects constituting a significant component under programmes LT02, LT03 and LT05, all funds available for re-granting of these projects were committed in 2014 yet. As regards projects selected under the open calls, almost all of them were contracted by the end of reporting period, except for the funds allocated for the 2<sup>nd</sup> call under LT08; evaluation of applications was completed but projects were not yet selected and contracted. As can be seen from the Chart No. 8 below a disbursement to projects by the end of reporting period exceeded 50% of total available funds; however disbursement under the particular programmes varied from 15% in LT08 to almost 68% in LT02. The rest of payments for the project promoters are planned in 2016 and only a little share in 2017.

**Chart No. 8. Projects' commitment financial data breakdown by programmes**



### 3.2 Individual Programme summaries.

Based on the information provided by the POs in the Annual Programme Reports as well as the NFP day-to-day monitoring, 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. Having overall responsibility for the implementation of the EEA Grants in Lithuania and for reporting on this annually a short status on the implementation of the LT04 is also provided.

## **LT02 Integrated marine and inland water management**

Programme LT02 consists of only two pre-defined projects, the same Project Promoter (PP). More than 67% of the project funds were disbursed to the projects by the end of 2015.

Year 2015 was very intensive in terms of implementation of projects and still exploring the fields for bilateral cooperation and possible activities under the Programme bilateral fund.

By the end of the reporting year, one of the projects' activities related to the inventory of emissions of hazardous substances into water bodies was fully completed, thus 1 out of 11 planned programme output indicators was achieved. 3 more output indicators counting revised and/or assessed hazardous substances (80%), annual assessments on long-range transboundary air pollution and its load on water basins (50%), and biological-chemical water quality elements for which data collection and water basins status assessment made (40%) were achieved partially. In total, the level of achievement of programme outputs could be set to 25%, however the achievement of outcomes could be reported upon the completion of projects only, as the data for calculation of the Programme outcome custom indicators will be retrieved from the final projects reports. The current state of play of the Programme LT02 demonstrates positive trends in respect of achievement of all planned programme outcomes.

PO, by carrying out its day-to-day programme monitoring, identified a risk of achieving of planned programme output indicator, related to testing the effectiveness of water quality improvement measures on a lesser scope (target value will decrease from 4 to 3). Also, one more output indicator covering collections of developed soil data parameters will not be achieving at all (planned target value '1'). A reason that determined such a result is the same behind both cases; unsuccessful public procurements, which led to down-scaling or even withdrawing of the certain activities. In order to reduce the negative influence on programme outcomes to a minimum, additional activities were introduced by amending Programme Agreement.

The strategic risks of failure to complete certain project activities by the deadline set in the Regulation due to delayed start of the implementation of projects is no longer relevant; extension of eligibility deadline until April 2017 was granted for both projects exceptionally due to projects activities' dependence on seasonality.

The main risk and challenge for the upcoming year – smooth completion of public procurement procedures and timely and qualitative data collection and analysis.

Nearly 2% of the total programme budget has been allocated for the strengthening of bilateral relations. In 2015, bilateral funds allocated for networking, exchange, sharing and transfer of knowledge, technology experience and best practice were used to develop bilateral contacts between the PP and the DPP of the Programme. The decision to use the DPP experience in two directions (PO & DPP and PP & DPP) contributes to much tighter bilateral relations between the two countries in water management and ensures the sharing of best practices and experience on both strategic and technical levels. Whereas only 6,2% of the bilateral fund had been used by the end of the reporting period and only one institution acting as PP, the programme is highly exposed to the risk of failure to establish partnerships and carry out bilateral activities. In order to manage the risk of failure to achieve the bilateral goals by 31 December 2017, a decision to take advantage of the Amendment to the Regulation (Articles 3.6 and 7.7) and to make the bilateral fund available not only to the PP but also to other entities within the relevant programme area was taken by the PO and needed changes of relevant documentation are foreseen to be taken promptly.

LT02 Programme Bilateral activities plan for 2016 is provided in Annex 3 to this report.

## **LT03 Biodiversity and ecosystem management**

During the reporting period all 14 projects (10 projects of the open call and 4 pre-defined projects) were in implementation stage. Nearly 60% of the project funds were disbursed to the projects.

Some progress in achieving Programme output target indicators was reached. 1 target indicator was fully achieved and even exceeded – monitoring guidance documents for 108 species of Community interest were developed (expected output indicator – 101). Also 4 output indicators were partly achieved: data on conservation status at national scale of 52 species of Community interest was evaluated (expected output indicator – 101), 60535 new data entries were made into the national Protected Species Information System (expected output indicator – 100000), a restoration plans have been prepared for 1.92 big wetland

complexes (expected output indicator – 12) and 1.92 km<sup>2</sup> of aggregated area of wetlands were restored/reclaimed (expected output indicator – 100). However the risk of not achieving part of the output indicators remains due to the delayed/unsuccessful public procurement procedures and the shortage of data. As well it is already clear that output indicator *‘Improved readiness and new experience gained in strengthening the functionality of ecological corridors’* will not be achieved as certain activities were not selected by any of applicants.

None of the programme outcomes have been reached yet, the value of attainment of one outcome indicator ‘Area of ecosystems restored or improved (km<sup>2</sup>)’ was above the baseline by the end of the reporting period and reached 1.9 km<sup>2</sup> (expected outcome indicator – 10 km<sup>2</sup>). While 3 programme targeted outcome indicators are foreseen to be met according to the projects contracted and their goals set, the programme outcome *“Developed strategies and measures for adapting to a changing climate”* will not be fully achieved due to the insufficient number of projects submitted/selected during the open call. This Programme outcome is being pursued by only one project and it can contribute to the achievement of the outcome indicator to the maximum result of 63% of the programme target.

A risk of non-completion of project activities until the deadline is lowered due to the granted possibility of extension of project implementation period in case needed. The main risks and challenges for the upcoming year – efficient use of bilateral fund of the programme and project implementation encouragement in order to achieve as much and of highest quality results as possible.

During the reporting period, some positive effect and results in bilateral cooperation on both Programme and project levels were achieved. Approximately 1/3 of the projects selected under open call (5 projects or 35,7%) are donor partnership projects, There were 2 study visits of experience and good practice exchange in ecosystem mapping and wetland restoration to meet with partners from the Donor states on project level. Also pre-defined project promoter continued cooperation with DPP: 1 study visit was organized to share the best practice and experience on the wetlands restoration and 1 trip to conference on Ecosystem services was organized. It is expected that established partnerships will have a long-term effect and the cooperation will extend beyond the bilateral projects areas. Regarding cooperation between the PO and DPP, regular communication has been maintained via electronic mail and 1 CC meeting was organized. However, whereas 39% of the bilateral fund had been used by the end of the reporting period, the programme still faces the risk of failure to use the entire Programme Bilateral fund. In order to manage this risk, a decision to take advantage of the Amendment to the Regulation (Articles 3.6 and 7.7) and to make the bilateral fund available not only to the PP but also to other entities within the relevant programme area was taken by the PO and needed changes of relevant documentation are foreseen to be taken promptly.

LT03 Programme Bilateral activities plan for 2016 is provided in Annex 3 to this report.

#### **LT04 NGO Programme**

LT04 programme is operated by the FMO through the selected Fund Operator (FO) - HRMI.

2015 was very intensive in terms of implementation of projects awarded for financing under the two open calls. Many of the 1<sup>st</sup> call projects have been completed and reported; in addition to that, small scale projects of the 2<sup>nd</sup> call have been completed and reported.

Given that programme is in advanced implementation stage a significant share of the results planned can be reported already. The actual achievement of the output indicators, calculated according to the final projects reports submitted by the PPs, amounts to 29 out of 43 planned. It is worth to mention, that in many cases higher than planned results achieved, while in several cases indicators were exceeded significantly (about 600%), even if a number of 2<sup>nd</sup> call projects still under implementation and actually achieved indicators does not reflect the results of those projects.

Following the observations of the achievement of planned results FO identified that less number of outcomes, outputs and indicators available to choose from would provide better opportunity for NGOs to achieve better quality and much targeted results in a certain area of activity. It was also observed that some (7-10) indicators were not exactly correctly formulated, thus opened the floor for interpretation of measurement and reporting on results by project promoters.

FO continued its work towards promotion of bilateral relations between Lithuanian and Donor States NGOs during the reporting period. Efforts made by the FO in bilateral cooperation fields resulted in success: 19 applications were received and 8 out of them awarded for financing under the Fund for bilateral relations (2 out of 5 received were awarded in 2014). The right spectrum of measures taken by the FO positively affected the commitment of NGOs to engage in beneficial partnerships. Activities were mainly focused on sharing experience and best practice.

All initially planned bilateral indicators were already achieved or even exceeded by the end of 2015.

Horizontal concerns are very important dimension of the NGO programme due to the specific areas of intervention covered by this sector. All horizontal concerns are equally important components of the Programme and these sensitive issues addressed are common to almost all civil society organizations. The most popular and common horizontal concerns chosen by the project promoters were tolerance, multicultural understanding as well as gender-based violence and domestic violence.

### **LT05 Children and Youth at Risk**

During the reporting period 27 projects (26 projects of the open call and 1 pre-defined project) were in implementation stage. More than 65% of the project funds were disbursed to the projects.

3 out of 5 Programme outputs indicators, related to the establishment of integrated services for children and their family members, development of professional competences of staff working with children subjected to sexual abuse as well as staff and volunteers involved in day centers or open spaces for children and youth, were already achieved, or even exceeded, by the end of the reporting period. Some of these achievements significantly exceeded expectations set in the Programme, e.g. 258 specialist and volunteers increased their qualification instead of 133 planned. Furthermore, 280 specialists acquired competences in very sensitive area, working with children who faced sexual abuse, while planned 25. None of the Programme outcomes have been reached or their indicators achieved, but considerable progress towards achievement of the Programme outcomes was made during the reporting period.

The Programme is in compliance with the horizontal concerns related to fundamental values such preventing violence and sexual abuse also promoting tolerance between children young people. Most of the projects selected address horizontal concerns and staff working in children day centres and open youth spaces are very much encouraged to inculcate fundamental human values into young people and children.

A risk of non-completion of project activities until the deadline is lowered due to the obtained possibility of extension of project implementation period in case of need. The main risk and challenge for the upcoming year – efficient use of bilateral fund of the Programme.

During the reporting period, some positive effect and results in bilateral cooperation using Programme bilateral fund were achieved. As a result of the open call for sharing experience and best practice initiatives 5 applications were financed and cooperation activities in a form of training for staff, exchange visits, and seminars on how to engaged young people in different activities implemented with the partners from donor states (1 of them with Icelandic and 4 of them with Norwegian partners). The close and productive cooperation with Icelandic partner in the pre-defined project, creating services for children subjected to sexual abuse, strongly contributes to the development of the bilateral relations in the Programme area, especially having in mind even 3 meetings in 2015. Whereas the Programme has no DPP and faces the challenge of achievement of bilateral targets by encountering the difficulty of finding relevant partners in Donor countries willing actively engage in project activities, it is highly expected that established partnerships under project level will have a long-term effect and the cooperation will extend beyond the bilateral projects areas (e.g. pre-defined project case). However, whereas only 19,76% of the bilateral fund had been used by the end of the reporting period, the Programme still faces the risk of failure to expand partnerships and carry out bilateral activities. In order to manage this risk, a decision to take advantage of the Amendment to the Regulation (Articles 3.6 and 7.7) and to make the bilateral fund available not only to the PP but also to other entities within the Programme area was taken by the PO and needed changes of relevant documentation are foreseen to be taken promptly.

LT05 Programme Bilateral activities plan for 2016 is provided in Annex 3 to this report.

## **LT06 Conservation and Revitalization of Cultural and Natural Heritage**

During the reporting period the last 19<sup>th</sup> project agreement was signed and with the 18 already contracted projects was in implementation stage. None of the 19 projects have been finished, but the progress made so far is significant – more than half of the works have already been finished, 58% of the project funds were disbursed to the projects. Public events, together with various publicity measures carried out ensured that the programme remains among the most visible Grants programmes in Lithuania.

Considerable progress towards achievement of the programme outputs was made during the reporting period, although none of output indicators have been reached yet as all the projects are still under implementation. It is foreseen if all the projects will be implemented successfully, all 4 output indicators (1. *Number of restored, conserved and / or up-kept wooden buildings in towns, manors museums and wooden buildings of religious purpose preserved for the future*; 2. *Number of projects in ethnographic villages*; 3. *Number of restored, conserved and / or adapted non-wooden buildings of cultural heritage*; 4. *Number of established or developed research centres*) will be addressed, however, to a different extent than planned: “*Number of buildings of cultural heritage value restored and rehabilitated*” is foreseen to be exceeded due to 19 projects are being implemented, instead of 15 planned, other 3 – to less extent due to a different number of applications received under different measures. All the 19 projects contribute to the programme outcome “*Cultural heritage restored, renovated and protected*”.

The Programme is in compliance with the horizontal concerns related to fundamental values such as tolerance, multicultural understanding and respect for the rights of minorities, including combatting anti-Semitism. 2 projects addressing Jewish heritage preservation are being implemented and make up to 10 % of the total budget of the programme (twice the minimum quota of 5 % set in the PA).

A risk of non-completion of project activities until the deadline is lowered due to the granted possibility of extension of project implementation period in case of need. Only 1/3 of projects would have been implemented fully with adequate quality results until the 30 April 2016. Therefore, extended eligibility deadline was crucial and the risk factors – a long lasting public procurement procedures and unforeseen works in cultural heritage objects – are a minor threat with one more year ahead. It is foreseen that 12 (63%) of projects will be finalized in 2016 and 7 (37 %) in 2017.

The Programme has greatly progressed towards the goal of strengthening bilateral relations on both Programme and project levels; roughly half of the projects selected (10 projects or 52,6%) are donor partnership projects, 12 partnership agreements are signed with entities from Donor states (1 Iceland, 11-Norway). There were 7 events (practical trainings) with partners from the Donor states on project level. Programme level pre-defined bilateral activity was organized by the PO. A study-trip to Norway aimed to rise and strengthen awareness and knowledge of fire prevention in historic buildings amongst the EEA project participants and other stakeholders who work with, and are responsible for, vulnerable cultural heritage properties. Due to close cooperation between the PO and DPP, regular communication has been maintained via electronic mail and 3 meetings were organized. 61% of the bilateral fund had been used by the end of the reporting period. The Programme does not face a risk to use the rest amount of bilateral fund – PO has a concrete plan for bilateral activities for the period 2016-2017.

LT06 Programme Bilateral activities plan for 2016 is provided in **Annex 3** to this report.

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

During the reporting period 11 projects (9 international co-production under Measure I and 2 cultural cooperation under Measure II) from the open call have been approved and started to be implemented. Public events under projects level together with various publicity measures carried out by PO made the programme very visible among Grants programmes in Lithuania. Nearly 58% of the project funds were disbursed to the projects.

Despite the fact that most of the projects started their implementation during the 2<sup>nd</sup> Q of 2015 and the programme hasn't even come to its end yet, there is an actual contribution to expected outputs and outcomes. All 5 output indicators are being already reached, but to a different extent than planned. Achievements of the planned indicators exceeded significantly: 4 (1. *Number of end products presented in the regions of Lithuania*; 2. *Number of media coverage*; 3. *Number of art and culture related educational*

*workshops aimed at the wider public; 4. Number of seminars, workshops, conferences, study trips etc. organized in the course of projects)* out of 5 output indicators have been already exceeded (1 output indicator in 1.5 times; 2 – in 1.6 times; 3 – in 13.5 times and 4 – in 8.3 times) and it is foreseen that the percentage will continue to grow in the upcoming year. Only one output indicator “*The number of cultural organisations in the regions of Lithuania taking part in international projects*” is reached to a lower number and is not going to increase in the future, because the Measure II attracted less interest by the applicants than initially expected. Programme outcome “*Contemporary art and culture presented and reaching a broader audience*” is supposed to be reached through the projects selected under Measure I, while the second one – “*Awareness of cultural diversity raised and intercultural dialogue strengthened*” – through the projects selected under Measure II. All 4 Programme outcomes are foreseen to be reached in a different extent. Two outcome indicators under Measure I already exceeded significantly (1. *Number of artistic products of international co-production created* in 3.7 times; 2. *Number of persons directly exposed to newly created artistic products of international co-production* in 2.2 times) and is foreseen that the percentage will continue to grow until April 2017. Other 2 outcome indicators (1. *Number of cultural cooperation projects*; 2. *Number of organizations taking part in cultural cooperation projects*) will be reached only partly due to a small number of successful applications and projects awarded under Measure II.

The Programme is in compliance with the horizontal concerns related to fundamental values such as tolerance, multicultural understanding and respect for the rights of minorities, including combatting anti-Semitism. Requirements and selection criteria were designed in a way that projects which seek to increase multicultural understanding, promote tolerance and respect for the rights of minorities would be prioritized. Accordingly, 82 % of the projects selected address these principles. 1 project is entirely focused on actualisation of Jewish heritage and it receives up to 11% of funds allocated for projects (more than twice the minimum quota of 5 % set in the PA).

There are no significant risks observed that could impede successful implementation of the Programme. A risk of non-completion of some projects until the deadline is lowered due to the granted possibility of extension of project implementation period in case of need. It is foreseen that 9 (82 %) projects will be finished during 2016, while the rest – 2 (18 %) will take a full year and be finalized until 30 April 2017.

The Programme has greatly progressed towards the goal of strengthening bilateral relations. Various activities that promote bilateral cooperation have been carried out on both programme and project levels. The year was full of events that significantly developed international cooperation between Lithuania, Norway and Iceland: a high number of events (such as working meetings, study visits, trainings, workshops, artists residencies and presentations of cultural products) were held in which project promoters with partners intensively participated. On Programme level a mid-term meeting was organised in Vilnius where project promoters, partners and representatives of coordinating institutions (CPMA, PO, DPP) gathered to discuss the progress of the projects and challenges arising, to share experience and best practise. Regarding cooperation between the PO and DPP, regular communication has been maintained via electronic mail, and four face-to-face meetings have been held. 85% of the bilateral fund had been used by the end of the reporting period. The Programme does not face a risk to use the rest amount of bilateral fund – PO plans to organise programme closure event during the 3<sup>rd</sup> Q of 2016.

LT07 Programme Bilateral activities plan for 2016 is provided in Annex 3 to this report.

### **LT08 EEA Scholarship Programme**

After the closure of the first call in the end of 2014, the PSC on 16<sup>th</sup> of April 2015 provided recommendations regarding the projects to the PO. The decision on financing/rejecting projects of the first call by the PO was made on 18<sup>th</sup> of June 2015, however projects contracted only period of 30<sup>th</sup> of September – 9<sup>th</sup> of November 2015.

The second call was launched on 5<sup>th</sup> of August 2015 and was open until 5<sup>th</sup> of October 2015. 40 applications were received (2 applications under the measure 3 and 38 applications under the measure 5). The evaluation procedures were finalized and the evaluation reports were provided to the PO by the CPMA by the end of the reporting period. The selection, decision making and contracting procedures should be taken in 2016 (the decision on financing or second call projects is still not taken by mid of March 2016).



As projects of the first call faced implementation stage only in 4 quarter of 2015 and projects of the second call are to be selected for funding and contracted in 2016, less than 50% of project funds are contracted and only nearly 15% of project funds disbursed to the contracted projects. Therefore neither any output and outcome indicators were achieved by the end of 2015. As well a risk of not achieving all output indicators has arisen taking into account the results of the open calls.

A risk of non-completion of project activities until the deadline is very high due to the eligibility deadline of 30<sup>th</sup> of September 2016 and the facts that first call projects were contracted very late and projects of the second call were still not selected and contracted by the end of the reporting period. All the procedures of the Programme implementation are lagging behind and the inactivity and lack of attitude of the PO is jeopardizing the successful and timely implementation of the programme.

As well important risk and challenge for the upcoming year – efficient use of bilateral fund of the programme. The bilateral fund was not used during 2015. Still some positive effect and results in bilateral cooperation were achieved. The cooperation of the PO and the DPP as well as established partnerships with Donor countries partners in 8 contracted projects of the first call contribute to the development of bilateral relations. During the last CC meeting (in January 2016) the PO presented very preliminary ideas of usage of bilateral fund together (combined) with complementary action in 2016 and 2017.

LT08 Programme Bilateral activities plan for 2016 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 back in 2012. Most of the legal acts establishing unified requirements and procedures for management and implementation of programmes and projects, including the Technical assistance and administration of NBF, were approved by respective orders of the Minister of Finance in 2013. In the course of 2015 the legal acts were amended taking into account further development of the MCS, clarification and/or amendment of the Regulation requirements and to upgrade requirements which were not functioning in practice. Major part of the amendment related to the administration of irregularities, i.e. more detailed and much clear irregularities administration procedure was introduced on 19 March 2015 by the Minister of Finance order No 1K-108.

Based on the set general unified requirements the NFP, CA, IRRA, POs and the CPMA were further developing their internal work procedures. Structural changes introduced or additional units involved into administration and implementation of the programmes in some POs institutions and (or) the CPMA during 2015 as well as implementation of the remaining recommendations provided in the Audit Report on the MCS 2<sup>nd</sup> stage are/were reflected in the relevant internal documentation. The follow up actions taken regarding implementation of the remaining recommendations is provided in **Annex 4** of this report.

#### **Development of IT system for grants management (SFMIS).**

Development of the IT system for the administration, management and control of the Financial Mechanisms was set in a manner to create the IT system functionalities taking into account the specificity of deferent project administration cycles. The functionalities of the 1<sup>st</sup> stage, related to the submission of project applications and making payments to projects have been installed and operate since December 2013. The IT system was further developed throughout 2014 (2<sup>nd</sup> and 3<sup>rd</sup> stages) and in 2015 during the last development stage functionalities for data analysis (for making various section reports on the basis of the data stored in other SFMIS modules) were created. Smaller installations such as direct transfer of relevant information to the [www.eeagrants.lt](http://www.eeagrants.lt) website, records on recoverable and recovered amounts and other were also finalised till the end of the reporting period. It is expected to make all necessary adjustments and/or corrections, if needed, till mid of 2016 and fully complete the development of the IT system in 3<sup>rd</sup> Q 2016.

The high attention was paid to the risk related to proper functioning of IT based accounting and management system (SFMIS) from 1<sup>st</sup> January 2015 when new currency - euro was adopted. In general, transition to new

currency was quite smooth. Well planned and organised transition processes resulted in success. No major challenges were faced while using SFMIS from the very start of 2015.

## 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 1<sup>st</sup> 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 2<sup>nd</sup> stage covering all programmes.

All programmes are being implemented in compliance with the MoU, Regulation, national legal acts, as well as relevant national and sectorial strategies.

Regarding the related EU legislation, appropriate provisions of national legal acts on the implementation of the Financial Mechanisms and programme implementation agreements are set in a manner to secure that all involved actors must comply with applicable EU policy requirements including but not limited to state aid, environmental directives and public procurements.

## 4.3 Irregularities

In compliance with the MoU and established MCS the National Fund Department of the Ministry of Finance is designated as national authority responsible for reporting on irregularities (IRA). Following the definition of irregularities set forth in Article 11.2 of the Regulation, IRA submitted to the FMO the Report on new irregularities and the follow-up report on measures taken (if applicable) under every detected irregularity within the terms indicated in the Regulation. The list of the irregularity cases giving the nature and description as well as remedying actions taken regarding the detected irregularities on programme level is provided in Annex 5 to this report.

The remedies taken under detected irregularities did not involve a financial correction, whereas these irregularities according to national legal acts were recognized as the irregularities to be remedied, moreover, the unduly used funds were not included in the Interim Financial Report and consequently, financial correction for such irregularities were not applied.

After analysis of trends of irregularity cases it should be noted that irregularities detected in 2015 were minor, made by the POs themselves or other institutions, while using programmes management costs or implementing activities under the programme bilateral funds, as a result of the errors made by the staff members due to inattention or inconsiderateness. The irregularities were fully remedied by reimbursing unduly used funds, in total EUR 62, to the 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 assures avoiding or early detection of irregularities.

In addition, there were 6 minor irregularities detected under projects during the reporting period. All of them fell under the provisions of Item 1(c) of Article 11.7 of the Regulation, thus, the information about these irregularities will be submitted to the FMO if requested.

## 4.4 Audit, monitoring, review and evaluation

The NFP has undertaken a mid-term evaluation on the implementation of the Norway Grants in Lithuania. The task is being performed by the external service provider selected via public procurement procedure. Given that contract signed in the very last days of 2015, no analysis or insights for the issue in question could yet be provided. The NFP, also, having its overall responsibility for reaching the objectives of the mechanisms carried out regular day-to-day monitoring of the programmes.

AA, in compliance to the Audit Strategy for EEA and Norway Grants 2009-2014 and annual audit plan for 2015, carried out audits to verify the efficient functioning of the MCS at programme level as well as eligibility of selected programmes management costs and expenditure under the projects. Most advanced in term of implementation and incurred expenditure programme as well as most risky programmes (LT03, LT08) were selected to be audited. The task was performed by an external audit company contracted via

procurement procedure. The audit started in September 2015 and completed in December 2015. The Audit Report stated that notwithstanding some recommended improvements to the legal acts and/or internal procedures of the POs, established MCS is functioning efficiently and the expenditure incurred under the selected programmes and projects is justified and eligible for financing.

In May 2015 CA and IRA checked the NFP's established internal procedures related to the preparation and submission of the relevant documentation to the CA and irregularity investigation and reporting under the TA programme compliance with the MCS. Eligibility of sample costs incurred under the TA Programme as well as the CPMA management costs, that were recognised to be declarable or declared to the FMO, was also verified. No shortcomings that would be of major importance in expenditure proper verification and preparation of interim financial reports were identified. Regarding some detected inaccuracies related to procedures described in the Procedures Manual, eleven recommendations were proposed, which were completely implemented by the NFP on 21 September 2015 by amending the appropriate procedures in the Procedures Manual.

One more financial check/audit of the selected programmes' and projects' expenditure recognised to be declarable or declared to the FMO was performed by CA in November 2015. The scope of the checks allowed also verifying if the CPMA was acting in compliance to the internal procedures established according to the requirements of the MCS. CA stated only minor inaccuracies, no shortcomings that would have essential importance on proper fulfilment of the functions assigned were determined. 1 recommendation for the improvement of payment request and expenditure validation procedure was proposed. The recommendation shall be implemented by 1 May 2016. Also, the CPMA took appropriate decisions and introduced necessary amendments of verification of payment claims and expenditure eligibility check into internal procedures on 24 March 2015, thus implemented a recommendation, proposed by CA from the check way back in 2014.

In addition, within the monitoring actions at programme level, a meeting of the Monitoring Committee took place. The meeting was held on 29 April 2015 to discuss status of implementation of the Financial Mechanisms and express its opinion in respect of the Strategic Reports for 2014.

#### 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 in to three stages, year 2015 was half way through the implementation of the second stage of the planned activities.

The second survey of public awareness about the Grants was carried out in December 2015 (the first one was in October 2012). The survey involved 1038 respondents, age 18 to 75. It showed that during 3 years' time the awareness of the EEA and Norway Grants in Lithuania increased by 4%, from 17% to 21% and the awareness of the EEA and Norway Grants logos increased by 6% from 12% to 18%. Interestingly, 3 years ago most respondents stated that they have found out about the Grants mostly from the TV (61%) and the internet (36%) was the second most popular source, but in 2015 the situation changed and the leading source became internet (61%) pushing TV (46 %) in to the second place. This shows that the strategy to be active in internet gives results.

Qualitative analysis of media coverage was carried out during 2015 on regular basis. 588 reports related to the EEA and Norwegian Financial Mechanisms were captured during January-December 2015. Majority of the reports (119) were published in February, the fewest (14) – in July. As in 2014, the EEA and Norwegian Financial Mechanisms were mentioned most often and accounted for 68.2% of all keyword hits. They were followed by NGO programme with 17.6% share of hits and Children and Youth at Risk programme with 5.2% were mentioned most often among programmes, financed from EEA Financial Mechanism. The rest of keywords were less visible in the Lithuanian mass media (varying from 4.2% to 0.35%). The neutral publicity was dominating the communication flow and accounted for 60.6% of all keyword mentions. Positive mentions accounted for 37.8% of publicity, while the share of negative hits amounted for 1.6%.

During the second year of existence of the joint EEA and Norway Grants website, 16048 visitors have visited new website (2.34 times more than in 2014), 50.4% of them were returning visitors and 49.6% were new visitors. Medium-term of session duration was 2 minutes and 40 seconds (5.45 pages per session). Also it is important to note that in 2015, the bounce rate of the website was 12.3%, so this means that most of the

website visitors were targeted and came to the website with the purpose. The most visited EEA Grants programmes were “EEA Scholarship Programme” and “Promotion of Diversity in Culture and Arts within European Cultural Heritage”.

In November 2015, a promotional campaign was launched to promote EEA and Norway Grants. 2 buses and 2 trolley-buses in Vilnius and 2 buses in Kaunas labeled with support attributes began to ride in the streets and will be riding for 6 months up till the end of April 2016.

The communication strategy needs adjusting regarding the time plan. It was planned to have information publication about the programmes in the second half of 2015, but due to lack of information it was decided to refuse it and in the first half of 2017 to have only information publication about the results.

The intensity of publicity and information activities at programme level varied. During 2015, the most actively engaged in publicity activities were POs of LT03, LT06 and LT07 Programmes. LT06 and LT07 PO prepared the biggest amount of press releases and articles, also was a leader in promotion of the programmes in the joint EEA/Norway Grants website (29 articles about LT06 programme and 21 about LT07). The least attention to publicity activities was given from the programme operators of LT02 and LT08 programmes (only a few articles in the Grants website were published).

The NFP make every effort to ensure proper communication and cooperation between all institutions involved in implementation of EEA Financial Mechanism. The NFP organized several meetings with POs, CPMA, Norwegian Embassy in Lithuania and etc. to discuss the progress made in implementation of information and publicity measures, usage of programme bilateral funds, the operational challenges, the best practise gained and the opportunities and tools for cooperation in joint activities.

#### 4.6 Work plan

Task	Planned implementation deadline	Responsible institution(s)
<b><i>Management and control system</i></b>		
Monitoring Committee meeting	7 April 2016	NFP
Completion of development of the last functionalities of the EEA/NOR Grants subsystem in the SFMIS	3Q2016	NFP (CA, IRA, Paying Authority, POs, CPMA also involved)
<b><i>Implementation of the National Bilateral Fund</i></b>		
Launching of the open call under NBF	3Q 2016	NFP
<b><i>Audit, monitoring, review and evaluation</i></b>		
Mid-term evaluation on the implementation of the Norway Grants in Lithuania	1st half 2016	NFP
Procurement of the external audit for the verification of the effective functioning of the MCS	2Q 2016	AA
Audits of the selected programmes and projects: LT03, LT05, LT06, LT07	2Q-3Q 2016	AA
2 financial checks/audits of eligibility of costs of selected projects	2Q 2016 & 4Q 2016	CA
<b><i>Communication and Publicity</i></b>		
Provision of relevant information on the joint website	throughout 2016	NFP, POs, CPMA

Other communication activities (electronic newsletter, Facebook account, information publication about the programmes, poster, roll-up banners)	1Q-4Q 2016	NFP (through outsourced service provider)
Analysis of media coverage	throughout 2016	NFP (through outsourced service provider)

## 5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

Compering to previous reporting period, during 2015 implementation of programmes progressed significantly as both financial performance and in attainment of planned results. However, the advancement significantly varies from programme to programme:

- highest progress noticeable in LT02, LT03, LT05. LT06, LT07 - fully contacted, major activities of a number of projects already completed, significant or even full achievement of programme outputs and outcomes target values reported,
- limited achievements by LT08 - not yet contracted by end of reporting period, project contracts of 1<sup>st</sup> call signed only in later autumn 2015.

Previous reported strategic risk of non-completion of the projects in time and thus non-achievement of agreed cohesion and bilateral objective was minimised by very welcomed decision of donors to grant project eligibility extension up to 1 year. Number of projects will use this opportunity not only to complete fully planned activities but also seeking to reach better quality results and use any saving. Exception is Scholarship programme, due to operational delays and no possibility to extend eligibility deadline, time is a major risk for successful completion of projects. Therefore, it is crucial for programme administrative bodies to ensure smooth selection and contracting procedures also close monitoring of implementation of the projects.

Bilateral cooperation at all levels was rather intensive and programmes already progressed towards the achievement of set bilateral indicators. Additional time for implementation of projects also provides for better quality of bilateral co-operation. Better exploitation of possibilities under LT02, LT03, LT05 programme bilateral funds will be ensured if funds made available to other entities of relevant sector in addition to project promoters, the POs are encored to make relevant decisions as soon as possible.

Due to system complexity, variety and big number of actors, also different cultures, national legal and accounting requirements practices, some issues in communication and mutual understanding seeking common best decisions arouse in some case at programme or project level. These risks are being reduced by constant dialogue and exchange between FMO, NFP, POs, DPPs and CPMA.

## 6 ATTACHMENTS TO THE STRATEGIC REPORT

- Annex 1 List of applications received and projects selected/contracted
- Annex 2 List of donor partnership projects at Programme level
- Annex 3 Bilateral activities plan for 2015
- Annex 4 Follow up of MCS assessment
- Annex 5 List of irregularities at Programme level
- Annex 6 Risk assessment at the national level
- Annex 7 Risk assessment of the Programmes
- Annex 8 Implementation of the Technical Assistance