



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

Strategic Report No.6

Reporting period:
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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 |
| IrRA | 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 |
| PBF | Programme Bilateral Fund |
| 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 remained in line with the National long-term (National Development Plan 2020 approved by the Government) and sectoral strategies and with highlight to bilateral cooperation element (transfer of knowledge and best practises from Donors countries) contribute to more consistent social and economic development of Lithuania. The EEA 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, what otherwise could not be afforded at present. Through the improved services for children and youth at risk, raised awareness on protection and conservation of environment, enhanced capacities of civil society as well as diminished sociocultural inequalities by taking over best practices and know-how from Donor states, programmes contributes to the overall objectives of the EEA Grants, i.e. reduction of social and economic disparities in the EEA and strengthening bilateral relation between Lithuania and Norway, Iceland and Liechtenstein.

In 2016, all programmes were in intense implementation stage - implementation of all projects, approved in previous reporting periods, were in advanced stage and perceptible results were already achieved as number of projects were completed wherefore attaining expected project objectives and outcomes. 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/reasonably limited achievement of some outcome target values at the same time, with some reasonable exceptions, demonstrating solid movement forward attainment of the remaining determined goals. Still, due to definite terms of eligibility, risks of non-achieving prevailing programme level aims are determined and assessed simultaneously envisaging respective measures and feasible remedial actions to might be taken.

Bilateral cooperation at all levels was intensive and provided a solid background for achievement of the planned bilateral objectives. Most of the Programme Operators (with some exceptions) and their partners from EEA countries were quite actively engaged in bilateral activities and effectively cooperated 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 and partnership agreements signed, study tours, visits and seminars organized, published joined articles 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 EEA 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. Meanwhile analysis, insights and recommendations of carried out mid-term evaluation on the implementation of the EEA and Norway Grants in Lithuania found to be very valuable for improvement and optimisation of various processes as well as for identification of relevance, coherence, effectiveness and sufficiency of interventions chosen.

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 used the possibility of extension in order to deliver planned/or better quality results. Still in some programmes risk of not using all funds remains – after unsuccessful open calls not contracted funds as well as funds remained available after completion of projects reallocated to programme bilateral funds provides additional opportunities but also requires adequate administrative efforts from relevant institutions to ensure efficient process.

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 both national and programme 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"¹ reflects a national vision and priorities for development as well as guidelines for their implementation by 2030. The Lithuanian National Development Programme (NDP) for 2014-2020², 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 solidarious society', 'Favourable environment for economic growth', 'High value-added focuses, integral economy' and 'Advanced public governance meeting the society's needs', as well as three horizontal priorities, i.e. 'Culture', 'Regional development' and 'Health for all' which can be implemented through vertical priorities.

The NDP provided for compatibility of all financial resources (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. The Parliament election in 2016 brought some changes to Government vision; in December 2016 newly established Government during its 4-year performance period strives to fulfil abovementioned country development objectives as well as government programme through 5 main principles – sustainable individual, sustainable society, sustainable education and culture, sustainable economy and sustainable state governance³.

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 2017⁴, following several years of strong growth, Lithuania's economy continued to grow in 2016, albeit at a slower pace. Lithuania's GDP grew 2.2% in 2016 (it is expected to pick up in 2017 to 2.9%) led by private consumption and recovering exports, which mainly suffered from the embargo and economic deterioration of Russia in 2015. Exports to Russia continued to decline in 2016, while exports to the rest of the EU increased thanks to an especially strong increase in service exports, which are believed to have grown by 9.0% in 2016. Decline in investment because of reduced disbursements due to changeover in the EU fund planning period weighed on overall growth as well. Growth is expected to accelerate in 2017 whereas rising inflation is expected to slow private consumption growth somewhat, while investment growth is expected to be strong as EU fund spending gathers pace.

The activity and the employment rates have been steadily increasing since the crisis and are now both above the EU average. In 2016, the unemployment rate was 7.9%, well below the EU average. These improvements are due to economic growth and the declining working age population, notwithstanding the expansion of labour force due to people work after their retirement age⁵. Still, the employment is shifting increasingly towards more high-skilled occupations whereas employment rates of highly skilled workers are at about the EU average, employment rates of low- and medium-skilled are below average though. In 2016, Lithuania adopted a new law on Employment, which enters into force on 1st of July 2017, is expected to mitigate the risk of unemployment.

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

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

³ Programme of the Government. <https://lrv.lt/en/about-government/programme-of-the-government>

⁴ Commission staff working document, Country Report Lithuania 2017.

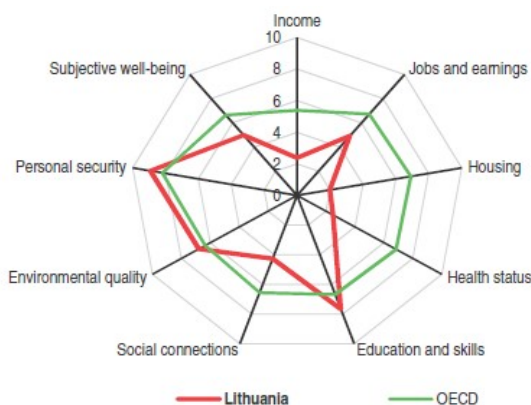
<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

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

While starting from a relatively low level in the EU context, still wages are rising strongly in Lithuania. The average gross monthly earnings in 2016 increased by 7.9% up from 2015 and the minimum monthly wage has increased by 26.7% in 2016 compared to 2015. However, income inequality has risen in recent years, making Lithuania one of the most unequal Member States in the EU. Unfortunately, the economic and employment growth did not translate into poverty reduction either. The at-risk-of-poverty or social exclusion rate increased in 2015 to 29.3 %, the fifth highest in the EU, with the unemployed and the elderly mostly affected.

Despite the solid gains in employment and upturns in remuneration, 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. Still Lithuania's education system has struggled to adapt to the decreasing number of pupils and students. Moreover young people still face some difficulties to integrate into the labour market. 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.⁶

Chart No. 1. Lithuanian well-being indicators



Source: 2016 OECD economic assessment of Lithuania, 2016, <http://www.oecd.org/eco/surveys/Lithuania-2016-overview.pdf>

Environmental challenges remain high. Lithuania continues to work on ensuring security of energy supply and competition on its energy market. The implementation of several gas and electricity projects connecting the region with neighbouring energy markets has diversified the Baltic countries' energy sources and brought overall lower prices. 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.⁷

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.⁸ Poverty rates have fallen since 2010 and country has met its national 2020 commitment in 2014, however rise in 2015 should force Lithuania to step up in order to assuredly meet the set commitment by 2020. After a significant drop between 2008 and 2009, the country's employment rate increased markedly and met the national target in 2015. 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. A

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

⁷ 2016 OECD economic assessment of Lithuania, 2016, <http://www.oecd.org/eco/surveys/Lithuania-2016-overview.pdf>

⁸ Commission staff working document, Country Report Lithuania 2017.

<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>

significant increase in the share of renewable energies from 2005 to 2015 has moved the country above its national target of 23 %. Still, Lithuania has remained below its target and needs to tackle challenges in limiting Greenhouse gas emission increase and reduction of final energy use.

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

Table No 1. Europe 2020 (national targets and progress)

| 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 | 1.04% of GDP (2015) 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 ₂ -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%. | 25,9% (2015) |
| Energy efficiency target: 17% reduction in final energy use compared to 2009 level. | According to the data from 2014, consumption of final energy decreased by 4.4 percent in comparison with 2010 (not including the transport sector) |
| Employment rate target: 72,8% | 73.3% (2015) |
| Early school leaving target: < 9%. | 5.5% (2015) |
| Tertiary education target: 48.7% | 57.6% (2015) |
| Risk of poverty and social exclusion target: reduce to less than 814,000 people | 855,900 or 29.3% of total population (2015) |

Sources: <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-lithuania-en.pdf>, February 2017; http://ec.europa.eu/europe2020/pdf/csr2016/nrp2016_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

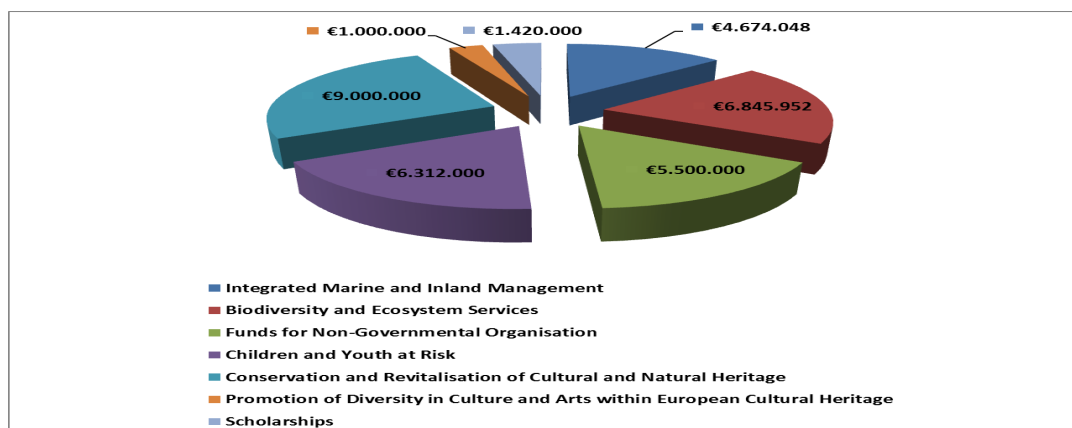
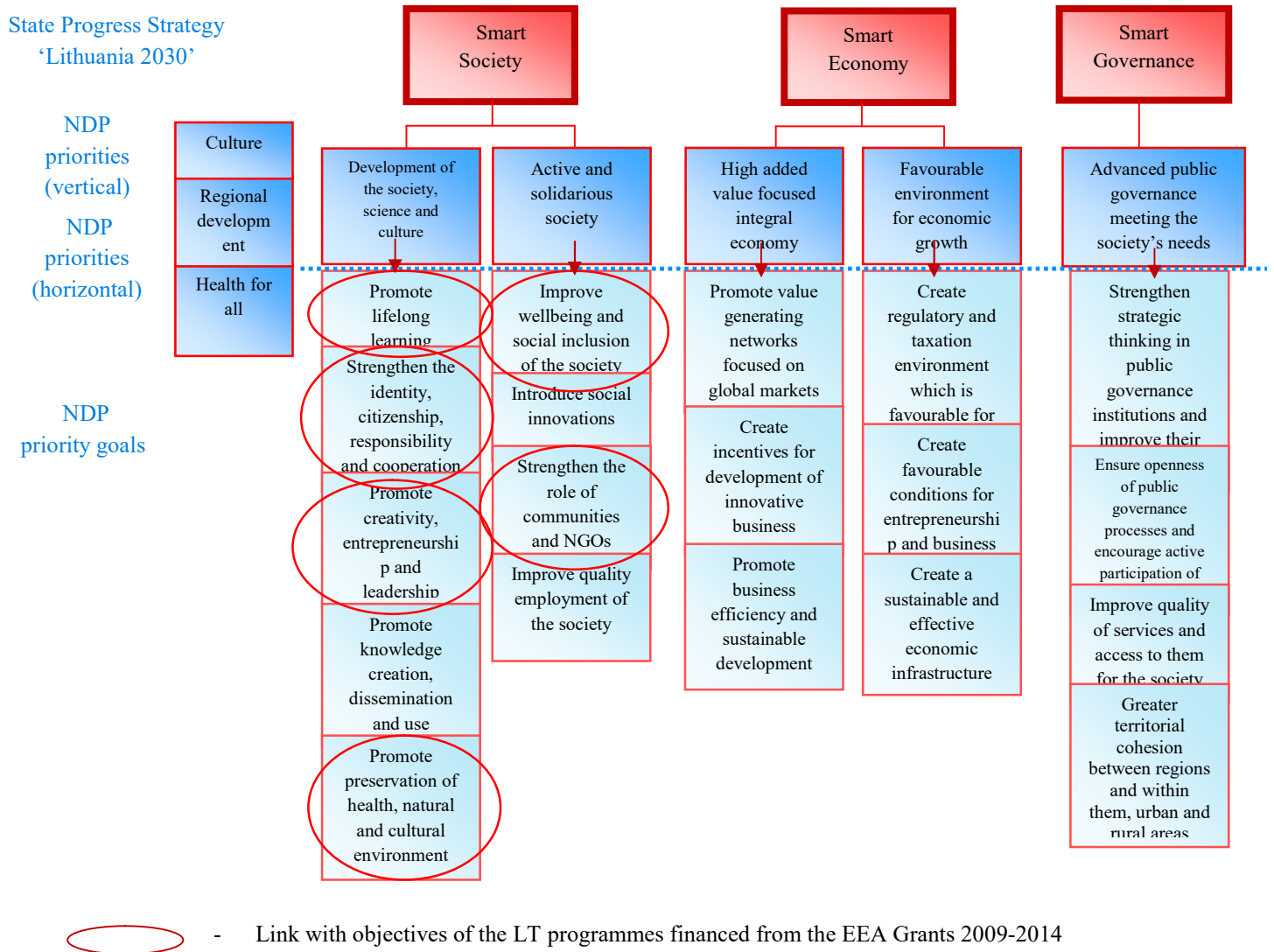


Chart No 3. Lithuania's Progress Strategy, Priorities, Goals and link with EEA Grants Programmes



Environment

The considerable allocation of European Structural and Investment Funds 2014-2020 (1,693 billion EUR) for environment emphasizes that the environment is an important national priority. Despite that, the EEA Grants assistance (**Programmes LT02 and LT03**) is of great importance whereas covers the fields not covered by the other means and where some important results in terms of tools developed for environmental status assessment and prediction as well as management of protected areas are still expected to be produced.

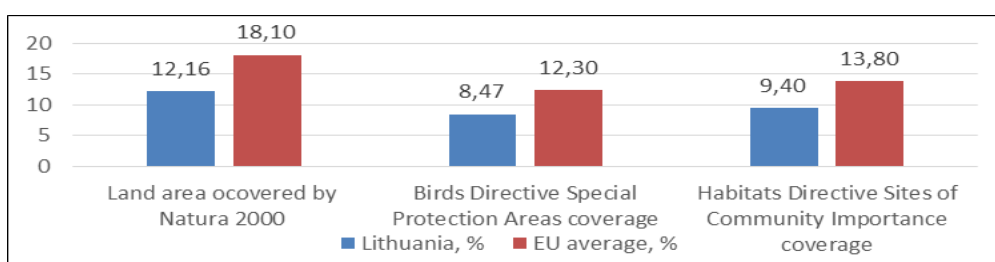
The legislation in the field of **LT02 Programme** area has not changed in 2016. Main target remains the EU Coastal and Marine Policy and legislation requirement that by 2020 the impact of pressures on marine waters is reduced to achieve or maintain good environmental status and coastal zones are managed sustainably. Despite active preparation and implementation of various sets of measures, plans and programmes, which are integrated into Water Sector Development Programme 2017–2023 and Action Plan for Implementing the Water Sector Development Programme 2017–2023, still many challenges are faced in management of marine and inland water as Lithuanian marine area covers about 1,5% of Baltic Sea area, which ecosystem is one of the most unique marine ecosystems on Earth⁹, and even 4% of the country's

⁹ Lithuanian fund for nature. Baltic sea. <http://www.glis.lt/?pid=20>

territory are covered by inland waters.¹⁰ Therefore, input of **LT02 programme** in marine and inland water management development in Lithuania is significant.

The National Environmental Strategy sets out long-term objectives for the period until 2030 and a vision of Lithuania’s environment until 2050. This 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. As well, Lithuania ratified Paris Agreement on new targets on climate change and Lithuanian Government renewed National Inter-Institutional Plan for Climate Change Policy Management in 2016. Beside this, **LT03 Programme** contributes to range of purposes set out in 2016 by approving the National Objectives for conservation of natural habitats of Community interest and supplementing National Plan for Landscape and Biodiversity Conservation for 2015–2020 with specific requirements for development and public support for landscape conservation projects and supplementing National Plan for Landscape and Biodiversity Conservation for 2015-2020 with priority criteria for development of public infrastructure for visitors in protected areas, as well as for infrastructure for ecological education.¹¹

Chart No 4. Land coverage by protected sites in EU and Lithuania (%)



Source: Commission staff working document. *The EU Environmental Implementation Review Country Report - LITHUANIA*.

Apparently, both **LT02 and 03 programmes** strongly contribute to the implementation of the Lithuanian and EU legislation as well as to achievement and consolidation of the sustainable results in the supported environmental areas.

Civil society

Lithuania has already taken important steps forward and considerable progress is anticipated 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 as well as in compelling incentive for government-citizen dialogue. Lithuania’s strategic documents, such as the NPP 2014-2020, the Strategy Lithuania 2030, the Public Governance Improvement Programme 2012-2020, 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, still major challenge is to move beyond the approach based on compliance with legal requirements and procedures, rather focus on achieving impacts.

In this respect no one can lessen the role of NGOs. However overcoming existing challenges and strengthening capacities of both individual organizations and the whole sector are essential for the Lithuania’s NGO sector seeking to advocate the democratic values of civil society and participate in the government-citizen dialogue professionally. The civic sector still remains fragmented, and NGOs are challenged by low public participation in addition to limited administrative and financial resources¹². Despite a group of continuously active NGOs and individual civic activists, civic activeness in Lithuania is declining for several years in row. According to newest data available Civic Empowerment Index in 2015 was 33.4 out of 100 (34 and 36 in 2014 and 2013 accordingly)¹³. A majority Lithuanians reported being engaged in some sort of civic activity, but this is mostly high-profile, national level nongovernmental

¹⁰ Eurofish. Overview of the Lithuanian fisheries and aquaculture sector. <https://www.eurofish.dk/index.php/member-countries/lithuania>

¹¹ EEA grants LT03 programme annual report 2016.

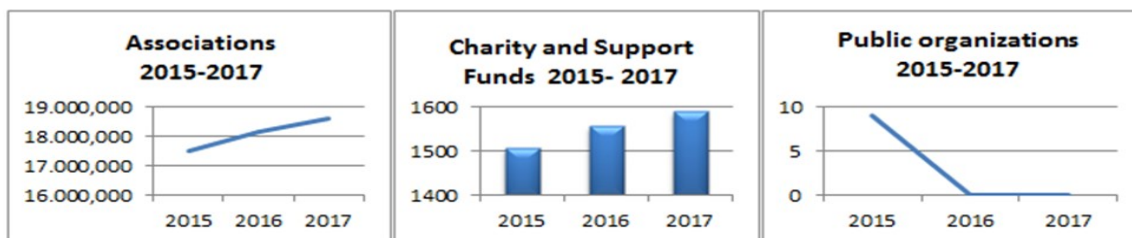
¹² <https://freedomhouse.org/report/nations-transit/2016/lithuania>

¹³ <http://www.civitas.lt/en/time-line/civic-empowerment-index-2015/>

initiatives, such as food drives and environmental clean-ups, while 34% did not participated in any of civic actions.

With all the improvements in legal framework, Lithuania's NGO sector still lack with one single official register. Statistical Office reports a stable increase of establishment of new NGOs; in the beginning of 2017 there were 18,621 associations 1,591 charities and support funds and none public organization officially registered¹⁴ (Statistics on the number of NGOs are ambitious, with many more of them officially registered than are actually operated). For the dynamic on establishment of new NGOs please see Chart No 5.

Chart No 5. Dynamic on establishment of new NGOs



Source: Lithuanian official statistics portal

In addition to the new means for the initiatives related to increase of public intolerance towards corruption and motivation to participate in public administration processes (3,6 MEUR), and involvement of people over 54 years into voluntary work (6 MEUR) under the ESIF for 2014-2020 available from 2016, the EEA Grants **Programme LT04** (NGO Fund) remained heretofore the biggest financial instrument directed at strengthening the NGOs and their role in the political and social processes. Using few all-connecting features and attributes the majority of goals and targets achieved within the Programme falls under the key areas: democracy and good governance, human rights, vulnerable groups, protection of the environment and climate change thus positive developments can be observed in these targeted niches.

Human and social development

Despite positive developments in previous years and stable GDP and employment growth, Lithuania is still below the EU average in many elements of social cohesion indicators. Lithuanian Human Development Index was ranked 37th according to the Human Development Report Office¹⁵ in 2015 (the same as in 2014), however Income inequality has risen in recent years, making Lithuania one of the most unequal in this field in the EU (Gini coefficient was 37.9 in 2015 and 35 in 2014)¹⁶.

Children as well as youth are regarded as the most vulnerable group being at risk of poverty and social exclusion, due to inability/incapacity to influence the existing situation. Despite the fall in population, the number of children at risk remains at around the same level¹⁷. Therefore, efficient policy and implementation of respective measures in this field is indispensable. Still after a decrease in 2014, a considerable increase of children at risk of poverty is observed in 2015¹⁸. Despite the decrease of youth unemployment from 16.3 % in 2015 to 14.5 % in 2016, it still prevails almost twice higher than the average unemployment rate in Lithuania (7.9% in 2016)¹⁹. Unfortunately, children and young people experience even greater risk of poverty and social exclusion than the average population.

¹⁴ Lithuanian official statistics portal. <http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize1>

¹⁵ UNDP. Overview „Human development report 2015”. http://hdr.undp.org/sites/default/files/hdr15_standalone_overview_en.pdf

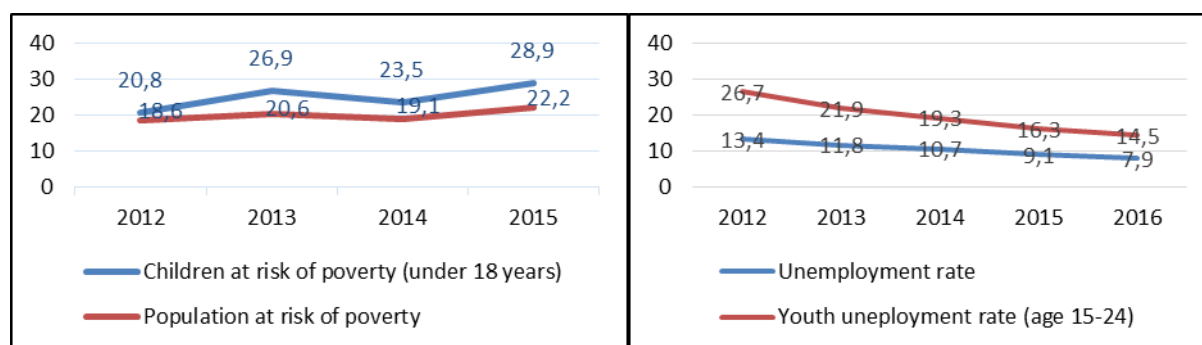
¹⁶ Eurostat. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tessi190&plugin=1>

¹⁷ SOS children's villages. General information on Lithuania. <http://www.sos-childrensvillages.org/where-we-help/europe/lithuania>

¹⁸ Lithuanian official statistics portal. At-risk-of-poverty rate <http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize?portletFormName=visualization&hash=0a1f0d31-d762-49e9-a3c0-ef0d5494f00e>

¹⁹ Lithuanian official statistic portal. Unemployment rate. <http://osp.stat.gov.lt/en/statistiniu-rodikliu-analize?portletFormName=visualization&hash=a2cb0c8f-e9be-4cd0-993f-f05c9585e82a>

Chart No 6. Social cohesion indicators (%)



Source: Lithuanian official statistics portal

A recent national audit concluded that the children care system was inefficient and not working in the best interest of the children. Due to the inefficient functioning of the child protection system most family problems are identified belatedly and assistance to families are not provided in time. As well, because of the absence of efficient functioning process of taking child away from the family, children experiencing domestic violence are not taken or taken not in time from families where threats to their lives, health and safety are; in some cases, children from the family are taken and returned to the family for several times. Monitoring and registration of social risk families in the records has drawbacks; families are not distributed according to level of difficulty and nature of problems, respective solutions depends on understanding and evaluation of problems of each municipality responsible servants. Moreover, often social workers work with social risk families is ineffective and so reasons why families are included in the lists of social risk families prevails.²⁰

The improvements of the Law on Fundamentals of Protection of the Rights of the Child had been under deliberation in the Parliament of the Republic of Lithuania for a while. However, the increase of abuse of children rights as well as raised number of cases of violence against children, mainly in 2016, has stipulated swift changes of the Law on Fundamentals of Protection of the Rights of the Child. On 14th February 2017, Lithuanian Parliament unanimously voted to adopt amendments to the abovementioned law by banning all sorts of violence against children, including corporal punishments. According to Human Rights Watch, by becoming the 52nd country worldwide to impose this kind of ban Lithuania has sent an important message that no violence against children is tolerated. Still more challenges need to be tackled in the field of securing the child rights, as child's rights still are not properly during guaranteed pre-trial investigation and penal procedures and especially having in mind the process of transition from institutional care to the family and community-based services for disabled persons and children deprived of parental care.

Though, 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.

Cultural heritage and diversity

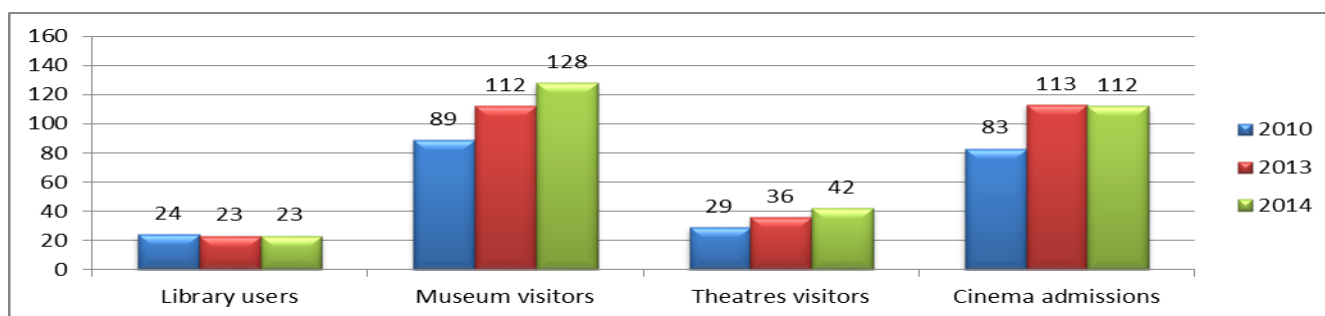
The cultural heritage sector is an area where the EEA Grants really makes a difference. Quite for a period, the EEA Grants remained the only available source of funding in addition to state budgetary assignments aimed at raising of cultural awareness and sociocultural integration of wider public thus strengthening identity, citizenship, cooperation as well as responsibility in using the items being restored for cultural, social and/or economic needs of the modern society and/or local communities. Furthermore, the long-term programme for preservation of cultural values provides not only for the preservation and, where possible, restoration of the most significant cultural values, but also linking the protection of cultural heritage with

²⁰ National Audit Office of Lithuania. Regarding the the child rights protection system. http://www.vkontrole.lt/aktualiju_failai/files/Del_vaiko_teisiu_apsaugos_sistemas.pdf

public cultural needs and encouraging the public to take interest in cultural values, their fostering and exploration. 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 often the technical condition of the cultural monuments is not suitable for public use or even development of tourism in the area. 4 unique objects of Lithuanian cultural heritage included in the UNESCO World Heritage List also require proper attention and financial injections for their preservation. 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 as well as to the perfection of their professional skills. The wider impact of the programme is the added value in regional development, tourism and local business.

High number of people being at risk of poverty or people with low incomes and comparatively high prices on primary goods and services very limits people possibilities to participate in the cultural life actively. Household monetary consumption expenditure on recreation and culture compared to the total household monetary consumption expenditure did not reach 1.5% (2012)²¹; however it has a tendency to grow, albeit slow. Statistical data on the main cultural indicators (library users, museum visitors, theatres visitors, press) also shows that Lithuania lack behind other Baltic countries Latvia and Estonia in almost all parameters.²²

Chart No 7. Attendance at museums, theatres, cinemas, and libraries (per 1000 population) in Lithuania



Source: Lithuanian official statistics portal

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. Programme provides people with greater access to the culture, in particular to contemporary arts, as well as contributes to the stronger international cultural cooperation between cultural players. Additionally to its direct aim, the programme by attracting people, especially socially excluded and disadvantaged groups, to events making them free of charge, contributes to the social inclusion; directly engaging the young people into the projects activities expands their horizon and rises self-confidence; promotes tolerance between local community member and motivates being an active citizens.

Scholarship

Despite the leading position in some educational indicators, such as level of tertiary attainment, with 57.6% of citizens 30 to 34 years old, having completed a tertiary degree in 2015 (58,3% prognosis in 2016, EU average 37.8% in 2015)²³, or rate of early school leaving at just 5.5% in 2015 (5% prognosis in 2016, EU average 11% in 2015)²⁴, Lithuania still needs to brace up in many fields.

Though Lithuania has a very low early school leaving rate, but pupils' reading and maths skills are below the EU average. According to national tests, almost one fifth of 16-year-olds lack basic knowledge and skills. Furthermore, the teacher population is ageing. In primary school, 37.1 % of all teachers are older than

²¹ <http://osp.stat.gov.lt/services-portlet/pub-edition-file?id=19818>

²² <http://osp.stat.gov.lt/services-portlet/pub-edition-file?id=19818>

²³ http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_41&plugin=1

²⁴ http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_40&plugin=1

50; in secondary school the proportion is 42.4 %. As well, the current teacher attestation system does not encourage teachers to improve their qualifications, because teachers are not obliged to repeatedly demonstrate their ability in the acquired qualification category.²⁵

The country's youth unemployment rate was of 14.5%²⁶ in 2016, but it is more than twice lower compared to youth unemployment rate peak way back in 2010. Though youth unemployment rate is decreasing mostly because of emigration and other demographical issues, still relatively high youth unemployment rate is 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, only a small percentage of adults participate in lifelong learning and Lithuania is still lagging behind many EU countries according to the share of adults (25-64 years old) engaged in lifelong learning (Lithuania 5,8%, EU average 10,7% in 2015). As vocational education and training remains an unattractive option for students and their parents, there is a need to improve its quality and cooperation with companies.²⁷

The pre-primary education became obligatory from 1st of September 2016 due to the decision of Parliament of Lithuania of 22nd of December 2015 to change the Law of Education²⁸. The number of pupils in pre-primary education has increased accordingly; still official statistics is not in place yet. This arouses need of more and better prepared specialists in the system of pre-school and pre-primary education. Moreover, it creates a constant demand of trainings, capacity building and development of skills various actors of pre-school and pre-primary education system.

The quality and innovation outcomes of higher education, in particular the quality of teaching and provision of soft skills, and practical training in higher education remain challenges. As well Lithuania 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 extent of the projects as well as operational issues of the programme implementation.

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 2016 the bilateral cooperation was rather intensive (LT03, LT06, LT07) and some tangible results in respect of the planned bilateral objectives were 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.

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. External experts of the mid-term evaluation of implementation of Grants in Lithuania²⁹ concluded that NBF was very useful instrument as provided the opportunity to implement relevant initiatives of bilateral cooperation with sustainable products outside the Grant programmes (e.g. projects "*Gender Equality Implementation in Research Institutions – Collaborative approach (GEIRICA)*" and "*Energy security in the Baltic Sea region*" created added value not only to the academic community, but also to public policy at the higher levels (the EU, the Baltic Sea region)). All NBF project promoters and the majority of project partners from donor countries confirmed seeing the prospects of further cooperation.

²⁵ European Commission. Education and Training Monitor 2016 Lithuania.

²⁶ <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tipslm80&language=en>

²⁷ European Commission. Education and Training Monitor 2016 Lithuania.

²⁸ Law of Education of the Republic of Lithuania.

²⁹ <http://finmin.lrv.lt/lt/es-ir-kitos-investicijos/eee-ir-norvegijos-parama/2009-2014-m-eee-ir-norvegijos-parama/finansiniu-mechanizmu-administravimas-ir-prieziura>

During reporting period and following the defined aims, there were 2 pre-defined activities proposed for financing as a result of agreement reached during 5th Annual Meeting in April 2016. International conference – academic discussion *'25 Years of Trust Building in the face of Global Challenges. Commemoration of Restoration of Diplomatic Relations between the Nordic Countries and Lithuania'* with the aim to commemorate 25th anniversary of diplomatic relations between Lithuania and the Nordic countries discussing contemporary challenges and Nordic experiences as well as to facilitate Nordic – Lithuanian scholarly relations and academic network, was prepared and implemented in partnership with the Nordic Council of Ministers' Office in Lithuania and in cooperation with Embassies of Norway and Iceland. Added value of the activity implemented is twofold; participation of high-profile Nordic scholars in discussion on pressing issues of quality of governance and democracy with the Lithuanian colleagues provided an important layer of academic reflection in commemorating anniversary that is historically significant for the whole region. Equally it contributed to development of cooperation between experts who specialize in the aforementioned fields. It is worth to mention that the event attracted attention of the highest-level politicians; both President of Iceland and President of the Republic of Lithuania greeted participants of the conference by sending video welcome-word.

Nonetheless, partnership agreement on other proposed activity has not been concluded yet, a live meeting of partners the State Labor Inspection in Lithuania and their counterparts in Norway, organized outside the scope of the initiative planned under the NBF, brought to better mutual understanding and draw a much clearer vision on future cooperation perspectives and need.

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 2016; a small amount of funds is still planned under this measure in case of need during final stage of implementation of programmes for exchange of lessons learned.

Open call for selection of pre-defined project ideas for bilateral academic and research co-operation activities between Lithuanian and donor higher education institutions was not announced during the reporting period due to delays in preparation of legal related acts; launch of the open call was postponed to 2Q 2017.

Programme level

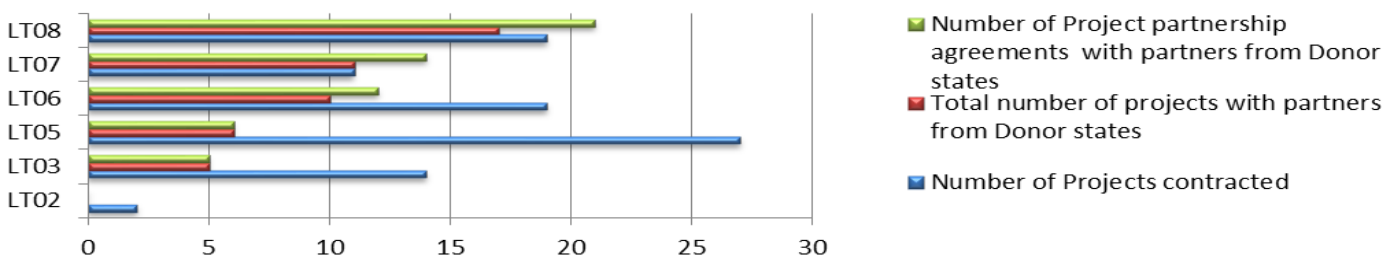
Programme bilateral funds constitute a significant source of financing for undertakings and partner initiatives on programme level in addition to those already planned in the projects. Due to a joint participation in implementing the partnership programmes and projects, the scope of cooperation between the donor countries and Lithuania during the reporting period grew at the institutional level and cooperating countries identified the stronger mutual recognition as a benefit. POs, DPPs and PPs continued playing an active role in fostering bilateral relations in all types of identified bilateral outcomes. Regular Cooperation Committee (CC) meetings or joined participation in international conferences, 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 has already materialized into a number of methodologies, guidelines and other methodical material to be used for better performance, and resulted in joined partnership initiatives and/or established professional networks. Partnership at the programme level is seen by the all POs as valuable, as it provides transparency and valuable experience for the implementation of Programmes both from the thematic, and administrative perspective.

A list of donor partnership projects in Lithuania is presented in Annex 2 to this report. For the information on the measures implemented and the progress towards bilateral outcomes at programme level made during the reporting period please see the table below:

Table No 2. Progress towards the achievement of bilateral results at programme level

1. Extend of cooperation

In total 52.2% of the projects awarded are/were implemented with 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. Taking into account that some projects are/were implemented with more than one donor partner, number of signed partnership agreements stands even higher.



Involvement of DPPs in all phases of implementation of programmes largely contributed to the achievement of bilateral goals. During the reporting period significant DPPs input was observed in elaborating ideas on bilateral programmes’ elements as well as implementing joined programmes’ activities. Especially contribution valued in finding partners by distributing information in donor country through their professional networks. While the later one was identified as a key challenge in programmes that have no DPP.

Alongside close cooperation with DPP a good relationship with Norwegian Embassy in Lithuania established in all programmes. Very much appreciated Embassy’s efforts supporting partners search by sharing contacts, contributing to promotion of programmes’ results. The best example of such cooperation established is a mobile photo exhibition ‘*People and possibilities*’ initiated by the Embassy and implemented in interaction with the PO for LT06 and LT07, DPP, Projects promoters and partners, and which presents the most successful cultural projects implemented under EEA Grants. The exhibition was presented at all bigger cultural events and is available for exposition in national authorities, cultural organization and other interested subjects upon arrangement made with the Embassy.

Children and Youth at Risk programme has no DPP; cooperation established with Norwegian Open Youth Clubs Association through its network and contacts helps to look for the partners for bilateral activities under the programme.

2. Shared results

Integrated Marine and Inland Water Management Programme – engagement of programme DPP Norwegian Environment Agency (NEA) into bilateral cooperation activities with the pre-defined project promoter (the same PP for both projects) materialized into shared results in the area of the hydromorphological impacts on Water Basins. While taking over experience and know-how of NEA, project promoter benefited in a very practical way, i.e. PP taking into account the Norwegian insights from the lessons learned regarding the fish ladders, was in advanced position to avoid the mistakes and to improve the process for better results under the project. Moreover, different national practices and various recommendations on regulations regarding building and owning hydropower plants (HPP) in Norway, responsibilities of HPP owners for fish-ladders and fish monitoring, HPP damage assessment and alleviation, and flood monitoring presented by NEA were already taken into consideration by the PP and is going to be introduced into legal acts of Lithuania.

Cooperation and bilateral relations among Estonian colleagues, donor states’ experts, representatives of responsible Lithuanian authorities were strengthened during the conference ‘How to help water bodies’ organized in Vilnius and devoted to presentation of Lithuanian River basin management plans and measures for water bodies status improvement as well as to discuss those measures and to provide expertise and to share good practices. Experience and knowledge gained from different counties will be used for implementation the second and third circles of the river basin management plans to ensure better application of measures designed to improve the status of inland water.

Children and Youth at Risk programme – shared results were ensured via expertise and best practices from the Icelandic Child Right Protection Agency, the Project Partner. Consultations helped project promoter as well as the PO to transfer and adopt model of integrated services to children who have suffered from sexual abuse or exploitation as well as encouraged inter-institutional cooperation, which is one of the main preconditions seeking for the best result targeted at child wellbeing. Training sessions provided by the partner allowed gaining specific knowledge and expertise on how to identify and work with suffered children and their families, organize mobile teams work to make possible for children to access first aid across Lithuania and refer them to the professional from the Support Centre.

Cultural heritage programme – great example of cooperation which led to the shared results, was the creation of a mobile exposition ‘The Silver of Sea – from Stavanger to Klaipėda, 1820-1870’ about historic relations between the areas of the Baltic and North Seas (in 2 copies; one in Norway, another in Lithuania). The research of the historical herring trade route and preparation of the joined exhibition united experts of 2 sea museums (Stavanger Sea Museum and Lithuanian Sea Museum) to foster the marine cultural heritage of Norway and Lithuania.

Cultural diversity and exchange programme – cooperation was based on active involvement of both sides which resulted in a variety of benefits for cultural workers, artists and institutions, the audiences, and the cultural life of the countries involved. Shared results ensured via the nature of activities planned under the projects and 13 artistic products of international co-production created, organized joined events and shared cultural traditions. An acclaimed dance performance ‘*Godos*’, the co-production of two dance theatres (Aura and Panta Rei) could be named as a best practice example in strengthening bilateral relations while working together for joint results. Performance was presented both in 4 towns of Lithuania and 2 towns of Norway. What is more important, that before the performances, several day dance workshops for youth were organized in each of these towns which had added value in cultural education and audience development to both countries.

Scholarship programme – shared results were ensured via cooperation between educational institutions in Lithuania and Donor countries. As more than 80% of the projects were implemented with Donor project partners, projects results and outcomes are of strong cooperate nature mainly evidenced in such fields as improvement of competencies of education workers and enhancement of quality of various educational instruments. Partnerships made possible to learn more about various practices and organisation of systems in educational area and it already materialized into a number of methodologies, guidelines and other methodical material, for instance, prepared based on good practice of Norway and released Practical Book of Andragogue and the Guide of the Good Practice for Development of Adult Basic Competences in Lithuania, to be used for better performance.

3. Improved knowledge and mutual understanding

Integrated Marine and Inland Water Management Programme – the bilateral experience exchange seminar contributed to strengthen bilateral relations via improved knowledge of both partners on regulation of hydropower plants, application of measures to reduce the negative impact, determination and evaluation of damage done to environment and other issues while implementing Water Framework Directive (WFD). Additional added value is seen in establishing the basis for future cooperation between the authorities in two countries outside the EEA grants.

Biodiversity and Ecosystem Management – in 2016, the bilateral relations with Icelandic institutions went through a stage of intensive development. As a result of 5 bilateral visits the similar environmental issues and problems despite the very different geographical location of the countries and prevalent natural conditions, as well tourism loads were identified by the PPs. Visits let to increase knowledge and share experiences on environmental and protected areas management, invasive species, and protected areas management plans.

3 experience exchange events organized under the programme let to share experience and improve professional knowledge and mutual understanding in programme related fields both of the Norwegian and Lithuanian specialists working at national and local levels. Boreal region biogeographical seminar invited the experts from Northern part of Europe to discuss the issues on further management and protection of Natura 2000 network. Discussion on benefits and perspective of protection of exploited and damaged

peatlands brought together nature protection experts and peatland exploitation organizations to discuss the influence of the peatland to the climate change. The new information gained extended the professional view, allowed to assess differences and similarities in professional approaches between the countries.

Children and Youth at Risk – in September, the inter-institutional cooperation and mutual understanding was strengthened via international conference ‘*Uncovering hidden resources: How can we enable children and families to work on their own recovery*’ in Birštonas, Lithuania. The aim was to encourage international discussion and exchange of opinions on the possibilities to help children and families revealing their available resources. Such an approach enabling members of a family is still relatively new in the Baltic Countries, where a family is often viewed as an object that only professionals can "fix". Professionals working with children and families get acquainted with applicable aid techniques of this enabling approach which ‘does not give a fish but teaches to fish’ instead, thus keeping dignity and the ability in the future to deal with problems themselves.

Cultural heritage programme – 4 public events organized in close cooperation with partners from Norway significantly contributed to improvement of knowledge and mutual understanding on heritage preservation solutions, heritage research and maintenance in Lithuania and Norway. Experience shared by experts from the Building Restoration Center of Buskerud County Administration was extremely valuable to the newly established wooden architecture centre in Lithuania.

A set of very successful specialized restoration workshops were organized by the PO in cooperation with DPP in different regions of Lithuania. Activities led by professional craftsman from both Lithuania and Norway allowed for more than 100 participants acquire useful skills, get deeper understanding of wooden heritage values and ways to preserve it. During the lectures and interactive discussions owners of wooden buildings, architects, students, restorers and ordinary people interested in preservation and restoration of wooden structures could improve their knowledge about the attention paid to wooden heritage in Norway and consequence of education towards raising awareness and changing attitude to the importance of wooden heritage preservation.

Cultural diversity and exchange programme – mutual understanding has been extended via 52 public events organized last year. A number of art and culture related educational workshops, seminars, conferences, study trips organized in the course of projects led to share experience and improve knowledge about both countries policies in the fields, efforts made in raising awareness and promoting cultural diversity, possibilities for future international cultural cooperation, thus contributed to better mutual understanding. Conference ‘*International Cooperation: Cultural Players’ Insights on Its Benefit and Challenges*’, that took place in October, was aimed at promoting international cultural cooperation and providing a platform for knowledge exchange between the players of the cultural sector. The agenda was focused on regional audience development and the different benefits of international cooperation for the emerging and the well-established cultural organizations. Project promoters, partners and representatives of Arts Council Norway via interactive discussion shared their thought and views with the audience on different topics as well as the role of bilateral cooperation and wider possibilities that partnership offers on the way to success.

In terms of networking between POs, the meeting for Programme Area 17 in Warsaw provided a great opportunity to get familiar and learn from the results achieved in other countries, as well as to discuss experiences and viewpoints with representatives of all the other beneficiary states, the DPP and the FMO. Presentation of the results of the survey on bilateral cooperation delivered by the DPP was of the particular interest and its findings very valuable in promoting future cooperation.

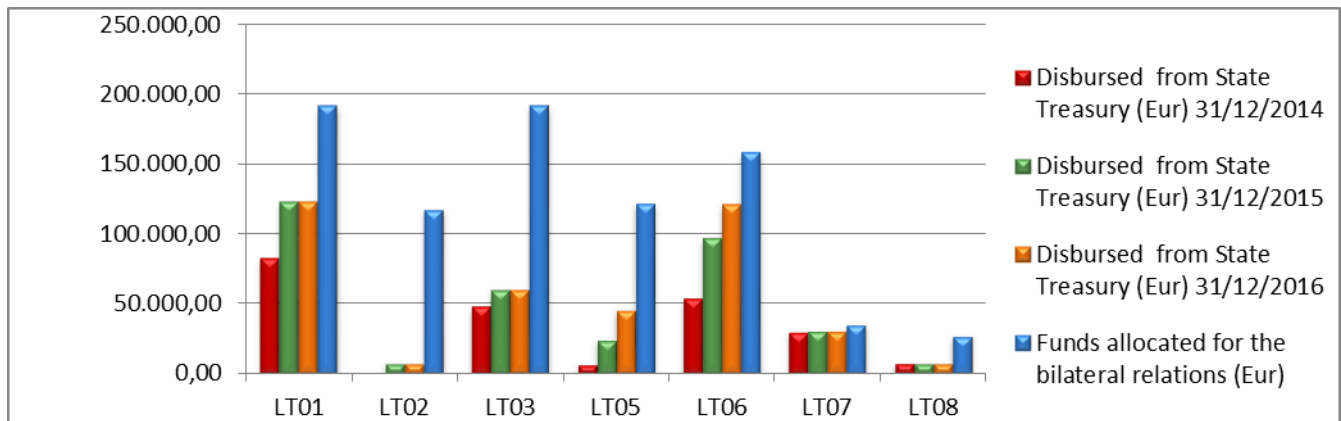
Scholarship programme – dozens of consultations provided and trainings carried out in close cooperation of Lithuanian, Norwegian, Icelandic and Lichtenstein institutions improved knowledge of various stakeholders of education field in Lithuania and conditioned opportunities to strengthen both national and international educational cooperation. Variety of bilateral visits and international events enabled to broaden horizons and stimulated development of multicultural approach of Lithuanian educational staff as well as laid solid grounds for further progress in cultivating bilateral relations through sharing experience by obtaining reciprocal comprehension.

4. Wider effect

No visible evidence on wider effect of established cooperation was reported during 2016. 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, a number of projects are still in the implementation stage thus progress of achievement of this indicator will likely be reported in the next Strategic Report.

Financial performance of the NBF and programme bilateral funds is presented in **Chart No.8.**

Chart No. 8. 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 relevant in programmes with no compulsory partnership requirements set under the calls but with significant budgets planned for bilateral activities which still remained unused. The risk tends to increase as the time period left for the implementation of bilateral initiatives gets extremely short. Bilateral fund becomes not suitable for larger scale activities with tangible results to be achieved under, but for small ad-hoc initiatives or exchange visits with a number of cooperation contacts or partnerships to be established instead.

Lesson learned. 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 directly influence the quality of 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 a number of misunderstandings between cooperative parties and ensure a strong and sound cooperation.

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 2016 was intensive in terms of implementation of projects and counting first tangible results. In total, 58 out of 91 contracted projects were fully implemented or completed physically their activities. Almost all funds available for re-granting were contracted, including funding for additional activities of already approved projects (LT03, LT07) except for some small amount under LT07 transferred to the Fund for bilateral activities, and comparatively small amount not contracted within 2nd call under LT08, which tends to remain unused.

Overall progress towards the expected programmes outcomes and defined outputs was well forward compared to the previous period. However, the level of achievements differs from programme to programme

depending on progress made in implementation and nature of planned activities ('soft' or infrastructure projects; granted funding for additional activities). A risk of non-achievement of planned results identified under LT08 was managed by close CPMA monitoring of projects activities and efforts made by very motivated and result orientated project promoters. The Donor's decision to extent projects eligibility deadline in remaining programmes played a major role in managing time related risk; i.e. minimized a risk of non-completion of projects in due time and also contributed to higher quality results as well as let to higher absorption rate.

Basic information of the status of actual implementation of the approved programmes as well as financial reflection is presented in Table No. 3. (More detailed information on individual programmes status is provided in section 3.2 of this report).

Table No. 3. Operational and Financial Status of Programmes (data as of 31/12/2016)

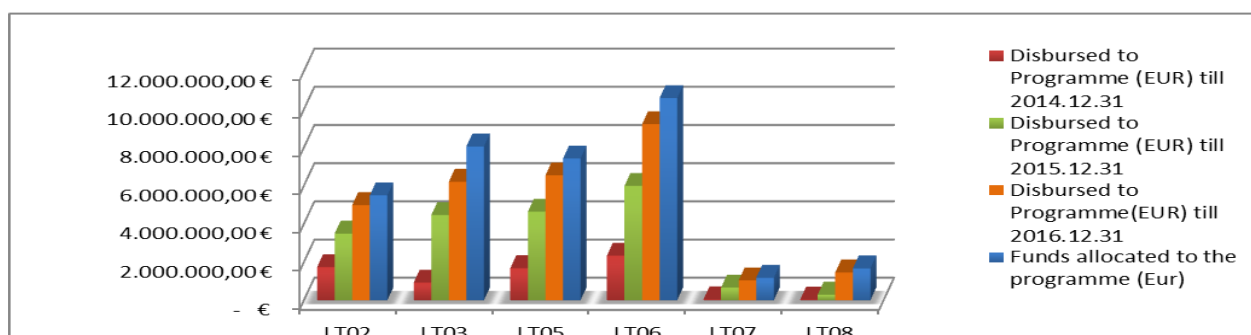
| Programme* | Calls/ pre-defined projects (actual status for 4Q) | Commitment | | Disbursement | | |
|--------------|--|--|------------------|---|--|--|
| | | Projects* (EUR) (% of total available) | Programme** | Disbursed from State Treasury to Programme** (EUR) (% of total available) | Disbursed from State Treasury to projects (EUR) (% of total available for re-granting) | Disbursed from the Donors (incl. advanced payment) (EUR) |
| LT02 | 2 pre-defined projects under implementation (no calls planned) | 4,900,026 (100%) | 598,853 | 260,437 (43.5%) | 4,723,842 (96.4%) | 4,509,870 |
| LT03 | 3 projects completed; 10 under implementation | 7,051,709 (99.53%) | 1,002,352 | 454,143 (45.3%) | 5,752,172 (81.57%) | 6,060,101 |
| LT05 | 15 projects completed; 12 under implementation | 6,523,522 (100%) | 902,360 | 489,330 (54.2%) | 6,053,507 (92.8%) | 5,908,648 |
| LT06 | 7 projects completed; 12 under implementation | 9,402,398 (100%) | 1,185,837 | 681,950 (57.5%) | 8,535,997 (90.79%) | 8,555,122 |
| LT07 | 8 projects completed; 3 under implementation | 1,015,384 (100%) | 161,087 | 90,276 (56.04%) | 949,642 (93.06%) | 943,888 |
| LT08 | All 19 projects completed their activities until 30/09/2016 | 1,400,930 (97.49%) | 233,631 | 137,137 (58.7%) | 1,321,443 (91.96%) | 1,374,695 |
| Total | | 30,293,969 (99.5 %) | 4,084,120 | 2,113,273 (51.74%) | 27,336,603 (91.1%) | 27,977,417 |

* LT04 is not presented.

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

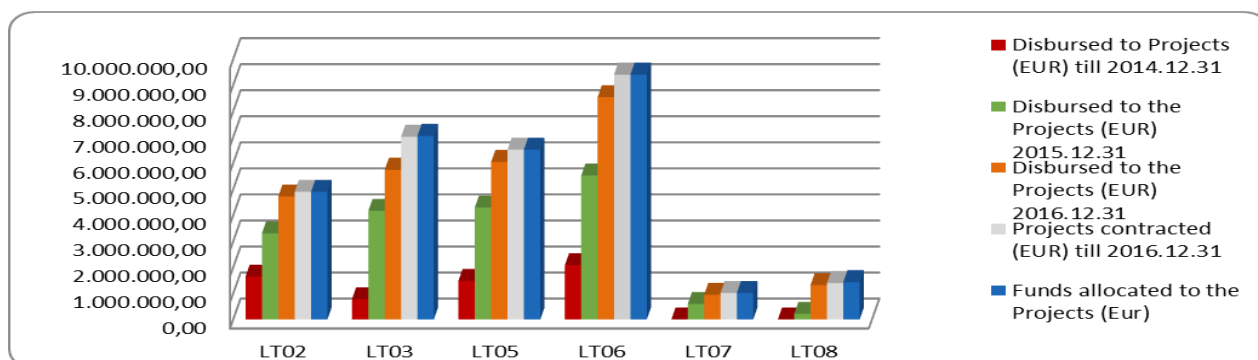
In 2016, the expenditure in programmes has grown significantly compared to previous period. The relevant financial data on the amounts allocated and paid out to programmes is presented in the chart below (Chart No. 9).

Chart No. 9. General financial data breakdown



The biggest share of funds available for re-granting of projects was committed during 2014 and 2015 yet; except for the comparatively small amount allocated for the 2nd call under LT08. Disbursement to projects by the end of reporting period reached 91% of total available funds; however disbursement under the particular programmes varied from 81% in LT03 to more than 96% in LT02.

Chart No. 10. 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). By the end of 2016 96.4 % of the project funds were disbursed to the projects. Both Programme projects are in the final stage of implementation.

Year 2016 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.

The current state of play of the Programme LT02 demonstrates positive trends in respect of achievement of all planned programme results. By the end of the year 2016 a bigger share of the projects activities were completed. All 3 output indicators as well as planned programme output under 1st outcome 'Monitoring and inventory system of hazardous substances optimized' were achieved. However the achievement of outcome itself could be reported upon the completion of projects only, as the data for calculation of the Programme outcome custom indicator could be retrieved from the final reports of both projects. A number of the projects activities are aimed at achieving 2nd Programme outcome, i.e. increasing the capacity for assessing and forecasting the environmental status of marine and inland waters. 4 output indicators under this outcome counting annual assessments on long-range transboundary air pollution and its load on water basins, biological-chemical water quality elements for which data collection and water basins status assessment made as well as assessments aimed at water status improvement and land cover changes were fully reached. Remaining 4 output indicators and 3 more planned programme outputs will be achieved upon completion of all projects activities. In total, the level of achievement of programme outputs could be set to 63.6%.

PO, by carrying out its day-to-day programme monitoring, identified that one of the service providers could fail to deliver high-quality results within the time limits of contract thus puts a risk on achievement of planned programme output indicator, covering investigation of water quality problems, in a full extent. In order to mitigate this risk, the service provider was strongly advised to invite additional experts to ensure timely implementation the activity.

The main risk and challenge for the upcoming year – timely and qualitative data collection and analysis and efficient use of bilateral fund of the programme.

Nearly 2% of the total programme budget has been allocated for the strengthening of bilateral relations. With a decision taken yet in 2015 to use the DPP experience in two directions (PO & DPP and PP & DPP) was expected to contribute to much tighter bilateral relations between two countries in water management through sharing of best practices and experience on both strategic and technical levels. During 2016, 3 bilateral activities – PP visits to Norway- took place; 2 seminars for 46 representatives from DPP and PP and

1 meeting to discuss possible bilateral activities for year 2017. The cooperation was not as intensive as it was expected, therefore PO and DPP discussed the extent of cooperation during the CC meeting. In order to manage the risk of failure to achieve the bilateral goals by 31 December 2017 a decision on whether 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 should be taken promptly. Amounts spent on the implementation of bilateral activities have not been declared by the end of the reporting period, thus the disbursement rate was 6.2% only and did not reflect the real situation.

LT02 Programme Bilateral activities plan for 2017 is provided in Annex 3 to this report.

LT03 Biodiversity and ecosystem management

By the end of the reporting period 2 out of 3 pre-defined projects and 1 out of 10 open call project were completed. Nearly 82% of the project funds were disbursed to the projects.

In order to measure Programme achievement and results, 14 output target indicators were set out in the Programme. By the end of 2016 almost half of the outputs indicators were achieved. The remaining 5 output indicators were achieved partially and the level achievement varies from 39.8% to 62 %. Notably the value of the Programme output indicator counting new data entries into the national Protected Species Information System from individual scientific collections, museums, individual data bases were achieved only 39.86 %. Though Programme output indicator covering number of ecosystem types with possible impacts of climate change on biodiversity evaluated achieved by 62.05 %.

There is no any risk that could hinder the achievement of 2out of 4 planned programme outcomes on a full extent. However, it is already clear that neither programme outcome *“Improved integration of biodiversity considerations in sectoral policies and legislations”* nor its output or output indicators will be achieved due to cancelled pre-defined project that was expected to contribute to the respective outcome. The PO, CPMA and the PP after long deliberations and risks evaluation came to conclusion that there is not enough time to eliminate the obstacles and to implement the project until 30 April 2017. Decision to terminate contract was the right one as at the end of 2016, the PP and service provider were still litigating in the court.

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 which was already completed and contributed to the achievement of the outcome to 63% of the programme target.

Termination of pre-defined project contract allowed re-directing funds for additional activities of already approved projects. A supplementary financing amounting to € 997 145 was granted for 4 open call projects.

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. In 2016, 6 bilateral cooperation activities were implemented by the PP of the open call projects in partnership with colleagues from Iceland (5) and Norway (1). The relations with the Icelandic institutions went through a stage of intensive development; during the bilateral visits partners found the similar environmental issues and problems.

Regarding cooperation between the PO and DPP, regular communication has been maintained via electronic mail as well CC meetings were organized twice– in Lithuania and in Norway. In order to manage the risk of not using the funds in full by 31 December 2017, with the accord of DPP, a decision to announce an open call for bilateral activities was taken. It has been agreed, that PO in the beginning of 2017 will investigate the demand for bilateral cooperation within the relevant programme area.

LT03 Programme Bilateral activities plan for 2017 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.

2016 was the last year in terms of implementation of projects awarded for financing. By the projects expenditure eligibility deadline 30 April 2016 all 56 projects were completed.

29 of 35 output indicators were fully achieved or exceeded, another 3 were partially achieved, and 3 indicators were not achieved. Arguably the most significant ones among those achieved are related to capacity of NGOs to engage in advocacy efforts, cooperate with local and state authorities, reach out to beneficiaries and stakeholders, draw citizens into their activities and make themselves visible.

Few outputs that were not achieved are mainly related to agreement-based cooperation with authorities, legislative initiatives improving legal and fiscal environment for NGOs as well as development and introduction of NGO Codes of practice and ethics. These seem to require more coordinated efforts and at least few successful practical examples to encourage wider spread of ideas and incentives.

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.

NGO Programme Fund for bilateral relations was open for applications until September 16, 2016. In total, 14 applications received during 2016, 6 of them were awarded (2 NGOs cooperated with Norwegian partners, 4 – with Icelandic partners). Key purposes of bilateral cooperation were exchange of experience and best practices, mutual learning, strengthening of partnerships after the projects have been finished. 2 NGOs went to meet new partners and plan future projects.

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.

The key challenges in fostering capacity building at NGOs depend on the aspect chosen to measure. Introduction of good governance and management procedures requires leaders of NGOs changing their perception of purpose of the organization, particularly – shifting their mindset from organization-driven to beneficiary oriented. Installing and maintaining robust financial procedures requires sustainable financial capacity – professional bookkeeping, financial planning, monitoring and risk management requires additional man-hours.

FO consulted project promoters as much as its capacity allowed – exposing the necessity and benefits of possessing the abovementioned qualities was the most complicated task, however the final effect shall rely on NGOs themselves.

Future capacity building activities should additionally focus on:

- more risk management and results-based management trainings integrated into wider project development capacity building programme.
- more templates, instructions and “how to ...” guidelines for project implementation processes, accounting and reporting.

LT05 Children and Youth at Risk

The Programme LT05 consists of 27 projects, including a pre-defined project. During the reporting period 14 out of 26 projects of open call and 1 pre-defined project have been finished. As result 11 open youth centres, 5 youth spaces, 18 child day-care centres and the Support Centre for Child Victims of Sexual Abuse are in operation. More than 92% of the project funds were disbursed to the projects.

Considerable progress was made towards the achievement of the Programme objective. By the end of the reporting period all planned programme results were fully achieved and some of the achievements significantly exceeded expectations set in the Programme, i.e. 258 specialist and volunteers increased their qualification instead of 133 planned, 280 specialists acquired competences in very sensitive area, working with children who faced sexual abuse, compared to planned 25, number of established Child Day-Care Centres reached 18 while was 14 planned. It should also be mentioned, that due to incorrectly formulated outcome custom indicator ‘*Accessibility of integrated services to children who have suffered from sexual abuse or exploitation*’ with a target value 100, PP and the PO should not anyhow seek to reach this target, but provide professional and high quality integrated services to as many children as it is needed instead. In

the opinion of the NFP, the respective indicator measures the capacity of the established support centre; thus counting number of children to whom services were provided and reporting on non-achievement of the target set, simply is not correct. Such kind of integrated services damps to some extent the negative influence of faced violence to further child's mental and outer development. The established centre is in operation since June 2016 and 23 children as well their family members were already provided with the necessary support.

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.

The main risk and challenge for the upcoming year – efficient use of bilateral fund of the Programme.

Whereas only 37.43% of the bilateral fund had been used by the end of the reporting period, the Programme is exposed to risk of failure to expand partnerships and carry out bilateral activities. In order to manage this risk the PO was advised to make the bilateral fund available not only to the PP but also to other entities within the Programme area. The PO expected to encourage cooperation by announcing an open call for bilateral initiatives in October 2016 (call open till the end of 2017 April, but applications could be submitted continually). However the call did not attracted potential applicants and no applications were received by the end of 2016. If further actions in respect of promoting bilateral cooperation are needed, the PO will take appropriate decisions after application submission deadline.

Nevertheless, some positive effect and results in bilateral cooperation using Programme bilateral fund were achieved during 2016. To facilitate achievement of bilateral objective several instruments were used – the bilateral relations funding scheme and the activities organised by the PO to facilitate bilateral cooperation on both Programme and project level. The close and productive cooperation established with Icelandic partner in the pre-defined project, creating services for children subjected to sexual abuse, tends to continue by taking over the best practice and improving knowledge and mutual understanding, thus strongly contributing to the development of the bilateral relations in the Programme area. Other 4 activities were pursued jointly with the Norwegian partners

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 bilateral activities. Nevertheless the PO cooperates with the Norwegian General Secretary of Open Youth Clubs Association and in this regard Association through the network and contacts established helps to look for the partners.

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

LT06 Conservation and Revitalization of Cultural and Natural Heritage

In the year of 2016, a significant progress has been made towards implementing projects' activities under the programme. During this period, roughly half of the supported projects have been completed, bilateral relations have been strengthened, and multiple publicity and information activities have been carried out. During the reporting period 7 out of 19 projects have been finished and 90.79 % of the project funds were disbursed to the projects.

All 19 projects contribute to the Programme outcome "*Cultural heritage restored, renovated and protected*". All projects upon their completion are expected to result in revitalization of 85 cultural heritage buildings while the target value (outcome standard indicator) is only 15. There is no risk identified, that could prevent from the achievement of Programme objective.

In 2016, there has been a significant progress towards the four expected outputs under the Programme. In terms of valuable wooden buildings preservation, 9 wooden buildings were already fully brought back to life by the end 2016, and if all the buildings will be restored as expected, the target value 10 will be exceeded by 7 times. Another expected output counting number of restored, conserved and / or adapted non-wooden buildings of cultural heritage is already surpassed as 6 non-wooden buildings instead of 5 planned have been rehabilitated last year. However it is already known that two other outputs will be achieved to less extent due to a low number of good quality applications under the both measures: ethnographic villages (3 instead of 5 planned) and cultural heritage research centres (2 instead of 4 planned).

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).

The Programme has greatly progressed towards the goal of strengthening bilateral relations on both Programme and project levels; more than half of the projects selected (10 projects or 52.6%) are donor partnership projects. Furthermore until the end of the reporting period 76.49 % of the bilateral fund was used.

There were 4 public events (trainings on heritage preservation, research and maintenance solutions, mobile exposition about historic relations between the areas of the Baltic and North Seas and other) on project level organized in cooperation with partners from Norway (3 events in Lithuania and 1 in Norway). On programme level, a series of very successful purposive restoration workshops were held in Lithuania (bilateral event organized by the PO in cooperation with the DPP). More than 100 participants took part in the workshops led by professional Lithuanian craftsmen in cooperation with Norwegian experts recommended by the DPP. Also, the meetings held with Norwegian project partners during which perspective on future partnerships, the benefits that entities involved in partnership projects get and the challenges they face were discussed as well as smooth cooperation between the PO and the DPP significantly contributed to the increased mutual understanding and improved results.

LT06 Programme Bilateral activities plan for 2017 is provided in Annex 3 to this report.

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

During the reporting period 8 out of 11 projects have been finished; more than 93.06% of the contracted allocations were disbursed to the projects.

Implementation of the Programme LT07 has significantly progressed in the year 2016; planned programme results have already been met. All outcome and output indicators of the Programme were addressed and even exceeded the target values considerably. The achievement of indicator counting number of end artistic products presented in the regions of Lithuania surpassed the target by 229%; planned media coverage exceeded by 1040%; number of educational workshops for wider public – by 2900%; number of cultural organizations in regions involved in international projects and number of seminars, workshops, conferences, study trips organized – by 267% and 283% accordingly. The level of achievement of outcome custom indicators varies from 183% to 349%. There are no signs that could anyhow affect the successful implementation of the remaining projects. Therefore the above-mentioned results still have a potential for increase.

Savings under the completed projects allowed re-directing funds for additional activities of already approved but still ongoing projects. As a result of the open call for additional activities with a budget of € 17,291, one project was granted supplementary financing amounting to € 12,229 (1 application received).

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. 82 % of the projects selected address these principles. There is also 1 project that aims at actualising the Jewish cultural heritage in Lithuania with smart technologies 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.

Various activities that promote bilateral cooperation have been carried out on both programme and project levels. Due to the nature of projects' activities, the cooperation on project level is based on active involvement of both sides which results in a variety of benefits for cultural workers, artists and institutions, the audiences, and the cultural life of the involved countries not only on the level of experience shared and knowledge gained but also in a very practical way as well as the ability to use the tangible results of the co-production even after the end of project. On Programme level a very successful conference "International Cooperation: Cultural Players' Insights on Its Benefits and Challenges", was organized in Lithuania. The event was aimed at closing the Programme, as well as promoting international cultural cooperation and providing the platform for knowledge exchange between the players of the cultural sector.

Notwithstanding excellent progress made towards the achievement of bilateral goals, one bilateral indicator (*Number of projects with expected shared results*) set forth in DoRIS will be achieved on a less extent; due to a very limited funding a lower number of projects (11) were selected for financing (target 13).

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

LT08 EEA Scholarship Programme

As the projects of the first call were contracted during period of 30th of September – 9th of November 2015, in 2016 all 8 of them were at implementation stage and finished activities by the expenditure eligibility date – 30th of September 2016 (7 projects are fully completed, 1 have finished activities, but is still not closed due to disagreement of parties on eligibility of project expenditure).

The second call was launched on 5th of August 2015 and was open until 5th 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 2015. The selection, decision making and contracting procedures were carried out in 2016. The project contracts were signed during period of 15th-26th of May 2016. Still all 11 projects managed to complete the activities by the 30th of September 2016.

4 out of 5 outcome indicators were achieved by the end of the reporting period. The outcome indicator '*Total number of joint products and services*' was reached by 182% and '*Number of joint papers/articles/publications/reports in preparation/submitted, including those for peer reviewed academic journals*' was attained by 180%. The outcome indicator '*Number of papers/posters/reports concerning funded projects presented at international conferences*' was exceeded more than twice. The outcome indicator '*Number of good practice handbooks and guidelines developed*' was surpassed 7,5 times. Only outcome indicator '*Evidence of forecasted/further cooperation*' was not overstepped (achieved by 78,6%). Unfortunately, none of output '*Mobility programme for institutional cooperation effectively implemented*' indicators were attained to full extent - the achievement of this output indicators vary from 40% to 46,25%. The output '*Joint projects identified and implemented by partner institutions*' indicator '*Number of projects*' was attained by 72% and the indicator '*Number of institutions that took part in bilateral exchanges*' was achieved by 112%.

Nonetheless the projects managed to carry out all their activities and obligations by the eligibility deadline, still the lack of attitude of the PO, especially in matters of bilateral fund and complementary action, is jeopardizing the successful implementation of the programme.

The most important risk and challenge for the upcoming year – efficient use of bilateral fund of the programme. The bilateral fund was almost unused before the reporting period and was not used during 2016. However, some positive effect and results in bilateral cooperation were achieved. The bilateral indicator '*Number of project partnership agreements in the beneficiary private sector*' was achieved by 20% and bilateral indicator '*Number of project partnership agreements in the beneficiary public sector*' was attained by 87,5%. The cooperation of the PO and the DPP as well as established partnerships with Donor countries partners in 16 contracted projects of the both calls contribute to the development of bilateral relations.

No Bilateral activities plan for 2017 was provided by the PO.

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 2016 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 financial corrections to be applied as a result of the irregularity established, i.e. more detailed and much clear

financial corrections administration procedure was introduced on 15 June 2016 by the Minister of Finance order No 1K-249.

Based on the set general unified requirements the NFP, 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 2016 as well as implementation of the remaining recommendations provided in the Audit Report on the MCS 2nd stage and Audit Report on efficient functioning of the MCS at programme level as well as eligibility of selected programmes management costs and expenditure under the projects are/were reflected in the relevant internal documentation. The follow up actions taken regarding implementation of the remaining and new recommendations is provided in Annex 4 of this report. Information on audits performed during the reporting period is provided in Section 4.3.

IT system for grants management (SFMIS). Creation of the IT system for the administration, management and control of the Financial Mechanisms was completed and fully functioning from September 2016. Development of the IT system was set in a manner to create the IT system functionalities taking into account the specificity of deferent project administration cycles and process went through 4 stages, i.e. starting from submission of project applications and making payments to projects module, data exchange website and declaration of expenditure module, control module and finalizing with data analysis module. Created IT tool allowed to relieve the administrative burden imposed by very complex grant administration system and to reduce to a minimum chance of human error as well as intentional malpractices.

4.2 Compliance with EU legislation, national legislation and the MoU

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.

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

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

Taking into account close interrelations between objectives and requirements for effective and efficient management of the Grants and the ESIF and welcoming the European Commission's aim to avoid unnecessary administrative burden, the MoF assessed the possibilities for elimination of excess administrative steps, standardisation of management processes also application of unified performance practises. As a result of such assessment, the NFP on 24 February 2017 requested the Donors to accept the changes in the institutional set-up of the MCS in Lithuania. The requested change is a subject to amendment of the Annex A to the MoU.

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 (IrRA). Following the definition of irregularities set forth in Article 11.2 of the Regulation, IrRA submitted to the FMO the Report on new irregularities and the follow-up report on measures taken under every detected irregularity within the terms indicated in the Regulation. In total, there were 3 irregularities detected, which fell under Article 11.4 (irregularity reference numbers IR-0346) and under Article 11.5 (irregularities reference numbers IR-0547 and IR-0548) of the Regulations and were reported to the FMO. The list of the irregularity cases giving the nature and description as well as remedying actions taken regarding the detected irregularities on both programme and project level is provided in Annex 5 to this report.

The remedies taken under the reported irregularities did not involve a financial correction; these irregularities according to national legal acts were recognized as the irregularities to be remedied, thus financial corrections for such irregularities were not applied. Moreover, it could be observed, that created MCS assures avoiding or early detection of irregularities.

In addition, in 2016 there were 11 minor irregularities detected under the projects. All of them fell under the provisions of Item 1(b) and 1(c) of Article 11.7 of the Regulation, thus, the information about these irregularities will be submitted to the FMO upon the request.

4.4 Audit, monitoring, review and evaluation

The NFP, via hiring an external expertise, performed a mid-term evaluation on the implementation of the EEA Grants in Lithuania. Analysis, insights and recommendations provided by external experts were found very valuable for improving and optimising administration, management and control processes, identifying relevance, coherence, effectiveness and sufficiency of interventions chosen, good practice examples as well as Programmes' contribution towards the common goals of the Grants for current period and possible future investments. The NFP, also, having its overall responsibility for reaching the objectives of the mechanisms carried out regular day-to-day monitoring of the programmes throughout year 2016.

AA, in compliance to the Audit Strategy for EEA and Norway Grants 2009-2014 and annual audit plan for 2016, 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. The task was performed by an external audit company contracted via procurement procedure. During the period between mid July 2016 and February 2017 Programmes LT01, LT03, LT05, LT06 and LT07 were audited. The Audit Report stated that notwithstanding some recommended improvements to internal procedures of the NFP (LT01), POs (LT03, LT05, LT06, LT07) and CPMA and/or minor corrections to the legal acts, established MCS is functioning efficiently and the expenditure incurred under the selected programmes and projects is justified and eligible for financing. In total 20 recommendations were proposed. Progress on implementation of the provided recommendations will be reported in the next Strategic Report.

In November 2016 the National Fund Department of the Ministry of Finance performing the functions of the CA and IrRA carried out on-the-spot check in the CPMA, i.e. checked the eligibility of costs that may be declared and/or are declared to the FMO incurred in 2 projects under Programmes LT03 and LT05. After verification of the sample costs included in the sample payment requests of the aforementioned projects, no essential inadequacies of procedures and ineligible costs were identified. Two minor inaccuracies were detected and recommendation regarding verification of payment request and expenditure validation procedures was proposed. While implementing recommendation provided by the CA/IrRA back in 2015, the CPMA took appropriate decision and introduced necessary amendments for the improvement of payment request and expenditure validation procedures into Procedures Manual on 14 June 2016.

In addition, within the monitoring actions at programme level, a meeting of the Monitoring Committee took place on 7 April 2016; status of implementation of the Financial Mechanisms was discussed and opinion in respect of the Strategic Reports for year 2015 expressed.

4.5 Information and publicity

As the implementation period of most of the programmes was extended, year 2016 was the last year of the second stage of implementation of Communication Strategy which was approved on 14 November 2012.

Qualitative analysis of media coverage was carried out during 2016 on regular basis. 619 reports (5 % more than in 2015) related to the EEA and Norwegian Financial Mechanisms were captured during January-December 2016. Majority of the reports were published in April (113), August (123) and September (144), the fewest (22) – in March. As in 2015, the EEA and Norwegian Financial Mechanisms were mentioned most often and accounted for 76.7% of all keyword hits. They were followed by NGO programme with 5.4% share of hits, Children and Youth at Risk programme with 5.3% and The Conservation and Revitalisation of Cultural and Natural Heritage programme with 5.0 % were mentioned most often among programmes, financed from EEA Financial Mechanism. The rest of programmes were less visible in the Lithuanian mass media (varying from 2.8% to 0.7%). As distinct from 2015, the positive publicity was

dominating the communication flow and accounted for 81.3% of all keyword about EEA Grants mentions. Neutral mentions accounted for 18.7% of publicity, and there were no negative hits.

During the third year of existence of the joint EEA and Norway Grants website, 17833 visitors have visited new website (11.1% more than in 2015), 46.1% of them were returning visitors and 53.3% were new visitors. Medium-term of session duration was 2 minutes and 35 seconds (5.54 pages per session). Also it is important to note that in 2016, the bounce rate of the website was 2.66% (4.6 times less than in 2015) so this means that almost all of the website visitors were targeted and came to the website with the purpose. The most visited EEA Grants programmes were ‘Children and Youth at Risk’ and ‘Promotion of Diversity in Culture and Arts within European Cultural Heritage’.

Facebook account for promotion of EEA and Norway Grants among the young people was launched in the beginning of 2015. Since then, the account has 371 followers. Through the Facebook account all the news about the programmes and projects and their results are spread. During 2016, 131 posts about the implementation of EEA and Norway Grants in Lithuania were launched and it reached 23646 Facebook users.

Also, during 2016, 9 electronic newsletters about the implementation of EEA and Norway Grants in Lithuania were prepared and spread among the ministries, municipalities, project promoters and other institutions with a purpose to promote the results and good work done while implementing the programmes and projects.

The communication strategy needs adjusting regarding the time plan. It was planned to have closing event in the second half of 2016, but due to programmes extension, it will be organized in the second half of 2017.

The intensity of publicity and information activities at programme level varied. During 2016, the most actively engaged in publicity activities was PO of LT06 and LT07 Programmes. The PO prepared the biggest amount of press releases and articles, organized workshops and exhibitions, made a lot of videos and successfully distributed them among beneficiaries and wider society. The same PO also was a leader in promotion of the programmes in the joint EEA/Norway Grants website (35 articles about LT06 programme and 13 about LT07). Although PO of LT02 and LT03 programmes was not so active like PO of programmes LT06 and LT07, but he successfully used radio and press to spread information about the benefits of programmes and its projects and the good results achieved. The least attention to publicity activities was given from the PO of LT08 programme. Although LT08 programme projects were finished in the third quarter of the year and the project promoters reached good results, LT08 PO organized only one conference “Modern school: variety and opportunities” and no other publicity tool was used during the year 2016.

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 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) |
|---|--|-----------------------------------|
| <i>Management and control system</i> | | |
| Monitoring Committee meeting | April 2017 | NFP |
| <i>Implementation of the National Bilateral Fund</i> | | |
| Launching of the open call under NBF | May 2017 | NFP |
| <i>Audit, monitoring, review and evaluation</i> | | |
| Public procurement of services for final evaluation on the implementation of the EEA and Norway Grants in Lithuania | 2 nd half 2016 | NFP |

| | | |
|---|------------------------|---|
| Public procurement of the external audit services for the verification of the eligibility of declared expenditure and final audits of Programmes LT02, LT03, LT05, LT06, LT07, LT08 | 3Q 2017 | AA |
| Audits of the selected projects under Programme LT08 and final audit of Programme LT08 | 3Q-4Q 2017 | AA |
| Communication and Publicity | | |
| Programme closing events | | |
| Programmes LT02 and LT03 | May 2017 | POs |
| Programme LT05 | June 2017 | |
| Programme LT06 | May/June 2017 | |
| Programme LT08 | April 2017 | |
| Grants closing event | September/October 2017 | NFP |
| Analysis of media coverage | July 2017 | NFP (through outsourced service provider) |
| Outdoor advertising of the Norway Grants in Lithuania | September/October 2017 | NFP (through outsourced service provider) |
| Survey of public awareness about the Grants | 4Q 2017 | NFP (through outsourced service provider) |
| Provision of relevant information on the joint website | throughout 2017 | NFP, POs, CPMA |
| Other communication activities (electronic newsletter, Facebook account, information publication about the programmes) | 1Q-4Q 2017 | NFP |

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

During 2016 implementation of programmes progressed significantly in both financial performance and in attainment of planned results. Despite the advancement varies from programme to programme, considerable progress is visible in all of them whereas all projects were contracted, major activities of projects were accomplished and number of projects was already fully completed. Moreover, significant or even full achievement of programme outputs and outcomes target values was reported.

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 (with the exception to LT08 programme) way back in 2015. Number of projects used this opportunity not only to complete fully planned activities but also in order to reach better quality results and use any saving. LT08 programme, which faced operational delays and hadn't possibility of eligibility deadline extension, quite successfully coped with the time risk for successful completion of projects in time mainly due to the project promoters intensive engagement into project activities and strong desire to achieve qualitative results settled.

Bilateral cooperation at all levels was rather intensive and most of the programmes already progressed towards the achievement of set bilateral indicators. Additional time for implementation of projects also provided a chance for the better quality of bilateral co-operation. Better exploitation of possibilities under LT02, LT03, LT05 programme bilateral funds would be ensured if POs extend the scope of the availability of the fund together with the range of stakeholders potentially taking part in, the POs are encouraged to make relevant decisions as soon as possible. Meanwhile LT08 programme case requires PO's more considerable efforts for better usage of bilateral fund available as well as respective measures taken, especially having in mind limited time of the eligibility of bilateral fund of this particular programme.

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 cases at programme or project level. These risks are being reduced by constant dialogue and information 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 2016
- Annex 4 Follow up of MCS assessment
- Annex 5 List of irregularities at Programme/project level
- Annex 6 Risk assessment at the national level
- Annex 7 Risk assessment of the Programmes
- Annex 8 Implementation of the Technical Assistance