Implementation

of the Norwegian Financial Mechanism 2009-2014

in Lithuania

Strategic Report No.3

Reporting period:

1 January 2013 - 31 December 2013

Prepared by the National Focal Point (Ministry of Finance)

Contents

Abbreviations

AA	Audit Authority
CA	Certifying Authority
CPMA	Central Project Management Agency
CC	Cooperation Committee
DoRIS	Documentation, Reporting and Information System
DPP	Donor Project Partner
EEA	European Economic Area
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
Grants	European Economic Area and Norway Grants 2009-2014
IFR	Interim Financial Report
IRA	Irregularity Reporting Authority
NBF	National Bilateral Fund
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
MCS	Management and Control System
MoU	Memorandum of Understanding
PA	Programme Agreement
PO	Programme Operator
RAI	Request for additional information
Regulation	Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014
SFMIS	Structural Funds Management Information System

1 EXECUTIVE SUMMARY

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

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

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

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

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

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

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

2 ASSESSMENT OF IMPACT AT NATIONAL LEVEL

2.1 Cohesion

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

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

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

Signs of the economic recovery have been recorded since 2011 and the Lithuanian economy has been growing for three consecutive years, demonstrating that saving and internal devaluation can be an adequate means for crisis management. However, the growth was rather slow and depended on the situation in the EU and the global economy, as well as other key trade partners. The GDP growth was stimulated by the gross fixed capital formation, which in Lithuania is primarily related to internal investments into civil and engineering structures constructed by the state and state enterprises. The recovering modernisation of production in the private sector and the real net exports of goods and services also contributed to the GDP growth. Since 2011, the growth of tangible investments was observed – they grew by LTL 2.7 billion (EUR 0.78 billion) compared to

[1] Source: Republic of Lithuania: Draft Partnership Agreement (2014-2020), www.esparama.lt – official website of the EU assistance in Lithuania.

2010 and amounted to LTL 14 billion (EUR 4.05 billion) (13.2% of GDP), in 2012 tangible investments grew further by nearly LTL 0.5 billion (EUR 0.14 billion). Unemployment reduced by 2.1 percentage points over the period of 2011-2012.

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

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

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

Europe 2020 headline targets	EU average (recent situation)	Recent situation in Lithuania	National target for 2020
3% of the EU's GDP to be invested in R&D	2.03% (2011)	0.92% (2011)	1.9%
A 20% reduction in greenhouse gas emissions	-17% (2011)	-4% (2011)	- 15%
20% of energy from renewable energy sources	13% (2011)	20.3% (2011)	23%
A 20% increase in energy efficiency	- 12,1 % (2012)	-4.5% (2011)	-17%
75% of the 20-64 year-olds to be employed	68.5% (2012)	68.7% (2012)	72.8%
Reducing school drop-out rates below 10%	12.8% (2012)	6.5% (2012)	< 9%
At least 40% of 30-34–year-olds completing third level education	35.8% (2012)	47.9% (2012)	47.9%
At least 20 million fewer people in or at risk of poverty and social exclusion	24,2% of total population	33.4% of total population (1,080,000) (2011)	170.000 less people in or at risk of poverty and social exclusion

Sources:http://ec.europa.eu/europe2020/europe-2020-in-your-country/lietuva/progress-towards-2020-targets/index_en.htm, 30 March 2014; Republic of Lithuania: Draft Partnership Agreement (2014-2020), www.esparama.lt; http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Energy_saving_statistics

Drawing on the experience in implementing operational programmes for 2007-2013 and the examples of best practice, national and regional strategic documents, as well as the comparison of the major social and economic indicators of Lithuania and the EU, and taking into account the Council's country-specific recommendations for Lithuania, the analysis of territorial differences, the potential for growth and development needs was performed and the following major challenges which are in line with Europe 2020 priorities were identified[2]:

[2] Source: Republic of Lithuania: Draft Partnership Agreement (2014-2020), www.esparama.lt – official website of the EU assistance in Lithuania

(1) Efforts to achieve **smart growth** face challenges related to the promotion of RDI, the quality of education, the efficiency of public administration and the development of digital society;
(2) Efforts to achieve **sustainable growth** face challenges related to the development of basic modern infrastructure, the creation of a better business environment, as well as the sustainable and efficient use of natural resources;
(3) Efforts to achieve **integral growth** face challenges of promoting employment and reducing poverty and social exclusion in aligning them with the targets of social and territorial cohesion.
The funding from Norway Grants 2009-2014 supplements to EU funds and is expected to contribute to the above mentioned long-term national development strategies as well as sectoral ones.

Due to the size of the Norway Grants (see Chart No 1), the planned outcomes of the financed programmes could not be measured in terms of impact at the national level. The impact is further defragmented by rather high number of relatively small programmes. However, as the choice regarding the programmes to be financed during the MoU negotiation stage was based on the most pronounced need for financial support in specific areas that were not covered by other financial instruments, some quite significant and appreciable effects can be expected in these targeted niches (see chart No. 2).

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

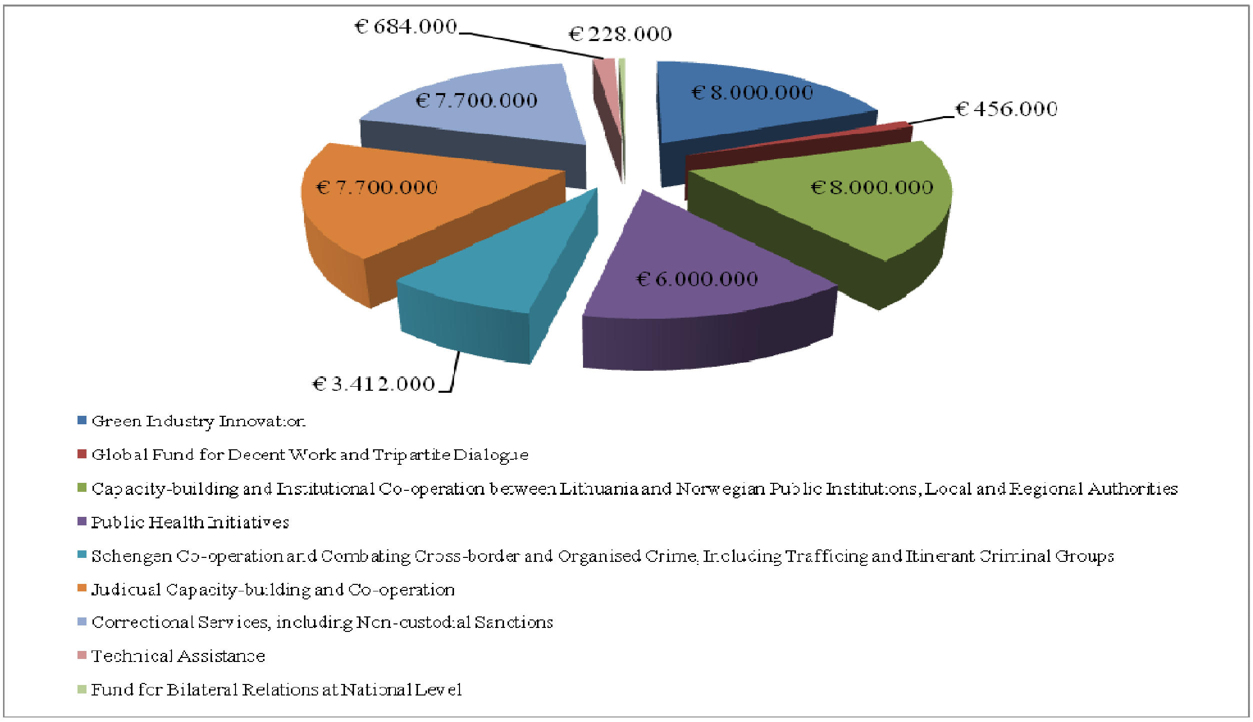
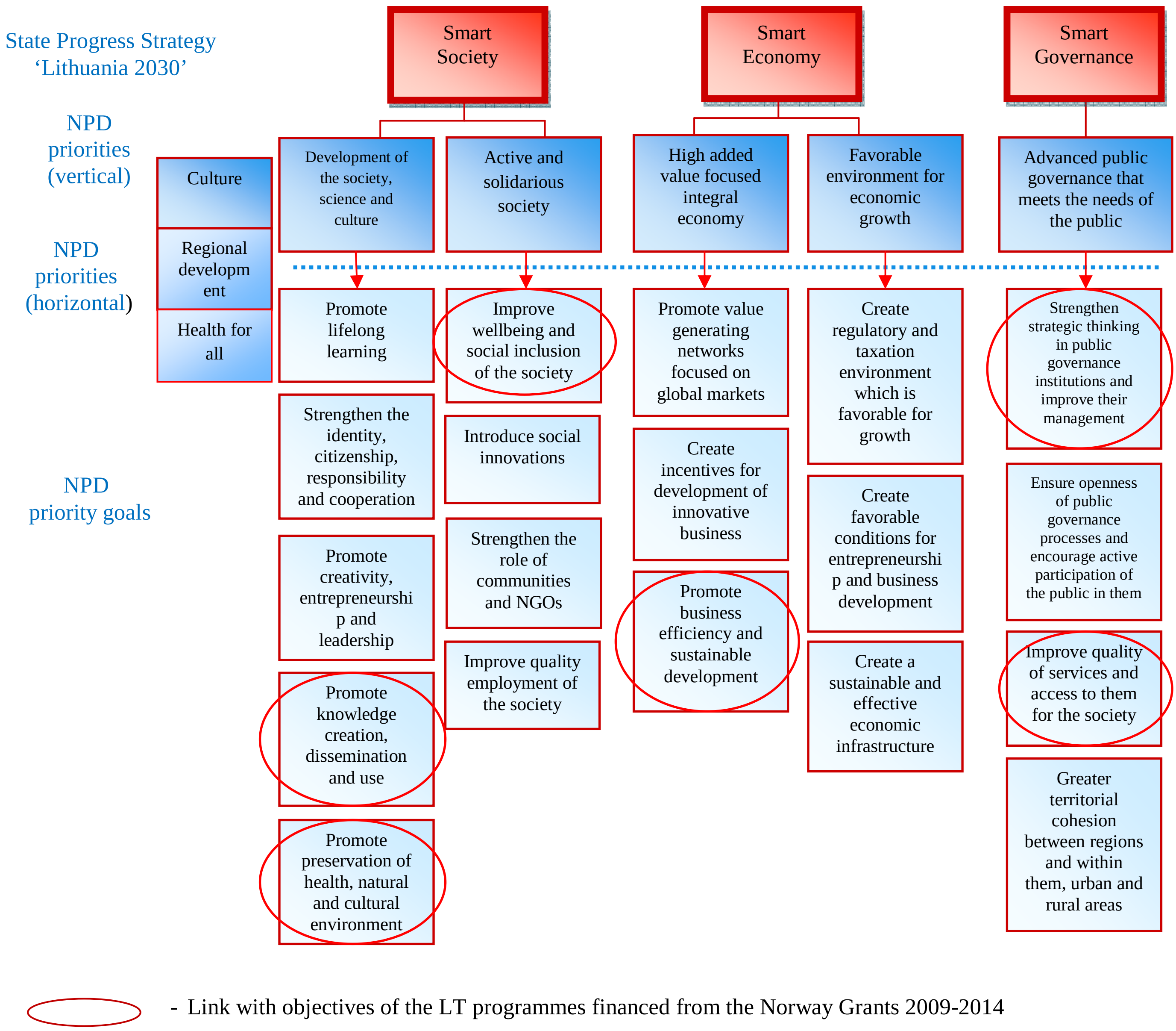


Chart No 2. Lithuania's Progress Strategy, Priorities, Goals and link with Norway Grants Programmes



Only one of the programmes financed from the Norway Grants, namely LT09, could be regarded as directly related to the economic development. The other ones could be described as being more of the social character. Lithuania is not among the leaders in the EU when it comes to green innovations in industry, especially in small and medium enterprises (SMEs). The programme LT09 is not targeted at research and development of eco-innovations on world or even European scale, but instead could be described as an inducement for Lithuanian SMEs to create and implement innovations that will allow to use energy and other resources at a higher efficiency and to minimize waste in the production process. This will lead to the increased competitiveness. Expanding companies will most likely create new workplaces, although concrete predictions regarding the numbers are impossible at current stage.

Regional policy is aimed at ensuring the high quality of life for the all inhabitants of the whole country territory and a change for the better is very much dependant on the competency of public sector. Public administrations are not sufficiently results-oriented; they lack targeted and systematic monitoring, evaluation and improvement. The decision making process lacks openness and transparency, as well as effective consultations with the public. Public sector capacities will be improved though the bilateral cooperation of public institutions and local authorities. Priority under programme LT10 will be given to institutions in problem territories and regional growth centres; hence the well-being in these regions will be impacted through better daily results and quality of the provided services of strengthened institutions to local communities.

Reducing inequalities in health between different socio-economic groups, between rural and urban areas as well as different genders is one of the burning issues facing the Lithuania as well as whole EU today. In 2012, life expectancy in Lithuania was 72,5 years and was the lowest among all EU countries[3]. Health inequalities in Lithuania are ranked as one of the largest in Europe. Difference in life expectancy at birth between the women and men was 11,06 years, between population in urban and rural areas – 3 years in 2012[4]. General trend of deterioration of health of children and youth due to harmful lifestyle is also noticeable. Although the programme LT11 is not big, but its concentration on the specific problems of health inequalities in Lithuania as well as efforts directed at creating friendly health care services for children and youth and system for consistent monitoring of health inequalities on national level will make a significant impact in selected area.

The justice sector is assigned with an essential role in guaranteeing social cohesion. The biggest share of the Norway Grants (44,6% of the total net assistance) is allocated to programmes aimed at strengthening capacities of police and custom, modernization of judicial system and improvement of imprisonment conditions as well as re-socialization services in penitentiary system in Lithuania. Public trust in the judiciary (only 22% of citizens trusted the courts in 2010)[5] remains extremely low. The imprisonment rate is the worst in the EU – 329 prisoners for 100 000 inhabitants compared to Beneficiary states average of 168 (in 2013[6]). High recidivism rate indicates that re-socialisation system in not really effective. Correctional system in Lithuania is overloaded with long lasting problems; however sufficient funds have not been available to implement lager scale reforms. Return of the convicts to be full-fledged society members participating in its social and economic life is essential in safeguarding the security of the population, as well as human and social development. Modernisation of judicial system will make it more effective and easier accessible to all citizens, which is one of the main preconditions for protection of human rights. Moreover, raising awareness and improving understanding of ordinary people in court activities will improve their ability to defend their rights through legal means. Better capacities of police and customs to fight and prevent cross-border crimes will contribute to the safer environment for Lithuanian citizens.

2.2 Bilateral relations

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

[3] Source: http://hdrstats.undp.org/en/indicators/69206.html
[4] Source: Lithuanian Department of Statistics.
[5]Source:http://ec.europa.eu/public_opinion/cf/showchart_column.cfm?keyID=2196&nationID=21,&startdate=2010.11&enddate=2010.11
[6] Source: http://www.prisonstudies.org/info/worldbrief/wpb_stats.php?area=europe&category=wb_occupancy

achievement of the planned bilateral objectives at the end of the Grants if risk factors were minimised.

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

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

The key priority areas selected for cooperation are:

1. Good governance;
2. Equal opportunities and social inclusion;
3. Academic and research cooperation;
4. Cultural exchange;
5. Reinforcement of the bilateral elements of programmes indicated in the MoUs.

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

To give a good starting point for the POs and pre-defined projects promoters to develop such relations further the reimbursement scheme was introduced to compensate travel expenses related to experience sharing events in the programme preparation phase until the bilateral funds at programme level become available. However, the established measure was not requested as much as it was expected up to date and only amount of EUR 451 (of which EUR 245 Norway Grants) was used out of EUR 70 000 (of which EUR 38 000 Norway Grants) available. After having assessed the future funding demand from this measure, the NFP considers a possibility to reallocate the major part of the unused compensation scheme measure to the open call or for financing other pre-defined initiatives. The issues regarding the reallocation of funds will be raised in the forthcoming Annual Meeting on 9 April 2014 in Vilnius.

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

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

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

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

Open call for financing ad hoc initiatives that consist mainly of one or several related specific actions (e.g. participation in events, meetings, or release of joint publications) with clear implementation schedules is planned to announce in the second quarter of 2014. Indicative budget reserved for the open call is EUR 200 000 (of which 109 000 EUR Norway Grants).
Expected bilateral relations results under programmes can be described in the following four dimensions:

- *Extent of cooperation*. 4 out of 6 programmes operated by Lithuanian POs are being implemented with Donor Programme Partners from Norway. 8 pre-defined projects are already known to be implemented with donor project partners, too. The list of contracted partnership projects is provided in Annex 2 of this report. All the projects (pre-defined and selected through calls) under programme LT10 will be implemented with Norwegian partners, too. Compulsory partnership requirements were set in the call under the programme LT09 (partnership scheme). Bilateral cooperation is encouraged and prioritised in the calls under programmes LT11 and LT14. Existence of programme bilateral funds facilitated partner search for potential applicants as well as the development of already established partnerships in pre-defined projects (measure ‘a’).

  Measure “b” will be used at projects implementation stage and will provide opportunities for bilateral initiatives in addition to the ones already included into the projects. It will be used in all the programmes except LT10 where partnership is already obligatory and all the efforts are directed at facilitating partner search (measure “a”).

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

- *Knowledge and mutual understanding*. This has already materialised to a significant extent on the level of PO-DPP cooperation while preparing programme proposals, developing guidelines for applicants as well as implementing joined programmes’ activities. Regular

Cooperation Committee meetings or pre-defined projects promoters' visits to Norway and project partners' visits to Lithuania carried out in programmes made possible to learn more about various practices and organisation of systems in respective policy areas in the shorter period of time compared to other communication means. On project level additional effect is expected when project promoters and partners participate in various related conferences, workshops and other events where third parties will also learn about the practices of partnering entities and countries as well as the EU and the Norway Agreement.

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

The most prominent risk related to achieving bilateral goals at current stage - availability of partners from Norway – remains unchanged. With the total number of 10 Beneficiary States and only 1 Donor Country it is obvious that Beneficiary States will be practically competing for partners among themselves. The programmes that start earlier will have a relative advantage, but even obtaining a partner cannot secure smooth implementation. This mostly relates to the uncertain interest of cooperative parties and different expectations from the partnership or even understanding of partnership as such.

3. REPORTING ON PROGRAMMES

3.1 Overview of Programme status.

All outstanding issues were resolved and remaining programme proposals, i.e. LT10 and LT14 were approved by the Donors by end of April 2013. All Programme Agreements and Programme Implementation Agreements under the Norway Grants were signed by the end of the reporting period.

Overall progress towards the expected programmes outcomes and defined outputs is rather modest. Due to delayed approval of some programme proposals and consequently late signing of the Programme Agreements, much longer than expected preparation of necessary documentation for the open calls and pre-defined projects in most programmes (except LT09 and LT13) calls were launched only in the beginning of 2014 (LT11, LT14) or even delayed to preliminary 2nd quarter of 2014 (LT10, LT12). Nevertheless, 3 pre-defined projects (LT13) were approved for financing and Projects contracts were signed in the end of the reporting period.

Overview of the status of actual implementation of the approved programmes as well as financial reflection is presented in the table No 2 below. (More detailed information on individual programmes status is provided in section 3.2 of this report).

Table No. 2. Operational and Financial Status of Programmes

Programme	Calls/ pre-defined projects (actual status for 4Q)	Commitment		Disbursement	
		Projects	Programme*	Disbursed from State Treasury (EUR)**	Disbursed from the Donors (including advanced payment) (EUR)
LT09	1st and 2nd calls closed. Project applications under evaluation	0	1 088 101	185 738	1 231 776
LT10	No calls planned for 2013. Pre-defined projects documentation under preparation phase	0	1 082 355	21 117	1 496 583

LT11	Call delayed Pre-defined projects under evaluation	0	960 998	57 357	569 945
LT12	Pre-defined projects documentation under preparation phase	0	414 118	5 940	0
LT13	Pre-defined projects approved for financing	8 210 465	848 359	52 497	1 499 950
LT14	Call delayed Pre-defined projects under preparation	0	1 059 929	63 558	498 539
Total		8 210 465	5 453 860	386 207	5 296 793

* Column shows amounts committed for programme management, bilateral fund, complementary actions and programme preparation.

**No funds were disbursed for projects in 2013

3.2 Individual programme summaries

Based on the information provided by the POs in the Annual Programme Reports and NFP observations, 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.

LT09 Green Industry Innovations

During the first half of the reporting period LT09 Programme Agreement and Programme Implementation Agreement were signed. The total allocation within the LT09 Programme amounted to EUR 9.411.765, funds are dedicated for the implementation of projects related to innovative environmental technologies and green products also to strengthen bilateral cooperation between Lithuania and Norway. Two calls for proposals Small Project scheme (Small Grant Scheme) and Partnership Project Scheme were launched in June 2013. 6 project applications for EUR 0.9 million under the Small Project Scheme for the implementation of projects related to the development, improvement of green products and their introduction into the market, and 13 project applications for EUR 6.2 million under the Partnership Project Scheme for the implementation of projects related to the development, improvement and introduction of environmental technologies were received. 17 applications were submitted for the implementation with a Norwegian partner (compulsory requirement). However, after evaluation only 2 applications under the Small Project Scheme and only 1 application under Partnership Project Scheme were selected in Project selection committee in February 2014. The results of calls for proposals in both schemes showed that there were law interest and insufficient number of good quality applications therefore fewer funds than available would be contracted under the both schemes. As remaining funds were rather small amounts and it was inefficient to have two additional calls for proposals according to the both schemes, LT09 Programme Agreement was amended with a possibility to reallocate all not used funds after the first calls to the Partnership Scheme. In March 2014 PO launched the third call for proposal (2^{nd} call under Partnership Project Scheme) after advanced work with DPP and FMO improving guidelines for applicants. Requirement for compulsory partnership was withdrawn to reduce risk of not collecting sufficient number of applications but partnership projects will be prioritized.

It is likely that the Small Project Scheme related outcome indicators will be reached, however, since the announcement of an additional call under this scheme is not planned, the output indicator "Number of projects developing or improving green products or materials" will not be reached. Pursuant to the provisions of the Programme agreement, indicators will be revisited and submitted to the FMO for approval prior to the first disbursement to the projects.

The main risk and challenge for the upcoming year for the PO and the CPMA – to ensure smooth and fast appraisal and selection process to conclude project contracts as soon as possible to leave enough time for implementation.

During the reporting period the public, potential applicants and partners were actively informed about the Programme. Organized Programme launching event, information events and applicant trainings received a lot of interest - over 260 people attended them. Promotion of bilateral business relations between Lithuania and Norway was actively performed: business matchmaking events-seminars were held in Lithuania, representatives of Lithuanian business attended bio-energy conference in Oslo. Donor Programme partner - agency "Innovation Norway" greatly contributed to the promotion of bilateral partnership by distributing information on the Programme implemented in Lithuania and questionnaires of the Lithuanian companies willing to find a Norwegian partner. The same proactive approach of facilitating partnership will be followed for the remaining call.

LT09 Programme Bilateral activities plan for 2014 is provided in Annex4 to this report.

LT10 Capacity Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities

The LT10 Programme was finally approved in April 2013; however Programme Agreement was signed only at the end of August 2013 due to protracted coordination of agreement provisions between the FMO, NFP and PO. Programme Implementation Agreement was signed in October 2013 and the total allocation within the LT10 Programme amounted to EUR 9.411.765. LT10 Programme consists of three predefined projects and calls for proposals for large projects and Small Grant Scheme.

Due to the late consensus on the provisions of the Programme Agreement and staff turnover in the PO organization preparation of documents (guidelines for bilateral fund, guidelines for applicants for open call and pre-defined projects) were delayed and not approved during the reporting period. As open call will not be launched in the first quarter of 2014 as provided in Programme Agreement the needed amendment should be agreed with donors to reflect a new schedule of programme implementation.

As no project contracts were signed during 2013 no significant changes in relation to outcomes and information on achievement of LT10 Programme outputs is recorded. Due to initial delays the main risk and challenge for the upcoming year is to ensure prompt launching of the open call and pre-defined project also smooth and fast appraisal and selection process to conclude project contracts as soon as possible for to leave enough time for implementation.

As regards bilateral cooperation, during the reporting period bilateral activities were not intensive at programme level as well as at project level due to the programme status, except the pre-defined project for co-operation of Norway and Lithuanian police services, which reached consensus on approach on implementation of the project. As partnership in the project is compulsory requirement according to the Regulation, the main risk for potential applicants under the planned open call would be to find a suitable partner willing to implement joint project. PO is planning to have a launching conference and organize Partner search forum which will allow Lithuanian and Norwegian partners to meet and develop projects. LT10 Programme Bilateral activities plan for 2014 is provided in Annex 4 to this report.

LT11 Public Health Initiatives

During the first half of the reporting period LT11 Programme Agreement and Programme Implementation Agreement were signed. The total allocation within the LT11 Programme amounted to EUR 7 058 824. In consequence of not sufficient quality of received complete applications for pre-defined projects, none of 2 pre-defined projects contracts were signed and implementation activities started during 2013 (projects approved only at the end of March 2014). The risk of infringement of Programme's Agreement due to delayed open call in 2Q, 2013 was handled through the adjustment of obligation to announce open call in 1 Q of 2014. Call was launched in February 2014. As no projects contracts were signed during 2013, no significant changes towards achievement of the LT11 Programme outcomes were recorded. Due to initial delays the main risk and challenge for the upcoming years is to ensure timely completion of the pre-defined projects, also to launch the remaining calls and ensure smooth and fast appraisal and selection process, to conclude project contracts as soon as possible for to leave enough time for implementation.

Positive effect and added value of bilateral cooperation were achieved using different bilateral instruments in connection with available complementary means. Contacts made during the Programme launch event followed up with a half day partner search round (29 May 2013) as well as POs meeting in Oslo (May 2013) was a very valuable impulse for partner search initiatives or further developments of cooperation through possibilities available under the measure 'a' of bilateral fund. The Call for proposals for bilateral fund activities under measure 'a' was announced in December 2013. Absence of DPP in the Programme was named as one of the key challenges for achievement of bilateral goals by the PO.

LT11 Programme Bilateral activities plan for 2014 is provided in Annex 4 to this report.

LT12 Schengen Cooperation and Combating Cross-border and Organized Crime, including Trafficking and Itinerant Criminal Groups Programme

The consensus on content of the LT12 Programme Agreement was finally reached only in summer 2013 and Programme agreement was signed in October 2013 (as well as Programme Implementation Agreement). The total allocation within the Programme amounted to EUR 4 014 118, Programme consists of two pre-defined projects.
Due to the similar reasons as for the LT10 Programme (the same PO), implementation of the programme is delayed; guidelines for pre-defined projects were not finalized during the reporting period.
As no project implementation agreements were signed during 2013 no significant changes in relation to outcomes and information on achievement of LT12 Programme outputs is recorded.
Late start of the actual project implementation (preliminary – end 2nd quarter of 2014) and quite a significant infrastructural element under the projects poses a risk of non-completion of some projects' activities until 30 April 2016. The measures to minimise the identified risk – to put all the efforts to finalise the guidelines, develop the strict project activities schedule after appraisal and control of its implementation, start of preparation of public procurement documents before signing the contract, ex-ante check of the procurements – should be implemented by the pre-defined project promoter and administrating authorities.

The bilateral cooperation during reporting period was rather limited (there is no DPP for this programme). It is planned to use programme bilateral fund for additional co-operation for pre-defined project promoter and their partners from Norway. LT12 Programme Bilateral activities plan for 2014 is provided in Annex 4 to this report.

LT13 Efficiency, quality and transparency in Lithuanian courts

During the first half of the reporting period LT13 Programme Agreement and Programme Implementation Agreement were signed. The total allocation within the LT13 Programme amounted to EUR 9 058 825. Actual implementation of Programme activities started later than initially planned, pre-defined projects contracts have been signed only in late December 2013. All available re-granting amount of EUR 8 210 465 was committed under 3 pre-defined projects.

As project contracts were signed only in the end of year, no significant changes towards achievement of LT13 Programme outcomes were recorded.

Bilateral cooperation on both Programme and Project level is encouraged and very much appreciated. Although no obligatory partnership requirement was set in the Programme, all pre-defined projects have Norwegian partners and actively participate in getting support for bilateral initiatives in addition to the ones already included into the projects.

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

LT13 Programme Bilateral activities plan for 2014 is provided in Annex 4 to this report.

LT14 Correctional Services, including Non-custodial Sanctions

During the first quarter of the reporting period, the programming activities concerned mainly the final consultations and negotiations on the content of the LT14 Programme proposal documents; Programme was approved in March 2013. Programme Agreement and Programme Implementation Agreement were signed. The total allocation within the LT14 Programme amounted to EUR 9 058 825. Programme is implemented through 5 pre-defined projects and one open call.

Guidelines for pre-defined projects' was prepared and approved by the PO only in the end of December 2013, thus none of 5 pre-defined projects contracts were signed and implementation activities started during 2013.

Due to delayed preparation of documents, call for proposals for mediation activities was not announced in 3Q 2013 as provided in the Programme Agreement. Modifications on postponing of call from 3Q 2013 to 1Q of 2014, withdrawing reference to minimum grant amount for project under the Bilateral fund as well as introducing several changes of a technical nature in Programme outputs' description were requested.

Late start of actual implementation and quite a significant infrastructural element under the Programme poses a risk of non-completion of some projects' activities until 30 April 2016. The measures to minimise the identified risk – development of the strict project activities schedule and control of it's implementation, start of preparation of public procurement documents before signing the contract, high quality of procurement documents, ex-ante check of the risky procurements – should be implemented by the pre-defined project promoter and administrating authorities.

Significant improvement on bilateral Programme implementation aspects could be identified during 2013. Close cooperation between PO and DPP in organizing joined activities, preparing call documentation as well as providing strategic assessment on pre-defined projects prior to its approval for financing was very valuable. Bilateral cooperation on projects' level is encouraged and supported through means available under measure 'a' of Programme bilateral fund.

LT14 Programme Bilateral activities plan for 2014 is provided in Annex 4 to this report.

4. MANAGEMENT AND IMPLEMENTATION

4.1 Management and control systems

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

- Rules for the Funding and Implementation of the Programmes and Projects under the EEA and Norwegian Financial Mechanisms 2009-2014, dated 29 January 2013. General unified administrative, visibility, payment and monitoring rules and procedures both on the programme and project level were set (including development of the Guidelines for applicants, organisation of appraisal and selection process, standard project contract, monitoring of project implementation, verification and certification of expenditures, management of irregularities etc.). In the course of 2013 Rules were amended taking in account further development of the MCS, clarification of Regulation requirements and to upgrade requirements which were not functioning in the practice.
- Rules for the Funding and Implementation of the Technical Programme under the European Economic Area and Norwegian Financial Mechanisms 2009-2014 (i.e. TA and the NBF), dated 14 February 2013, established the procedures for the TA implementation and the compensation measure under the National Bilateral Fund. On 8 October 2013, the rules were supplemented with the detailed procedures for implementation of another 2 measures of the NBF, i.e. pre-defined projects and open calls.
- Procurement Rules for Project Promoters that are Non-purchasing Institutions were adopted on 16 April 2013.

Based on the set general unified requirements the POs and the CPMA were further developing their internal work procedures. During 2013 the most POs developed detailed procedures for implementation of Bilateral Funds at programmes level.

Detail description of the MCSs. The compliance of the submitted description of the MCS with paragraph 1 of Article 4.8 of the Regulation (1st stage) was confirmed by the FMO on14 June 2013. Detailed description of the MCS (excluding programmes administered directly by the Donor States institutions, i.e. Fund for Non-governmental Organizations LT04 and Global Fund for Decent Work and Tripartite Dialogue LT22), considering the requirements specified in paragraph 2 of Article 4.8 of the Regulation (2nd stage) and based on the he information provided by the central management authorities, POs and the CPMA, was prepared and approved by the NFP on 16 December 2013. It should be noted that due to specific Grants management set-up in Lithuania (centralised implementation system with one implementing agency and centralised unified rules for programmes' and projects' implementation) the NFP prepared one description which covered description of centralised level of programmes implementation as well as procedures developed by each PO and the CPMA in the separate attachments. The description of the MCS 2nd stage together with the audit report and opinion will be submitted to the FMO in April 2014 (for the assessment of the 2nd stage of the MCS compliance to the requirements of the Regulation external audit office was contracted.

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

4.2 Compliance with EU legislation, national legislation and the MoU

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

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

Regarding the related EU legislation, appropriate provisions of national legal acts on the implementation of the Financial Mechanisms and programme implementation agreements will secure that all involved actors must comply with applicable EU policy requirements including state aid, environmental directives and public procurements.

4.3 Irregularities

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

Providing an assessment and analysing possible trends of irregularities in the management of different programmes it should be noted that irregularities detected in 2013 are very minor, made by the POs mainly during the Programme proposals preparation period as a result of errors made by the staff members of the POs due to inattention or inconsiderateness. Whereas unduly used funds were not included into the Interim Financial Reports (IFR) the detected irregularities were remedied according to the national legal acts. Consequently, no financial corrections in relation to the detected irregularities were applied. The irregularities were fully remedied by reimbursing unduly used funds, in total EUR 343 at programme level and EUR 106.45 (of which EUR 57.79 Norway Grants) at state level, to appropriate bank accounts; they had and will have no effect on any stage of the implementation of the Norway Grants as well as on the implementation and the budget of the appropriate programme. Moreover, it could be observed, that created MCS allows for early detection of irregularities.

The list of the irregularity cases giving nature and description as well as remedying actions taken regarding the detected irregularities on programme level and state level is provided in Annex 3 to this report.

4.4 Audit, monitoring, review and evaluation

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

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

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

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

4.5 Information and publicity

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

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

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

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

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

The intensity of publicity and information activities of POs depended on the programme approval date and the dates when the Programme Agreement and Programme Implementation Agreement were signed. Publicity and information activities were more intensive in those programs which were approved and implementation earlier, such as LT09, and less intensive or no activities in those programmes which were approved later or the agreements signed later, such as LT10.

4.6 Work plan

Task	Planned implementation deadline	Responsible institution(s)
Management and control system		
Monitoring Committee meeting	7 April 2014	NFP
Approval of the Rules on recoverable and recovered grant amounts (Order of the Minister of Finance)	2Q 2014	CA (NFP, Paying Authority, POs, CPMA also involved)
Completion of creation of last modules of the EEA/NOR Grants subsystem in the SFMIS	3Q 2014	NFP (CA, IRA, Paying Authority, POs, CPMA also involved)
Submission of the MCS II stage description and Audit opinion and report	April 2014	NFP (AA, CA, IRA, PA, POs, CPMA also involved)
Implementation of programmes		
Call for proposal under Programme LT09	1Q	PO, CPMA
Call for proposal under Programme LT11 (Measure 2)	1Q	PO, CPMA
Call for proposal under Programme LT14	1Q	PO, CPMA
Call for proposal under Programme LT11 (Measure 1)	2Q	PO, CPMA
Call for proposal under Programme LT10 (large projects)	2Q	PO, CPMA
Call for proposal under Programme LT10 (small grant scheme)	2Q	PO, CPMA
Call for proposal under Programme LT11 (Measure 2)	4Q	PO, CPMA
Implementation of the National Bilateral Fund		
Launching of the open call under NBF	2Q 2014	NFP
Audit, monitoring, review and evaluation		
Procurement of the external audit for the verification of the effective functioning of the MCS	2Q-3Q 2014	AA
Communication and Publicity		
Provision of relevant information on the joint website	throughout 2014	NFP, POs, CPMA
Launch of the joint website	1Q 2014	NFP, POs, CPMA (through outsourced service provider)
Preparation of Communication and Design Manual in Lithuanian language	1Q-2Q 2014	NFP
Other communication activities (electronic newsletter, Facebook account, information publication about the programmes, poster, roll-up banners)	3Q-4Q 2014	NFP (through outsourced service provider)
Analysis of media coverage	throughout 2014	NFP (through outsourced service provider)

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

6 ATTACHMENTS TO THE STRATEGIC REPORT

Annex 1 List of applications received and projects selected/contracted

Annex 2 List of Donor Partnership Projects at Programme level

Annex 3 Lis of irregularities at the State level and Programme level

Annex 4 Bilateral activities plan for 2014

Annex 5 Risk assessment at the national level

Annex 6 Risk assessment of the programmes

Annex 7 Implementation of the Technical Assistance