



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

Strategic Report No.5

Reporting period:
1 January 2015 - 31 December 2015

Prepared by the National Focal Point (Ministry of Finance)

Contents

Abbreviations	3
1 EXECUTIVE SUMMARY	4
2 ASSESSMENT OF IMPACT AT NATIONAL LEVEL	5
2.1 Cohesion.....	5
2.2 Bilateral relations	13
3. REPORTING ON PROGRAMMES	17
3.1 Overview of Programme status.....	17
3.2 Individual programme summaries	19
4. MANAGEMENT AND IMPLEMENTATION	24
4.1 Management and control systems	24
4.2 Compliance with EU legislation, national legislation and the MoU.....	25
4.3 Irregularities	25
4.4 Audit, monitoring, review and evaluation.....	25
4.5 Information and publicity.....	26
4.6 Work plan.....	27
5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS.....	28
6 ATTACHMENTS TO THE STRATEGIC REPORT	29

Abbreviations

AA	Audit Authority
CA	Certifying Authority
CPMA	Central Project Management Agency
CC	Cooperation Committee
DoRIS	Documentation, Reporting and Information System
DPP	Donor Programme Partner
dpp	Donor Project Partner
DV	Domestic Violence
EEA	European Economic Area
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
GDP	Gross Domestic Product
GBV	Gender Based Violence
Grants	European Economic Area and Norway Grants 2009-2014
IFR	Interim Financial Report
IRA	Irregularity Reporting Authority
ESIF	European Structural and Investment Funds
NBF	National Bilateral Fund
NFP	National Focal Point
NDP	National Development Programme
NRP	National Reform Programme
NMFA	Norwegian Ministry of Foreign Affairs
MCS	Management and Control System
MoU	Memorandum of Understanding\
OECD	Organization for Economic Co-operation and Development
PA	Programme Agreement
PO	Programme Operator
PP	Project Promoter
R&D	Research and Development
Regulation	Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014
SFMIS	Structural Funds Management Information System

1 EXECUTIVE SUMMARY

During reporting period all programmes financed under the Norway 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 country) contribute to more consistent social and economic development of Lithuania. The Norway Grants supplement the EU funds in the national priority areas and, more important, provide opportunity to invest funds and external expertise to socially and economically sensitive niches (e.g. health inequalities, improvement of correctional and judicial systems), what otherwise could not be afforded at present.

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

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

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

A risk of non-achievement of the agreed cohesion and bilateral objectives until the deadline was minimized by very welcomed by national authorities' donors' decision to grant possibility of extension of project implementation period in case of need. A number of projects (due to late start or nature of activities) will use possibility of extension to deliver planned/or better quality results. Still in some programmes risk of not using all funds remains – after unsuccessful open calls not contracted funds 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 all levels, in addition to monitoring of the programmes/projects progress in order to assure a smooth process towards the defined goals.

2 ASSESSMENT OF IMPACT AT NATIONAL LEVEL

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.

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 2016³, Lithuanian economy showed a remarkable recovery. After a major recession (with one of the sharpest declines in real GDP across the EU in 2009), its regained competitiveness has supported solid growth in recent years. On average, real GDP grew at 4.1% of GDP over the period 2011-2014 (1.7% in 2015 but is set to rebound to 2.9% in 2016). This was initially led by exports, but domestic demand has taken over as the main growth engine later on. It is expected that domestic demand growth will carry its momentum into 2016, largely driven by rising wages, falling unemployment and subdued inflation. Growth is projected to gain momentum despite weak external conditions: recession in Russia and counter-sanctions caused the value of Lithuanian export to Russia to shrink by 40% in 2015; however a success in reorienting exports to the Middle East and Asian countries amortized the negative impact⁴. Unemployment is set to further continue its downward trend to 8.1% in 2016 due to growing economy and a shrinking labour force.

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

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

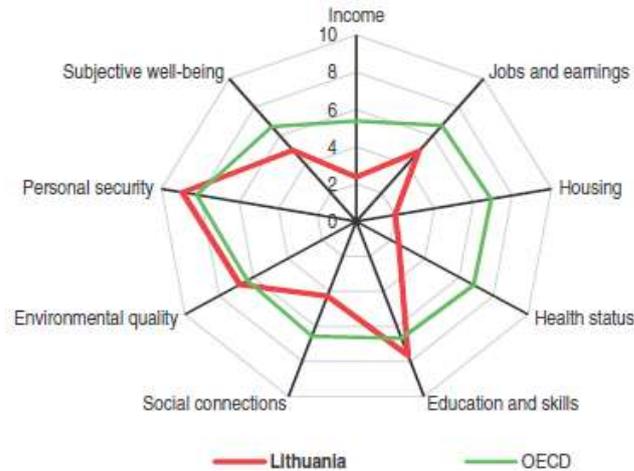
² The Lithuanian National Development Programme for 2014-2020, approved by the Governmental Resolution of 28 November 2012, No. 1482.

³ Commission staff working document, Country Report Lithuania 2016, http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf

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

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

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

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.⁷ Poverty rates have fallen since 2010 and country has met its national 2020 commitment, however there still is a room to make Lithuania more inclusive. A significant increase in the share of renewable energies from 2005 to 2014 has moved the country above its national target of 23 %. After a significant drop between 2008 and 2009, the country’s employment rate increased again by 7.5 percentage points between 2010 and 2014, moving it closer to the national target. In terms of R&D expenditure, almost one percentage point gap still needs to be closed for the target of 1.9 % of GDP to be reached. Additionally, Lithuania has remained below its target to limit Greenhouse gas emission increases and reduce final energy use.

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

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	1.02% of GDP (2014) while business expenditure on R&D is 0.30% of GDP.
Greenhouse gas emission target: 15%. +15% compared to 2005 emissions (the level of emissions would not increase by more than 15 percent compared to 2005 level, and would not exceed 15.46 million t	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.

⁶ 2016 OECD economic assessment of Lithuania, 2016, <http://www.oecd.org/eco/surveys/Lithuania-2016-overview.pdf>

⁷ Commission staff working document, Country Report Lithuania 2016, http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf

CO2-eqv.)	
Renewable energy target: 23%.	23.9% (2014)
Energy efficiency target: 17% reduction in final energy use compared to 2009 level.	5.37% (2014)
Employment rate target: 72,8%	71.8% (2014)
Early school leaving target: < 9%.	5.9% (2014)
Tertiary education target: 48.7%	53.3% (2014)
Risk of poverty and social exclusion target: reduce to less than 814,000 people	804,000 or 27.3% of total population (2014)

Sources: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm , February 2016; http://ec.europa.eu/europe2020/pdf/csr2015/nrp2015_lithuania_en.pdf

Norwegian Grants contribution to the national development objectives. The funding from Norway 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 Norway Grants (see Chart No. 2), 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. 3).

Chart No. 2. Distribution of the Norway Grants among programme areas, in euros

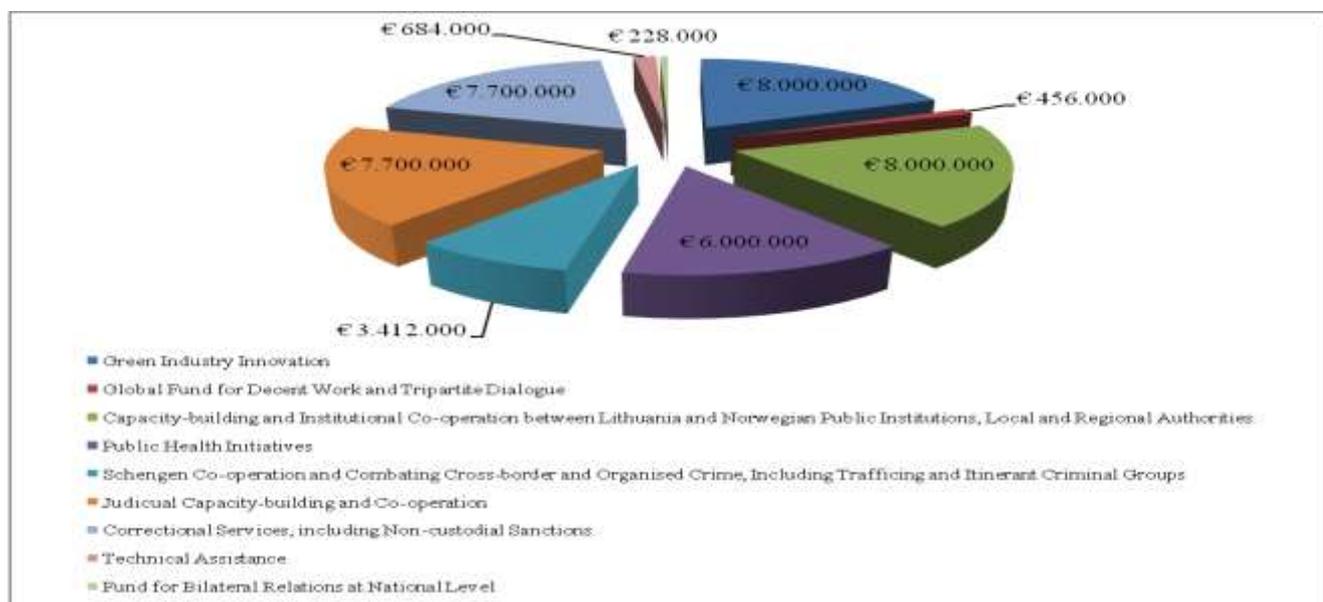
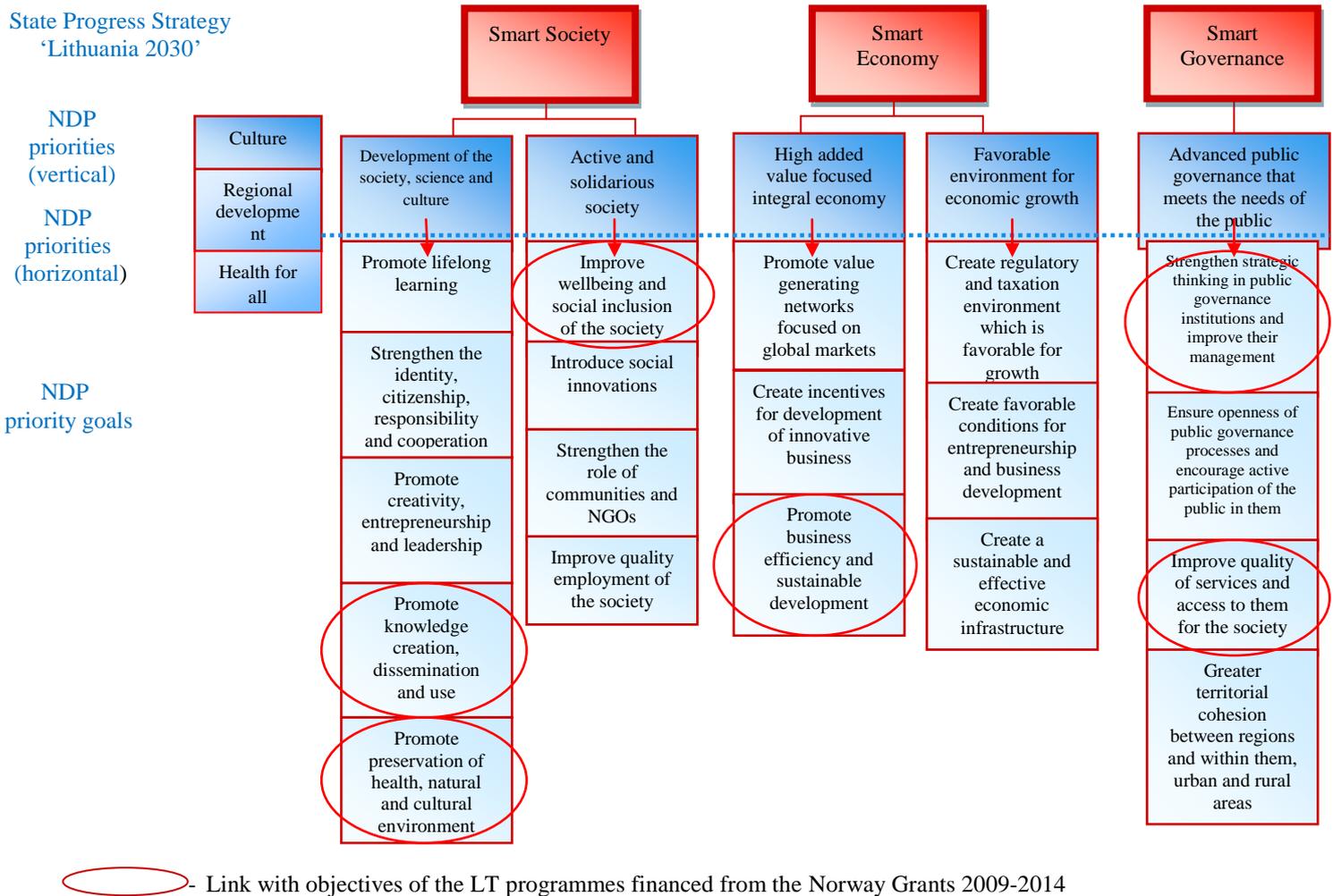


Chart No. 3. Lithuania's Progress Strategy, Priorities, Goals and link with Norway Grants Programmes



Economic development

Only one of the programmes financed from the Norway Grants, namely **Programme LT09**, could be regarded as directly related to the economic development. The other ones are more of the social character.

The prevailing sectors in Lithuania are those of low and medium-low technology, together with manufacturing where raw materials, fuel and energy account for nearly two thirds of the total costs. This prevents the country from reaching high competitive position in the global markets.

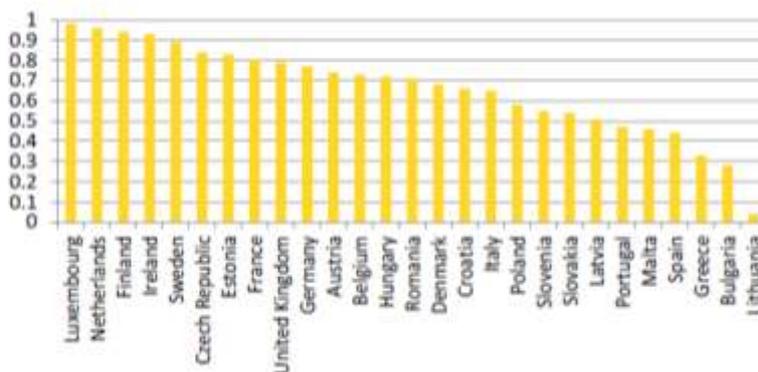
The changeover from traditional to more environmental-friendly technologies is a complex process which is gradually implemented in Lithuania. In 2014, environmental protection expenditure of Lithuanian industrial enterprises totalled EUR 261,8 million and, compared to 2013, increased by 46%. Through the local initiatives, Lithuania is supporting environmental innovations in a range of industries. The most visible achievements are in renewable energy, oil spill remediation. Growing potential in eco-innovation is expected in construction, solar energy, waste management and green transport.⁸

While public funding for research and development (R&D) reached the EU average in 2014, private sector investment remains low and may have negative repercussions for long-term growth. Neither co-operation

⁸ Source: Lithuanian Department of Statistics, <http://www.stat.gov.lt/>

between business and research institutions or universities nor company ability to identify new, external knowledge and apply it to commercial is captured enough. In 2015, Lithuania’s ability to absorb external knowledge was scored as the lowest in EU context. In light of Lithuania’s poor innovation performance and limited absorptive capacity, there is a strong emphasis on science-driven innovation and hard infrastructure, mostly targeting a limited number of current R&D performers.⁹

Chart No. 4. Innovations absorptive capacity index (%)



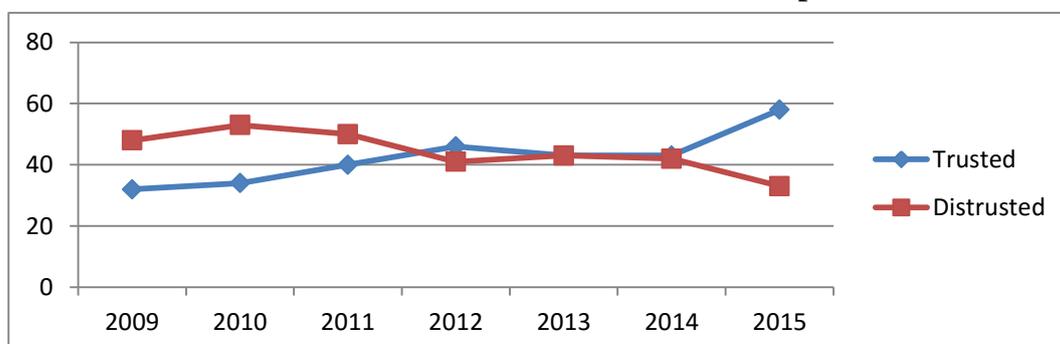
Sources: Commission staff working document, Country Report Lithuania 2016
http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

In this context **Programme LT09** could be described as a pilot programme and very important step (followed by more significant resources from for European Structural and Investment Funds (ESIF) in the 2014–2020 financial period) for inducement or motivation 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.

Human and social development

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 result-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. Starting from 2006, the Ministry of the Interior subscribes the research on citizens’ trust in municipalities and their subordinate institutions. The level of trust during the last 7 years balanced between 32% in 2009 and 58% in 2015. Among the reasons of the distrust are such causes like unqualified staff, low work quality, etc.¹⁰

Chart No. 5. Level of trust/distrust in municipalities



Source: <http://vakokybe.vrm.lt/index.php?id=307>

⁹ Commission staff working document, Country Report Lithuania 2016.

http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_lithuania_en.pdf

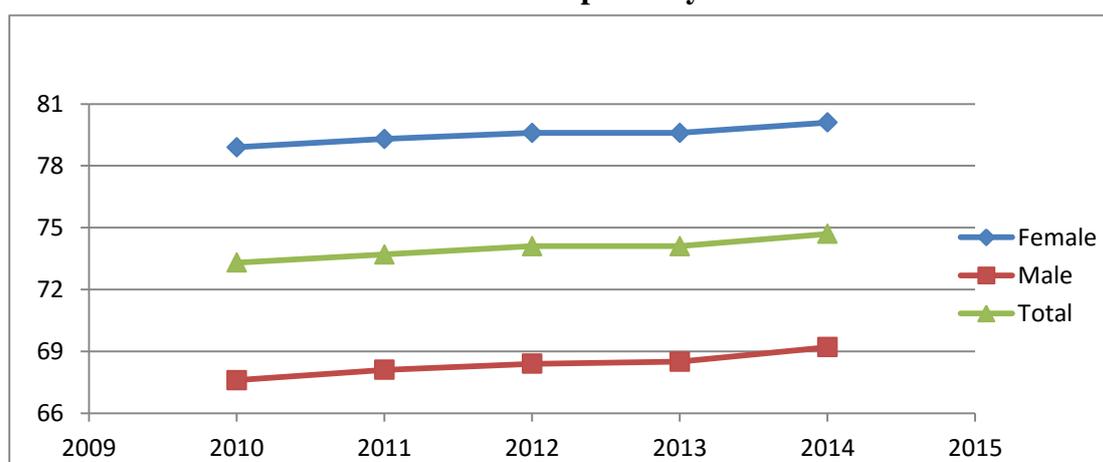
¹⁰ <http://vakokybe.vrm.lt/index.php?id=307>

The government effectiveness (general governance indicator providing summary assessment of the quality of the public administration in general) has increased in 2013 in comparison to 2012 according to the EU data on quality of public administration; however remains much lower the EU average¹¹. One out of three priorities defined under **Programme LT10** is 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. As transparent and effective management is a necessary condition for the country's rapid progress and the state can better perform its functions only by fostering administrative capacity, Programme LT10 was expected to contribute to the achievement of aims of the NDP as Lithuanian administrative capacity shall be improved by taking over the Norwegian institutional, administrative and policy making experience. However, the initially estimated potential of Programme LT10 to make a difference is reduced due to operational delays and moderate quality of projects and partnerships awarded under the open call.

Another **Programme LT10** priority is pointed at implementation of preventive measures with regards to domestic (DV) and gender-based violence (GBV), raising the quality of services offered to victims as well as strengthening capacities of responsible institutions using the experience and know-how of Norwegian partners. It should be acknowledged, that since December 2011, when the Law on Protection on Domestic Violence came into force, the society and the victims themselves show much less tolerance to the violators and this is proved by still increasing number of reported cases on DV and GBV. The initiatives addressing GBV and DV, including violence against children, are on the top of national political agenda. A chain of recent events, when children were violated in a most horror way, ensured even more political attention to the initiatives to some extent covered by Programme LT10 as well. It is very important to bring authorities together for a close cooperation in drafting and implementing preventive measures urgently instead of dealing with the consequences only. Well defined and precisely selected measures under the Programme could contribute significantly to the improvement of the situation, if the advantage of the possibilities available under the programme as well as partnership offered will be taken in its entirety.

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 the Lithuania is facing. In 2014, life expectancy in Lithuania was 74,7 years. Although, life expectancy index is growing, it is still one of the lowest among EU countries. 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 10,9 years, between population in urban and rural areas – 2,72¹² years in 2014. General trend of deterioration of health of children and youth due to harmful lifestyle is also noticeable.

Chart No. 6. Life expectancy at birth



Source: Lithuanian Department of Statistics, <http://www.stat.gov.lt/>

¹¹ http://ec.europa.eu/growth/industry/competitiveness/public-administration/index_en.htm

¹² Lithuanian Department of Statistics, <http://www.stat.gov.lt/>

Strengthening of the administrative capacity of policy makers is crucial for effective tackling of health inequalities in the country. Good health enhances quality of life, improves workforce productivity, increases the capacity for learning, strengthens families and communities and contributes to security, poverty reduction and social inclusion. Therefore, an investment in human resources is a valuable contribution to the strengthening of the national health system and sustainable development of the state. Although social health inequalities within the state are recognized as an urgent public health problem there is a lack of information about the key factors hindering the formation and implementation of health inequality reduction policy. The legal basis and administrative capacities were not evaluated on the national scale, the measures enabling to improve the administrative knowledge and capacities of subjects of the national and municipal level government sectors were not implemented systematically and specialists lack methodological recommendations for monitoring of health inequalities, planning and implementation of target health inequality reduction interventions.

Although the **Programme LT11** is not big, but its concentration on the specific problems of health inequalities as well as efforts directed at fostering healthy environment in schools/pre-schools, creating friendly health care services for children and youth and system for consistent monitoring of health inequalities on national level will definitely make a significant impact in selected area and contribute to the improvement of children and youth quality of life as well as social and economic well-being. The measures planned under the Programme are in good progress and allows to expected solid contribution in capacity building for identification and reduction of health inequalities through inter-sectorial approach and promoting exchange of knowledge and skills with Norwegian counterparts.

Justice and home affairs

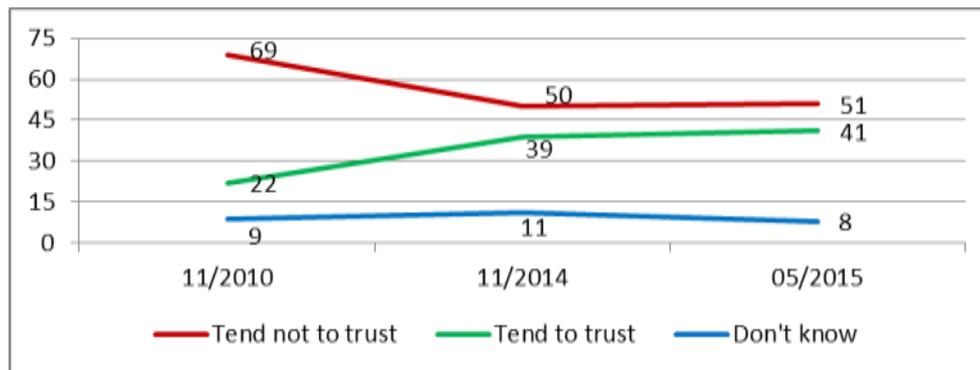
The justice sector is assigned with an essential role in guaranteeing social cohesion. The biggest share of the Norway Grants (44,6% of the total net assistance) is allocated to programmes aimed at strengthening capacities of police and custom, modernization of judicial system and improvement of imprisonment conditions as well as re-socialization services in penitentiary system in Lithuania.

The constantly increasing globalisation and changing geopolitical situation is directly related to the increase of cross-border crime and need for efficient control over EU external borders. Lithuania's strategic location at an EU external border itself requires concerted efforts to improve all aspects of border control, i.e. sufficient human resources as well as appropriate material facilities, including measures relevant to the fight against smuggling of excise goods, stolen motor vehicles, illegal migration, people and drugs trafficking and itinerant criminal groups. The aim of **Programme LT12** becomes even more important in the context of the recent events. Still drastically increasing flow of refugees and asylum seekers from the regions affected by the war in Middle East, economic migrants trying to seize the occasion to get into the EEA are the challenges Europe needs to overcome. Due to emerged circumstances new solutions regarding EEA and Schengen border guarding as well as cooperation and joined actions addressing these issues are needed. **Programme LT12** provides the facilities for better capacities of police and customs to fight and prevent cross-border crimes thus contributing to the safer environment not only to Lithuanian citizens but also to all European Community.

A significant change is being observed in public trust in the judiciary system starting from 2010. By the middle of 2015 citizens' trust in the system has grown up to 41% compared to 22% in 2010¹³ (tendency of trust/distrust is presented in Chart No. 7). However people still need a transparent judicial system with high quality services especially for vulnerable groups as well as fair legal processes without any manifestation of corruption. Also the sufficient level of physical security needs to be ensured. In order to satisfy these expectations the courts have a new challenge now – to keep increasing the trust of society and show the openness and transparency of the system. **Programme LT13** directly contributes to creation of fairer, more transparent and more efficient judicial system in Lithuania. Modernisation 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.

¹³http://ec.europa.eu/public_opinion/cf/showchart_column.cfm?keyID=2196&nationID=21,&startdate=2010.11&enddate=2015.05

Chart No. 7. Public trust in judiciary system



Source: http://ec.europa.eu/public_opinion/cf/

Correctional system in Lithuania is still overloaded with long lasting problems. Sufficient funds were not available as well as appropriate legislation adopted to implement larger scale reforms quite a while. Comparatively long prison sentences (average term of sentence imposed by court was 6 and half year in 2015) and lack of alternatives to custodial sanctions resulted in a high imprisonment rate (268 prisoners for 100 000 inhabitants compared to EU average of 128 and Norway of 71 (in 2015¹⁴). Also, high recidivism rate indicates that re-socialisation system is not really effective.

Nevertheless, quite a significant step forward has been made while Lithuanian Government adopted new Law on Probation in 2012 and approved Programme of Modernization of Lithuanian Custodial Institutions for 2014 – 2022 in 2014. Funding available under Norway Grants and the partnership offered was right on the time to make first steps towards a penitentiary system reform using partners from Norway experience and taking over the best practice in the fields. **Programme LT14** is fostering improvement of correctional system; in particular contributes to:

- improvement of living conditions of the inmates as well as access to health-care services and medical examination in accordance with relevant human rights standards and the recommendations of the European Committee for the Prevention of Torture (CPT);
- creation and establishment of totally new to Lithuania efficiently operating re-socialization services model (half-way houses). Return of the inmates 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;
- opening wider opportunities and providing facilities for earlier release of the inmates from the correctional institutions by developing electronic monitoring model. An incentive to have a customary life with one's family and behave in a home environment in a longer term period shall contribute to the reduction of relapses into criminality and to better integration into the society and labour market;
- improvement of rehabilitation services for addicted inmates (drugs, alcohol and etc.) with high self-motivation by establishing facilities and providing necessary psychological support. Addicts are not able to participate effectively in re-socialization process, thus such kind of services creates preconditions for effective re-socialization.

Attention paid to the assurance of prisoners' human rights as well as increased possibilities of use of alternatives to imprisonment and adopted measures facilitating the reintegration into society of the persons deprived of their liberty could not be measured yet, except of the steady, albeit slow, decrease in prison population. However, if the Programme will achieve all planned results and the 'pilot' projects will proof their rightness quite a significant impact on the overall objective of the Grants shall be observed in a long term perspective.

¹⁴ http://www.prisonstudies.org/info/worldbrief/wpb_stats.php?area=europe&category=wb_occupancy

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 Norwegian Financial Mechanism. It could be observed that in 2015 the bilateral cooperation at all levels was rather intensive (except of rather limited scope in LT10 and LT12) and some tangible results in respect of the planned bilateral objectives were already achieved.

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

Following the defined aims, in 2015 the pre-defined projects awarded under the NBF had completed their activities targeted at initiatives in the areas of energy security in the Baltic Sea Region, human rights as well as gender equality in research institutions. In addition to the achieved direct bilateral outcomes of these projects (partnership agreements, joint events, joint articles, studies or methodologies) the wider effect is seen while developing professional networks between institutions in the beneficiary and donor states, joint initiatives in the European or international arena. An interest on the produced projects' outcomes is likely will go beyond the frame of only bilateral cooperation as well as cooperation established for a certain activities will grow into a longer term partnership. Approach to finance pre-defined activities proved to be successful in reaching tangible bilateral cooperation results as well as flexible in addressing both beneficiary and donors interests and rather simple in administration.

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

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

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

Table No. 2. NBF budget breakdown by defined measures

No.	Measure	Used funds, EUR (EEA/Norway grants)	Status/ completion (%)	Remaining funds, EUR
1.	Pre-defined activities	264,987	100%	0
1.1.	Gender Equality Implementation in Research Institutions – Collaborative approach (GEIRICA)	143,774	100%	0
1.2.	Conference in Vilnius on 12 – 13 November 2013 on Combating hate crime in the EU, organised by the Fundamental Rights Agency in cooperation with the	39,824.52	100%	0

	Lithuanian Presidency of the Council of the EU			
1.3.	Research 'Protection of Hate Crime Victims' Rights: the case of Lithuania'	9,999	100%	0
1.4.	Energy security in the Baltic Sea region	54,025	100%	0
1.5.	Humans Rights in Lithuania 2013-2014: overview	17,365	100%	0
2.	Compensation scheme	3,889	38,89%	6,111
3.	Open call for ideas	0	0 %	145,013
	Total (out of available EUR 420,000):	268,876	64, 02%	151,124

Table No. 3. Bilateral cooperation results at national level

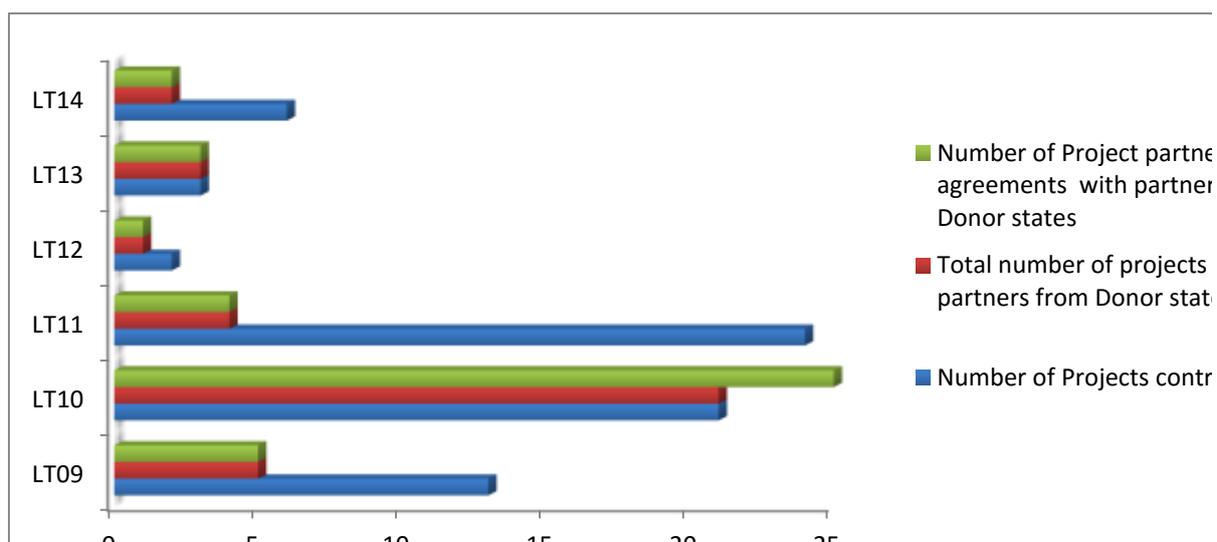
Bilateral outcome	Bilateral indicator	Result
Extend of cooperation	Number of beneficiary /donor state organizations taking part in the actions.	9
	Number of events organised.	15
	Number of project partnership agreements in the public sector.	3
	Number of beneficiary representatives traveling to donor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

Programme level

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

Selected forms of support for bilateral cooperation included mostly pre-defined activities organized by the POs as well as activities under the open calls in a form of study tours, seminars and conferences targeted for learning from more developed countries' experiences. The positive feedbacks from participants reported that the events were very much to the target, useful and relevant information provided and wholesome advises shared as well as meaningful contacts established. Also one matchmaking event took place; however the very late information available on the event and some organisational obstacles did not result in awaited success, i.e. not sufficient number of partnership project applications were submitted under the open call. It is good to acknowledge, that later case was rather an exception than a rule. In total almost a half of the projects awarded are implemented with one or more partners from donor state with regards to only one programme being under the compulsory partnership requirement (Chart No. 8.).

Chart No. 8. Bilateral partnership under the projects



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

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

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

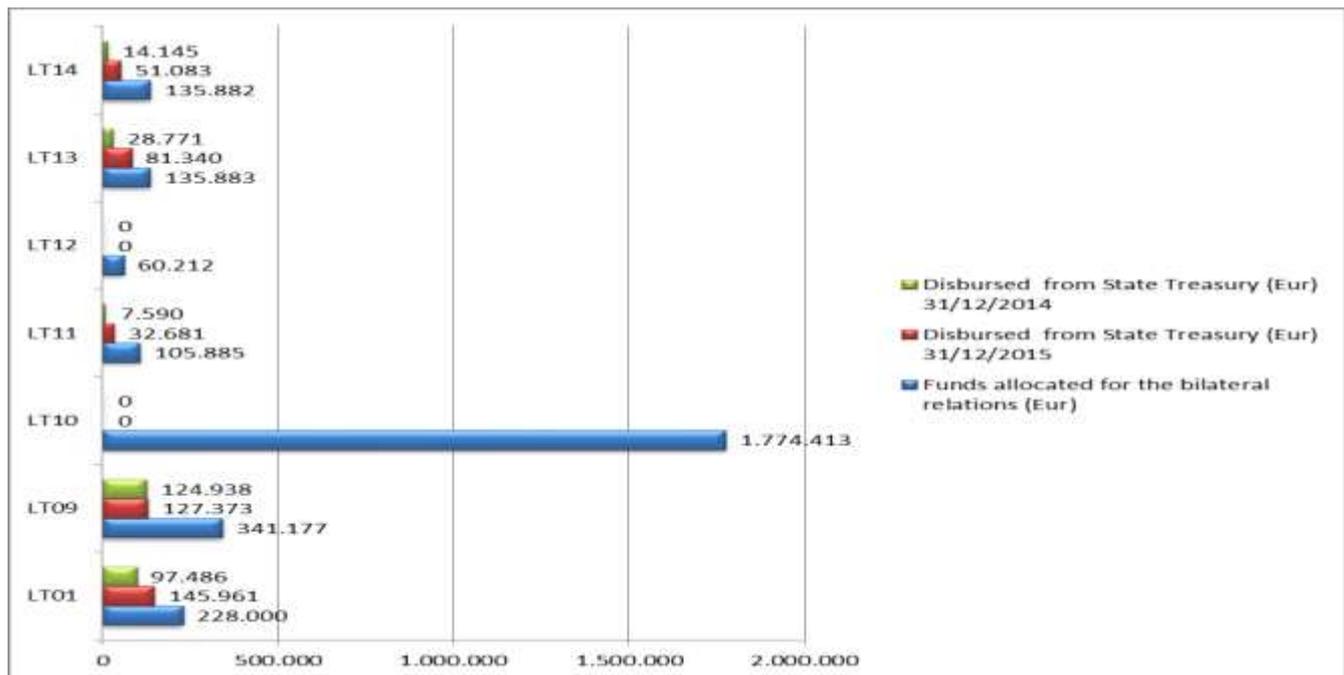
Table No. 4. Bilateral cooperation result at programme level

Bilateral outcome	Bilateral indicator	Result	Programme
Extend of cooperation	Number of donor state entities involved in BF activities	57	LT09,LT10, LT11,LT13, LT14
	Number of various events/meetings/seminars/study tours organised.	21	LT09,LT11, LT13,LT14
	Number of project partnership agreements.	40	LT09,LT10, LT12, LT11, LT13, LT14
	Number of beneficiary representatives traveling to donor state.	62	LT09, LT11,LT13,
	Number of new technologies/new practises, including IT-systems, adopted in a beneficiary state, as a result of transfer of knowledge	2	LT13, LT14

	from a donor state partner.		
Improved knowledge and mutual understanding	Number of articles published in one country about the other partner country	1	LT11
Wider effect	Number of professional networks between institutions in beneficiary and donor states established and operational	2	LT13, LT14

The financial performance of the NBF (Norway grants part) and programme bilateral funds is presented in Chart No 9.

Chart No. 9. NBF (Norway Grant part) and programme bilateral funds financial progress



The most prominent risk related to achieving bilateral goals at current stage - availability of partners from Donor States – is still relevant in programmes with no compulsory partnership requirements set under the calls but with significant budgets planned for bilateral activities. With the total number of 13 Beneficiary States and only 1 Donor Country it is obvious that competition for donors’ partners attention among applicants that did not succeed in making partnerships under the regular calls but still are willing to materialise their ideas through bilateral activities as well as new competitors eligible under recently amended relevant Regulation provisions is certain.

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

Risks that might hinder the achievement of bilateral outcomes on both national and programme level are presented in Annexes 5 and 6 to this report.

3. REPORTING ON PROGRAMMES

3.1 Overview of Programme status.

There are 7 programmes implemented within the Norwegian Financial Mechanisms in Lithuania. Six programmes are operated by Lithuanian national administrative bodies and the remaining one is operated directly by donor's entity (LT22).

Year 2015 was intensive in terms of implementation of projects, both, pre-defined and selected via the open calls, preparation, announcement and implementation of the remaining calls for proposals as well as taking decisions on projects financing. The biggest share of funds available for re-granting of projects was distributed except for some amounts under LT09 and LT10 due to insufficient number and/or insufficient quality of applications received.

Overall progress towards the expected programmes outcomes and defined outputs was well forward compared to the previous period. However, the level of achievements differ from programme to programme depending on level of progress in implementation and nature of activities ('soft' or infrastructure projects); e.g. Programme LT13 already achieved 2 out of 3 programme outcomes; Programme LT11 exceeded a number of its planned programme outputs target values, some programmes (LT10, LT14) could report about full achievement of one or several planned output indicators. However, any of programme level outcome or output achievement reached under Programme LT12 mostly due to the nature of activities and operational delays as well.

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

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

Table No. 5. Operational and Financial Status of Programmes

Programme***	Calls/ pre-defined projects (actual status for 4Q)	Commitment		Disbursement		
		Projects* (EUR) (% of total available)	Programme**	Disbursed from State Treasury to programme*(EUR) (% of total available)	Disbursed from State Treasury to projects (EUR) (% of total available)	Disbursed (received) from the Donors (incl. advanced payment) (EUR)
LT09	Projects under implementation	6,458,323 (79,50%)*	1,288,101	505,421 (39,24%)	2,398,914 (29,53%)	3,708,658
LT10	Projects (incl. pre-defined) under implementation	6,241,425 (93,21%)*	2,715,589	233,127 (8,58%)	2,093,600 (31,27%)	3,656,556
LT11	Projects (incl. pre-defined)	6,097,825 (100%)	960,998	336,149 (34,98%)	2,364,458 (38,78%)	3,844,612

	under implementation					
LT12	Pre-defined projects under implementation (no calls planned)	3,600,000 (100%)	414,118	68,496 (16,54%)	1,064,622 (29,57%)	1,668,076
LT13	Pre-defined projects under implementation (no calls planned)	8,210 465 (100%)	848,359	300,853 (35,46%)	1,794,315 (21,85%)	3,330,679
LT14	All projects under implementation	7,925,372 (99,08%)	1,059,929	376,967 (35,46%)	3,700,655 (46,26%)	5,740,434
Total		38,533,408 (94,61%)	7,287,094	1,821,014 (24,99%)	13,416,564 (32,94%)	5,740,434

* Data according to the signed project contracts, projects approved for financing by POs in 2015, but with no signed contracts, are not included.

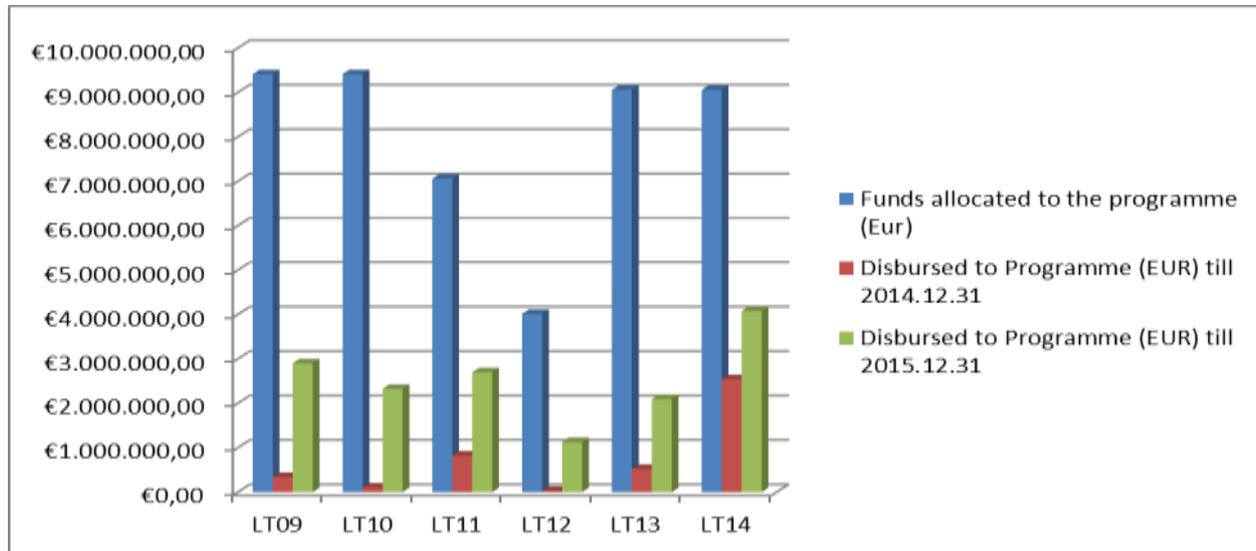
** Columns show amounts committed/disbursed for programme management, bilateral fund, complementary actions and programme preparation.

*** LT22 not presented.

**** Reflects situation according to the amended Programme Agreement, when part of uncommitted funds, initially planned for re-granting for projects, was reallocated to programme bilateral fund.

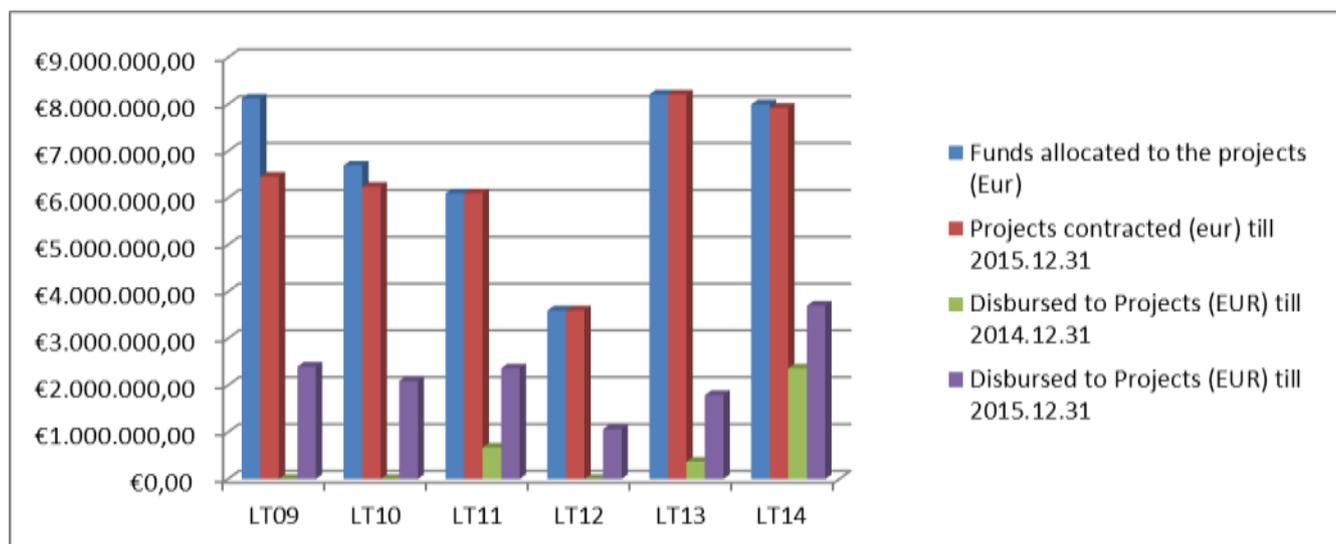
In 2015, in addition to the programmes management costs where the first payments were made much earlier, the expenditure in projects has grown significantly compared to previous period. The relevant financial data on the amounts allocated and paid out to programmes is presented in the chart below (Chart No. 10).

Chart No. 10. General financial data breakdown



All projects under both components pre-defined and open calls were selected for financing and contracted by the mid-September 2015. However, some funds available for re-granting of projects under programmes LT09 and LT10 remained undistributed thus part of them was allocated for additional activities of already approved projects, and remaining ones transferred to other measures, i.e. to programme bilateral funds. As can be seen from the chart below (Chart No. 11) disbursement to projects by the end of reporting period reached 30% of total available funds; however disbursement under the particular programmes varied from 22% in LT13 to 46% in LT14. The major part of remaining payments for the project promoters are planned in 2016 and remaining in 2017.

Chart No. 11. Projects' commitment and disbursement data breakdown by programmes



* Reflects situation according to the amended Grant Agreements, when part of uncommitted funds, initially planned for re-granting for projects, was reallocated to programme bilateral funds.

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. Having overall responsibility for the implementation of the Norway Grants in Lithuania and for reporting on this annually a short status on the implementation of the LT22 is also provided.

LT09 Green Industry Innovations

In 2015, programme activities still were engage in evaluating and selecting applications under the 3rd additional open call. 6 out 11 received applications were awarded for support; 5 projects were contracted till mid-September and started to be implemented, while the remaining one failed to fulfil its obligations set in the PO decision for financing and was not yet contracted till end of March 2016.

In general, Programme was not very successful in terms of selection of projects. The quality of applications received throughout all calls could be considered as moderate. Even big number of applications submitted could not ensure sufficient commitment of funds allocated for re-granting of projects. Nevertheless, 13 projects were contracted in total. Also, a few legal disputes between the PO/CPMA and the applicants have arisen; one of them was brought to the court and remains unsolved.

As during the reporting period one project implementation was completed, thus related programme output indicator *'Number of projects developing or improving and/or implementing environmental technologies or part of environmental technology'* was achieved by 14%. As well one programme outcome indicator related to the environmental technologies successfully adapted for use in new areas was attained by 60%. Still none of the outputs and outcomes was achieved on full extent by the end of 2015, however current state of play of the Programme LT09 demonstrates positive trends in respect of achievement of all planned programme outcomes and outputs.

A risk of non-completion of project activities until the deadline is minimised due to the granted by donors possibility to extended project eligibility deadline in case of justified need. The main risks and challenges for the upcoming year – efficient use of the Programme bilateral fund and reasonable use of additional funding still available for already approved projects.

By the end of reporting period still considerable amount of project funds (approximately 0,5 mln. EUR) were not yet committed to projects. The PO in support of the CC decided to distribute still available project funds to the additional activities of the contracted projects via competitive procedure. The Programme Agreement was amended accordingly, other needed actions are foreseen to be taken and documentation prepared in April 2016 by the PO.

The bilateral fund was not used during 2015. Still some positive effect and results in bilateral cooperation were achieved. The close cooperation of the PO and the DPP as well as established partnerships with Norwegian partners in 5 contracted projects contributes to the development of bilateral relations. It is highly expected that established partnerships will have a long-term effect and the cooperation will extend beyond the projects areas. To enhance the bilateral results, the PO initiated the amendment of the Programme Agreement by reallocating EUR 200,000 from project funds to the fund of bilateral relations for 4 matchmaking events for bilateral partnership building among Lithuanian and Norwegian entities within the Programme area as well took the advantage of the amended Regulation (Articles 3.6 and 7.7) and made one mean of the bilateral fund available not only to the Project Promoters but also to other entities within the Programme area.

LT09 Programme Bilateral activities plan for 2016 is provided in **Annex 3** to this report.

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

By the end of the reporting period all 21 projects (18 projects of the open calls for large projects and small grant scheme and 3 pre-defined projects) were in implementation stage. More than 31% of the project funds were disbursed to the projects.

During the reporting period programme activities were mainly targeted at announcement of the open calls and evaluation and selection of the applications received. As a result of completed selection procedure 18 projects were granted for support out of 28 applications received. The quality of selected applications was moderate; however it varied from call to call. In general, almost one third of the proposals did not comply with the minimum formal administrative or eligibility criteria or were not of the sufficient quality thus were rejected. Due to insufficient number and/or quality of the applications received an amount of more than 2 MEUR remained uncommitted. Following the recommendations of the CC, the major part of this amount was transferred to the programme bilateral fund and remaining one allocated for additional activities under the police project.

Implementation of programme activities falls far behind the initial schedule. Projects selected under the open calls were contracted only in the mid-September 2016. A risk of non-completion of project activities until the deadline was lowered due to the obtained possibility of extension of project implementation period in justified need. Nevertheless, significant progress toward the achievement of one Programme level output indicator was made. The output indicator *'Number of participants of various training activities'* with a planned target value of 300 was exceeded more than twice (675) by the end of reporting period and has an ambitious goal to reach 9044. The achievement of other output indicator as well Programme outcome could be reported upon the completion of the projects only.

Programme with a budget of more than MEUR 1,7 allocated for the strengthening of bilateral relations, is considered to be exposed to the risk of non-achievement of the bilateral goals.

Bilateral cooperation during the reporting period was intensive neither at programme level nor at project level due to the programme progress. The only activity organized under the programme bilateral fund was Partner search forum in March 2015. As partnership in the projects is a compulsory requirement according to the Regulation, the main challenge for potential applicants under the open calls was to find a suitable partner willing to implement joint project. The calls were very much awaited by potential applicants in Lithuania. However, announcement of the call within a time lag of one year as well as very late information available on Partner search forum did not attract their counterparts from Norway. Nevertheless, 1 out of 3 bilateral indicators was already achieved, i.e., more than 10 public sector institutions have established partnerships with Norwegian entities.

Revival in bilateral cooperation was observed in late autumn after actual start of implementation of projects selected under the open call; 20 study trips and 12 experience exchange events/conferences were organized until the end of 2015. Far more is expected to come in 2016 especially having in minds a significantly increased amount under the bilateral fund. Any clear decisions on the use of bilateral fund were taken by the PO yet. The key areas, content and forms of support were discussed during the CC meeting in mid-December 2015; while common consensus on the issues in question was not still reached.

No LT10 Programme Bilateral activities plan for 2016 is provided to this report.

LT11 Public Health Initiatives

During the reporting period all 24 projects (22 projects of the open call and 2 pre-defined projects) were in implementation stage. Nearly 39% of the project funds were disbursed to the projects.

Significant progress in achieving Programme output target indicators was reached. 1 target indicator was fully achieved - the model for provision of youth-friendly health care services was developed, and 6 target indicators related to preparation of necessary documentation and repair/provision of equipment of health offices are in final stage of achievement. Also it is foreseen that 4 output indicators will even be exceeded: 334 student health offices in schools (expected output indicator – 90) and 203 student health offices in pre-schools (expected output indicator – 60) will be repaired/equipped, health offices in 1130 general education schools (covering 94,8% of all general education schools in Lithuania) (expected output indicator – 50 municipalities) will be equipped with computer software and hardware and the model for provision of youth-friendly health care services will be implemented in 12 municipalities (expected output indicator – 10). None of the programme outcomes have been reached or their indicators achieved, but considerable progress towards achievement of the programme outcomes was made during the reporting period.

A risk of non-completion of project activities until the deadline is lowered due to the granted possibility of extension of project implementation period in case needed. It is foreseen that 6 (25%) projects will be finalized by end of April 2016, 17 (70.8%) projects will be finalized by end of 2016 and only 1 (4.2 %) in 2017.

The main risks and challenges for the upcoming year – efficient use of bilateral fund of the programme.

During the reporting period, some positive effect and results in bilateral cooperation were achieved - 4 bilateral cooperation activities were implemented. 3 successful study visits to Norway were organized to strengthen bilateral cooperation between Lithuania and Norway in searching partners prior and during preparation of projects applications under the measure “Improving the accessibility and quality of youth health care services in municipalities by implementing the model for the provision of youth-friendly health care services”. These study visits resulted establishment of new contacts and led to 1 formal and 1 informal partner joining the project implementation. It also resulted that 100 % of the Programme bilateral fund expenses allocated for applicants under measure A were absorbed. Also 1 successful study visit to Oslo/Lillehammer was organized and useful experience was gained, bilateral contacts established and potential cooperation in forthcoming bilateral activities and possible future cooperation prospects in identifying and reducing health inequalities was discussed. 1 out of 4 planned bilateral indicators were partly achieved: the article “Norway invests in the reduction of health inequalities. What could be its lessons for Lithuania?” was prepared and published in the prestigious Lithuanian magazine “Valstybė” (“State”). Despite the fact that the Programme has no DPP and faces the challenges of achievement of bilateral targets by encountering the difficulty of finding relevant partners in Donor state willing actively engage in project activities, 4 projects managed to establish partnerships and 3 projects partner without formal partnership but having *ad hoc* cooperation elements. It is highly expected that established partnerships will have a long-term effect and the cooperation will extend beyond the bilateral projects areas. However, whereas 31% of the Programme bilateral fund had been used by the end of the reporting period, the risk of failure to build up partnerships and expand bilateral results is still prominent. In order to manage this risk, a decision to take advantage of the Amendment to the Regulation (Articles 3.6 and 7.7) and to make the bilateral fund available not only to the Project Promoter but also to other entities within the relevant Programme area was taken by the PO and needed changes of relevant documentation are foreseen

to be taken promptly. LT11 Programme Bilateral activities plan for 2016 is provided in **Annex 3** to this report.

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

During the reporting period both pre-defined projects were in implementation stage. Nearly 30% of the project funds were disbursed to the projects by the end of 2015.

Due to late start of the actual project implementation, i.e. fourth quarter of 2014, and quite a significant infrastructural element under the projects, none of the planned output or outcome indicators was fully achieved by the end of 2016. Nevertheless a significant progress towards the expected projects results was made; all projects' activities, including bilateral component, are under implementation, a number of public tenders were completed and contracts for delivering services signed, others are still ongoing. The current state of play of the programme demonstrates positive trends in respect of achievement of programme results and goals. The strategic risks of failure to complete certain project activities by the deadline set in the Regulation due to delayed start of the implementation of projects is no longer relevant; extension of eligibility deadline was granted for both projects. Activities under the police segment were extended until April 2017, while the activities under customs segment are planned to be completed by the end of October 2016.

The main risks and challenges for the upcoming year – efficient use of bilateral fund and complementary actions means of the programme.

During the reporting period programme level bilateral cooperation was rather limited; PO was still exploring the fields for bilateral cooperation and possible activities under the Programme bilateral fund thus none of programme level bilateral activity took place. It is likely Programme bilateral fund will be used for additional co-operation for pre-defined project promoters and their partners from Norway; however the elaborated plan on the use of bilateral fund as set forth in section 2.1(1) of the Programme Agreement is still not prepared.

Significant achievements in strengthening bilateral ties on project level determined that all planned programme bilateral indicators are already reached, i.e. partnership agreement in beneficiary public sector signed, project with expected shared results is under implementation and women was also involved in exchange visits between beneficiary and donors state. Moreover, in total 41 representatives of the Lithuanian Criminal Police Bureau and KRIPOS in Norway were already involved in exchange visits. The experience and best practices shared among senior police officers in drafting and implementing the strategies to fight organized crime or experts providing mutual assistance in investigating crimes will benefit both countries in the fields of efficient discover of crime cases.

No LT12 Programme Bilateral activities plan for 2016 is provided to this report.

LT13 Efficiency, quality and transparency in Lithuanian courts

Programme LT13 consists of only three pre-defined projects, the same Project Promoter. More than 22% of the project funds were disbursed to the projects by the end of 2015.

Significant progress in achieving Programme output target indicators was reached. 3 out of 6 outputs were already achieved by the end of the reporting period - 2 manuals were created and published ("The Standard for Customers" and "Judicial communications guidelines") and 600 persons were trained to assist victims and witnesses. Also, by the end of the reporting period 2374 professionals (4.7 times more than expected) within the judiciary participated in trainings and internships (expected output indicator - 500). 2 out of 3 programme outcomes were also reached or their indicators achieved. Outcome "Improved access to justice, including for vulnerable persons" was achieved by different activities: more than 10000 crime victims and witnesses received assistance from the trained court staff (600 persons), printed and electronic version of leaflets about what to do if you are being called to testify (200 000 units) were published in all courts internet sites and distributed with official summons, The Virtual Courtroom was created. The outcome

“Increased competence of actors within the judiciary” was achieved then 2374 representatives from courts and National Court Administration (further –NCA) were trained in different trainings and participated in internships (communication, quality management, mediation, etc.) and 2 manuals were developed and published. Although 1 outcome related to improved efficiency of the court systems, including the development of systems for case handling was not reached, but considerable progress towards achievement of this outcome was made during the reporting period. In November 2015 installation of audio recording and sound system equipment in Lithuanian courtrooms was started, also 55 courts were supplied with servers for storage of audio records of court hearings. In addition, NCA central storage room was expanded and equipped with technical equipment needed for central storage of court hearings. All this progress made in implementation of the Programme determined that by the middle of 2015, citizens’ trust in the system has grown up to 41% compared to 22% in 2010.

A risk of non-completion of project activities until the deadline is lowered due to the granted possibility of extension of project implementation period in case needed. It is foreseen that all 3 projects will be finalized only in 2017. The main risk and challenge for the upcoming year – smooth completion of public procurement procedures and timely and effective cooperation between related institutions.

The programme has greatly progressed towards the goal of strengthening bilateral relations on both programme and projects level. By the end of 2015, 13 representatives from Norway visited Lithuania and 4 representatives from Lithuania visited Norway, more than 400 representatives from Lithuanians courts and NCA learned best practice from Norway in such spheres as mediation, project administration, witness support, motivation of judicial decisions. Also recommendations related to judicial mediation were prepared and trainings were implemented and that stimulated judges to use judicial mediation more (the use of judicial mediation increased from 17 mediation processes in 2012 to 123 mediation processes in 2015). During the reporting period 8 CC meetings were organized, 5 bilateral cooperation activities (3 international conferences in Vilnius, 1 participation in workshop in Norway and 1 participation in international seminar in Lublin, Poland) were implemented. 2 of mentioned international conferences organized in cooperation with the NGO’s Fund Operator Human Rights Monitoring Institute (HRMI). These two international conferences, which were held in Vilnius and were designed to draw attention to the rights and psychological comfort of the crime victims and witnesses, gathered participants not only from Norway and Lithuania NCA, but also participants from Great Britain judicial system, Norway Red Cross, Caritas, NGO sector and Lithuanian courts. These conferences helped to strengthen cooperation between Norwegian and Lithuanian NGO’s and courts system, find solutions for problems, challenges in developing successful witnesses and crime victims support network in Lithuania and gain best practice form other countries. Also these 2 conferences laid the strong foundation for further NGO’s and courts system cooperation. By the end of reporting period, 60% of the Programme bilateral fund was already used. The programme does not face a risk to use the rest amount of bilateral fund – PO plans to have several international seminars and a workshop for programme operators, also activity related to development of witnesses and crime victims support network in courts of Lithuania.

LT13 Programme Bilateral activities plan for 2016 is provided in [Annex 3](#) to this report.

LT14 Correctional Services, including Non-custodial Sanctions

During the reporting period all 6 projects (1 project of the open call and 5 pre-defined projects) were in actual implementation stage. About 46% of the project funds were disbursed to the projects.

Project contracts were signed almost at the same time, however the results achieved varied from project to project. Mediation project was on its final implementation stage and had achieved 99% of both planned output indicators value (100% & 98%), thus contributed to the achievement of programme outcome *‘Increased application of alternative to prison’* by 66%. One more output as well as output indicator was fully achieved by establishing a school in juvenile remand prison. The other output under the same outcome was achieved by 78% due to trainings for staff and inmates provided. Thereby the achievement of respective outcome was set to 89%. There are no other results that were achieved and could be reported at this stage. However it is already clear that one of the programme outputs’ indicator will not be achieved in a full extent. Due to extremely increased a need for a budget for the reconstruction works under the first

project the PO and DPP by consensus decided to perform reconstruction works only in 3 buildings instead of 4 planned. Also the savings from all other projects is planned to reallocate to this particular project in order to minimize a risk and achieve as high results as possible.

While assessing interim results it was also noticed that some of the programme outputs indicators could be measured within one year time period upon completion of the concerned projects only. This information will not be available at the time of submitting final projects reports.

A risk of non-completion of project activities until the deadline was lowered due to the gained possibility of extension of project implementation period in justified need. Extension was granted to 2 out of 6 projects.

During the reporting period, some positive effect and results in bilateral cooperation were achieved - 6 bilateral cooperation activities were implemented with the partners from Norway. Beside the significant movement towards the achievement of some outcomes of the bilateral fund, it is expected that established partnerships will have a long-term effect and the cooperation will extend beyond the current bilateral projects areas. The efficient partnership and cooperation between the PO and the DPP contributes to the strengthening of the bilateral relations as well. At programme (strategic) level in 2015, PO participated in international conference on prevention of radicalization organized by the DPP in Norway. However, whereas 37% of the bilateral fund had been used by the end of the reporting period, the programme is exposed to risk of failure to build up partnerships and carry out bilateral activities. It is likely Programme bilateral fund will be further used for additional co-operation for pre-defined project promoters and entities from Norway and for development of the strategic level cooperation; the idea of expanding the possible applicants eligibility was not considered by the PO yet.

LT14 Programme Bilateral activities plan for 2016 is provided in [Annex 3](#) to this report.

LT22 Fund for Decent Work and Tripartite Dialogue

Programme LT22 is directly operated by the agency “Innovation Norway” appointed by the donors. Implementation of all 6 approved projects (allocated EUR 504.434) from Lithuania was successfully completed by the end of the reporting period (4 projects implemented by trade unions, 2 by employers organising, 3 projects with Norwegian partners). The results of the projects have contributed to improved Social Dialogue processes, but mainly at local level where tripartite structures have been revitalised in areas where the organisations were active due to the size.

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

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

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

High attention was paid to the risk related to proper functioning of IT based accounting and management system (SFMIS) from 1st January 2015 when new currency - euro was adopted. In general, transition to new currency was quite smooth, due to well-planned and organised transition processes; no major challenges were faced while using SFMIS from the very start of 2015.

4.2 Compliance with EU legislation, national legislation and the MoU

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

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

Amendment of Annex B to the MoU on the implementation of the Norwegian Financial Mechanism was formalised through the exchange of letters on 21 January 2015 and covered the modification agreed yet in February 2013 regarding the change in focus areas as well as introduction of new DPP and the change in the name of already designated DPP under Programme LT10.

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.

The only programme that falls within the requirements of State Aid is Green Industry Innovation programme. The grant given in all the calls under this programme is considered to be de minimis aid. In all actual cases, relevant measures were taken; the project budgets were reviewed and appropriate conditions were included in the project contracts.

4.3 Irregularities

No cases of irregularities were detected during the reporting period under Norway Grants. It is worth to mention, that created MCS assures avoiding or early detection of irregularities.

4.4 Audit, monitoring, review and evaluation

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

AA, in compliance to the Audit Strategy for EEA and Norway Grants 2009-2014 and annual audit plan for 2015, carried out audits to verify the efficient functioning of the MCS at programme level as well as

eligibility of selected programmes management costs and expenditure under the projects. Most advanced in term of implementation and incurred expenditure programme as well as most risky programmes (LT10, LT11, LT13, LT14) were selected to be audited. The task was performed by an external audit company contracted via procurement procedure. The audit started in September 2015 and completed in December 2015. The Audit Report stated that notwithstanding some recommended improvements to the legal acts and/or internal procedures of the POs, established MCS is functioning efficiently and the expenditure incurred under the selected programmes and projects is justified and eligible for financing.

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

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

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

4.5 Information and publicity

The Communication Strategy for the EEA and Norway Grants was approved on 14 November 2012. Given the fact that the implementation of Communication Strategy was divided in to three stages, year 2015 was half way through the implementation of the second stage of the planned activities.

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

Qualitative analysis of media coverage was carried out during 2015 on regular basis. 588 reports related to the EEA and Norwegian Financial Mechanisms were captured during January-December 2015. Majority of the reports (119) were published in February, the fewest (14) – in July. As in 2014, the EEA and Norwegian Financial Mechanisms were mentioned most often and accounted for 79.4% of all keyword hits. Keyword hits of programme 'Correctional Services, Including Non-custodial Sanctions' with 5.4% and programme 'Green Industry Innovation' with 5.3% were mentioned most often among programmes, financed from Norwegian Financial Mechanism. The rest of keywords were less visible in the Lithuanian mass media (varying from 3.9% to 0.2%). The neutral publicity was dominating the communication flow and accounted

for 64.5% of all keyword mentions. Positive mentions accounted for 34.3% of publicity, while the share of negative hits amounted for 1.2%.

During the second year of existence of the joint EEA and Norway Grants website, 16048 visitors have visited new website (2.34 times more than in 2014), 50.4% of them were returning visitors and 49.6% were new visitors. Medium-term of session duration was 2 minutes and 40 seconds (5.45 pages per session). Also it is important to note that in 2015, the bounce rate of the website was 12.3%, so this means that most of the website visitors were targeted and came to the website with the purpose. The most visited EEA Grants programmes were “Capacity Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities” and “Public Health Initiatives”.

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

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

During 2015, the most actively engaged in publicity activities were PO of LT09, LT11 and LT13 Programmes. LT13 PO organized national and international events (6 events) and also prepared the biggest amount of press releases and articles (30 in general). LT11 PO was a leader in promotion of the Programme in the joint EEA/ Norway Grants website (published 63 articles). Due to the sensitivity of issues addressed by Programme LT14, a number of articles in national and local newspapers were published in order to inform society about the programme goals, thus dispelling the negative public opinion on programme activities. The least attention to publicity activities was given from the programme operator of LT10 and LT12 Programmes (only a few articles in Grants website published).

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

4.6 Work plan

Task	Planned implementation deadline	Responsible institution(s)
<i>Management and control system</i>		
Monitoring Committee meeting	7 April 2015	NFP
Completion of development of the last functionalities of the EEA/NOR Grants subsystem in the SFMIS	3Q 2016	NFP (CA, IRA, Paying Authority, POs, CPMA also involved)
<i>Implementation of the National Bilateral Fund</i>		
Launching of the open call under NBF	3Q 2016	NFP
<i>Audit, monitoring, review and evaluation</i>		
Mid-term evaluation on the implementation of the Norway Grants in Lithuania	1 st half 2016	NFP
Procurement of the external audit for the verification of the effective functioning of the MCS.	2Q 2016	AA
Audits of the selected programmes and projects: LT10, LT11, LT13, LT14	2Q-3Q 2016	AA
<i>Communication and Publicity</i>		
Provision of relevant information on the joint website	throughout 2016	NFP, POs, CPMA

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

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

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

- highest progress noticeable in LT11, LT13, LT14 - fully contacted, major activities of a number of projects already completed, significant or even full achievement of programme outputs and outcomes target values reported,
- LT09 projects' implementation progress (one is already completed) demonstrates positive trend towards achievement of programme objectives, however due to not enough number of adequate quality application, some funds were not yet contracted, but additional measures are already planned by the PO/DPP to use as much as possible opportunities provided by the programme;
- lower performance programmes LT10 and LT12. Due to late announcement of open call and not enough of adequate quality applications, significant part of project funds was not contracted in LT10 programme. The PO and DPPs have already discussed preliminary ideas how to use these funds for objectives of programme, still a lot of efforts is required from partners to finalise the plan and start implementation of additional activities under programme bilateral fund. LT12 projects due to delays in contracting and significant infrastructure element delivery of tangible results are expected later than planned.

Previous reported strategic risk of non-completion of the projects in time and thus non-achievement of agreed cohesion and bilateral objective was minimised by very welcomed decision of donors to grant project eligibility extension up to 1 year. Number of projects will use this opportunity not only to complete fully planned activities but also seeking to reach better quality results and use any saving.

Bilateral cooperation at all levels was rather intensive and programmes already progressed towards the achievement of set bilateral indicators. Additional time for implementation of projects also provides for better quality of bilateral co-operation. Reducing of high risk not to use programme bilateral funds under LT10 and LT12 programmes is dependent on PO's adequate administrative recourses to finalise, co-ordinate with donors and approve relevant plans and documentation as soon as possible. Better exploitation of possibilities under LT11, LT14 programme bilateral funds will be ensured if funds made available to other entities of relevant sector in addition to project promoters, the POs are encored to make relevant decisions as soon as possible.

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

6 ATTACHMENTS TO THE STRATEGIC REPORT

- Annex 1 List of applications received and projects selected/contracted
- Annex 2 List of donor partnership projects at programme level
- Annex 3 Bilateral activities plan for 2016
- Annex 4 Follow up of MCS assessment
- Annex 5 Risk assessment at the national level
- Annex 6 Risk assessment of the programmes
- Annex 7 Implementation of the Technical Assistance