



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

Strategic Report No.4

Reporting period:
1 January 2014 - 31 December 2014

Prepared by the National Focal Point (Ministry of Finance)

Contents

Abbreviations.....	3
1 EXECUTIVE SUMMARY	4
2. ASSESSMENT OF THE EFFECT OF THE GRANTS.....	5
2.1 Cohesion.....	5
2.2. Bilateral relations	12
3. REPORTING ON PROGRAMMES	15
3.1 Overview of Programme status.....	15
3.2 Individual Programme summaries.	18
4. MANAGEMENT AND IMPLEMENTATION	23
4.1 Management and control system	23
4.2 Compliance with EU legislation, national legislation and the MoU	23
4.3 Irregularities.....	24
4.4 Audit, monitoring, review and evaluation	24
4.5 Information and publicity	25
4.6 Work plan.....	26
5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS.....	27
6 ATTACHMENTS TO THE STRATEGIC REPORT	27

Abbreviations

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

1 EXECUTIVE SUMMARY

All programmes financed under the EEA Grants remain in line with the National long-term (National Development Plan 2020 approved by the Government) and sectoral strategies and with highlight to bilateral cooperation element (transfer of knowledge and good practises from Donors country) are significantly important to Lithuania's cohesion policy. The EEA Grants supplement the EU funds in the national priority areas and moreover supports socially and economically sensitive niches which otherwise could not be afforded at current economic situation.

In 2014 all programmes turned into actual implementation stage, the reporting year was intensive in terms of organising open calls for proposals, assessment of pre-defined projects and implementation of the projects approved for financing. Due to accumulated delays, implementation of programmes and projects were in the initial stage and overall progress towards achievement of the expected programmes outcomes and outputs was rather limited. Nevertheless, it should be noted, that some programmes are more advanced and already produced first planned results.

Bilateral cooperation at all levels was rather intensive and provided a solid background for achievement of the planned bilateral objectives. All Programme Operators and their counterparts from Donor States effectively co-operated in developing guidelines for applicants as well as implementing joined programmes' activities and realising initiatives to facilitate partners' contacts for future joint projects. As a result, some programmes already progressed towards the achievement of the set bilateral indicators through a number of partnership projects selected and partnership agreements signed in the public or private sectors, civil society. In 2014 the National Bilateral Fund's activities were targeted at facilitating pre-defined initiatives in the areas of energy security and human rights. In addition to direct bilateral outcomes (joint researches and results promotion event on energy security in the Baltic Sea Region, gender equality in scientific institutions, human rights situation in Lithuania), the wider effect is seen while developing professional networks.

During reporting period the national legal acts regulating implementation of the Grants were amended several times taking into account further development of the MCS, change in currency (adoption of Euro from 2015), clarification and amendment of the Regulation on implementation of EEA Financial Mechanism and seeking to upgrade requirements to ensure more effective and efficient procedures. The external audit company assessed the MCS created in Lithuania for Grants management and stated that notwithstanding some recommended improvements the established MCS complies with the requirements of the Regulation and generally accepted accounting principles in all significant aspects.

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

The most immediate tasks for the upcoming year should be directed at mitigating the risks arising from the accumulated and programme/project specific delays, implementation of the remaining open calls and contracting of all available funds as soon as possible. All the efforts should also be assigned for facilitation of partnerships and development of bilateral dimension of the programmes.

2. ASSESSMENT OF THE EFFECT OF THE GRANTS

2.1 Cohesion

National development strategies. The underlying Lithuania's long term-planning document - Lithuania's Progress Strategy "Lithuania 2030"¹ reflects a national vision and priorities for development as well as guidelines for their implementation by 2030. The Lithuanian National Development Programme (NDP) for 2014-2020², intended for the implementation of the Lithuania's Progress Strategy 'Lithuania 2030', is aimed at the creation of an advanced, modern and strong state distinguished by the harmony of smart society, smart economy and smart governance. The NDP covers not only the major provisions of the national policy but also the main provisions of the EU policy set forth in Europe 2020 (Smart, Sustainable and Inclusive Growth), and sets out the following five vertical priorities: 'Development of the society, science and culture', 'Active and solidarious society', 'Favourable environment for economic growth', 'High value-added focuses, integral economy' and 'Advanced public governance meeting the society's needs', as well as three horizontal priorities, i.e. 'Culture', 'Regional development' and 'Health for all' which can be implemented through vertical priorities.

The NDP provided for compatibility of all financial resources (EU funds, the national budget and other international financial assistance) while reaching set country development objectives. The National Reform Agenda is one of the key national documents, which establishes Lithuania's commitment to achieve Europe 2020 targets.

Country situation analysis, challenges and potentials. As observed in the Country Report 2015³, Lithuania showed remarkable adjustment capacity in the wake of the financial crisis. 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, which averaged around 3.3% per year from 2012 to 2014. This was initially led by exports, but domestic demand has now taken over as the main growth engine. It is expected that domestic demand growth will carry its momentum into 2015, largely driven by rising wages, falling unemployment and subdued inflation. Unemployment is set to further continue its downward trend to 8.7% in 2015. However, despite the solid gains in employment, structural challenges persist, particularly demographic ones. As regard the external environment, growth in the EU is expected to remain weak and downside risks persist as geopolitical tensions between Russia and the EU mount. Population decline is due to negative demographic developments but aggravated by net emigration 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 30% of its population being at risk, Lithuania ranks among the worst performers in the EU in this respect. Although the situation has improved somewhat in recent years, the poor overall situation raises concerns about the adequacy of the Lithuania's social measures. Private sector investment, in particular into research and innovation is low, which may have negative repercussions for long-term growth. Lithuania will need to 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, but more progress is needed. Energy-intensity in Lithuania is high making it one of the least energy-efficient countries in the EU.

According to the Eurostat analysis on achievement Europa 2020 targets⁴ Lithuania exceeded both of its national education targets. It also 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. Additionally, by reducing its GHG emissions by 1.8 % by 2012, Lithuania has remained well below its target to limit emission increases to 15 %. A 4.7 percentage point increase in the share of renewable energies from 2005 to 2012 has moved the country close to its national target of 23 %. After a significant drop

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 2015, http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_lithuania_en.pdf

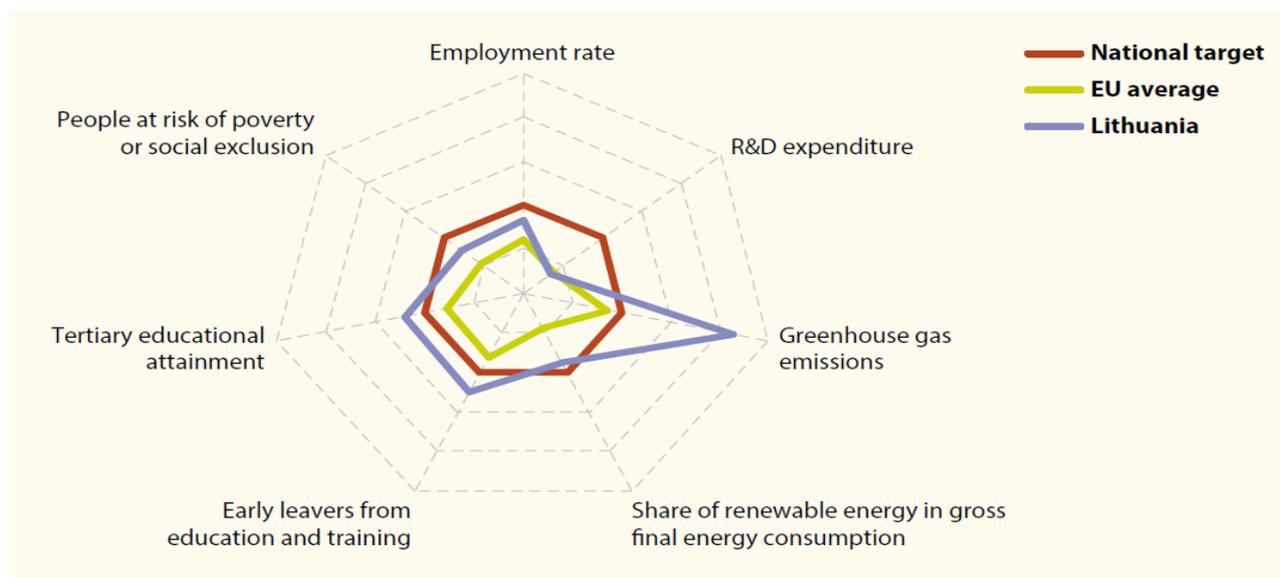
⁴ Smarter, greener, more inclusive? - Indicators to support the Europe 2020 strategy. Eurostat.

<http://ec.europa.eu/eurostat/documents/3217494/6655013/KS-EZ-14-001-EN-N.pdf/a5452f6e-8190-4f30-8996-41b1306f7367>

between 2008 and 2009, the country's employment rate increased again by 5.6 percentage points between 2010 and 2013, moving it closer to the national target than the EU average. Poverty rates have fallen since 2010, but Lithuania would need to lift another 100 000 people out of poverty to meet its national 2020 commitment. In terms of R&D expenditure, a one percentage point gap needs to be closed for the target of 1.9 % of GDP to be reached.

A comparison of the current values of Lithuania's national targets and the target values for 2020 is presented in Chart No. 1 and Table No. 1.

Chart No. 1. Distance to national targets and comparison with EU average



Source: Smarter, greener, more inclusive? - Indicators to support the Europe 2020 strategy. Eurostat, 2015 <http://ec.europa.eu/eurostat/documents/3217494/6655013/KS-EZ-14-001-EN-N.pdf/a5452f6e-8190-4f30-8996-41b1306f7367>

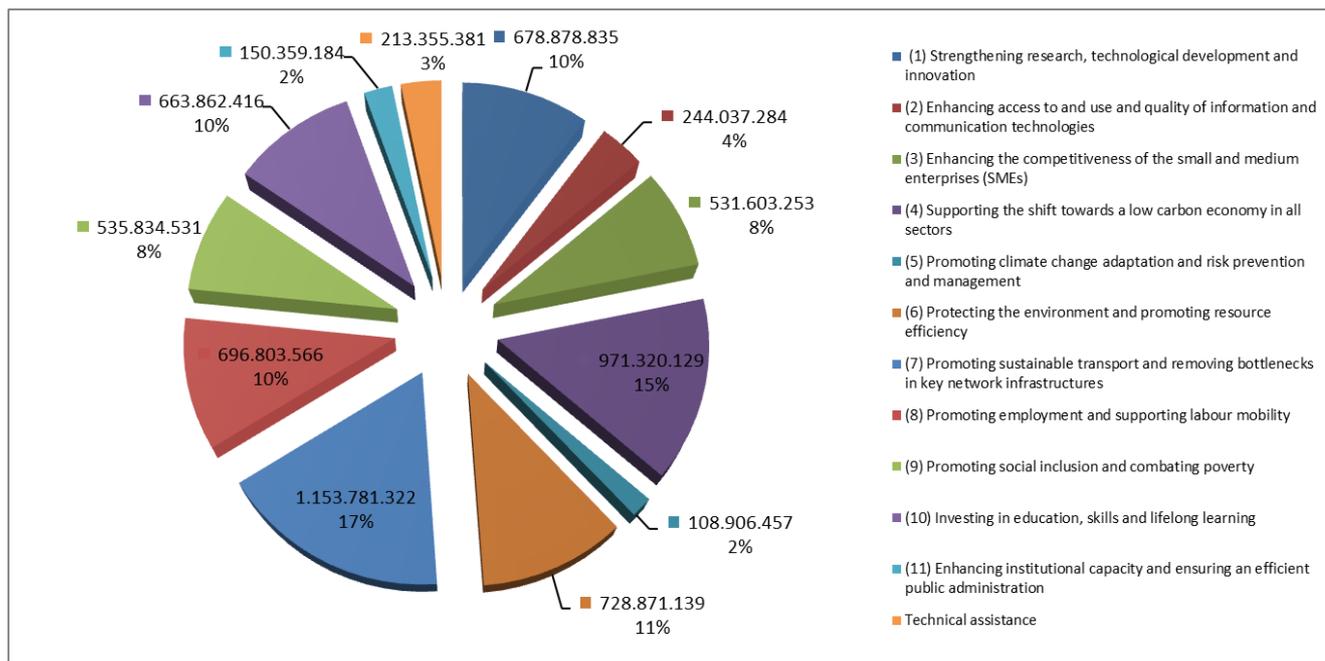
Table No. 1. Europe 2020 targets and current situation in Lithuania

Europe 2020 headline targets	EU28 average (latest available data)	Recent situation in Lithuania (latest available data)	National target for 2020
3% of the EU's GDP to be invested in R&D	2.01% (2013)	0.95% (2013)	1.9%
A 20% reduction in greenhouse gas emissions	17.86% (2012)	7% (2012)	15%
20% of energy from renewable energy sources	15% (2013)	23% (2013)	23%
A 20% increase in energy efficiency	12.8 % (2013)	2.49% (2012)	17%
75% of the 20-64 year-olds to be employed	68.4% (2013)	69.9% (2013)	72.8%
Reducing school drop-out rates below 10%	11.3% (2014)	5.9% (2014)	< 9%
At least 40% of 30-34-year-olds completing third level education	37.6% (2014)	52.6% (2014)	48.7%
At least 20 million fewer people in or at risk of poverty and social exclusion	24.5% of total population (2013)	30.8% of total population (2013)	170.000 less people in or at risk of poverty and social exclusion

Sources: http://ec.europa.eu/europe2020/europe-2020-in-your-country/lietuva/progress-towards-2020-targets/index_en.htm, 30 March 2015; <http://ec.europa.eu/eurostat/>

The major role in implementing of Lithuania’s medium and long-term development strategies is assigned for 2014-2020 EU structural funds investments (6,7 billion EUR). According to the Partnership Agreement⁵, approved on 20 June 2014, EU investments will focus on innovativeness and investments into R&D and innovations, ensuring quality, openness and creativity in education and training, ensuring efficiency in public administration, development of the digital society, development of modern basic infrastructure, creation of a better environment for business, sustainable and efficient use of natural resources, promotion of employment, reduction of poverty and social exclusion, and territorial development (for more detailed information see [Chart No. 2.](#))

Chart No. 2 Distribution of the 2014-2020 EU structural funds according priorities, in euros



Source: Republic of Lithuania: Partnership Agreement (2014-2020), www.esinvesticijos.lt

EEA Grants contribution to the national development objectives. Due to the size of the EEA Grants (see [Chart No. 3](#)), the planned outcomes of the financed programmes could not be measured in terms of impact at the national level. Nevertheless, the funding from the EEA Grants helps to address the Lithuanian needs in specific areas, mostly, that are not covered by other financial instruments; some quite significant and appreciable effects can be expected in these targeted niches (see [Chart No. 4](#)). None of the programmes financed by the EEA Grants are directly targeted at economic development, but instead could be described as being more of the social character. Though they will not promote economic growth, their role is important in financing the society needs that could not otherwise be afforded by the state at its current economic capacity.

⁵ Republic of Lithuania: Partnership Agreement (2014-2020), www.esinvesticijos.lt – official website of the EU investment in Lithuania

Chart No. 3. Distribution of the EEA grants among programme areas, in euros

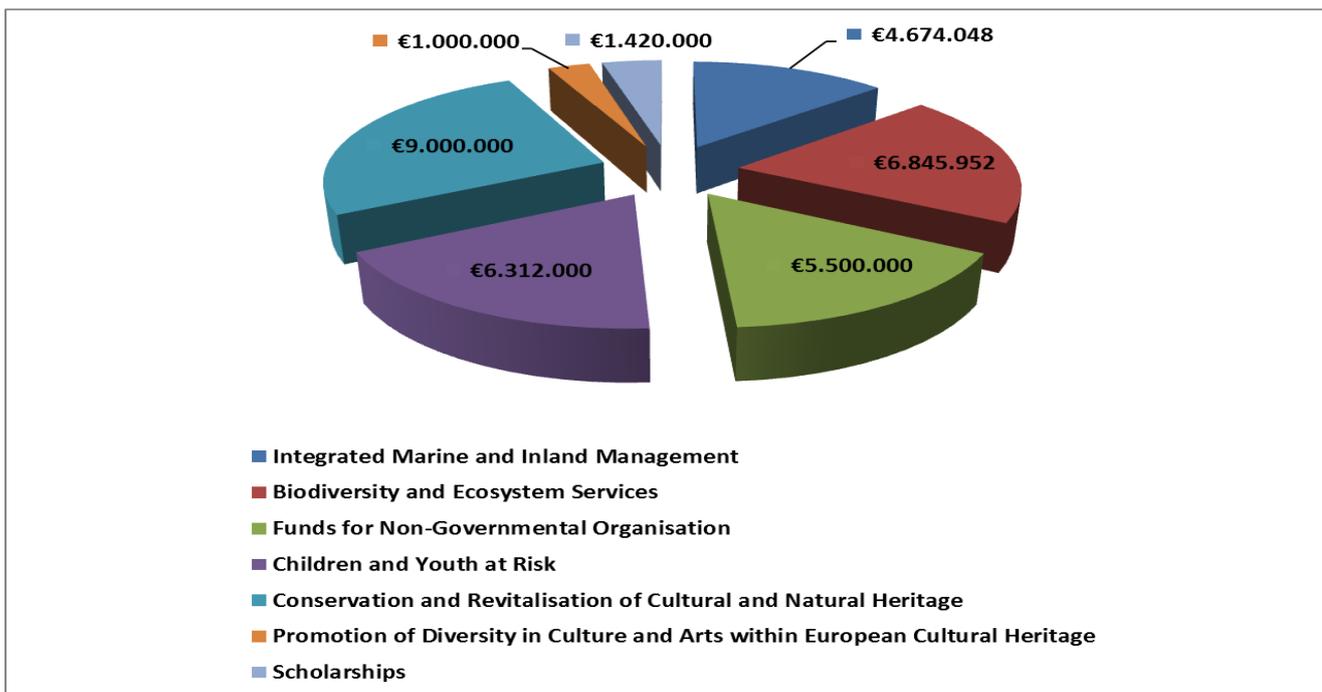
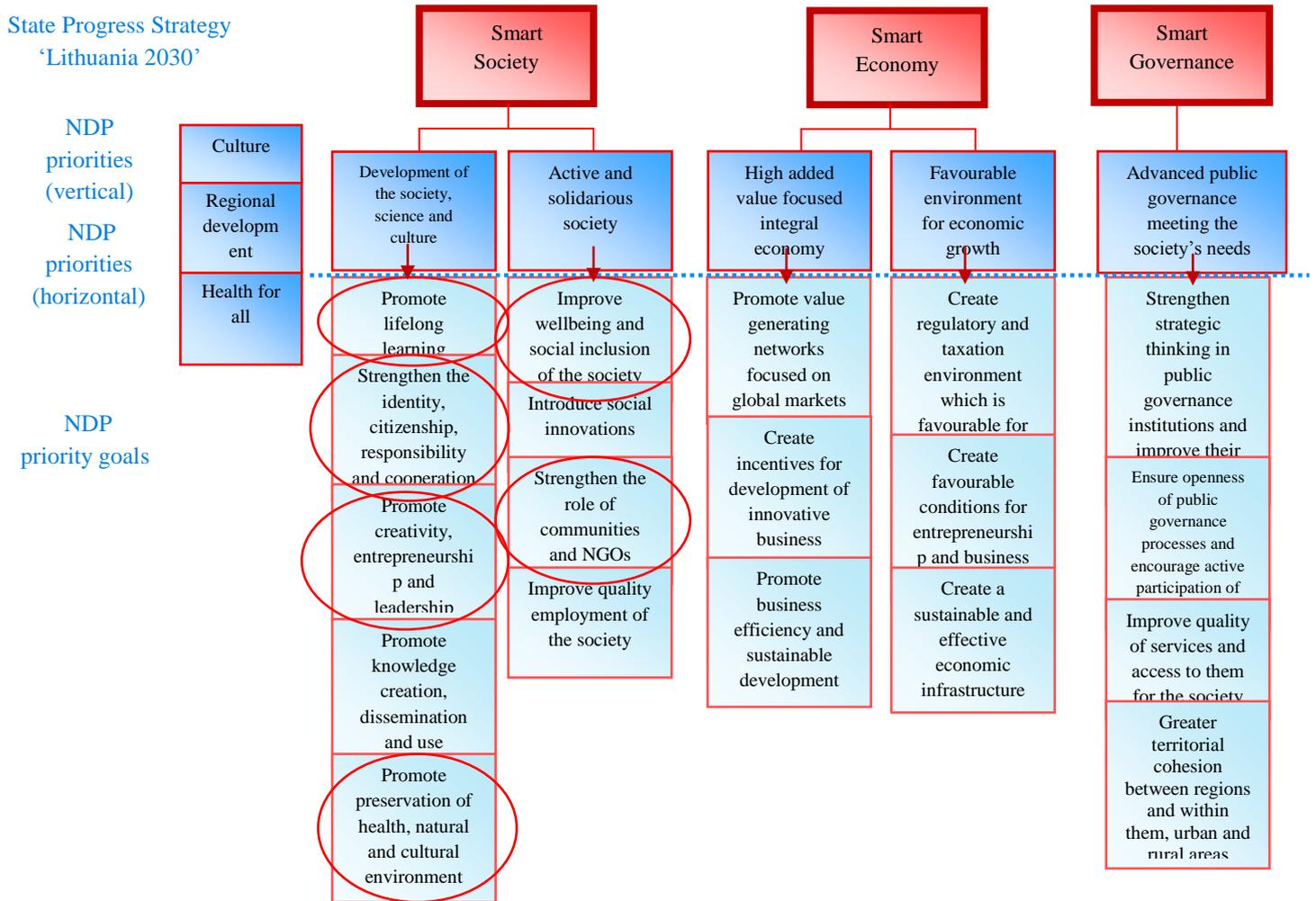


Chart No 4. Lithuania's Progress Strategy, Priorities, Goals and link with EEA Grants Programmes



○ - Link with objectives of the LT programmes financed from the 2009-2014 EEA Grants

The environment is an important national priority thus a significant amount of 1,224 billion EUR under the EU 2007-2013 and 1,693 billion EUR under the EU 2014-2020 funds⁶ is allocated to this area, including other priorities, both vertical and horizontal, that have environmental implications. The environmental programmes **LT02 and LT03** were probably the only ones that were chosen more based on the obligatory requirement to allocate at least 30% of the EEA Grants assistance to environmental sector than the persistence of problems in the sector due to the lack of financing.

Nevertheless, the programmes LT02 and LT03 are concentrated on the fields that were not yet covered by the EU assistance and are expected to produce some important results in terms of tools developed for environmental status assessment and prediction and management of protected areas. This will strengthen the capacities of the responsible state institutions to deal with the relevant challenges and contribute to the improvement of the environmental status, sustainable and efficient use of natural resources.

In 2014, Lithuanian public authorities and stakeholders joined forces in the preparation of the National Action Plan for the Landscape and Biodiversity Conservation for 2015–2020. The drawing up of this Action Plan was based on the Programme LT03 and its intended outcomes. The Action Plan expected to be approved in 2015 and provides for the implementation of the national strategic guidelines for biodiversity protection and specific measures by 2020. In 2014 while drawing up the relevant national strategies and

⁶ Source: www.esinvesticijos.lt – official website of the EU investment in Lithuania

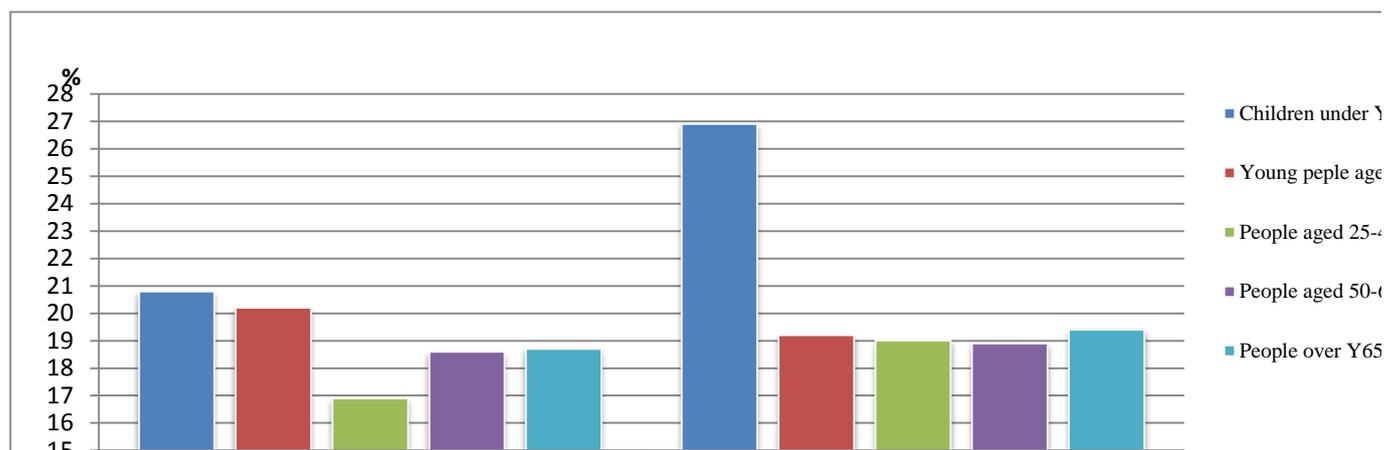
actions plans, as well as indicating measures aimed at sustainable marine and inland water management the content of Programme LT02 was taken into strong consideration.

The EEA Grants **programme LT04** (NGO Fund) together with the Swiss Contribution programme still remain the biggest financial instruments directed at strengthening the communities and NGOs and their role in the political and social process, despite all the intensive discussions in relation to the upcoming 2014-2020 EU structural funds investment programme. As regards specific developments in the area newly adopted NGO Law which came into force in April 2014, is a noticeable achievement that may have a major impact on NGO environment in the near future. Unclear legislation was one of the biggest handicaps for the positive development in the sector. NGO Law has introduced a long awaited legal NGO definition as well defined NGO collaboration with state institutions and involvement in decision making process.

The EEA Grants programme LT04 is very much concentrated on the core values such as democracy and good governance, human rights, vulnerable groups, protection of environment and climate change, thus positive developments are expected in these selected areas. A high need in supporting the development of civil society and improvement of welfare of vulnerable groups as well as increasing the level of trust in the NGO sector and its ability to influence the decision making process in the country through the targeted priorities was proved in findings of the survey ‘How society estimates human rights situation in Lithuania’ conducted by NGOs Fund Operator - Human Rights Monitoring Institute (HRMI) in October 2014. Despite steady progress in perception of human rights (around 60% compared to 51.8% in 2012), the survey revealed that 95% of Lithuanian residents who thought that their rights were infringed did not take any actions. 66% out of those 95% took no actions because they were certain anyone shall help them and the remaining ones simply did not know where to go.

Statistics as regards children and youth being at risk does not look promising (Chart No. 5) what proves a high relevance of the **programme LT05** of for the sector development. Children and young people experience a greater risk of poverty and social exclusion than the average population. According to Lithuania’s Statistics Department, in 2012, 20,8% of children aged under 18 were at risk of poverty, while in 2013 it grew up to 26,9%⁷. Such a drastic increase is explained by changes in calculation of maternity/paternity benefits introduced into the national legislation due to limited state financial resources in 2012.

Chart No. 5. People at Risk of Poverty (% of total population)



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

Studies suggest that between 10 % and 20 % of children in Europe are sexually assaulted during their childhood. Unfortunately, this phenomenon is not decreasing and certain forms of sexual violence (like child pornography) are becoming a matter of growing concern and Lithuania is not an exception. Children are vulnerable, and often ashamed, and afraid to report any incidents. There is not enough only to disclose the fact of abuse, equally important to assist the child with all relevant care and prevent additional trauma from participating in criminal proceeding. The content of programme LT05, in particular the establishment of the

⁷ <http://osp.stat.gov.lt/statistiniu-rodikliu-analize1>

new method of integrated necessary care services for children subjected to sexual abuse built a sound bases for the real implementation of the relevant articles of the Lanzarote Convention which Lithuania was lacking so far. In addition, the programme through development of the network of the child day care centres and open youth centres, in parallel with its direct purpose, will have indirect effect to the reduction of juvenile's delinquency, as the level of juvenile crime in Lithuania (1% of the total prisons population) falls behind the Beneficiary states' average (0.9%) and far exceeds the Donors States level (0.1% – 0.0% accordingly Norway and Lichtenstein)⁸.

The cultural heritage sector is another area where the EEA Grants can really make a difference (**programme LT 06**). Lithuania has over 16,000 immovable cultural values, but only a small share of them is adequately researched, renovated and adapted for use. There is a risk that part of this heritage may completely deteriorate. Local heritage objects are poorly known and thus are not used. EU structural funds in 2007-2013 programming period invested into the revival of cultural heritage objects only for tourism needs, without considering the value of cultural heritage items, possibilities for using the items being restored for social and educational needs⁹. The EEA Grants remained the only available source of funding in addition to state budgetary assignments aimed at raising of cultural awareness and sociocultural integration of wider public thus strengthening identity, citizenship, responsibility and cooperation, so far. However, the potential synergies are observed within the new funding sources coming to the sector. Operational Programme for the EU Funds' investments 2014-2020 in Lithuania foresees allocations for Lithuanian cultural heritage, programme Horizon 2020 for scientific research and the programme "Creative Europe" for cultural and creative industries. Implementation of these programmes in many cases will indirectly contribute to the objectives of the Programmes and the EEA Grants, such as social and economic development. In addition, the cultural heritage programme provides considerable amount of work for traditional craftsmanship which is not only important in respect of preservation of the crafts, but will also have an effect to the economic situation of people in this line of work. The wider impact of the programme is the added value in regional development, tourism and local business. The **programme LT07** dedicated to the cultural exchange will especially target the regions outside the more developed biggest cities and prioritise national minorities; therefore it directly contributes to the diminishing of sociocultural inequalities in Lithuania and promotes creativity and cooperation.

There have been some developments in policy area closely related to the cultural heritage programme. Amendment of Rules for Inspection of a Cultural Heritage Object Condition, released on 5 November 2014 was a positive change as gave clearer indications on how to assess the changes in the object's condition and its environment, resulting in a more objective and effective inspection in general.

Despite the leading position in some educational indicators, such as level of tertiary attainment, with 52.6% of citizens 30 to 34 years old, having completed a tertiary degree in 2014¹⁰, or rate of early school leaving at just 5.9% in 2014¹¹, which is far below the EU average, the Lithuania still needs to brace up in many fields. Lithuania needs to increase the quality of its education programs. Moreover, it must address mismatches between the skills of graduates and labour market needs. The country's youth unemployment rate of above 30% at the end of 2011 is steady decreasing by almost 2,5% per year, but it still remains high. High youth unemployment rate partly associated with young people's insufficient skills and lack of practical experience.

In 2014 Lithuania's education system was granted with long awaited changes. National Education Strategy for 2013–2022¹² approved in the very end of 2013 provided the basis for ongoing education reform and initiatives:

- The programme for the development of pre-school and pre-primary education was designed for enhancing access and quality in early childhood education and care, especially in rural areas, increasing social cohesion, encouraging diversity and flexibility of pre-primary class education (pre-primary

⁸ International Centre for Prison Studies

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

⁹ Republic of Lithuania: Draft Partnership Agreement (2014-2020), www.esinvesticijos.lt – official website of the EU investment in Lithuania

¹⁰ http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_41&plugin=1

¹¹ http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_40&plugin=1

¹² http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=463390

education attendance with only 78.3% of Lithuanian children aged four to six attending pre-primary education programs, compared to the EU-27 average of 92.3%).

- Action Plan of Development of the Vocational Education 2014-2016 foresees to develop the newest vocational education system that corresponds to the needs of the student, society and the state and guarantees the possibilities for the graduates to join the labour market. Amendment of Law on vocational Education and Training introduced on 14 June 2014 also serves a basis for improvement of reputation of vocational education and training in Lithuania which is below the EU-27 average, according to the 2011 Eurobarometer survey¹³.
- New approach was given to the enhancement of lifelong learning activities by adopting new Law on Non-Formal Adult Education and Continuing Education which came into force on 1 January 2015. The means of Action Plan of the Development of the Non-Formal Adult Education 2014-2016 are used to increase the participation of adult population in lifelong learning activities aiming at better performing one's work, acquiring professional knowledge, developing new skills, and acquiring knowledge and skills necessary in daily life (in 2013 only 5,7% of Lithuanian adult population participated in education and training compared to EU average of 10,5%¹⁴).

The quality of teaching and the limited use of new innovative teaching methods and information and communication technologies (ICT) are the most important factors contributing to low education outcomes, which in Lithuania's case really depends on high average age of teachers. Due to perceived low prestige and limited career opportunities young people are not being attracted to the teaching profession. In respect of content of **programme LT08**, added value is expected from the bilateral element, which in a longer term perspective could have an effect on the quality of curriculum and pupils' and students' achievements in Lithuania.

2.2. Bilateral relations

Existence of several different instruments (Donor Programme Partnership, National Bilateral Fund (NBF), bilateral funds under programmes, encouragement of partnership under open calls) ensure that bilateral relations are increasing and strengthened on both programme and project level and even outside the immediate boundaries of the implementation of the EEA Financial Mechanism. It could be observed that in 2014 year the bilateral cooperation at all levels in EEA Grants financed programmes was rather intensive and provides a solid background for achievement of the planned bilateral objectives at the end of the Grants if risk factors were minimised.

NBF work plan was developed by the NFP in consultations with the FMO, Norwegian Embassy in Vilnius, Lithuanian Ministry of Foreign Affairs and relevant national line ministries back in 2012 and amended several times during 2013 and 2014. The Fund, implemented via financing of pre-defined activities, travel reimbursement scheme and planned open call, is designed to provide a platform for increasing mutual political, cultural, professional and academic relations in areas considered to have a cross-sector effect and are complementary to the agreed programmes.

Following the defined aims, in 2014 the NBF activities were targeted at facilitating pre-defined initiatives in the areas of energy security in the Baltic Sea Region and human rights as well as successful completion of the project on gender equality in research institutions. 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 project 'Gender Equality Implementation in Research Institutions: Collaborative Approach', implemented by Vilnius University in partnership with Norwegian University of Science and Technology, University of Iceland and University of Lichtenstein, and aiming at developing mechanism of 'cooperative approach' for collaboration between scientists, high level executives of research institutions and science policy making bodies and using them to support implementation of gender mainstreaming policy in science

¹³ http://ec.europa.eu/public_opinion/index_en.htm

¹⁴ <http://ep.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdsc440&plugin=1>

in Lithuania and other countries participating in European regional programmes, was prolonged and financing increased due to its high performance, visibility and delivery of co-operation results. In addition to the achieved direct bilateral outcomes of the project (partnership agreements, joint events, joint articles), the wider effect is seen while developing professional networks between institutions in beneficiary and donor states, joint initiatives in the European or international arena.

Financing of the initiative 'Energy security in the Baltic Sea Region: regional coordination and management of interdependencies' from NBF was prompted by the current geopolitical situation. The Institute of International Relations and Political Science (Vilnius University) in partnership with the Norwegian Institute of International Affairs are working together on energy policy with focus on Lithuania's recent experience and plans for addressing the new energy security related changes and the role Norway can play in those plans. The direct outcome of the project – a study in a form of a joined report - is being conducted by experts from Lithuania and Norway. The wider effect is expected on a later stage; energy projects like electricity and natural gas connections usually have a strong regional dimension and involve several countries, therefore the interest on the produced outcome will definitely go beyond the frame of only bilateral cooperation.

Proposal to contribute to the initiative 'Human Rights in Lithuania 2013-2014: Overview' from the NBF was reasoned by importance and relevance of the initiative while raising society's awareness on human rights situation in Lithuania and strong bilateral dimension. Project is planned to be implemented with a partner – Icelandic Centre for Human Rights, contract signed in the beginning of 2015. Additionally to the expected direct bilateral outcomes of the project, due to close similarities of the nature of activities performed by the collaborating parties, there is a high probability that cooperation established for a certain activity will grow into a longer term partnership.

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. After having assessed the future funding demand from this measure and with approval of the donors, the major part of the unused funds from this measure, i.e. EUR 60,000, was reallocated for financing pre-defined initiatives. Amount of EUR 3,438 (of which EUR 1,572 EEA Grant,) was used out of EUR 10,000 (of which EUR 4,571 EEA Grants) available under the reimbursement scheme during 2014.

Open call for financing ad hoc initiatives that consist mainly of one or several related specific actions (e.g. participation in events, meetings or release of joint publications) with clear implementation schedules was not announced as planned in second quarter of 2014. After assessing the administrative burden in organising open call in comparison with expected bilateral results, the NFP suggests that better and much targeted results could be achieved if the different approach of projects' selection is applied, i.e. selection of pre-defined project ideas and then development and implementation of the project with clear and targeted bilateral results. It is planned to reach the common decision regarding the NBF open call organisation during annual meeting in 2015 May. Indicative budget reserved for the open calls is about EUR 160,000 (of which EUR 83,143 Norway Grants).

Progress made towards the **expected bilateral relations results under programmes** can be described in the following four dimensions:

- *Extent of cooperation.* 5 out of 6 programmes operated by Lithuanian POs are being implemented with Donor Programme Partners (DPP) from Norway. No DPPs are involved in Lithuanian programmes from Iceland and Lichtenstein. 1 pre-defined project is being implemented with a donor project partner from Iceland. Compulsory partnership requirements were set in the calls under programmes LT07 and LT08 (first call). Bilateral cooperation was encouraged and prioritised in the calls under programmes LT03, LT05 and LT06. After open calls till end of reporting period 16 partnership project contracts were signed (LT03, LT05, LT06). After finishing of selection procedures and taking into account compulsory partnership requirement under LT07 and LT08, more

partnership projects are expected in the beginning of 2015. The list of all contracted partnership projects is provided in **Annex 2** of this report.

Existence of programme bilateral funds facilitated partner search for potential applicants as well as development of already established partnerships in the pre-defined projects (measure “a”). The most common form of implementation of this measure, i. e. partner search forums organised by POs (in cooperation with DPP when relevant) in combination with other means, i.e. calls for proposals for bilateral activities, received a lot of attention from both potential project promoters and potential project partners (not relevant for LT02 due to the programme set-up). It is worth to mention, that under LT06 programme bilateral fund 12 out of 15 partnership initiatives submitted for financing from measure “a” back in 2013, participated in the open call under and out of those, 4 initiatives materialized into a real partnership and were granted for support as projects. Given that calls for project applications are closed almost under all EEA programmes (except LT08) measure “a” is no longer relevant despite its absorption rate; remained funds will be transferred to measure “b” or will be used for pre-defined activities.

Measure “b” provided opportunities for bilateral initiatives in addition to the ones already included into the projects. It is used in most of the programmes except LT07 and LT08 where the small total budget of the programmes also limits the size of bilateral funds which in LT07 already was and in LT08 is expected will be fully used up by measure “a”. Selected forms of support for bilateral cooperation under measure “b” include mostly pre-defined activities organized by POs and open calls. For the meantime, it is too early to assess success and measure created added value in bilateral cooperation using available opportunities from measure “b”. A very late start of the implementation of projects keep project promoters very much focussed at the tide implementation plan of projects’ activities and achievement of the planned results, while additional bilateral opportunities are postponed for a later stage mostly due to longer expenditure eligibility period.

Most of the programmes already progressed towards the achievement of bilateral indicators set forth in the programmes. It came through with a number of partnership projects selected and partnership agreements in the beneficiary public sector, civil society or even private sector signed.

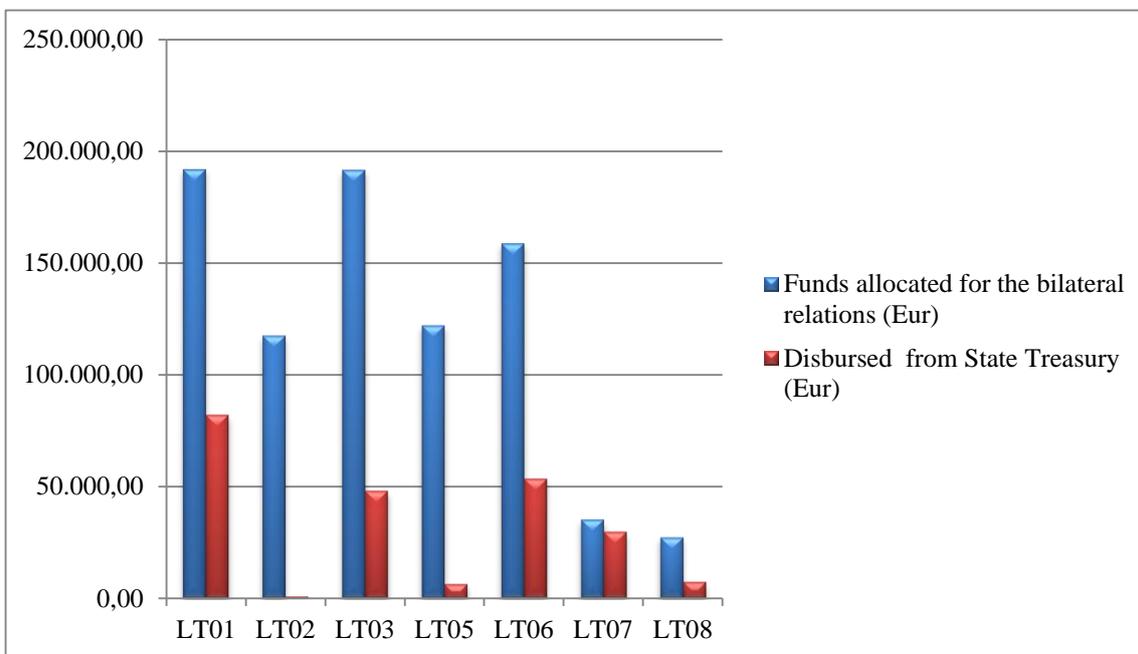
- Shared results. The programmes themselves that are implemented in cooperation with the DPPs are already to some extent shared results. Although the extent of DPPs’ actual involvement in the implementation process differ among the programmes. The same can be said about project level, where partnership projects (and even those without formal partnership but having *ad hoc* cooperation elements) will definitely create some shared results although it is hard to forecast the quality and success of these results at this stage. The most likely types of shared results are joint articles on specific subjects published, new technologies/practices/methodologies introduced and projects with expected shared results implemented.
- Knowledge and mutual understanding. Share of competences is set forth in the programme documents. Generally the partner obligations cover content-related support of the national Operator in the programme implementation, fostering establishment of partnerships and promoting a given programme in the donor states. In some programmes this has already materialised to a significant extent on the level of PO-DPP cooperation while preparing programme proposals, developing guidelines for applicants, actively participating in projects’ selection processes, generating ideas on bilateral programmes’ elements as well as implementing joined programmes’ activities. Regular Cooperation Committee meetings or pre-defined projects partners (if relevant) visits to Lithuania carried out in programmes made possible to learn more about various practices and organisation of systems in respective policy areas in the shorter period of time compared to other communication means.

On project level additional effect is expected when project promoters and partners publish articles about the partner country as well as participate in various related conferences, workshops and other events where third parties will also learn about the practices of partnering entities and countries as well as the EU and the EEA Agreement.

- *Wider effects.* Successful partnerships are likely to generate further cooperation initiatives but it depends heavily on the availability of additional resources. However, improved knowledge and capacities tend to have spill-over effects into other areas both on the institutional and individual level. Some visible contribution to wider results came out already from the initiatives funded under the NBF, although the size of investment was comparatively little.

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

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



* Data as of 31 December 2014

The most prominent risk related to achieving bilateral goals at current stage - availability of partners from Donor States – is still relevant (the open call under LT08 shall be announced in Q1 2015). With the total number of 16 Beneficiary States and only 3 Donor States it is obvious that beneficiary states is practically competing for partners among themselves. Insufficient interest from partners from donor states, due to the already ongoing outreach to potential applicants from other beneficiary states or a very short time period left for the start and implementation of projects, should also be considered. The programmes that started earlier have a relative advantage, but even obtaining a partner cannot secure smooth implementation. This mostly relates to the uncertain interest of cooperative parties and different expectations from the partnership or even understanding of partnership as such. It is worth to emphasize challenges posed by differences in management systems in Lithuania and Donor States, different specific natures of a given thematic area, practices established as well as specific culture issues which do not work in a favour of establishment of basis for building of strong cooperation. Risks that might hinder the achievement of bilateral outcomes on both national and programme level are presented in **Annexes 6 and 7.**

3. REPORTING ON PROGRAMMES

3.1 Overview of Programme status

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

The year 2014 was intensive in terms off calls for proposals, assessment of pre-defined projects and implementation of the first projects holding the decisions on financing. In general, overall progress towards

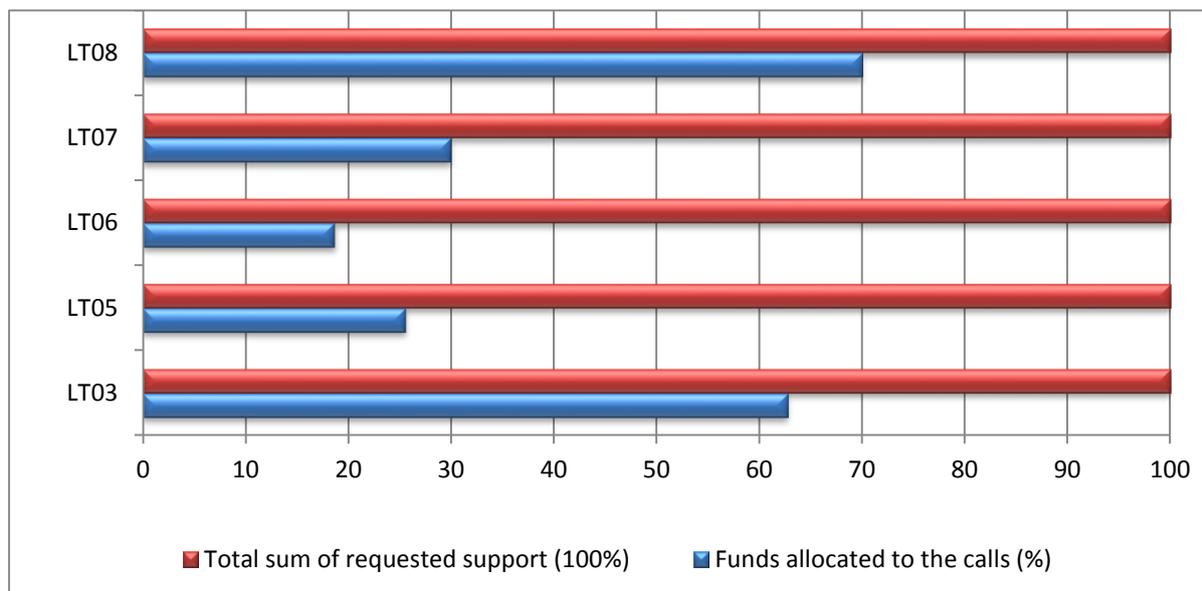
the expected programmes outcomes and defined outputs is minor. However the level of achievements differs from programme to programme.

Overall, the implementation of Grants is vulnerable to risks related to delays from the very beginning: late signing of the EU and Norway agreement, protracted harmonisation, approval and signing of programme agreements; the further delays were even enhanced by prolonged development and harmonisation of the Guidelines for applicants and pre-defined projects or evaluation of proposals due to inadequate quality of draft documents or presented applications.

All those accumulated and complex delays are considered as a major challenge to successful implementation of programmes and achievement of the agreed cohesion and bilateral objectives.

The year 2014 was intensive in terms of preparation, announcement and implementation of calls for proposals within the programmes. The biggest share of funds available for re-granting of projects were distributed via 8 open calls, including those announced in 2013 yet, but with results accessible only in 2014. The results of the completed calls for proposals demonstrate great interest of the potential applicants in the proposed funding, which far exceeded allocations available. Such great number of applications in most cases allows for selecting the most valuable projects. The chart below (Chart No. 7) presents the results of calls divided into allocations available for re-granting with regard to the demand.

Chart No 7. Proportion of available funds to the demand by programmes



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

Table No. 2. Operational and Financial Status of Programmes

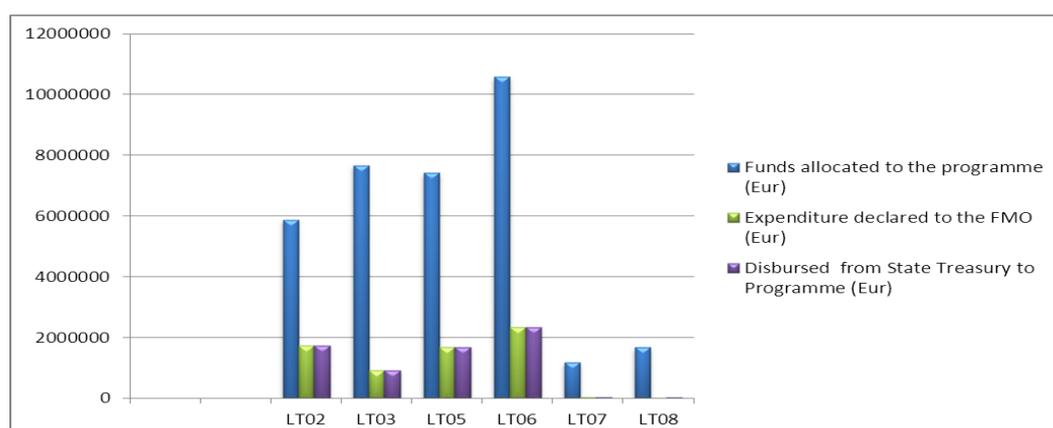
Programme*	Calls/ pre-defined projects (actual status for 4Q)	Commitment		Disbursement		
		Projects** (EUR) (% of total available)	Programme** *	Disbursed from State Treasury to Programme* (EUR) (% of total available)	Disbursed from State Treasury to projects (EUR) (% of total available)	Disbursed from the Donors (inc. advanced payment) (EUR)
LT02	Pre-defined projects under implementation (no calls planned)	4,900,026 (100%)	598,853	86,991 (14,52%)	1,648,061 (33,63%)	3,299,904
LT03	Call closed, projects selected, contracts signed (7 out of 10, remaining due in beginning of 2015). Pre-defined projects under implementation	5,066,298 (71,84%)	1,002,352	141,791 (14,15%)	778,718 (11,04%)	3,823,937
LT05	Projects (incl. pre-defined) under implementation	6,303,677 (96,76%)	911,161	198,282 (21,76%)	1,482,394 (22,75%)	1,880,812
LT06	Projects under implementation	8,976,106 (95,46%)	1,185,837	242,783 (20,47%)	2,086,192 (22,19%)	2,697,948
LT07	Call closed, evaluation of applications in progress	0	156,000	50,140 (32,14%)	0	360,339
LT08	1 st call closed, evaluation of applications in progress, 2 nd call delayed	0	233,631	27,520 (11,78%)	0	429,570
Total		25,246,107 (83,25%)	4,087,834	747,507 (18,29%)	5,995,365 (19,77%)	12,492,510

* LT04 is not presented.

** Data according to the signed project contracts, projects approved for financing by POs in 2014, but with no signed contracts, are not included.

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

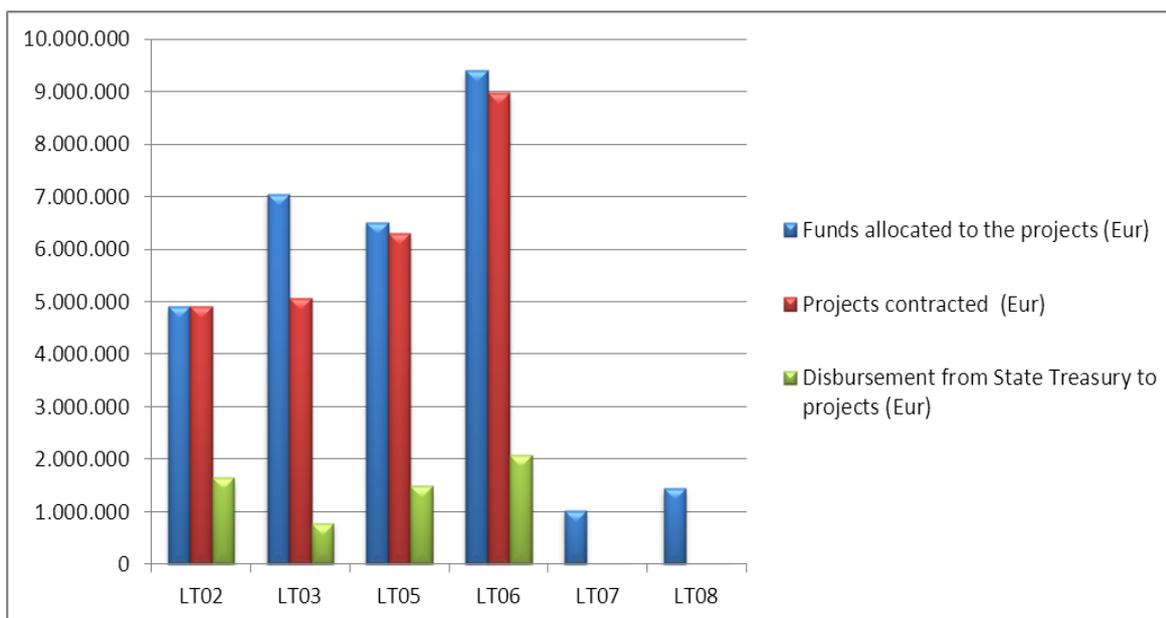
In 2014, in addition to the programmes management costs where the first payments were made much earlier, the expenditure in projects were also reported. The relevant financial data on the amounts committed, paid out to programmes as well as declared to donors is presented in the chart below (Chart No. 8).

Chart No. 8. General financial data breakdown*

* Data of 31 December 2014

With regards to the pre-defined projects constituting a significant component under programmes LT02, LT03 and LT05, all funds available for re-granting of these projects were committed. As regards projects selected under the open calls, almost all of them were contracted by the end of reporting period, except for 3 contracts under LT03. No data presented for LT07 and LT08 as calls were closed only in autumn 2014 and evaluation was still in progress by data collecting deadline. As can be seen from the **Chart No. 9** below disbursement to projects by the end of reporting period constituted relatively small share compared to total available funds. The major payments for the project promoters are planned in 2015 and 2016.

Chart No. 9. Projects' commitment financial data breakdown by programmes*



* Data of 31 December 2014

3.2 Individual Programme summaries.

Based on the information provided by the POs in the Annual Programme Reports as well as the NFP day-to-day monitoring, a summary for each programme that include assessment on overall progress as regards implementation of the programmes and their sub-projects, progress towards expected outcomes and actual achievement of outputs, usage of bilateral funds as well potential risks that may threaten the achievement of the programme objectives is provided below. Having overall responsibility for the implementation of the EEA Grants in Lithuania and for reporting on this annually a short status on the implementation of the LT04 is also provided.

LT02 Integrated marine and inland water management

Programme LT02 consists of only two pre-defined projects, the same PP. The agreements on the implementation of both pre-defined projects were signed, project activities were launched and most of public procurement procedures under the pre-defined projects continued during the year 2014.

As in the previous year, 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 remain. Therefore, some funding set aside for the programme may be unused and strategic objectives of the programme may be achieved only partially.

PO, by carrying out its day-to-day programme monitoring, identified a risk of non-achieving the planned programme outcomes, thus modification of programme LT02 was initiated. Failure to start the implementation of the projects as was foreseen in the programme proposal resulted in the reduction of data collection seasons from three to two. The activities, outcomes of which could not be achieved by 30 April

2016, were withdrawn and additional activities were introduced in order to reduce the negative influence on programme outcomes to a minimum. Some programme LT02 outputs were also modified. As a result, the programme budget was cut by nearly 7%. Remained amount was transferred to the open call under the programme LT03.

Half of the both pre-defined project services agreements were signed in 2014. However, despite all the exertions made by the PP and CPMA while preparing and organizing public procurements did not result in smooth process. The risk of timely performance of tenders was not prevented; consequently project implementation activities are delayed. Also, PO made a preliminary survey on interests of potential service providers to participate in another tender. The results demonstrated a high likelihood to fail the tender, thus PO mitigating the risk of non-achieving of planned programme results requested for additional changes in the programme.

By the end of the reporting year, none of project activities was completed and none of programme output indicators was fully achieved. The main risk and challenge for the upcoming year – smooth completion of public procurement procedures and timely and qualitative data collection and analysis.

As the major focus in 2014 was on the search of partners from donor countries, no additional bilateral activities were carried out. Nearly 2% of the total programme budget has been allocated to the strengthening of bilateral relations. In the beginning of 2014 it was estimated that only the funds of measure “b” of the bilateral fund dedicated for networking, exchange, sharing and transfer of knowledge, technology experience and best practice will be used. Since the PP’s efforts to find partners did not succeed, the programme was exposed to the risk of failure to establish partnership with entities from donor countries and carry out bilateral activities thus to use the bilateral funds. LT02 Programme Bilateral activities plan for 2015 is provided in [Annex 3](#) to this report.

LT03 Biodiversity and ecosystem management

During the reporting period 4 pre-defined project contracts were signed and projects activities turned into actual implementation stage. Selection of project applications received under the open call was completed and 7 out of 10 project contracts were signed at the end of the year 2014. As the actual projects implementation started only in the 2nd half of the reporting period no Programme outputs have been achieved yet.

The PO delayed to fulfil its obligation regarding the announcement of the open call in 4Q 2013, therefore the programme modification was granted and call launch was moved to 1Q 2014. In total 13 applications were received under the open call. It is worth to mention that the quality of submitted applications were sufficient enough and only limited funding prevented from the financing of almost all applications (only 1 application was rejected). Due to reallocation of savings released from programme LT02, call budget was increased and enabled to grant support for projects under reserve list as well as increased the scope of the planned results. However, it is already clear that one open call related Programme output indicator *‘Improved readiness and new experience gained in strengthening the functionality of ecological corridors’* will not be achieved as certain activities were not selected by any of applicants.

Despite the efforts of the CPMA and PP in preparation and organization of public procurement which constitutes the major part of the one of pre-defined project budgets (94%), the announced tender failed twice because the bidders either did not fulfil the requirements or refused to submit specifications for certain elements of procurement announced. The tender is announced once again and is still open. A risk of non-completion of project activities until the deadline posed by protracted public procurement procedures was considered as high, therefore the reorganisation of project activities or reallocation of funds might be needed.

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

During the reporting period, some positive effect and results in bilateral cooperation were achieved. Bilateral initiatives were funded under both “a” and “b” measures and facilitated 3 partnership initiatives in total; funding was allocated to the activities for establishing partnerships between Lithuanian and Norwegian

NGOs and for improving knowledge and experience sharing between pre-defined project promoter and DPP institution. It is expected, that established partnerships will have a long-term effect and the cooperation will extend beyond the bilateral projects areas. LT03 Bilateral activities' plan for 2015 is provided in Annex 3 to this report.

LT04 NGO Programme

LT04 programme is operated by the FMO through the selected Fund Operator Human Rights Monitoring Institute (HRMI).

2014 was very intensive in terms of implementation of projects awarded for financing under the first open call and evaluation and selection of applications received under the 2nd open call announced in the very beginning of the year.

During the 2nd call for proposals NVO programme received 245 proposals for projects concepts; 97 large projects concepts and 148 small scale projects concepts. The amount asked for re-granting was almost 9 times higher than the amount available in the call (EUR 1,816,597). In total 25 projects were awarded for financing.

Given that programme is in advanced implementation stage (all calls closed, projects incl. pre-defined selected and contracted) it is very likely that biggest share of outputs indicators planned within a programme (29 out of 35) will be fully achieved or even exceeded significantly in several cases. However, it is already clear that a few outputs indicators will be achieved partially only and one will not be achieved at all. The latter indicator was not selected by any project promoter. As regards outcomes, during the 2nd call for proposals applicants were limited in their choices of outcomes to 1 main and 1 additional outcome. The limit was established in order to focus projects activities more specifically and achieve more noticeable results. Civil society actors indicated the need of urgent attention to issues of vulnerable groups as well as strived to promote active citizenship and democratic values.

Most of the actions on promoting and fostering bilateral relations were built on previous experience and best practice, i.e. matchmaking seminar, consultation of applicants on bilateral dimension and presentation of best practice examples. As a result, 17 bilateral projects applications were received and 6 of them awarded for support under the 2nd call. Bilateral initiatives of Lithuanian NGOs, in addition to ones already included into the projects, were also facilitated from the programme Bilateral Fund. Activities were mainly focused on exchange of experience, share of best practice and participation in joined events.

Horizontal concerns are very important dimension of the NGO programme due to the specific areas of intervention covered by this sector. Inclusion of horizontal concerns into the project ideas was actively promoted by the Fund Operator. Most common concerns addressed to were Gender Based and Domestic Violence and Tolerance. The attention given to the latter issue is understandable and appreciated as Lithuanian society is one of the most intolerant among EU countries. However, no-one could argue that all horizontal concerns are equally important components of the Programme and these sensitive issues addressed are common to almost all civil society organizations.

LT05 Children and Youth at Risk

Programme LT05 consisting of one pre-defined project and one open call for proposals was at the implementation stage in the beginning of 2014.

During the 1Q-3Q of the reporting period programme activities were mainly targeted at evaluation and selection of applications received under the open call and assessment of the pre-defined project applications. As a result of completed selection procedure 26 projects were granted for support out of 103 applications received. The quality of selected applications was ranked as good, however it varied from measure to measure. 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.

Given, that overall programme implementation is delayed, i.e. contracts of projects selected under the open call as well as pre-defined project were signed only in the second half or even at the very end 2014 no

significant changes in relation to programme outcomes recorded. It is likely, that output indicators related to the establishment of new facilities for children and youth at risk will be achieved, if time related risk is managed and projects completed successfully. Having regards to a quite significant infrastructure element under the pre-defined project the risk of timely completion of projects activities remains.

The main risk and challenge for the upcoming year for the PO and the CPMA – to assist project promoters in organizing public procurement as well as monitor projects implementation properly.

As regards bilateral cooperation, during the reporting period bilateral activities were not very intensive; neither at programme nor at project level and were limited to involvement of the pre-defined project partner in the bilateral initiative organized by the PO. It could be noted, that absence of DPP in Programme LT05 is one of the key challenges for the PO to achieve bilateral goals. Programme LT05 Bilateral activities plan for 2015 is provided in Annex 3 to this report.

No horizontal concerns are directly assigned to the Programme LT05 therefore no requirement to include these issues into the project were set or promoted. However, horizontal concern such as tolerance is very much relevant to the programme and is expected to be addressed during or after implementation of the projects. Promotion of tolerance between children and young people is an essential element in preventing taunting, violence and bullying.

LT06 Conservation and Revitalization of Cultural and Natural Heritage

2014 was very intensive in terms of evaluation and selection of applications received under the open call announced back in 2013.

During the first half of the reporting period evaluation and selection procedures of the projects under the open call were completed. In total 19 applications out of 112 received, i.e. 9 under the first measure, 8 under the second and 2 under the third measure were selected and approved for financing. The results of call for proposals showed that there were high interest and huge number of good quality applications.

Given that programme is in an advanced implementation stage (call closed, projects under all 3 measures selected and contracted) it is very likely that biggest share of outputs indicators planned within a programme will be achieved; some will be achieved partially, some will be even exceeded.

Taking into account the nature of the projects (very much season dependent restoration works) there is a risk of non-completion certain projects activities until the deadline set or the quality of works may be low due to the rush to implement projects before the date. However, monitoring activities carried out by CPMA, Department for Cultural heritage and the PO, as well as face-to-face meetings and consultations for PP, ensure that aforementioned risks are mitigated so far.

The programme has also greatly progressed towards the goal of strengthening bilateral relations on both programme and projects level. Partner institutions contribute to the projects mainly by taking part in organization of trainings and seminars for the public within the projects, as well as giving consultations to the project promoters. DPP – the Directorate for Cultural Heritage greatly contributed to the promotion of bilateral partnership by distributing information on the programme implemented in Lithuania. LT06 Bilateral activities' plan for 2015 is provided in Annex 3 to this report.

About 10 % of the funding available for re-granting was allocated to projects related to Jewish cultural heritage. Horizontal concerns addressed to fight anti-Semitism, promote tolerance and multicultural understanding.

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

Programme LT07 was at the very initial implementation stage in the beginning of 2014. During the reporting period programme activities were targeted at preparation of call documents, launching of the call and evaluation of applications. Selection of projects was finalized in 1Q 2015. In total 36 applications were received and demand for funding was almost 3 times higher than the funds available.

Requirements and selection criteria for project proposals were focused on international cooperation, dissemination of professional art in the regions, young people under 25 as well as horizontal concerns addressed to the programme. Projects which seek to increase multicultural understanding, promote tolerance and respect for the rights of minorities (including combatting anti-Semitism) were subjected to a higher scoring.

As no projects were selected for support yet, no significant changes in relation to outcomes and information on achievement of LT07 Programme outputs are recorded. According to the preliminary evaluation results, it is already clear that Measure II related programme outcome indicators will be achieved partially only while the others will be fully achieved or even exceeded significantly.

In general, there are no significant risks observed that could hinder successful implementation of the Programme despite quite significant delay from the initial plan. As the only soft small-scale activities are planned under the project, projects are not considered vulnerable to time related risk. However, the short project implementation period could affect the quality of the planned results.

The main risk and challenge for the upcoming year – complete projects selection procedure, hold decisions on projects financing, speed up the contract signing and ensure proper monitoring of projects.

The Programme has also progressed towards the goal of strengthening bilateral relations. Bilateral fund greatly facilitated the search of partners for 12 Lithuanian cultural institutions, resulting in a number of partnership project proposals submitted. Effective bilateral cooperation on programme level was maintained through several meetings and regular correspondence between the PO and DPP, as well as involvement of Norwegian experts' into evaluation of applications received under the open call. LT07 Bilateral activities plan for 2015 is provided in Annex 3 to this report.

LT08 EEA Scholarship Programme

In the beginning of year 2014 LT08 programme was at the implementation stage. Internal difficulties in the PO organization while appointing persons responsible for programme implementation influenced some delay in programme activities.

The call for proposals for preparatory visits under bilateral fund was launched at the end of February 2014 instead of QIV 2013 as provided in the Programme Agreement. Under the call for preparatory visits 5 applications were received in total; 4 of them were approved and financed during 2014. Low interest on the additional opportunities for potential applicants available under the bilateral fund could be explained by paucity of informational and publicity activities.

It should be mentioned that call for preparatory visits' results did not reflect the demand for other measures available under the programme anyhow. Call for proposals under Measures 3 and 5 was closed in November 2014 and the demanded funds are three times higher than the total budget available for this call. The identified risks "Low interest in the call for application for the projects" and "Low interest in bilateral partnership" did not prove out. 20 out of 24 received applications will be presented during Project Selection Committee meeting in April 2015.

Due to the fact that no project contracts were signed during 2014 no significant changes in relation to outcomes and information on achievement of LT08 Programme outputs is recorded.

Due to initial delays the main challenge for the upcoming year is to announce the second call for proposals, to ensure smooth and fast appraisal and selection process, conclude projects contract as soon as possible in order to leave still enough time for implementation. Time related risk mitigation measures, such as reallocation of funds among calls or measures without conducting supplementary calls were already taken into consideration while amending Programme Agreement.

Bilateral activities at programme level were not intensive and limited to Cooperation Committee meetings to discuss the applications for preparatory visits. It is expected that bilateral cooperation on project level will be more productive and will increase joined initiatives during and after the implementation of projects, as well as the knowledge and skills developed through the implementation of joined activities will contribute to the systematic changes in education system, in improvement of students' achievements and attracting more

adults to participate in lifelong learning. LT08 Bilateral activities plan for 2014 is provided in **Annex 3** to this report.

4. MANAGEMENT AND IMPLEMENTATION

4.1 Management and control system

MCS set-up and national legal acts for Grants implementation. The institutional set-up MCS and functions and responsibilities of the central management authorities (NFP, CA, PA, IRA, AA), POs and CPMA were established 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 2014 the legal acts were amended several times taking into account further development of the MCS, change in currency, clarification and amendment of the Regulation requirements and to upgrade requirements which were not functioning in practice.

The set of legal acts regulating management and implementation of the EEA Grants was supplemented by the Rules on recoverable and recovered grant amounts under the EEA and Norwegian Financial Mechanisms 2009-2014 adopted on 9 September 2014 by the Minister of Finance order No 1K-277.

Based on the set general unified requirements the 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 2014 as well as implementation of recommendations provided in the Audit Report on the MCS 2nd stage are/were reflected in the relevant internal documentation.

Detail description of the MCS. In line with Art. 4.8 of the Regulation the description of the MCS 2nd stage together with the Audit Report and opinion were submitted to the FMO on 9 April 2014.

Detailed description of the MCS (excluding programmes administered directly by the Donor States institutions, i.e. NGO programme LT04), considering the requirements specified in paragraph 2 of Article 4.8 of the Regulation (2nd stage) and based on the information provided by the central management authorities, POs and the CPMA, was prepared and approved by the NFP in the end of year 2013, i.e. on 16 December. It should be noted that due to specific Grants management set-up in Lithuania (centralised implementation system with one implementing agency and centralised unified rules for programmes' and projects' implementation) the NFP prepared one Description which covered description of centralised level of programmes implementation as well as procedures developed by each PO and the CPMA in the separate attachments. For the assessment of the 2nd stage of the MCS compliance to the requirements of the Regulation external audit office was contracted.

The Audit Report stated that notwithstanding some recommended improvements to the description itself, legal acts and internal procedures of involved institutions the established implementation system in Lithuania complies with the requirements of the Regulations on the implementation of the Financial Mechanisms and generally accepted accounting principles in all significant aspects. The full list of found deficiencies, provided recommendations and follow up actions taken to implement these 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 first stage, i.e. subsystem's administration, project and payment modules have been installed and operate already since December of 2013. During the second stage, the functionalities of the data exchange website (which allows Project Promoter to receive partly prepared payment claims, submit payment claims in e-version, co-ordinate some documents for project implementation with CPMA etc.) and declaration of expenditure to the FMO were developed and installed. These functionalities fully operate since April 2014. During the third stage, until November 2014, the control module (storing and management of information on irregularities, project on-the-spot checks and performance of the project implementation plan, progress of implementation of financial and monitoring indicators, management of project public procurements) was created. The last functionalities for analysis (for making various section reports on the

basis of the data stored in other SFMIS modules) and direct transfer of relevant information to the www.eeagrants.lt website is going to be finalised in 2nd quarter 2015.

The adoption of euro from 1 January, 2015 could be identified among the additional challenges addressed to the responsible authorities. All relevant MCS legislation and IT based accounting and management system (SFMIS) had to be adjusted to the use of new currency accordingly. Transition to the new currency in terms of SFMIS was quite smooth, however it took more time and required some additional human and financial resources despite the efforts made while discussing major steps and planning resources for the adoption of the system.

4.2 Compliance with EU legislation, national legislation and the MoU

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

All programmes were prepared and are being implemented in compliance with the MoU, Regulation, national legal acts, as well as relevant national and sectorial strategies, however, some issues regarding the compatibility of projects selection procedure established in the Rules on Financing and Implementation of Programmes and Projects with the Regulation arose. After several rounds of consultation with the FMO the agreement was reached and respective changes were introduced to the relevant national legal acts in March 2014.

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

4.3 Irregularities

In compliance with the MoU and established MCS the National Fund Department of the Ministry of Finance is designated as national authority responsible for reporting on irregularities (IRA). IRA following the definition of irregularities set forth in Article 11.2 of the Regulation reported to the FMO on all cases of actual or suspected irregularities within the terms indicated in the Regulation. The list of the irregularity cases giving the nature and description as well as remedying actions taken regarding the detected irregularities on programme level is provided in **Annex 5** to this report.

Providing an assessment and analysing possible trends of irregularities it should be noted that irregularities detected in 2014 are very minor, made by the POs themselves or project promoters while implementing activities under the programme bilateral funds as a result of the errors made by the staff members due to inattention or inconsiderateness. Whereas unduly used funds were not included into the Interim Financial Reports (IFR) the detected irregularities were remedied according to the national legal acts. Consequently, no financial corrections in relation to the detected irregularities were applied. The irregularities were fully remedied by reimbursing unduly used funds, in total EUR 2,477.82, to appropriate bank accounts; they had and will have no effect on any stage of the implementation of the EEA Grants as well as on the implementation and the budget of the appropriate programmes. Moreover, it could be observed, that created MCS assures avoiding or early detection of irregularities.

4.4 Audit, monitoring, review and evaluation

No audits or/and evaluations have been undertaken by the NFP during the reporting. However, the NFP having its overall responsibility for reaching the objectives of the mechanisms carried out regular day-to-day monitoring of the programmes. Mid-term evaluation on the implementation of the Norway Grants in Lithuania is planned for 2nd half 2015.

The audit of 2nd stage of the MCS as requested in Article 4.8 of the Regulation started in December 2013 and completed in March 2014. The task was performed by the certified and independent external auditors

appointed by the AA (more details provided in section 4.1 'Management and control system' and Annex 4 of the Report).

AA, in compliance to the Audit Strategy for EEA and Norway Grants 2009-2014 and annual audit plan for 2015, will carry out audits to verify the effective functioning of the MCS at the national and programme levels. For this task external audit company will be contracted via procurement procedure.

CA and IRA performed 2 financial checks/audits of selected programmes' and projects' expenditure recognised to be declarable to the FMO in April and in November 2014. The scope of the checks allowed also verifying if the CPMA is acting in compliance to the Work Procedure Manual established according to the requirements of the MCS. CA and IRA stated only minor inaccuracies, no shortcomings that would have essential importance on proper fulfilment of the functions assigned were determined. 4 recommendations for the improvement as regards noticed inaccuracies were proposed as a result of the first check and only one after the second one. The recommendations according to the first check were implemented by 30 September 2014, and the remaining one shall be implemented by the end of March 2015.

In addition, within the monitoring actions at the programme level, in 2014 three meetings of the Monitoring Committee took place. The Committee aims at ensuring effectiveness of utilization of funds and monitoring of the implementation of the EEA Financial Mechanism. The first meeting in the reporting year was held on 7 April 2014 to discuss status of implementation of the Financial Mechanisms and express opinion in respect of the Strategic Reports for 2013.

The second meeting of the Committee took place on 27 August 2014, the Committee discussed status of implementation of mechanisms and recommended the NFP re-allocation of funds between programmes. During the third meeting, organized on 26 September 2014 the relevance of proposed additional reallocations between the programmes was assessed.

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 2014 was half way through the implementation of the second stage of the planned activities.

Qualitative analysis of media coverage was carried out during 2014. 892 reports related to the EEA and Norwegian Financial Mechanisms were captured during January-December 2014. Majority of the reports (108) were published in January, the fewest (50) – in December. The EEA and Norwegian Financial Mechanisms were mentioned most often and accounted for 62.1% of all keyword hits. They were followed by NGO programme with 15.4% share of hits and Children and Youth at Risk programme with 6.0% were mentioned most often among programmes, financed from EEA Financial Mechanism. The rest of keywords were less visible in the Lithuanian mass media (varying from 5.0% to 0.2%). The neutral publicity was dominating the communication flow and accounted for 61.8% of all keyword mentions. Positive mentions accounted for 37.0% of publicity, while the share of negative hits amounted for 1.1%. In 2014, 76 reports with a logotype of the EEA and Norwegian Financial Mechanisms were detected; their reach amounted to 5.10 million.

During the first quarter of the reporting period, the new joint EEA and Norway Grants website for all programmes was launched. During the reporting period, 6780 visitors have visited new website, 58 percent of them were returning visitors. The most visited EEA Grants programmes were "EEA Scholarship Programme" and "Promotion of Diversity in Culture and Arts within European Cultural Heritage".

At the end of the fourth quarter of the reporting period a new user profile was created in social network Facebook dedicated to EEA and Norway Grants in Lithuania. This new profile will help the national authorities to increase awareness of existence, objectives and benefit of the EEA and Norway Grants and will also ensure public access to all relevant information about the Grants.

The communication strategy needs adjusting regarding the time plan. It was planned to have electronic newsletters and information publication about the programmes in the second half of 2014, but due to delays in public procurement procedures for acquisition of various publicity activities (including newsletters and information publication), the contract with the service provider was signed only in October 2014. As the contract was signed only in the fourth quarter of the reporting period, it is planned, that the newsletters will

be published in the first half of 2015, and the information publication will be published in the second half of 2015.

The intensity of publicity and information activities of POs depended on the progress made by each Programme. Publicity and information activities were more intensive in whose programs which open calls were launched earlier and/or pre-defined project contracts were signed earlier, and less intensive or no activities in those programmes which had launched their open calls and/or signed pre-defined project contracts later.

4.6 Work plan

Task	Planned implementation deadline	Responsible institution(s)
<i>Management and control system</i>		
Monitoring Committee meeting	29 April 2015	NFP
Completion of creation of last module of the EEA/NOR Grants subsystem in the SFMIS	2Q 2015	NFP (CA, IRA, Paying Authority, POs, CPMA also involved)
<i>Implementation of programmes</i>		
Call for proposal for preparatory visits under Programme LT08	2Q 2015	PO, CPMA
2 nd call for proposal under Programme LT08	2Q 2015	PO, CPMA
<i>Implementation of the National Bilateral Fund</i>		
Launching of the open call under NBF	4Q 2015	NFP
<i>Audit, monitoring, review and evaluation</i>		
Mid-term evaluation on the implementation of the Norway Grants in Lithuania	2nd half 2015	NFP
Procurement of the external audit for the verification of the effective functioning of the MCS	2Q 2015	AA
Audits of the selected programme and projects: LT02	3Q-4Q 2015	AA
<i>Communication and Publicity</i>		
Provision of relevant information on the joint website	throughout 2014	NFP, POs, CPMA
EEA and Norway Grants poster	1Q 2015	NFP
Other communication activities (electronic newsletter, Facebook account, information publication about the programmes, poster, roll-up banners)	1Q-4Q 2015	NFP (through outsourced service provider)
Analysis of media coverage	throughout 2015	NFP (through outsourced service provider)

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

In general it could be stated that during the reporting period programmes turned into actual implementation stage and progress in the implementation of the EEA Financial Mechanism have been achieved, however due to initial implementation stage attainment of the expected programmes outcomes and defined outputs is still minor. It should also be noted, that overall implementation of the programmes is behind the schedule, while level of advancement significantly varies from programme to programme - highest progress noticeable in LT02, LT03, LT05, LT06 (most of funds contracted, projects well advanced), less in LT07, LT08 (zero contracting till the end of reporting period, however open calls closed, appraisal and selection procedures in progress).

More visible results were achieved in bilateral cooperation fields both on national, programme and project level; close PO and DPP work and consultations on implementation of bilateral elements as well as organized joint activities succeeded in establishing contacts and developing partnership in project. Therefore some programmes already progressed towards the achievement of set bilateral indicators through a number of partnership projects selected and partnership agreements in the public sector, civil society or private sector signed and joint activities implemented/or under implementation.

Overall, the implementation of Grants was vulnerable to risks related to delays from the very beginning: later than anticipated agreement reached between the EU and the Donor States, protracted preparation of some programme proposals, approval and signing of programme agreements. The cumulative delays were even enhanced by prolonged development and harmonisation of the Guidelines for applicants and pre-defined projects, protracted applications appraisal and selection procedures, ultimately – not smooth procurement procedures at project level. All accumulated and system complexity (a big number of actors at different levels involved in the coordination of every task) delays are considered as a major challenge to successful implementation of programmes and achievement of the agreed cohesion and bilateral objectives. Furthermore, due to overall delay, the priority given to timely completion of the projects could leave aside the quality element of expected results.

To minimise the above mentioned risk the POs and CPMA are requested to assign adequate resources to announce remaining open calls, to ensure smooth and fast appraisal and selection process to conclude project contracts as soon as possible to leave still enough time for implementation. In specific cases request to the donors to prolong the implementation deadline for the project might be initiated. Moreover, in case of non-completion till project eligibility deadline – the remaining funds is suggested to be transferred (in agreement with donors) to programme bilateral fund and/or Complementary actions for implementation of additional bilateral activities in the programme area.

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

Regarding the risk of achievement of bilateral objectives, the availability of partners from Donor States for remaining calls remains most prominent risk. To minimise this risk the POs are suggested to use strategic approach and set priorities in which specific programme/call partnership is desired (no obligatory requirement (if in line with Regulation) for all the calls but instead for calls of specific interest and potential). Advanced involvement of the DPPs and other relevant institution for setting the plan how to encourage and facilitate partners from donor countries to participate in projects also publicising information about the goals of the programmes and expected activities to the targeted audiences as widely as possible proved to be very effective and suggested for future calls.

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

6 ATTACHMENTS TO THE STRATEGIC REPORT

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