

# **Implementation of the EEA and Norwegian Financial Mechanisms 2014-2021 in Lithuania**

*Strategic Report*

Reporting period:  
19 March 2018 – 19 March 2019

Prepared by the National Focal Point (Ministry of Finance)

## Contents

<i>Abbreviations</i> .....	3
1. EXECUTIVE SUMMARY .....	4
2. POLITICAL, ECONOMIC AND SOCIAL CONTEXT .....	5
3. EFFECTS OF THE GRANTS.....	6
4. STATUS OF PROGRAMMES .....	6
5. STATUS OF BILATERAL FUNDS.....	16
6. MANAGEMENT AND IMPLEMENTATION.....	20
a. Management and control system .....	20
b. Complaints.....	23
c. Irregularities .....	23
d. Audit.....	23
7. COMMUNICATION .....	23
8. MONITORING AND EVALUATION.....	24
a. Monitoring.....	24
b. Evaluation.....	24
9. ISSUES FOR THE ANNUAL MEETING .....	24
10. ANNEXES TO THE STRATEGIC REPORT .....	24

## *Abbreviations*

AA	Audit Authority
CA	Certifying Authority
CC	Programme Cooperation Committee
CPMA	Central Project Management Agency
NORIS	Information System
DPP	Donor Programme Partner
EEA	European Economic Area
FBR	Fund for Bilateral Relations
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
GDP	Gross Domestic Product
Grants	European Economic Area and Norway Grants 2009-2014
IrRA	Irregularity Reporting Authority
JCBF	Joint Committee for Bilateral Funds
NFP	National Focal Point
NMFA	Norwegian Ministry of Foreign Affairs
MCS	Management and Control System
MoF	Ministry of Finance of the Republic of Lithuania
MoU	Memorandum of Understanding
PO	Programme Operator
PP	Programme Partner

## 1. EXECUTIVE SUMMARY

The strategic report reflects the implementation of the EEA and Norwegian Financial Mechanisms during the period from 19 March 2018 to 19 March 2019 and contains the information on progress in developing the national management and control system, status of bilateral funds, key communication activities and other important issues.

The EEA and Norwegian Financial Mechanisms 2014-2021 in Lithuania are planned to be implemented through 6 programmes. During the reporting period, all programmes were under preparation. The concept notes of 3 programmes (“Business Development, Innovation and SMEs”, “Culture”, “Health”) have been approved. The concept notes of other programmes (“Research”, “Environment, Energy and Climate Change”, “Justice and Home Affairs”) are foreseen to be approved in the 1<sup>st</sup> half of 2019.

In the programmes the Fund for Bilateral Relations is allocated by organizing open calls and based on pre-defined activities. The allocations specified in the MoU are distributed by POs in cooperation with the Cooperation Committee (where applicable). The JCBF was formally established and the 1<sup>st</sup> official JCBF meeting was organized in 2018. In February 2019 the Work Plan for 2019–2021 was approved by the JCBF members by unanimous consent. More than EUR 71,000 from the Fund for Bilateral Relations have been already spent.

The detailed description of the national Level MCS is prepared and currently it is under review by the Audit Authority. It is planned that the descriptions of the national level MCS will be submitted to FMO in the middle of May. The programme level MSC is under preparation.

Talking about the changes in NFP staff, it is worth to mention that in November 2018 the Head of the NFP changed.

## 2. POLITICAL, ECONOMIC AND SOCIAL CONTEXT

The **political situation in Lithuania has not changed significantly over the last one year**. The President of the Republic of Lithuania Dalia Grybauskaitė was re-elected in 2014 for the term of 5 years. The new presidential elections are foreseen in May 2019. The Parliament (Seimas) was elected in October 2016 for the term of 4 years. The Prime Minister (the head of the Government) was appointed in December 2016 by the President on approval of the Parliament to serve a term of 4 years. The elections of municipal councils and mayors were held in March 2019. The members of municipal councils and mayors were elected for a 4-year term.

As compared with 2017, the real **GDP** change stood at 3.6% in 2018. The largest positive influence on the GDP change in 2014–2018 was made by an increase in the value added generated by service sector and industry, GDP amounted to EUR 45.2 billion at current prices.

Growth in 2018 was supported by favourable international conditions, which boosted the Lithuanian exports as well as private investment with companies expanding their capacities to meet the increased demand, private consumption with rising wages and foreign direct investment, particularly in the IT and software industries. Macroeconomic indicators were generally positive with the **unemployment rate** dropping by 0.9% (as compared with 2017) to 6.2%. In 2018, **the average number of employees** in the country amounted to approximately 1 million 269 thousand, and as compared with 2017, increased by 8 thousand. More than two-thirds (70.7 %, or 897.5 thousand) worked in the private sector, while less than a third (29.3 %, or 371.1 thousand) – in the public sector (including the employees of public and municipal enterprises).

The Lithuanian economy pursued its growth in 2018, households consumption, in particular, was effected as Lithuania had a high **inflation** in 2018 (1.9%), **shrinking and ageing population** also contributed negatively to the economic activity. At the beginning of 2019, the resident population of Lithuania totalled 2 million 794 thousand, which is by 14.9 thousand, or 0.5 %, less than at the beginning of 2018. In 2018 the number of deaths exceeded the number of births by 11.6 thousand and the number of emigrants was higher than the number of immigrants by 3.3 thousand.

Nevertheless, it is worth to mention that last year, 32.2 thousand persons (resident population) **emigrated** from Lithuania, which is by 15.7 thousand (32.8 %) less than in 2017. The number of emigrants per 1000 population decreased from 16.9 (in 2017) to 11.5 (in 2018). The number of male **immigrants** exceeded the number of female immigrants: 20 thousand and 8.9 thousand, accordingly. Moreover, 16.6 thousand citizens of the Republic of Lithuania (57.4 % of the total number of immigrants) returned to Lithuania, which is by 6.4 thousand (1.6 times) more than in 2017.

**6 structural reforms of fundamental structural changes** were introduced in 2018 which will be continued in 2019. The reforms will be implemented in:

- education and science;
- health care;
- social insurance;
- innovation;
- reduction of the shadow economy;
- taxation.

The aforementioned reforms are expected to cope with such challenges as ageing society, insufficient productivity growth, growing shortage of skilled workers, etc.

At the end of June 2018, the Lithuanian Parliament voted and approved a new tax and pension reform package. It came into force in 2019. The **tax reform** includes the following measures: transfer of a share of employer's social insurance contributions to the employee, transfer of a share of social security contribution rate to PIT, reduction of rates of PIT and social security contribution, NTA increase, introduction of the progressive PIT, introduction of a maximum threshold for social insurance contributions ("ceilings"), improvement of the structure of the taxation system aimed at ensuring economic growth and optimisation of the tax base.

The **pension reform** includes the actions aimed at ensuring that the general pension component is financed from the State budget, restructuring the pension accumulation scheme and increasing the lowest pensions.

Other reforms are at their implementation stage and are planned to be implemented during the next 2 years.

The reform aimed at **combating shadow economy** will provide the incentives to pay taxes voluntarily and ensure a more effective tax collection.

The implementation of the **reform in the field of education** will involve the modernisation of content and the attainments system of the general education by providing the schools with modern aids. The application of measures aims at ensuring a school to be safe to everyone, life-long learning development, optimisation of the network of state universities and vocational training institutions, development of informal education by increasing the variety and accessibility thereof, as well as ensuring the quality and restructure of the financing system applied to education and science.

The **health care reform** will include the development of primary outpatient health care services and restructure of the system of patient registration, restructure of the infrastructure and customisation thereof to the needs of residents, development of incentives to ensure effectiveness, development of nursing services, measures aimed at reducing expenditure on medicines as well as the introduction of incentives to promote a healthy lifestyle, etc.

The **reform in the field of innovations** will include the restructure of the set-up innovations system, creation and uptake of the evidence based on a model for governing the innovations strategy, development of the innovation promotion system, creation and development of the system for attracting innovative investments.

### 3. EFFECTS OF THE GRANTS

As the programmes and projects under JCBF are at stage of preparation, harmonisation with FMO or just after approval, the effects of the grants cannot be measured yet.

### 4. STATUS OF PROGRAMMES

#### A. Programme "Research"

COMMON INFORMATION:	
Area(s) of support:	Research

<b>Responsible institutions:</b>	Programme Operator: Research Council of Lithuania Programme partner: The Ministry of Education Science and Sport of Lithuania
<b>Programme Grant:</b>	Total: EUR 10,000,000
	EEA Grants: EUR 10,000,000
	Norway Grants: EUR 0
<b>How specific concerns in the MoU have been addressed:</b>	All specific concerns in the MoU were addressed in the draft concept note: <ul style="list-style-type: none"> <li>• The Ministry of Education, Science and Sport of Lithuania shall be Programme Partner and shall be actively involved in and effectively contribute to the development and implementation of the programme.</li> <li>• At least 95% of the total allocation of the programme, excluding management costs, shall be set aside for the 'Baltic Research Programme', aiming at developing a regional research hub in the Baltic Region. Support for mobility of researchers shall be part of the programme.</li> </ul>
<b>STATUS OF THE PROGRAMME:</b>	
<b>The date of kick-off meeting:</b>	16 May 2018
<b>Other important meetings:</b>	1. Programme Committee meeting in Estonia (on 28 August 2018). 2. Stakeholders' consultation meeting (on 2 October 2018).
<b>Submission of the draft concept note:</b>	1. 27 November 2018 2. 13 February 2019
<b>Official submission of the draft concept note:</b>	Foreseen to be submitted in June 2019.
<b>Main comments received and status of these comments:</b>	Received comments from DPPs (DIKU and RCN) regarding the mobility part of the Baltic Research Programme and indicators. At the moment, these comments are under consideration in the Research Council of Lithuania and it is expected that they will be analysed and responded in April 2019.
<b>Approval of the concept note by Donors:</b>	-
<b>Preparation of the Programme agreement:</b>	-
<b>Planned first expenditure:</b>	2020
<b>Other relevant issues:</b>	-

**B. Programme "Business Development, Innovation and SMEs"**

<b>COMMON INFORMATION:</b>	
<b>Area(s) of support:</b>	<ul style="list-style-type: none"> <li>- Innovative technologies, processes and services</li> <li>- Sustainable business development</li> <li>- Greening of existing businesses and processes</li> <li>- Development and implementation of innovative products and services</li> </ul>
<b>Responsible institutions:</b>	<p><b>Programme Operator:</b> Agency for Science, Innovation and Technology (MITA).</p> <p><b>Donor Programme Partner(s):</b> Innovation Norway.</p> <p><b>Other Programme Partner(s):</b> Ministry of Economy and Innovation of the Republic of Lithuania.</p>
<b>Programme Grant:</b>	<p>Total: EUR 14,000,000</p> <hr/> <p>EEA Grants: EUR 0</p> <p>Norway Grants: EUR 14,000,000</p>
<b>How specific concerns in the MoU have been addressed:</b>	<p>All specific concerns in the MoU were addressed in the concept note:</p> <ul style="list-style-type: none"> <li>• Green industry innovation, including bio economy. Two additional focus areas can be agreed in the concept note phase.</li> <li>• The Ministry of Economy of the Republic of Lithuania shall be the Programme Partner and be actively involved in and effectively contribute to the development and implementation of the Programme.</li> </ul>
<b>STATUS OF THE PROGRAMME:</b>	
<b>The date of kick-off meeting:</b>	11 September 2018
<b>Other important meetings:</b>	<p>12 December 2018 - 1<sup>st</sup> cooperation meeting</p> <p>12 February 2019 - 2<sup>nd</sup> cooperation meeting</p>
<b>Submission of the draft concept note:</b>	12 October 2018
<b>Official submission of the draft concept note:</b>	1 March 2019

<b>Main comments received and status of these comments:</b>	Comments regarding a small grant scheme were discussed with FMO and addressed in the final version of the Concept Note.
<b>Approval of the concept note by Donors:</b>	19 March 2019
<b>Preparation of the Programme agreement:</b>	Under preparation. The programme agreement is expected to be signed in June 2019.
<b>Planned first expenditure:</b>	II Q of 2020
<b>Other relevant issues:</b>	<p>EUR 30,000 have already been used for the following bilateral indicatives: - on 26 September 2018 MITA organized the participation of the Lithuanian entities in the Unlimited Opportunities in a Circular Economy event which was a part of Oslo Innovation Week organized by Innovation Norway.</p> <p>On 19 March 2019 MITA organized the participation of the Lithuanian entities in the Green Industry Innovation, Digitalisation and ICT event (Oslo, Norway)</p>

### C. Programme "Environment, Energy, Climate Change"

<b>COMMON INFORMATION:</b>	
<b>Area(s) of support:</b>	<p>PA 11: Environment and Ecosystems:</p> <ul style="list-style-type: none"> <li>- Environmental monitoring and modelling;</li> <li>- Management and control of hazardous substances;</li> <li>- Compliance with environmental legislation.</li> </ul> <p>PA 12: Renewable Energy, Energy Efficiency, Energy Security:</p> <ul style="list-style-type: none"> <li>- Energy efficiency in production, distribution and/or end use;</li> <li>- Renewable energy production and/or distribution;</li> <li>- Recovery of energy from waste or hazardous waste;</li> <li>- Renewable energy policies in all relevant sectors.</li> </ul> <p>PA 13: Climate Change Mitigation and Adaptation:</p> <ul style="list-style-type: none"> <li>- Strategies, action plans and/or contingency plans;</li> <li>- Climate change-related extreme weather preparedness and risk management.</li> </ul> <p>PA 23: Disaster prevention and preparedness risk and vulnerability competence and capacity; Prevention and reduction of existing and new risks and vulnerability.</p>
<b>Responsible institutions:</b>	<p><b>Programme Operator:</b> Central Project Management Agency (CPMA).</p> <p><b>Donor Programme Partner(s):</b> N/A.</p>

	<b>Other Programme Partner(s):</b> Ministry of Environment of the Republic of Lithuania (MoEnv) Ministry of Energy of the Republic of Lithuania (MoEn) Ministry of the Interior of the Republic of Lithuania (Mol)
<b>Programme Grant:</b>	Total: EUR 12,000,000
	EEA grant: EUR 0  Norway Grant: EUR 12,000,000
<b>How specific concerns in the MoU have been addressed:</b>	All specific concerns in the MoU were addressed in the draft concept note: <ul style="list-style-type: none"> <li>• MoEnv, MoEn and Mol shall be the Programme Partners and shall be actively involved in and effectively contribute to the development and implementation of the programme. They shall, inter alia, be actively involved in policy issues and in facilitating bilateral cooperation.</li> <li>• The programme shall include, inter alia, the measures related to the decommissioning of the Ignalina Nuclear Power Plant and measures related to secure the waste management.</li> <li>• A pre-defined project on decommissioning of the Ignalina Nuclear Power Plant and related activities, with the Norwegian Radiation and Nuclear Safety Authority (DSA) as donor project partner, shall be explored in the concept note phase.</li> <li>• The possibility of establishment of an early warning system on nuclear safety of Lithuania, due to risks coming from nuclear power plants in the neighbouring countries, shall be explored in the concept note phase.</li> <li>• Measures related to other hazardous waste and/or marine management capacity building may be considered during the concept note phase.</li> </ul>
<b>STATUS OF THE PROGRAMME:</b>	
<b>The date of kick-off meeting:</b>	11 September 2018 – Programme Planning Meeting
<b>Other important meetings:</b>	27 November 2018 – Stakeholders’ Meeting 28 November 2018 – Programme Strategy Meeting
<b>Submission of the draft concept note:</b>	21 February 2019 – the first draft Concept Note 4 April 2019 – the second draft Concept Note
<b>Official submission of the draft concept note:</b>	May 2019
<b>Main comments received and status of these comments:</b>	Comments regarding the programme content, simplification of indicators were addressed in second draft of Concept Note.
<b>Approval of the concept note by Donors:</b>	-

<b>Preparation of the Programme agreement:</b>	-
<b>Planned first expenditure:</b>	II Q of 2020
<b>Other relevant issues:</b>	-

**D. Programme “Culture”**

<b>COMMON INFORMATION:</b>	
<b>Area(s) of support:</b>	PA 14. Cultural Entrepreneurship, Cultural Heritage and Cultural Cooperation
<b>Responsible institutions:</b>	<p><b>Programme Operator:</b> Central Project Management Agency (CPMA).</p> <p><b>Donor Programme Partner(s):</b> Norwegian Directorate for Cultural Heritage, Arts Council Norway</p> <p><b>Other Programme Partner(s):</b> Ministry of Culture of the Republic of Lithuania</p>
<b>Programme Grant:</b>	Total: EUR 7,000,000
	EEA Grants: EUR 7,000,000
	Norway Grants: EUR 0
<b>How specific concerns in the MoU have been addressed:</b>	<p>All specific concerns in the MoU were addressed in the concept note:</p> <p>The only pre-defined project of the programme will aim at stimulating the revitalization of local-level cultural heritage via consultations of heritage owners of heritage objects on the subject of maintenance of those objects.</p> <p>Two open calls planned in the programme shall focus on empowering local communities to carry out cultural activities hence ensuring social inclusion and anti-discrimination as well as cross-sector partnerships:</p> <ul style="list-style-type: none"> <li>• supporting creative place making;</li> <li>• promoting mobility of high-quality professional cultural and creative productions and services.</li> </ul>
<b>STATUS OF THE PROGRAMME:</b>	

<b>Official submission of the draft concept note:</b>	13 December 2018
<b>Approval of the concept note by Donors:</b>	8 January 2019
<b>Preparation of the Programme agreement:</b>	Under preparation, foreseen to be signed in May 2019.
<b>Planned first expenditure:</b>	III Q of 2019
<b>Other relevant issues:</b>	It should be mentioned that all activities planned under this programme had their investment feasibility checked. The socio-economic value generated by the planned interventions will cover the investment in the period of 15 years, which is an acceptable period in culture field.

#### **E. Programme "Health"**

<b>COMMON INFORMATION:</b>	
<b>Area(s) of support:</b>	<p>PA 6: European Public Health Challenges:</p> <ul style="list-style-type: none"> <li>- Reduction of social inequalities in health and the burden of diseases</li> <li>- Mental health, including mental disorders associated with alcohol and drug abuse</li> </ul> <p>PA 8: Children and Youth at Risk:</p> <ul style="list-style-type: none"> <li>- Child welfare and child protection systems</li> <li>- Prevention of early school-leaving</li> <li>- De-institutionalisation / alternatives to institutional care</li> </ul>
<b>Responsible institutions:</b>	<p><b>Programme Operator:</b> Central Project Management Agency (CPMA).</p> <p><b>Donor Programme Partner(s):</b> Norwegian Institute of Public Health</p> <p><b>Other Programme Partner(s):</b>  Ministry of Health of the Republic of Lithuania   Ministry of Social Security and Labour of the Republic of Lithuania</p>
<b>Programme Grant:</b>	<p>Total: EUR 15,000,000</p> <hr/> <p>EEA Grants: EUR 15,000,000</p> <p>Norway Grants: EUR 0</p>

<p><b>How specific concerns in the MoU have been addressed:</b></p>	<p>All specific concerns in the MoU were addressed in the concept note: The programme shall provide support for mental health promotion and prevention measures with particular emphasis on the well-being of children and youth as well as their families by promoting:</p> <ul style="list-style-type: none"> <li>• evidence-based activities by targeting and correcting children and youth behaviour problems;</li> <li>• consulting services for people experiencing emotional difficulties;</li> <li>• home visitation early intervention model;</li> <li>• youth-friendly health care services;</li> <li>• multi-dimensional family therapy;</li> <li>• etc.</li> </ul>
<p><b>STATUS OF THE PROGRAMME:</b></p>	
<p><b>Official submission of the draft concept note:</b></p>	<p>22 February 2019</p>
<p><b>Approval of the concept note by Donors:</b></p>	<p>6 March 2019</p>
<p><b>Preparation of the Programme agreement:</b></p>	<p>Under preparation, foreseen to be signed in May 2019.</p>
<p><b>Planned first expenditure:</b></p>	<p>III Q of 2019</p>
<p><b>Other relevant issues:</b></p>	<p>It should be mentioned that all activities planned under this programme had their investment feasibility checked. The socio-economic value generated by the majority of the planned interventions will cover the investment in the period of 5 years; the obvious exception are the measures targeted at young children, which have a high return on the investment, but it only manifests after a longer period of time, when the children reach adulthood.</p>

**F. Programme “Justice and Home Affairs”**

<p><b>COMMON INFORMATION:</b></p>	
<p><b>Area(s) of support:</b></p>	<p>PA 21: Effectiveness and Efficiency of the Judicial System, Strengthening of the Rule of Law:</p> <ul style="list-style-type: none"> <li>• Efficiency of the judiciary and quality of judicial decision-making</li> </ul>

	<ul style="list-style-type: none"> <li>• Access to justice, including for vulnerable groups</li> <li>• Promoting openness and cooperation between the judiciary and civil society as well as relevant public authorities</li> </ul> <p>PA 19: Correctional Services and Pre-trial Detention:</p> <ul style="list-style-type: none"> <li>• Correctional service systems and mechanisms</li> <li>• Support to prisoners, including their rehabilitation and preparation for release</li> <li>• Measures stimulating the beneficiary countries to meet international standards on correctional services and detention, including the Council of Europe’s European Prison Rules, recommendations of the Committee for the Prevention of Torture (CPT) and case law of the European Court of Human Rights</li> <li>• Education and training for prison and probation staff</li> </ul> <p>PA 20: International Police Cooperation and Combating Crime:</p> <ul style="list-style-type: none"> <li>• Cooperation between national and international law enforcement authorities, such as Europol, Interpol, and Frontex</li> <li>• Efficiency of cooperation between law enforcement authorities in fighting organised crime</li> <li>• The justice chain - cooperation and networking between justice institutions, including courts, prosecution services, police, and correctional services</li> <li>• Combating transnational crime, including cybercrime, trafficking in and smuggling of human beings and itinerant criminal groups</li> <li>• Combating hate crime and violent extremism</li> <li>• Effectiveness of the police system and its performance</li> </ul> <p>PA 22: Domestic and Gender-Based Violence:</p> <ul style="list-style-type: none"> <li>• Prevention of domestic and gender-based violence</li> <li>• Protection and support for victims of domestic and gender-based violence</li> <li>• Effective and integrated response systems including police, justice, health and service agencies</li> </ul> <p>PA 16: Good Governance, Accountable Institutions, Transparency:</p> <ul style="list-style-type: none"> <li>• Institutional capacity-building</li> <li>• Delivery, accessibility and quality of public services</li> <li>▪ Cooperation between government and civil society</li> </ul>
<p><b>Responsible institutions:</b></p>	<p><b>Programme Operator:</b> Central Project Management Agency (CPMA).  <b>Donor Programme Partner(s):</b></p>

	<p>Norwegian Ministry of Justice</p> <p>Directorate of Norwegian Correctional Service</p> <p>Norwegian Courts Administration</p> <p>National Police Directorate</p> <p><b>Other Programme Partner(s):</b>  Ministry of Justice of the Republic of Lithuania</p> <p>Ministry of the Interior of the Republic of Lithuania</p> <p>National Courts Administration of Lithuania)</p> <p>Prosecutor’s General Office of the Republic of Lithuania</p> <p>Council of Europe</p>
<p><b>Programme Grant:</b></p>	<p>Total: EUR 33,000,000</p> <hr/> <p>EEA Grants: EUR 8,000,000</p> <p>Norway Grants: EUR 25,000,000</p>
<p><b>How specific concerns in the MoU have been addressed:</b></p>	<p>All specific concerns in the MoU were addressed in the draft concept note:  In the field of correctional services the renovation of two correctional centres and the establishment of a training centre is planned, as well as the purchase of equipment for electronic monitoring needed for alternative sanctions to imprisonment;</p> <ul style="list-style-type: none"> <li>• In the field of effectiveness and efficiency of the judicial system and strengthening of the Rule of Law, the processes of prosecution and court systems will be enhanced in accordance with the European judicial culture;</li> <li>• Programme area “International Police Cooperation and Combating Crime” will focus on bilateral cooperation with the Norwegian Police Service in the field of fighting international crime; purchase and renewal of equipment necessary to effectively fight criminal organizations is also planned;</li> <li>• Programme area “Domestic and Gender-based Violence” will focus on changing the attitude of judicial system officers and general public towards the phenomenon of domestic violence; it is also planned to implement a risk-assessment and prevention system by using the best practice case from Norway.</li> </ul>

<b>STATUS OF THE PROGRAMME:</b>	
<b>The date of kick-off meeting:</b>	20 June 2018 – Stakeholder meeting
<b>Other important meetings:</b>	6 December, 25 April – Cooperation Committee meetings 5 February – drafting meeting with FMO
<b>Submission of the draft concept note:</b>	8 November – first draft of the Concept Note 25 January – second draft of the Concept Note 10 April – third draft of the Concept Note
<b>Official submission of the draft concept note:</b>	May 2019
<b>Main comments received and status of these comments:</b>	Comments regarding the Programme content, simplification of indicators were discussed during the drafting meeting and addressed in the third draft of the Concept Note.
<b>Approval of the concept note by Donors:</b>	-
<b>Preparation of the Programme agreement:</b>	-
<b>Planned first expenditure:</b>	II Q of 2020
<b>Other relevant issues:</b>	It should be mentioned that all activities planned in this programme had their investment feasibility checked. The socio-economic value generated by the planned interventions will cover the investment in the period of 5 years.

## 5. STATUS OF BILATERAL FUNDS

The Fund for Bilateral Relation (FBR) is available through the programmes and outside the programmes based on the decision of the JCBF:

**Status of the FBR in Programmes.** In Programmes the FBR is allocated by organizing open calls and based on pre-defined activities. The allocations set in the MoU are distributed by POs in cooperation with the Cooperation Committee (where applicable).

*Table No 1. Funds for Bilateral relations set in Programmes, EUR:*

Programme	EEA	NOR	2014-2021 EEA & NOR, Total	Spending by 19/03/2019
Research	100,000		100,000	12,180
Business development, Innovation and SMEs		125,000	125,000	6,171
Environment, Energy, Climate Change		75,000	75,000	-

Culture	100,000		100,000	10,212
Health	100,000		100,000	6,676
Justice and Home Affairs	5,000	125,000	200,000	36,087
<b>Total:</b>	<b>375,000</b>	<b>325,000</b>	<b>700,000</b>	<b>71,326</b>

**“Research”.** The FBR is used for the Baltic Research Programme to be implemented in cooperation between the Estonian and Latvian and Lithuanian researchers. 3 open calls are foreseen during this Programme: in 2018 in Estonia; in 2019 in Latvia, in 2020 in Lithuania. The FBR is used for the meetings and matchmaking events in the Baltic States. In 2018 the spending of FBR was used for the matchmaking event in Estonia. A total of 31 researchers from Lithuania participated in the launching event of the programme in Estonia in October 2018 with support from the programme bilateral fund. The upcoming bilateral activities in 2019 will take place in Latvia: the matchmaking event in parallel with an open call planned in autumn 2019.

**Programme “Business Development, Innovation and SMEs”.** The FBR in 2018 was used by the Lithuanian business entities for the participation in matchmaking events in Norway, for the establishment of bilateral relations, presentation of the goods and services and for the search of possibilities to implement the joint innovative projects. 6 Lithuanian companies participated in the circular economy event “Unlimited Circular Economy Opportunities” on 26 September 2018 organized by the Innovation Norway partners. Bilateral activities for 2019 are as follows:

- The open call (duration 13.02.2019–30.09.2019) for companies for matchmaking events or individual partner search visits to Norway to implement the joint projects under the Programme.
- The Green Industry Innovation and Information Technology Conference and B2B on 19 March 2019 to be organised together with the PP Innovation Norway.
- The Lithuanian Business Forum and B2B on 8 May 2019 to be organised together with the Norwegian-Lithuanian Chamber of Commerce.
- Circular economy event in September 2019 in Oslo (during the Innovation Week) to be organised together with the PP Innovation Norway.

**Programme “Environment, Energy, Climate Change”.** The programme is at the very initial stage and there were no allocations for it in 2018. Bilateral activities for 2019 are not approved, but in the framework of the programme VATESI (State Nuclear Power Safety Inspectorate) (potential project partner) plans a meeting with a potential partner from Norway to tailor a joint pre-defined project.

**Programme “Culture”.** The FBR was used for the organization of PO, PP and DPPs’ meeting and meetings related to the preparation of the Concept Note. Upcoming bilateral activities in 2019 are the following: a matchmaking event and an open call for partner search.

**Programme “Health”.** In 2018 the FBR was used by the PO for the organization of PPs and DPPs meetings and by the PP -the Ministry of Health - for the meetings with the PP Norwegian Institute of Public Health and the partner of the pre-defined project “Incredible Years” in Oslo in December 2018.

The upcoming bilateral activities of the Ministry of Health in 2019 are as follows:

- A bilateral meeting with the partner of the project “Incredible Years” (April, Bergen);
- Experience exchange meeting with the PP Norwegian Institute of Public Health and their invited experts on the Welfare Advisor Model (Oslo, May);
- A bilateral relation meeting with the PP Norwegian Institute of Public Health and experts on the Model Family Visit Provision for Early Intervention Services (Oslo);
- Experience exchange meeting with the PP Norwegian Institute of Public Health and experts on innovative tools and services to strengthen the health of young people and their well-being.

The upcoming bilateral activities of the PP the Ministry of Social Security and Labour in 2019 are related to the matchmaking event (the date depends on the approval of the Concept Note of the programme).

**Programme “Justice and Home Affairs”.** the FBR was used by the CPMA to compensate the partners meeting costs related to the preparation of the Concept Note of the programme; Joint activities in 2019:

- A working group meeting (formed by DPP);
- A meeting of The Police of Oslo with the the Police Department of Lithuania (a potential pre-defined bilateral project implementing entity) (on 19 March 2019 in Vilnius);
- A meeting of The Police Department of Lithuania with KRIPOS (National Criminal Investigation Service of Norway).

**The status of the FBR outside the programmes.** The year 2018 was intensive for the JCBF as seen in Table No 2.

*Table No 2. Activities of the JCBF in 2018–2019 (until 19 March 2019):*

Type of Activity	Date	Result
Pre-meeting of the JCBF	24.04.2018	major strategic themes for bilateral relations; the draft composition, role and functioning of the JCBF discussed
Establishment of the JCBF	28.04 2018	formal establishment (by Minister of Finance Order No 1K-231)
The 1 <sup>st</sup> official JCBF meeting	29.06.2018	<ul style="list-style-type: none"> <li>• The following major strategic topics were agreed by the JCBF: cyber security, cooperation between the Lithuanian and Norwegian municipalities in the field of culture, entrepreneurship, energy and environment, Norway know-how, civil society, equal opportunities, children’s rights and emigrants, spheres where Lithuania carries out structural reforms and crosscutting issues;</li> <li>• Approval of the composition, role and functioning of the JCBF.</li> </ul>
Submission of bilateral initiatives by stakeholders <sup>1</sup>	14.09.2018	<p>Stakeholders, the JCBF and NFP members suggested bilateral initiatives to be funded by FBR. After the submission of initial bilateral initiatives stakeholder consultations (by phone, meetings, etc.) took place since 14.09.2018 till the submission of the draft Work Plan to the JCBF, FMO (i. e. 18.09.2018). On 18.09.2018 a round of consultations was organized to all stakeholders who participated in the meeting organized by the Ministry of Finance.</p> <p>The priority was given to the initiatives that corresponded the priority areas of bilateral cooperation, i. e. areas stated in the earlier meetings of the JCBF, areas of structural reforms of Lithuania or areas of crosscutting issues.</p>
Meeting of the stakeholders organized by the Ministry of Finance	18.09.2018.	Introduction on potential bilateral relation areas, consultations on and refining bilateral relation initiatives with stakeholders.

<sup>1</sup> Stakeholders - POs, PPs, the Office of the President of the Republic of Lithuania, Office of the Government of the Republic of Lithuania, Ministry of Foreign Affairs of the Republic of Lithuania, Ministry of National Defence of the Republic of Lithuania, Ministry of Energy of the Republic of Lithuania, government-owned non-profit organization “Enterprise Lithuania”, enterprise Investment and Business Guarantees (INVEGA).

Submission of the draft Work Plan to the JCBF members, FMO	19.10.2018	11 major initiatives (pre-defined activities) were included in the draft Work Plan. The decision to include the initiatives in the draft Work Plan was based on consultations with programme managers (in order to avoid double financing or initiatives of similar nature that are already planned to be implemented via a particular programme); their correlation with strategic themes for bilateral relations designated during the meetings of the JCBF or their relation to the Lithuanian structural reforms and/or crosscutting issues.
The 2 <sup>nd</sup> meeting of the JCBF	20.11.2018	The draft Work Plan was introduced and discussed with the JCBF. The JCBF members' comments on the initiatives: the majority of projects/ initiatives involved too many partners. Some of the initiatives were foreseen to be implemented via the programmes (e.g. Health, Culture, Energy, Business Development Programme, etc.) or by using other sources of funding; in some cases the engagement of the Donor States' partners was weak. The draft Work Plan was not approved and the stakeholders were advised to revise their bilateral initiatives again.
The Work Plan approved by the JCBF (a written procedure)	26.02.2019	The Work Plan approved by the JCBF and FMO in consensus covers 9 initiatives amounting to EUR 310,355.00. The donor partners from Norway participate in 6 bilateral initiatives and in 3 bilateral initiatives – the donors from Iceland. The list of approved initiatives is indicated in Annex E to this report.

The distribution of funding/ allocations outside the Programme is indicated in Table No 3 below:

*Table No 3. Work Plan Allocations:*

Title	Budget, €
Activities carried out by the National Focal Point (NFP)	
Pre-defined activities ( <i>total budget for planned pre-defined activities</i> )	310,355.00
Funds for programmes	700,000.00
Funds still to be allocated for 2019–2021 period	240,978.33
Funds set aside for the 2022–2024 period:	551,333.33
Funds to be allocated to Programmes based on expression of interest	551,333.33
<b>TOTAL</b>	<b>2,354,000.00</b>

The main challenges related to the use of the FBR are related to the fact that the FBR is provided for the first time: the best practice sharing on administrating bilateral funds is not sufficient; a lack of clear procedures

for the selection of predefined initiatives; a clear demarcation line between the initiatives to be funded via the programmes or approved by the JCBF; a lack of training or joint events or networking platforms for sharing practices on the aforementioned issues between the countries, Donor States and FMO.

The major concerns of the JCBF members regarding bilateral initiatives and the adoption of the Work Plan:

- The majority of projects/ initiatives involved too many partners (risk of overhead costs);
- Some of the initiatives were foreseen to be implemented via the programmes (e.g. Health, Culture, Energy, Business Development Programme, etc.) or by using other sources of funding;
- In some cases the engagement of the Donor States' partners was weak. The entities should seek for a full engagement of partners.
- Bilateral relations could be built by using various forms of interaction: matchmaking events, technical cooperation, secondments and internships, workshops and seminars, study tours and visits, campaigns, exhibitions, etc.

The next plans for the JCBF activities will be agreed by the JCBF members later in 2019. It is agreed to have at least one meeting per year.

Taking into consideration the comments and recommendations of the JCBF and FMO, it is foreseen:

- To reconsider the pre-defined approach and selection process of the initiatives (how initiatives and projects are evaluated and selected and how their ranking in the Work Plan is determined)
- To enhance donor partners' participation in joint activities and lay down in the rules the requirements on partner involvement in bilateral initiatives;
- To involve deeper the JCBF members and donor representatives in the process of selection of bilateral initiatives;
- To consider the possibilities of organising open calls with the aim to expand the pool of tentative applicants of bilateral initiatives.

## **6. MANAGEMENT AND IMPLEMENTATION**

### **a. Management and control system<sup>2</sup>**

In order to improve the implementation of the Mechanisms, some changes in the national MCS have been made. The main of them are the following:

- 1) Programme operators are agencies (there were ministries in the past).
- 2) Part of the functions of the NFP (such as creation and development of the NORIS; performance of the Fund administrator functions of the FBR; preparation of the IFRs and FBs for the TA and FBR and submission to the CA) were delegated to the CPMA.
- 3) A separate Fund has been established for bilateral cooperation.

At national level, the grants under the Mechanisms will be administered/ implemented by the following bodies:

- AA (performed by the Internal Audit Division of the MoF);
- CA (performed by the Investment Expenditure Declaration Department of the MoF);
- IrA (performed by the Investment Expenditure Declaration Department of the MoF);
- NFP (performed by the Investment Department of the MoF);

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<sup>2</sup> Any element of the text under this chapter that refers to the description of the management and control system is subject to donor's acknowledgement of the system.

- PA (performed by the State Treasury Department of the MoF);

The Programme level of the MCS includes the following institutions:

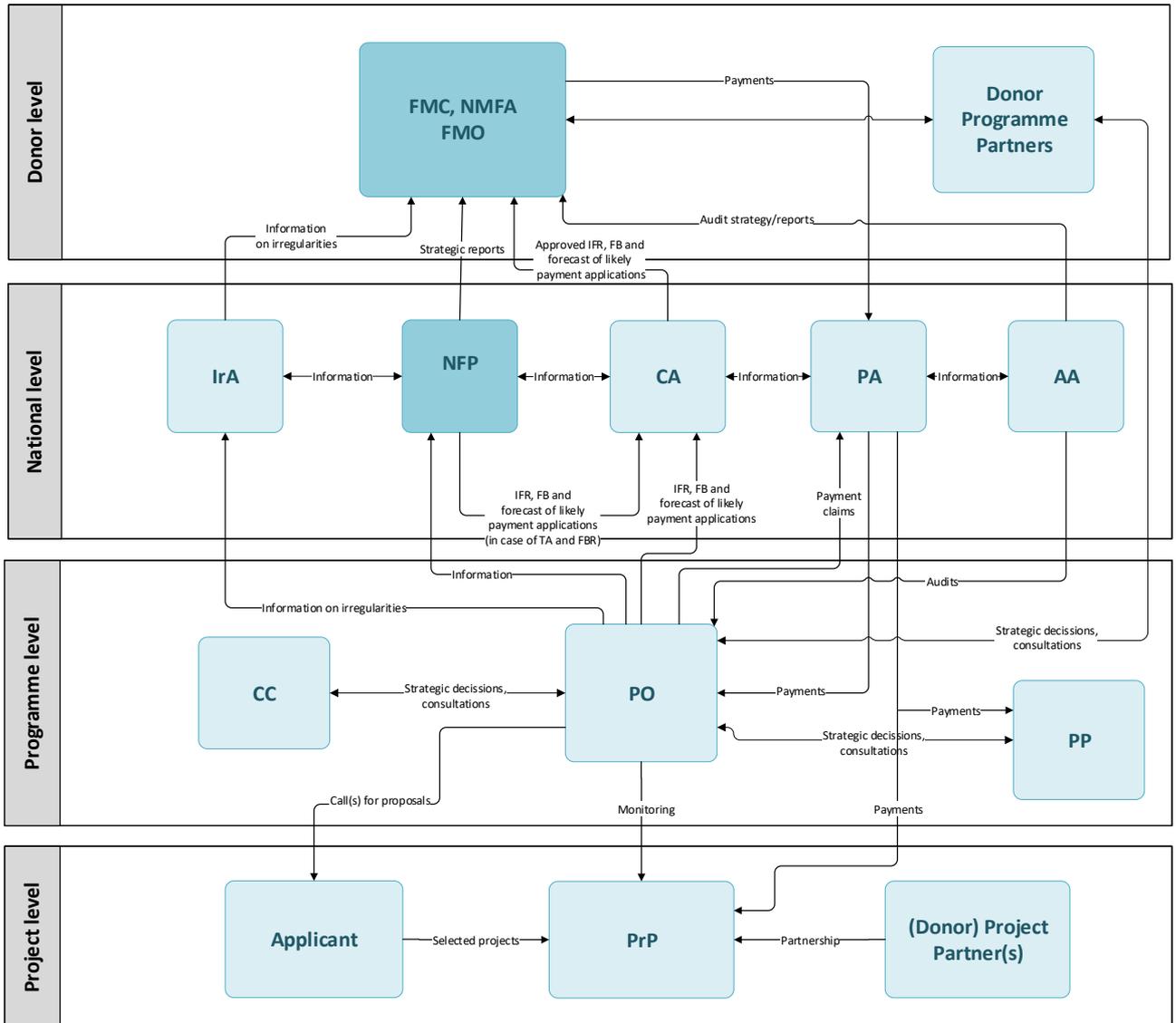
- PO (performed by the CPMA, MITA and RCL);
- PP (performed by the Ministry of Environment, Ministry of Energy, Collegiate Council of the Prosecutor's Office, Ministry of Culture, National Courts Administration, Ministry of Social Security and Labour, Ministry of Health, Ministry of Education, Science and Sports, Ministry of Justice, Ministry of the Economy and Innovation, Ministry of the Interior).

Duties, functions and responsibilities of the institutions involved in the MCS are explicitly established in the Description of the Functions of the Institutions Responsible for the Management and Control of the Mechanisms in Lithuania approved by Minister of Finance of the Republic of Lithuania Order No. 1K-389 of 12 November 2018.

Other important legal acts that were prepared during the reporting period are the following:

1. Description of the Functions of the Institutions Responsible for the Management and Control of the Mechanisms in Lithuania approved by Minister of Finance of the Republic of Lithuania Order No. 1K-389 of 12 November 2018.
2. Administration Rules of Fund for Bilateral Relations approved by Minister of Finance of the Republic of Lithuania Order No 1K-389 of 12 November 2018;
3. Rules for the Use of Technical Assistance Fund approved by Minister of Finance of the Republic of Lithuania Order No 1K-14 of 15 January 2019;
4. Rules for Administration and Financing of the EEA and Norwegian Financial Mechanisms for the Period 2014-2021 (still in process).

General Mechanisms management principle is shown in Scheme 1:



Scheme 1. General management principle of the Mechanisms

The process of the appointment of the Audit Authority took longer than it was expected, but all the risks were managed. By the NMFA letter dated 12 October 2018 it was agreed on the appointment of the Internal Audit Division of the Ministry of Finance to perform the functions of the Audit Authority. Following this agreement, in the end of the year 2018 the full legalization of the Audit Authority functions proceeded and the preparatory work for the performance of the Audit Authority activities was launched.

The final decision on the establishment of the Audit Authority was made at the end of 2018 and the Audit Authority under the Mechanisms 2014-2021 was legally established on 12 November 2018 (i.e. the Internal Audit Division of the Ministry of Finance was assigned to perform the functions of the Audit Authority following Section 5 of the Description of Functions of Authorities Responsible for the Management and Control of the EEA and the Norwegian Financial Mechanisms 2014–2021 in Lithuania approved by Minister of Finance Order No 1K-389 of 12 November 2018).

The detailed Description of the National Level MCS is prepared, but currently is under review by the Audit Authority. It is planned that the MCS will be approved in the middle of May.

Although the programme agreements are not signed yet, it should be mentioned that in order to start the implementation of the programmes faster, the programme level MSC is already under preparation.

**b. Complaints**

There were no complaints registered during the period from 19 March 2018 to 19 March 2019.

**c. Irregularities**

There were no irregularities detected during the period from 19 March 2018 to 19 March 2019.

**d. Audit**

At this moment, the Description of the National Level Management and Control System is under review by the Audit Authority. Other audits were not executed during the reporting period.

## **7. COMMUNICATION**

The informal joint communication working group was established in 2018. It consisted of the representatives of the NFP, POs and a representative from the Royal Norwegian Embassy. The main aspects of the strategy were decided to be followed by the EEA and Norway Grants slogan and overall objectives – all the programmes should contribute to at least one of the themes: Sustainability, Inclusion, Competitiveness or Good Governance. Also, all the programmes should cover the Bilateral Cooperation aspect. The meetings of this group attendees were organized until the end of October when the strategy was sent to FMO. After receipt of the FMO comments, the communication strategy was revised, renewed and sent to POs and PPs for review. Currently, the final version of the communication strategy is ready to be sent to the FMO for official review.

The meetings of the joint communication working group will be held during the entire period. It is planned to invite the programme partners to this group too. The main idea of the meetings would be to discuss the communication activities.

The meetings of this group will be held during the entire period. It is planned to invite the programme partners to this group too. The main idea of the meetings would be to discuss the communication activities. On 4 December 2018 the NFP and the Royal Norwegian Embassy in Lithuania organised the opening event of the 2014-2021 EEA and Norwegian Financial Mechanisms in Lithuania. The opening event highlighted the contribution of the EEA/ Norwegian Financial Mechanisms to the social and economic development of Lithuania and to strengthening of the bilateral relationship between Donor States and Lithuania. The event consisted of a conference dedicated to present to the public the programmes planned to be implemented in the 2014-2021 period of the EEA and Norwegian Financial Mechanisms.

In 2019 it is planned to create the TV or Internet series with characters who should introduce Lithuania to the EEA/ Norway Grants through humour and the demolition of myths. Those characters should be also used on our Facebook and Instagram profiles. Also, it is planned to bring a few journalists to Norway, that they would write some articles about much more advanced Norwegian social policy and what we could learn from it during our bilateral cooperation.

On 20 March 2019 the contract for the website was signed and during a few months it is planned to have already a new website for this new 2014-2021 period.

## **8. MONITORING AND EVALUATION**

### **a. Monitoring**

The implementation of the programmes has not started yet, therefore, monitoring activities were not carried out by the NFP during the reporting period.

### **b. Evaluation**

The implementation of the programmes has not started yet, therefore, no programme evaluation was carried out during the reporting period.

## **9. ISSUES FOR THE ANNUAL MEETING**

At the annual meeting the following important issues are foreseen to be discussed: bilateral cooperation, progress of preparation of programmes and the MCS issues.

Moreover, it is suggested to organise the technical meeting to clarify the issues related to the description of the MCS in order to facilitate its approval process.

## **10. ANNEXES TO THE STRATEGIC REPORT**

- A. Risk assessment and management plan
- B. Evaluation plan
- C. Cooperation with Donor Programme Partners and International Organisations
- D. Technical assistance report
- E. Bilateral Initiatives approved by the JCBF for 2019–2021