

## SUMMARY OF THE 2017 PROGRESS REPORT OF THE IMPLEMENTATION OF THE 2014–2020 OPERATIONAL PROGRAMME FOR THE EUROPEAN UNION FUNDS' INVESTMENTS

The EU countries implementing the European Union (hereinafter – the EU) operational programmes for investments each year must provide the European Commission (hereinafter – the EC) with the annual progress reports on the implementation of operational programmes. The reports review the progress made in implementation of the operational programme considering the achievement of key financial and physical indicators, changes in the context of the operational programme implementation, analyse the benefits of the results achieved to the public needs and to the national economic development.

**The annual report of the 2014-2020 Operational Programme for the European Union Funds' Investments** (hereinafter – the Operational Programme) submitted by Lithuania to the EC **covers the implementation of the Operational Programme over the course of 2017.**

### **Increasing investment intensity over the year 2017**

Over the year 2017 the amount of calls launched increased by EUR 1,561 million (23 %). This demonstrates that the EU investments are gaining momentum, and considering the amount of the calls launched, a rapid allocation of funds (contracts concluded) is projected for the implementation of projects in 2018.

In implementation of the Operational Programme till the end of 2017:

- EUR 2.90 billion (43 % from the EU Funds' assistance for Lithuania) has been allocated for the projects;
- EUR 1.24 billion of the EU Funds' assistance (19 % from the EU Funds' assistance for Lithuania) has been paid out.

As compared to the investments of the EU Funds' assistance among the EU Member States, Lithuania ranks 8 and exceeds the EU average.

*Over the year 2017 EUR 1,109 million was allocated for projects, and EUR 419 million was paid out to the projects.*

### **The progress achieved in implementation of the Operational Programme by sectors**

In 2017 the investments were made to **research and development** conducted by public and private legal persons in chemistry, mechanics, materials engineering, biotechnology and biomedicine, food technology, forest research, medicine, biophysics. The investments were also made to innovation and technology transfer centres, clusters and attraction of foreign investors in R&D.

**In the information technology sector**, in order to implement ICT tools enabling more effective use of available government ICT base and accumulated information resources, it is planned to implement the consolidation of government information resources. In 2017 a new generation Internet access infrastructure development investment project has been prepared to increase a share of households within the territory of the country covered by 30 Mbps and faster broadband Internet, also the financing has been allocated for centralised opening of the reuse of data managed by public authorities of Lithuania for business and public enabling to receive it without any prerequisites in a single point by one-stop-shops.

In 2017 the investments were made to entrepreneurship, internationalization, productivity enhancement and eco-innovation promotion projects of **small and medium-sized enterprises**.

**The energy sector** faced the implementation of activities for enhancement of the use of renewable energy resources and energy consumption effectiveness, the deployment of advanced technologies in electricity networks. The planning of funds in this sector was slow, thus, in order to solve this problem, the updated National Energy Independence Strategy was approved in 2018. Striving to increase the number of users producing energy for their own needs, the OP adjustment has been initiated by incorporating a new supported activity designated for promotion of the development of such devices.

The industrial energy audit, renewable energy incentives have also been implemented, the possibilities of partial compensation of interest in implementation of priority-related activities have been granted.

**In environmental protection and sustainable use of natural resources**, the investments have been made to the projects for supply of drinking water, wastewater (including surface water) collection and treatment, municipal waste collection and incineration, street cleaning machine purchase, landscape management and biodiversity conservation. After the approval of the action plan for the implementation of the 2017-2023 Waterways Development Programme, the implementation of flood risk management measures, measures of improvement of water bodies and the measures concerning the conservation and management aquatic resources has been launched. Also, the investments were made to the management of protected areas and environmental-recreational facilities as well as to the management of national parks; however the pace of the implementation of measures was not satisfactory, due to the shortage in human resources and a lack of competencies of project promoters and, due to delayed public procurement procedures.

**In the transport sector**, the investments have been made to the development of the TEN-T network, Vilnius City western bypass has been completed, 5 national road sections have been reconstructed. The reconstruction of Vilnius Airport runway and electrification of the railway line Kena–Naujoji Vilnia have been made. However, the implementation of the measures to support the revitalisation of the railway network is delayed. EUR 290 million of the EU assistance have been allocated for the measures for the renewal or upgrading of the TEN-T railway network, however, in the year 2017 any new contracts were not signed. Due to delayed public procurement procedures, the closure date for the project “Electrification of Vilnius Railway Junction” has been postponed to 2018, while the projects for electrification of the railway section Kaišiadorys–Radviliškis–Klaipėda are planned to be launched only in 2019.

**In the employment**, the focus has been given to integration of long-term, unskilled and older job-seekers to the labour market, implementation of the youth employment activities. The first three projects launched in 2015, whereby more than 50 thousand unemployed have been incorporated into active labour market policy measures, are under finalisation.

**In social security**, the major part of activities of transition from institutional care to services supplied in the family and community for children deprived of parental care has been launched: methodical documentation packages of new forms of community services are under development, pilot social services are supplied and etc. The activities designated for integration of people living in social exclusion to the labour market, integrated services to families, integral home care assistance and promotion of the social dialogue are further implemented.

**In health care**, the investments have been made to the activities designated for the improvement of health care of children and the disabled, quality of services in the areas of cerebrovascular and tuberculosis, the investments have been launched to the implementation of innovative technologies in health institutions which provide a specialised oncological help and to the development of radiation therapy services.

**In education**, integrated reforms in general education, vocational training and higher education are under implementation. The measures implemented are designated for the improvement of skills and competence of the employed by offering opportunities for foreign investors to invest to the training of employees.

The financing of projects for **improvements in the framework of public policy**, preparation for implementation of the reform of consolidation of general functions of public sector bodies subordinate to the Government, increasing access to information available by the government to the public has been launched. The financing has been allocated to the activities designated for the improvement of corruption prevention, management of the balancing of public and individual interests in public procurement as well as for the improvement of quality of services and/or personal service provided by public authorities. The implementation of the priority axis has been retarded by the review of the 2016–2018 action plan for the implementation of the strategic document, i.e. the 2012–2020 Public Management Improvement Programme approved in 2016, which was launched in 2017. The review was carried out in order to enhance investment efficiency, refuse investment fragmentation.

**In administration of the Operational Programme**, the major focus has been given to performance evaluation of institutions by strengthening the orientation towards the results and preparing for the implementation of LEAN methods. ICS staff competence training activities oriented towards the changes in management of sectors are also under implementation, i.e. by the help of training, the strive was made to achieve the breakthrough in separate OP objective areas.

**In information of the Operational Programme and assessment of its implementation**, the funding is provided for the implementation of communication campaigns carried out by the institutions of the EU Structural Funds' assistance administration system. In 2017 the institutions planned to carry out 58 communication campaigns and to perform 11 assessments.

### **Extensive use of financial instruments**

Financial instruments give the opportunity for the government to implement significant projects with limited public finances. Financial instruments are characterised by continuity and renovation, as, after lending or investment of funds designated for financial instruments, they reflow and are further used in pursuit of the same goals. Considering these reasons, **in 2017 the following two new financial instruments were created:**

- **Municipal Building Fund** designated for promotion of energy consumption efficiency enhancement by investing to modernisation of municipal public buildings.
- **Cultural Heritage Fund** designated for promotion of investments to objects of cultural heritage, their adaptation for different needs, increase of interest of the Lithuanian population in cultural heritage, improvement of the image of Lithuania as a country attractive for tourism in the Lithuanian and foreign markets.

*In implementation of the Operational Programme, total number of Funds established by the end of 2017 and currently operating in Lithuania is 8, of which – 5 Funds are in the area of energy efficiency, 2 Funds - in business financing and 1 Fund - in cultural heritage.*

## **More effective investment management and assurance of investment timeliness**

In order to ensure long-term effects on economic growth and job creation as well as considering the recommendations of the EU Council and international organisations for Lithuania, and after assessment of investments, on 29 May 2017 the Government of the Republic of Lithuania decided to reallocate the EU Funds' assistance for 2014–2020.

On 11 July 2017 the adjustment to the Operational Programme was approved at the Monitoring Committee and on 22 September 2017 it was submitted to the EC. The EC presented the comments on the submitted draft amendment to the Operational Programme, based on which the European Commission was provided with additional information and the renewed adjustment to the Operational Programme was approved at the meeting of the Monitoring Committee on 14 December 2017 and forwarded to the European Commission.

*The initiated reallocation of the EU Funds' assistance for 2014–2020 increases financing for promotion of competitiveness of small and medium-sized enterprises, energy efficiency, transport development and implementation of the Community-led Local Development Strategy, and decreases financing for promotion of information society, RES use, e-marketing and public administration.*

## **Project promoters welcome access to and quality of the information on investments**

After the survey of project promoters conducted at the end of 2017, it became obvious that the majority (81%) of project promoters has sufficient information on how to properly implement the projects financed from the EU investments. A share of project promoters well informed about project implementation over the recent years increased (from 77% to 81%), and project implementation knowledge was firmly embedded (the share of those who fully agree with the fact that the information about project implementation is sufficient from 2016 increased three-fold (from 9% to 27%).

*There is a noticeable trend that the number of project promoters with sufficient knowledge about the projects financed from the EU investments increases.*

## **Basic achievements by the end of 2017**

- The amount of attracted private investments corresponding to public aid (not subsidies) makes up EUR 12.6 million;
- 25.2 thousand households have been attributed to higher energy efficiency class;
- Heat is supplied more reliably to 93.6 thousand persons and the quality of supply improved;
- 87 tourism marketing tools have been implemented;
- Better water supply services are provided to 165.3 thousand residents;
- Improved wastewater treatment services are provided to 8.7 thousand residents;
- 191.72 km of roads have been reconstructed or renewed;
- 40.9 thousand sq. m of premises within the territories of cities and towns have been established or renovated.