

SUMMARY OF THE 2016 REPORT ON THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME FOR THE EUROPEAN UNION FUNDS' INVESTMENTS FOR 2014-2020

In the implementation of the Operational Programmes for the European Union (hereinafter referred to as the EU) Investments by 30 May each year the EU Member States must provide the European Commission with the annual reports on the implementation of the Operational Programmes. The reports submitted on an annual basis provide an overview of the progress in the implementation of the Operational Programmes taking into consideration the main achievements of financial and physical indicators, changes in the implementation circumstances, as well as an analysis of the benefits of the results achieved for the public needs and economic development of the country.

The Annual Report on the Operational Programme for the EU Funds' Investments for 2014-2020 (hereinafter referred to as the Operational Programme) submitted for the first time by Lithuania to the European Commission **covers the year 2016.**

People Feel the Benefits of the EU Investments

The representative survey of the Lithuanian population carried out in the 4th quarter of 2016 revealed that people observe changes created by the EU investments – **almost 90% of the population state that the EU investments contribute to the improvement of the quality of their life.** Even 8 out of 10 respondents state they have personally felt the benefits of the EU investments, i.e. they noticed or used the rehabilitated roads, a renovated school, a modernised health institution; they live in renovated multi-apartment houses, participate in EU training sessions, etc. As compared to the results of the survey carried out last year, the number of the population who personally felt the benefits of the EU investments increased by 10%.

Lithuania – among the Leading EU Members States

Lithuania is among the leading EU states by the investment of the EU Funds assistance in the 2014-2020 period: according to the data by the European Commission (hereinafter referred to as the EC), **Lithuania ranks second among the new EU countries** and fifth among all the Member States by the investment of the EU Funds assistance in this financing period – it demonstrates that the funds are invested at an accelerated pace and in a responsible manner. The EC recognised that the EU Funds Management and Control System functioning in Lithuania is in compliance with the requirements set for it in the EU regulations.

In 2016, for the first time in the period of the implementation of the Operational Programme for the EU Funds' Investments for 2014-2020 **the interim applications were submitted to the EC** with a request for the EU Funds assistance in the amount of **EUR 371 million (6%).**

In 2016, in all the ministries administering the EU Funds assistance of the 2014-2020 programming period **the projects were launched and the EU Funds assistance was invested.**

The number of the projects implemented/being implemented under the Operational Programme **exceeded 1.9 thousand**, and **the amount of EUR 1.7 billion**, i.e. **26% of the EU Funds Assistance** for the 2014-2020 programming period, was allocated for their financing.

The amount of **EUR 0.8 billion** of the EU Funds assistance was disbursed from the State budget to the project operators, out of which – **EUR 0.7 billion (11%)** of the EU Funds assistance was recognised as eligible to be declared to the EC.

In 2016, **the stage of the publication of calls for tenders and drawing up of the lists of State projects was the most accelerated one** – there were calls for tenders announced/lists of projects made for almost **EUR 1.8 billion**, i.e. **(27%)** of the EU Funds assistance.

During 2016, under the contracts concluded, **about EUR 1 million (15%)** of the EU Funds assistance was **allocated to projects.**

During 2016, the **amount of the EU Funds assistance** (EUR 493 million) **disbursed** for the implementation of projects **by almost 1.6 times exceeded the amount of the EU Funds assistance disbursed in 2015** (EUR 301 million).

After the expiry of the third year of the Operational Programme implementation, more than 40% of the EU Funds assistance is at the stages of funds disbursement, award of contracts, publication of calls for tenders and/or drawing up of the lists of projects, another share – at the investment planning stage. Therefore, in 2017, the main focus must be on the award of contracts, successful implementation of projects and disbursement of funds.

Lithuania – Proactive and Oriented towards the Quality of Projects

Lithuania, as a proactive country, aiming at reduction of the administrative burden and improvement of the quality of implementation of the activities takes active participation in creation of and/or amendment to the legal acts prepared by the EC. The proposals concerning simplification of implementing the financial instruments, regulation of the European Social Fund (hereinafter referred to as the ESF) after 2020, programming process, monitoring and operational review system, general monitoring indicators were submitted to the EC. These proposals received support from other EU countries.

In 2016, together with the European Investment Bank **the Risk Sharing Fund** was established, from which renovation of multi-apartment buildings will be financed. Also, **the Business Financing Fund** providing loans, portfolio guarantees, and risk capital investments was established. These financial instruments will facilitate access to financing to small and medium business and, thus, will promote business development and establishment of new enterprises. In the 2014-2020 programming period in Lithuania 6 Funds of Funds were established, out of which - 4 Funds in energy efficiency area and 2 Funds in business financing area. A total amount of more than EUR 600 million was allocated for the implementation of financial instruments, and it accounts for about 10% of the total EU Funds assistance under the Operational Programme.

In 2016, Lithuania was granted the “RegioStars 2016” award by the EC. The Initiative “Jonvabaliai” (“Fireflies”) by the Ministry of Finance and partners for promotion of transparency and responsibility was announced the winner in the category “Efficient Management”. The activities of the Initiative “Jonvabaliai” is based on a dialogue between the project operators and the public. The “RegioStars 2016” awards are given to the most inspiring and innovative projects.

Emerging Risks and Future Challenges

Despite that Lithuania by the pace of investments constantly remains among the leading Member States, the progress in the implementation of the Operational Programme is under constant analysis, great attention is given to timely establishment of possible risks regarding possible uneven investment of funds, and timely achievement of indicators.

Aiming at efficient implementation of the objectives set, there was a challenge concerning insufficiently purified national strategies in individual areas, such as health as well as education and science. Taking this into consideration, by the end of the reporting period great attention was given to formation of national strategies and preparation of strategic documents. Thus, it is expected to accelerate investments, ensure efficiency, continuity, and greater conformity of these investments with national needs.

In the field of education particular attention was paid to the approval of the Plan for Optimisation of the Network of the Lithuanian Public Higher Education Institutions. The aim of this Plan is to create presumptions for a high quality of education and studies, effective link between higher education and the needs of the public, state, business as well as international competitiveness of research and studies. In the reporting period the guidelines for the change in the Lithuanian science and innovation policy were also prepared and approved.

Whereas in field of health a review of strategic documents was carried out in order to harmonise the planned interventions with the relevant changes in the health system, due to this review financing of some

health areas by the EU funds is still planned, and investments in these areas have not started yet (e.g., financing of healthy ageing, adaptation of physical environment for persons with disabilities and addiction infrastructure, strategic decisions on soft activities oriented towards healthy lifestyle and healthy ageing, prevention of cancer diseases, promotion of cooperation are delayed, investments to the areas of circulatory system, injury and other external death reasons are not planned). Taking this into account, it is planned to amend the required legal acts so that the services funded by the EU funds were recognised as the services of general economic interest, and it would allow ensuring the conformity between the Republic of Lithuania Law on Competition and the requirements of the EU state aid rules.

In order to prepare for the future activity review by the EC in 2019, already at the end of 2016 the Ministry of Finance started a national review of the Operational Programme, during which the possibilities of achieving (financial and physical indicators) of each priority under the Operational Programme or its part by the end of 2018 and the relevance of the need for the EU investments are evaluated – having regard to the changes in a social and economic situation and the results achieved.

It is of great importance to channel the investments to those areas that would have **specific long-term benefits to the Lithuanian economy**, create innovative products with the high value added, and above all, would reduce social exclusion and would **address demographic challenges**.

Therefore, having assessed the emerging risks, in 2017, the Ministry of Finance plans to provide proposals for not only how to accelerate the investment of funds but also to ensure the quality of investments – in particular for those areas that meet the priorities by the Government and where there are high-quality projects prepared. The review of the investments will likely not only ensure an optimal rate of investment but will also have a positive impact on the national economic growth (consistent GDP growth, the risks of the excess deficit will be avoided).

In the reporting period a problem of the implementation speed of the Youth Employment Initiative was encountered. The implementation of these projects significantly slowed down due to the prolonged public procurement procedures. However, at the end of the year the main project activities were launched. Moreover, the funds saved enabled the inclusion of the new activities, such as motivation camps, consultations of labour law and IT specialists as well as of a psychologist.

Results Achieved

In the implementation of the projects by the end of 2016 the following significant results have been achieved:

- 135,032 additional residents were provided with the improved water supply services;
- 2,900 additional residents were provided with the improved wastewater treatment services;
- 16 enterprises performed the energy audit;
- 15,04 km of roads in the TEN-T network were reconstructed or rehabilitated;
- 660,28 m² of open spaces in urban areas were created or modernised;
- The ESF subsidies for partial reimbursement of contributions on wages and state social insurance were provided to 7,441 employees of social enterprises belonging to target groups.