

SUMMARY OF THE 2015 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 by 30 May, must provide the European Commission with the annual progress reports on the implementation of operational programmes. The annual 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 implementation, also analyse the benefits of the results achieved to the public needs and to the national economic development.

The first annual progress report of the 2014-2020 Operational Programme for the European Union Funds' Investments (hereinafter – the Operational Programme) submitted by Lithuania to the European Commission covers the period from the approval of the Operational Programme, i.e. 8 September 2014, to the end of 2015.

2014–2020 is the third fiscal period for Lithuania

The basic directions of the 2014–2020 EU investments in Lithuania – the promotion of innovations, R&D, business competitiveness, education, employment and poverty reduction, economic infrastructure, energy consumption efficiency.

During the period of 2014–2020, a great focus is given to the high added value-oriented economy. The funds are concentrated in such areas which may assure a long-term and sustainable economic growth and its competitiveness. About 10 % of the EU Funds' assistance are planned for the promotion of R&D and innovations, about 8 % – promotion of small and medium-sized business. It is expected that these investments will contribute to the improvement of conditions for attraction of local and foreign investments, enhance competitiveness of business and make presumptions for a more accelerated economic growth. The investments to energy efficiency and renewable energy are also very important, and it is planned to allocate for them 14.5 % of the 2014–2020 EU Funds' assistance. While 3.6 % of assistance are planned for the promotion of the information society. During this period, the investments from the European Social Fund are planned to be higher than the 2007–2013 investments – they are oriented towards education, capacity building of the population in the labour market, increase in human potential and reduction of social exclusion – total percentage planned for these areas represents 28.8 % of the 2014–2020 EU Funds' assistance.

Total amount planned under the Operational Programme for Lithuania makes up EUR 6.709 billion, of which EUR 3.501 billion from the European Regional Development Fund, EUR 2.049 billion from the Cohesion Fund, EUR 1.127 billion from the European Social Fund, and additional EUR 31.8 billion is planned under the Youth Employment Initiative.

Quality investments require careful preparation

Striving for the quality investment of the EU assistance, at the beginning of the period of 2014-2020 the major focus was given to the preparation of strategic documents, consistent investment planning, development of the management and control system, installation of simplifications and analysis of alternatives.

At the end of 2014, the Description of the State Project Selection Interim Procedure for 2014–2020 was approved, according to which the first strategic projects and projects satisfying all stand-by requirements in water management, roads and railways, employment enhancement and social inclusion were launched. The implementation of such projects as promotion of employment of long-term and unskilled unemployed people and people with disabilities, or reconstruction of the highway Kaunas-Zarasai-Daugpilis was launched.

Following the approval of the Operational Programme by the European Commission, the major focus was given to the implementation of ex ante conditionalities related to the preparation of basic strategies, and the preparation or review of other national strategic documents necessary for the start of the 2014–2020 EU Funds' investments. All ex ante conditionalities were finalised by 17 June 2015.

The most important EU Funds planning processes were completed during the reporting period. By the end of 2015 the institutions administering EU investments approved 231 measures of the Operational Programme and more than EUR 6.6 billion or 99 % of total EU Funds' assistance allocated to the entire Operational Programme has been allocated for the implementation of the measures. In respect of the approved measures, the institutions were actively involved in preparation and coordination of the descriptions of project finance arrangements, documents for call for applications, also approved the lists of state and regional projects planned for implementation. From the start of the implementation of the Operational Programme to the end of 2015 the amount of calls or lists of state and regional projects makes up EUR 919 million or 17 % of total EU Funds' assistance for the entire Operational Programme.

In order to ensure effective and transparent management of the EU Funds' investments, the management and control system is under development in Lithuania. In 2014 the national legal acts were drawn up which establish responsibilities and functions of the institutions within the management and control system involved in the implementation of the Operational Programme, as well as the administration and financing procedure of the Operational Programme, and in 2015 the assessment of compliance of the internal systems of institutions to the requirements specified in legal acts was conducted.

The progress achieved in implementation of the Operational Programme

By the end of 2015 the amount allocated for the implementation of projects made up EUR 558 million or 8 % of the EU Funds' assistance, and total value of the projects implemented amounted to more than EUR 909 million. Of which, most of the projects were launched in environmental protection, transport, social security, education and science, energy efficiency and business. During the reporting period, EUR 342 million or 5 % of total 2014–2020 EU Funds assistance have been paid for the investments made.

The following achievements during the reporting period should be mentioned:

- ✓ 439 companies received subsidies for productive investments;
- ✓ In investment to the employment enhancement, the number of the unemployed who participated in the activities was 8,170, of which 1,278 – long-term unemployed people, 2,426 persons older than 54 years of age;
- ✓ 1,608 households after renovation have been attributed to a higher energy consumption efficiency class;
- ✓ The increased level of entrepreneurship – the number of companies and natural persons doing business per 1,000 population increased up to 53.48 (Eurostat data for 2013);
- ✓ 44 % population use online public and administrative services;
- ✓ 64.13 % municipal waste is disposed of in landfills (Eurostat data for 2013);
- ✓ Water supply services available to 75.9 % population.

Particular attention was paid to the implementation of the Youth Employment Initiative

The Youth Employment Initiative (YEI) is a new EC initiative with specific requirements aimed at integration of young people not in employment, education and training to labour market.

The planning of the measure was completed by the end of the reporting period and two framework agreements for projects ensuring the implementation of YEI were signed in 2015, under which the Labour Exchange of Lithuania together with partners in the entire territory of Lithuania have to work with each youngster of the target group according to the individual plan drawn up considering his needs, education, current situation and plans for career.

From grants to financial instruments

In implementation of the Operational Programme, a great importance is given to the implementation of financial instruments, as a sustainable and effective method of the EU funds' investments. As compared to the previous fiscal period, in 2014–2020 a higher amount of funds is planned for financial instruments and a wider range of areas subject to financial instruments.

Four reflow funds were established by the end of 2015:

1. The Entrepreneurship Promotion Fund has been allocated EUR 24.5 million from the European Social Fund's assistance. The Fund will issue soft loans to start-ups under more favourable than the market conditions, especially to those facing difficulties in the labour market, or developing business;

2. The Jessica II Fund of funds has been allocated EUR 150 million from the European Regional Development Fund's assistance. The Fund will issue loans for renovation (modernisation) of multi-apartment buildings in order to enhance energy consumption efficiency;

3. The Housing Renovation Fund has been allocated EUR 74 million from the European Regional Development Fund's assistance, from which the loans will be issued for renovation (modernisation) of multi-apartment buildings in order to enhance energy consumption efficiency;

4. The Energy Efficiency Fund financed from the European Regional Development Fund has been allocated EUR 80 million. This Fund will issue guarantees for modernisation of street lighting in cities and towns, thus enhancing energy consumption efficiency, and loans for renovation of state-owned heated and/or cooled public buildings, thus enhancing energy consumption efficiency.

In order to establish the areas, for financing of which the financial instruments could be applied, many ex-ante evaluations were performed in business financing, energy efficiency, renovation of municipal public buildings, public infrastructure sectors. The ex-ante evaluation of the financial instruments of water treatment, cultural heritage, road infrastructure, public infrastructure sectors is on-going.

Key challenges

Experience shows that the EU assistance generate the largest value added in the areas, which are properly prepared for their investment (e.g. it is well known what type of change is endeavoured, necessary strategic documents are in place, the institution network optimisation reform is implemented and etc.). During the reporting period, the EU assistance was not so rapidly invested in the areas, where preparatory works were delayed, e.g. there was a need to create new intervention methods in order to promote a closer cooperation between science and business, to complete the implementation of significant reforms in the area of information society related to the consolidation of the public information and communication technology infrastructure and the implementation of the requirements for planning the establishment of advanced online services, also to define the most important trends of changes more oriented towards the stable mobility in transport area as well as to ensure the optimal education, health and social services network.

In planning specific projects, it is still important to ensure that the EU Funds' investments are directed not to "the construction of buildings", but to the enactment of already developed infrastructure and enhancement of human potential. In order to properly evaluate the need for investments and maintenance costs of the established infrastructure, public investment projects with the value of more than EUR 300 thousand are subject to a mandatory requirement to perform alternative analysis. In performing a thorough analysis, the impartiality should be ensured in selecting the investment projects with the highest value added and the most effective use of already developed infrastructure or assets and reduction of its maintenance burden on the budget should be encouraged.

A great importance is given to enhanced use of IT possibilities in administering projects (links with public registers / data bases, online submission of documents), also to a broader use of simplified cost options (by using fixed rates, fixed amounts or fixed standards). This enables the transition from the financial accounting document control to the performance review.