



*Annual Report on the Implementation of the
European Economic Area Financial Mechanism in
Lithuania
16 April 2008 – 15 April 2009*

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SUMMARY

According to Article 5 of the Memorandum of Understanding on the implementation of the European Economic Area Financial Mechanism 2004 - 2009 (hereinafter – the MoU) as well as Article 3.3 of the Reporting and Monitoring Guidelines, the Ministry of Finance, acting as National Focal Point (hereinafter – the NFP) for the implementation of the Norwegian Financial Mechanism in Lithuania together with the Central Project Management Agency (hereinafter – the CPMA), Implementing Body, prepared the *Annual Report on the Implementation of the European Economic Area Financial Mechanism in Lithuania* (hereinafter – the report).

The report reflects the implementation of the European Economic Area (further – EEA) Financial Mechanism during 16 April 2008 – 15 April 2009 and contains information with regard to the progress made towards the selection, approval and implementation of individual projects, the implementation of specific forms of grant assistance, as well as describes activities planned for the next reporting period.

During the reporting period the Grant Agreements for the remaining projects approved under the 1st open call for individual project proposals were signed. Applications submitted under the 2nd open call for individual projects have been selected and submitted to the FMO for appraisal, most of them were already approved by the donors. The preparatory works for the signing of Grant Agreements and Project Implementation Agreements of approved individual projects are underway.

Implementation of sub-projects under the *Seed Money Facility Fund* was completed. Open call for sub-project proposals under the *NGOs Fund* was executed, received applications were assessed and sub-projects to be financed were selected. The preparation for signing of the sub-project implementation agreements is underway. The report also presents the progress achieved towards the block grant *Strengthening Administrative and Public Service Capacities of Local and Regional Authorities and their Institutions* under which open call for sub-project proposals were executed and the evaluation of received applications is ongoing.

The report provides information on publicity activities undertaken, distribution of the grant among the priority sectors of the Financial Mechanisms, commitments made during the reporting period and other related issues.

Before submission to the Financial Mechanism Office and the donor states, the report was approved by the Monitoring Committee for the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism (further – the Monitoring committee) on 12 May 2009.

REVIEW OF THE IMPLEMENTATION STATUS

1. IMPLEMENTATION FRAMEWORK AND REGULATORY ENVIRONMENT OF THE EEA FINANCIAL MECHANISM

1.1. Legal Acts on Implementation of the EEA Financial Mechanism in Lithuania

During the reporting period the NFP and the CPMA were involved in preparation of new legal acts necessary for the implementation of the Financial Mechanisms and in revision of existing legal acts which were elaborated based on the experience gained.

New legal acts:

On 15 May 2008 Standard Project implementation agreement of the EEA and Norwegian Financial Mechanisms was approved by the Minister of Finance (Order of the Minister of Finance No. 1K-177).

The purpose was to approve a standard project implementation agreement for the individual projects financed under the EEA and Norwegian Financial Mechanisms. This standard agreement was used for signing project implementation agreements with project promoters.

On 30 April 2008 Rules of Disbursement from the special EEA and Norwegian Financial means programme implemented by the Ministry of Finance approved by the Minister of Finance (Order of the Minister of Finance No. 1K-169).

The Rules set the detailed procedures of disbursement of the funds of EEA and Norwegian financial mechanisms and co-financing from the special EEA and the Norwegian financial means programme implemented by the State Treasury via Ministry of Finance to the beneficiaries of individual projects, Intermediaries, providers of secretarial services, final beneficiaries of the block grants and to the Central Project Management Agency and the NFP. The Rules elaborate the Ministry's of Finance internal procedures related to payments and relations with the CPMA.

On 28 April 2008 Guidelines for Applicants for Common Support provided by the Republic of Lithuania as well as the EEA and the Norwegian Financial Mechanisms under the Second Open Call for Individual Projects approved by the Minister of Finance (Order of the Minister of Finance No. 1K-160).

The Guidelines set the requirements and conditions for the applicants intending to submit applications for the 2nd Open Call and provided the basic information on submission, assessment, selection of applications and other relevant information. The Guidelines were developed based on the guidelines for applicants of the 1st call with some adjustments which were made with regard to the experience gained: two stages of assessment, i.e. administrative compliance and eligibility assessment, were joined in order to speed up the process, also more significant role in the applications' assessment process was assigned to the line ministries (while providing their conclusion on the applications they could give up to 20 points for the application).

The amendments were made and approved for the following legal acts:

On 7 April 2009 Standard Project Implementation Agreement of EEA and Norwegian Financial Mechanisms amended by the Minister of Finance (Order of the Minister of Finance No. 1K-091).

The Standard Project Implementation Agreement was amended in order to reduce administration and bureaucratic burden and enable the project promoters to implement and administrate projects effectively: provisions on the insurance were amended to comply with

conditions laid down in the Grant Offer Letters; procedures for submission of payment claims and amendment of project implementation agreements were simplified according to the experience gained over time.

On 30 January 2009 Rules of Administration and Financing of Projects Supported under the European Economic Area and the Norwegian Financial Mechanisms amended by the Minister of Finance (Order of the Minister of Finance No. 1K-021).

The Rules were amended in order to clarify legal regulation of submission of disbursement requests and project implementation and irregularity reports. Also the planning of demand of necessary funds concerning implementation of projects supported by EEA and Norwegian Financial Mechanisms was changed in order to more clearly distinguish the Financial Mechanisms' grant and co-financing, as well as some efficiency-oriented adjustments were introduced to the procedures of disbursements, submission of project reports and project amendments.

On 19 November 2008 Rules of Administration of the European Economic Area and the Norwegian Financial Mechanisms in Lithuania amended by the Government of the Republic of Lithuania (Governmental Resolution No. 1177).

Amendments were made in order to specify in more detail definitions and functions of the NFP, the State Treasury and the CPMA, as well as of duties and responsibilities of project promoters.

On 4 July 2008 Rules of publicity for the European Economic Area and the Norwegian Financial Mechanisms amended by the Minister of Finance (Order of the Minister of Finance No. 1K-228).

There was a need to update the logos of the EEA and Norwegian Financial Mechanisms and to distinguish more clearly between the lists of publicity means for individual projects and block grants' sub-projects.

On 9 June 2008 Guidelines for Applicants for Common Support provided by the Republic of Lithuania as well the EEA and the Norwegian Financial Mechanisms under the Second Open Call for Individual Projects amended by the Minister of Finance (Order of the Minister of Finance No. 1K-204).

The Guidelines were amended in order to clarify the information regarding the required annexes of applications and correct some clerical errors.

Legal acts which are under the process of elaboration or revision and approval:

Rules of disbursement from the special EEA and Norwegian Financial means programme implemented by the Ministry of Finance (Order of the Minister of Finance No. 1K-169).

Possibility of advance payments for the CPMA as a partner of the Ministry of Finance in Technical Assistance project is planned to be introduced to allow smoother implementation of activities of the Technical assistance project.

Rules of procurement for Project promoters supported by the European Economic Area and the Norwegian Financial Mechanisms approved by the Minister of Finance (Order of the Minister of Finance No. 1K-189).

Some efficiency-oriented adjustments will be introduced and the Rules will be adapted to the changes made to the Law on Public Procurement of the Republic of Lithuania.

1.2. Compliance with Community Policy (state aid, environmental directives, public procurement)

Grant Offer Letters for 9 projects approved under the 1st open call and for 7 projects approved under the 2nd open call were received with the condition that NFP has to ensure the compliance with the rules related to state aid, including all substantive and procedural rules within the framework of state aid control and with a statement that the approval of the projects by donors does not imply positive assessment of such compliance. Thus by signing the Grant Agreements the NFP undertakes full responsibility to implement this obligation.

None of the applications selected under the 1st and 2nd open call for individual projects fell under the scope of the Environmental Impact Assessment Directive 85/337/EEC (amended by Directives 97/11EC and 2003/35/EC). Project LT0071 will contribute to the implementation of the Birds Directive 79/409/EC and Habitats Directive 92/43/EEC.

Tendering and procurements by the contracting authorities are implemented following the Law on Public Procurement of the Republic of Lithuania which has been harmonized with the respective EU legal acts. Non-contracting authorities execute their procurements according to the Rules of procurement for Project promoters supported by the European Economic Area and the Norwegian Financial Mechanisms approved by the Minister of Finance (Order of the Minister of Finance No. 1K-189).

2. PROGRESS MADE IN RESPECT OF OPEN CALL(S)

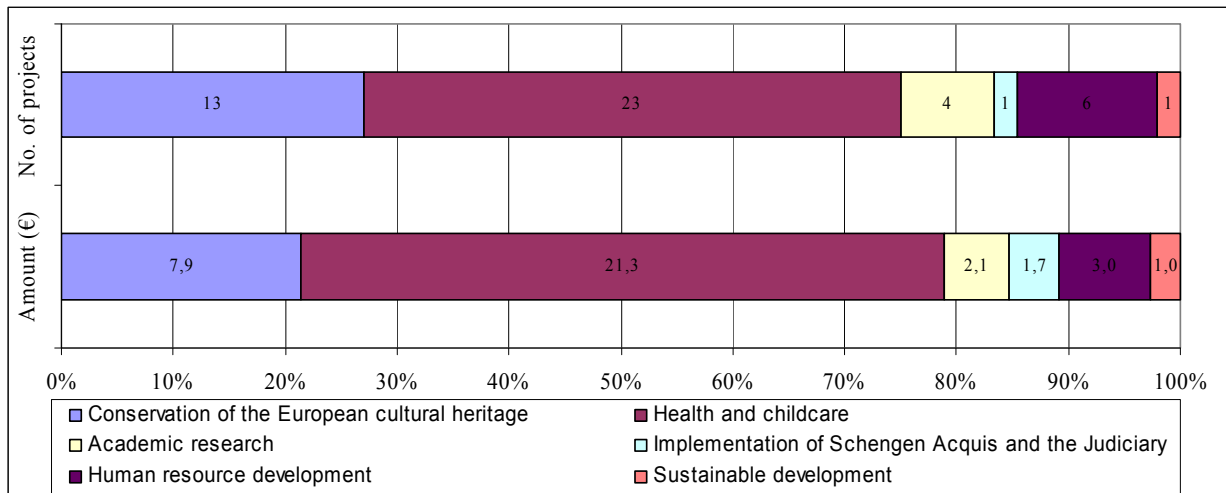
2.1. The 1st open call for individual projects

Evaluation in Lithuania of received applications was completed during the previous reporting period. Also by the start of this reporting period 38 Grant Offer Letters (GOLs) had been received and 13 Acceptance Letters had been submitted to the FMO. During this reporting period the GOLs for all the remaining 10 projects were received and Acceptance Letters to all of them were sent to the FMO. Two projects, namely LT0067 “Restoration of Deguciai St. Vincent Ferrero Parish as an object of the cultural heritage” and LT0068 “THEMIS: International cooperation against criminality in Europe”, were initially rejected, but later approved by the donors after resubmission of the revised versions. One application LT0037 “Culturally-led Regeneration of Higher Freda Manor House and its Immediate Surroundings” was withdrawn by the NFP as on 22 April 2008 the Monitoring Committee rejected it because it emerged that the applicant has withheld information that was essential while selecting the application and making a decision on financial support.

Starting with the middle of April 2008 during this reporting period the Grant Agreements for all 48 individual projects were received and signed by the NFP. The signing of the Grant Agreements for the projects involving the maintenance fund condition was delayed due to the need to harmonise the formulation of this specific condition between the NFP and the FMO. The final formulation of the maintenance fund condition that was agreed in the Annual Meeting on 30 May 2008 is as follows: the Focal Point shall ensure that the Project Promoter properly maintains the results of infrastructure investments of the project and makes appropriate resources available for the maintenance of these results. The specific means for implementation of this project post completion obligation shall be agreed upon between the Focal Point and the Project Promoter before signing Project Implementation Agreement.

The next important stage towards to the implementation of the 1st open call projects was signing of the Project Implementation Agreements between the NFP, the CPMA and the promoters. This process continued from 26th June 2008 until 5th February 2009. The final distribution of the individual projects among the priority sectors is shown in the Diagram No.1 below.

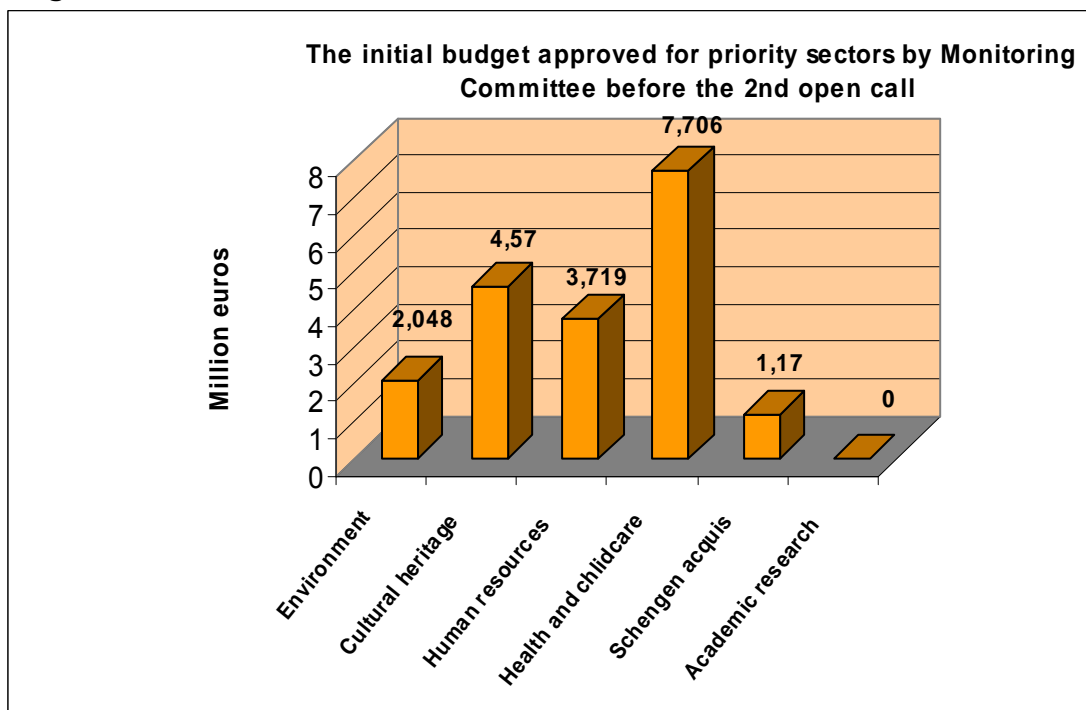
Diagram No.1 Distribution of the 1st call individual projects among the priority sectors



2.2. The 2nd open call for individual projects

The preliminary budget allocation for all priority sectors of the 2nd open call for the individual project was approved by the Monitoring Committee on 22 April 2008 (see Diagram No.). The largest part of the grant was foreseen for Health and childcare and Cultural heritage priority sectors.

Diagram No.2



The Guidelines for applicants were adopted on 28 April 2008 by the Order of the Minister of Finance No. 1K-160 (they were amended on 9 June 2008 in order to correct some clerical mistakes). The set detailed focus areas under each priority sector are provided in the Table No.1

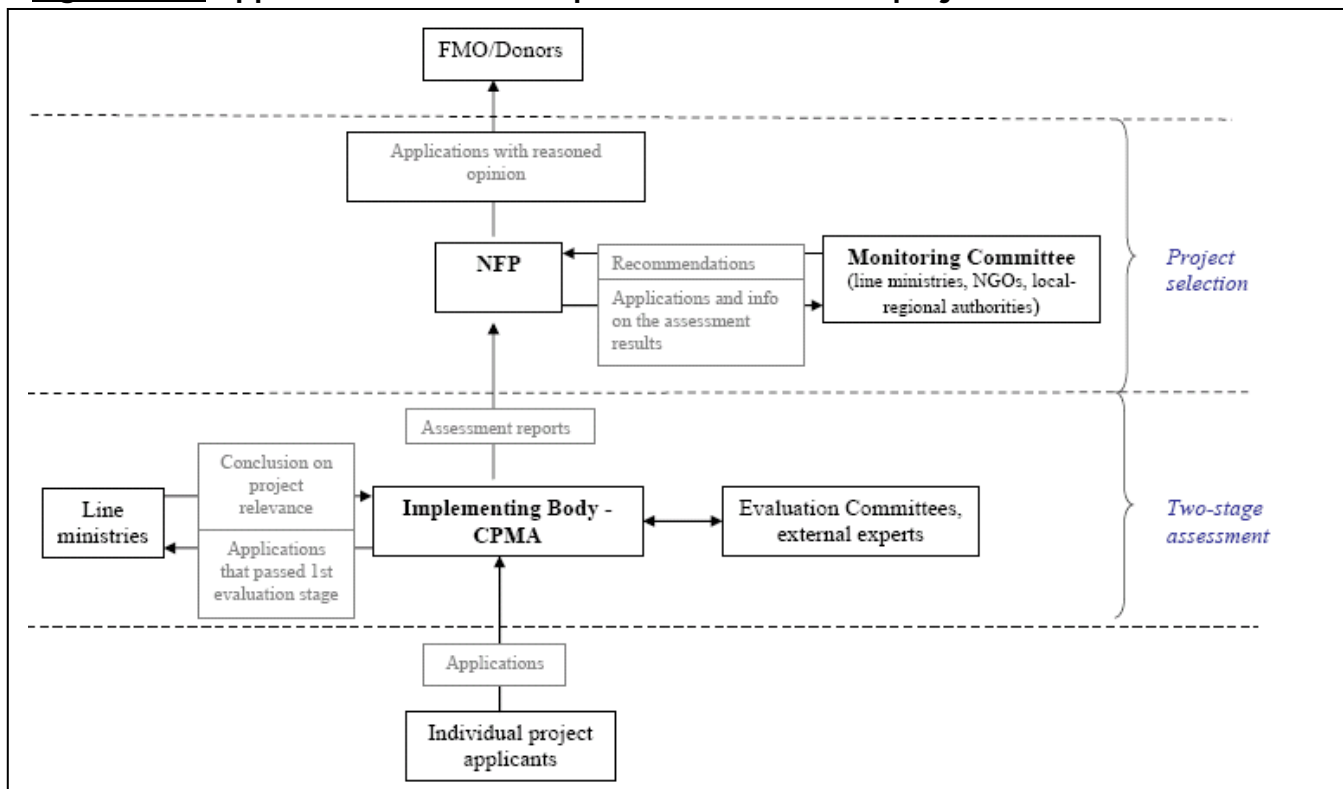
below. The 2nd open call for individual project proposals was launched on 6 May 2008. Deadline for submission of proposals was set for 1 August 2008. Taking into account the implementation schedule of Seed Money facility technical projects and feasibility studies as annexes of the applications which were prepared and financed under the Seed Money fund could be submitted by 1 September 2008.

Table No.1 Focus Areas for the 2nd open Call for Individual Projects

PRIORITY SECTOR	LITHUANIAN FOCUS AREA
1. Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	1.1. Creation and implementation of early-warning system of natural phenomena
	1.2. Strengthening the administrative capacities in the implementation of international conventions
	1.3. Strengthening co-operation between Lithuanian and Norwegian institutions in relation to the implementation of <i>Acquis</i>
2. Conservation of the European cultural heritage including public transport and urban renewal	2.1. Conservation and adaptation for the cultural and other public needs of cultural heritage buildings with emphasis of Lithuanian manor houses castles and monasteries
	2.2. Restoration and adaptation for the cultural and other needs of Lithuanian wooden architecture (historic villages, churches, etc.) , including revitalizing and teaching of Lithuanian traditional handicrafts (thatchery, carpentry, etc.)
3. Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	3.1. Development of the Lithuanian students, teachers, lectures, scientist and education managers exchange programmes with the EEA EFTA States
	3.2. Renovation of foster care homes for children and development of community services for the parentless children in the municipalities
4. Health and childcare	4.1. Improvement of access and quality of paediatric care (early diagnosis and treatment) and assurance of health services quality control
	4.2. Prevention and treatment of communicable diseases and improvement of epidemiological surveillance system
	4.3. Improvement of the prevention of suicides of childrens and adults
	4.4. Equipment and renovation of the sporting sites near the schools
	4.5. Prevention of sneering and violence at schools
5. Implementation of Schengen Acquis and the Judiciary (only under Norwegian Financial Mechanism)	5.1. Combating transnational organised crime, with emphasis on combating trafficking of human beings
6. Research	6.1. Research activities within all the eligible areas of the Financial Mechanisms

Appraisal and selection process of the 2nd call individual projects in Lithuania is shown in Figure No.1 below.

Figure No.1 Appraisal and selection process of individual projects in Lithuania



Explanation:

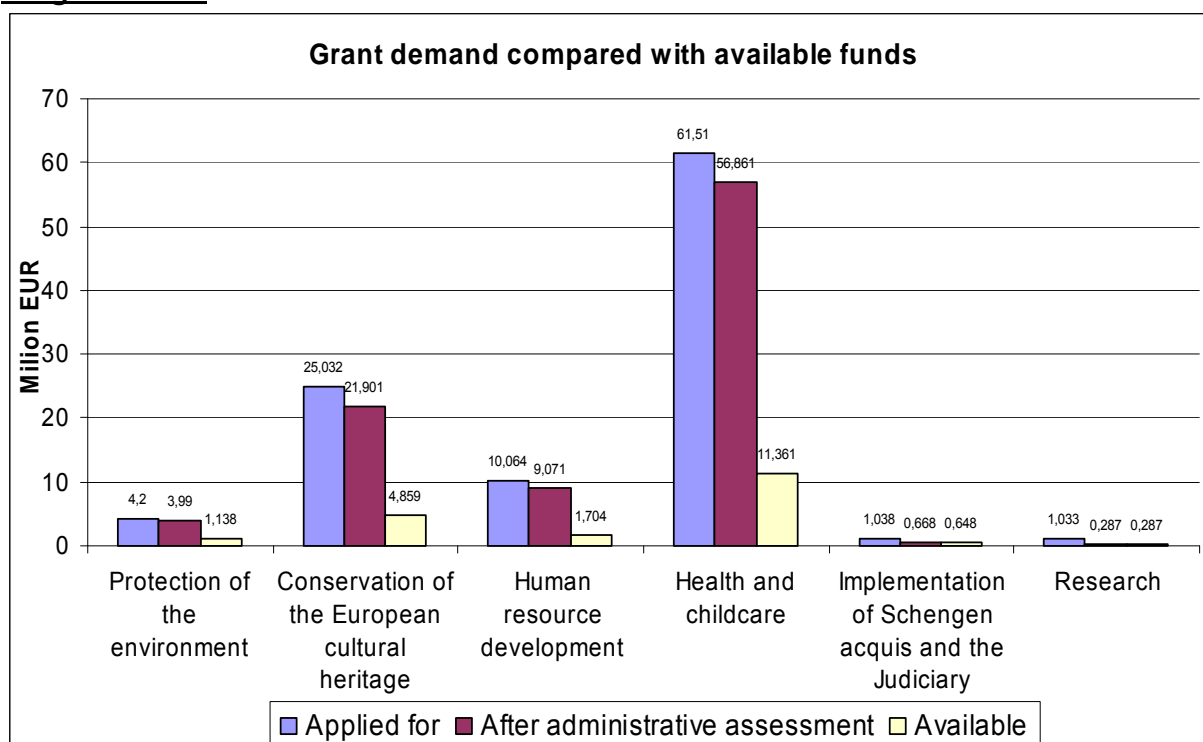
After registration of submitted applications, the CPMA performs a two-stage assessment of received projects: 1) administrative-eligibility assessment and 2) value for money assessment. First stage is carried out by the CPMA employees and value for money assessment is performed by evaluation committee (consisting of representatives of line ministries, contracted experts, social partners and the CPMA employees), who can give the applications up to 80 points. Up to 20 more points for each project's relevance could be given by line ministries.

If it appears that some information or documents are missing in the applications, or some facts are confusing, a project promoter upon written request has an opportunity to provide additional documents or clarifications on the application. However, it is not allowed to alter the essence of the project or gain any additional preference compared to other projects as a result of submission of additional information.

Upon completion of the assessment, the CPMA prepares the final assessment report and submits it to the NFP. Before making the final decision on which projects are to be submitted to the FMO, the NFP takes into account the conclusions of line ministries and consults with the Monitoring Committee.

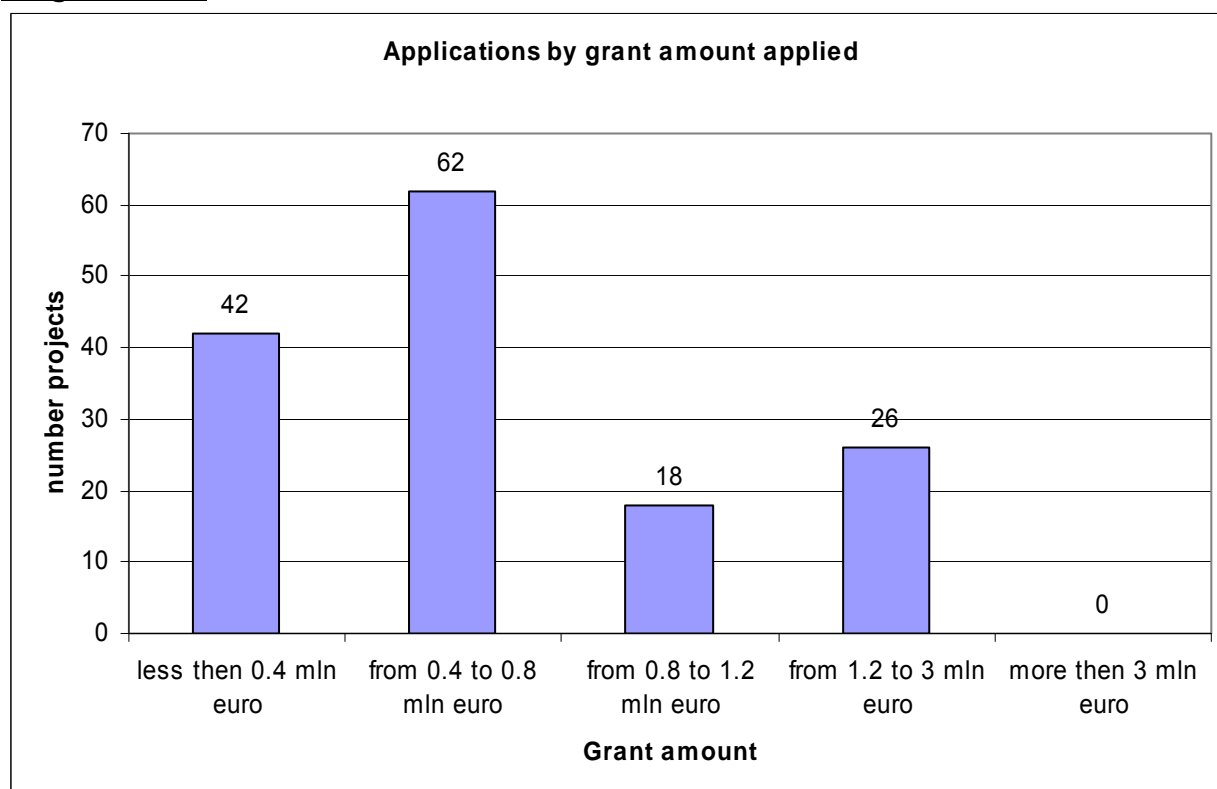
In total 148 applications were received. The report on the 1st evaluation stage (administrative-eligibility assessment) was approved by the Director of the CPMA on 19 September 2008. 19 of 148 received applications did not pass this evaluation stage.

Diagram No.3



As can be seen in the Diagram No.3 the grant amount applied for was much higher than the grant available in all priority sectors. The biggest demand was in the Health and Childcare sector, as it was planned by the Monitoring Committee in the initial budget for priority areas.

Diagram No.4.



Major part of projects applied for less than 800 thousand Euros (see Diagram No.4). Also average project budget including national co-financing did not exceed 800 thousand Euros. The biggest requested grant amounts were in Health and Childcare sector, most probably because this

particular sector involves the most expensive equipment and the largest scope of construction works.

After receiving the results of the eligibility assessment, the respective line ministries whose competence was related to the applications were requested to provide their opinion on the relevance of the projects and give up to 20 points for that. The procedures regarding the presentation of the opinion on the projects from the respective ministries started in September 2008 and were finished in October 2008.

In October 2008 the final stage of the evaluation, i.e. the value for money assessment, performed by the Evaluation Committee, was completed. Each of 129 applications was assessed at least by two members of the Evaluation Committee – by one representative from the relevant ministry and one external expert or an expert from the CPMA. The value for money assessment was performed by filling in the value for money assessment table, awarding the points for each assessment criteria and concluding whether the project is recommended for support. The maximum total score that might be given to a project was 80 (another 20 points for each project were given by line ministries). The average score given to a project was determined considering the assessment results of both evaluation committee members. If the assessment of two evaluators differed by more than 10 points and at least one of the evaluation committee members recommended to finance the project, the assessment of the third evaluator was required.

The Monitoring Committee after examining the assessment results of the applications, as well as taking into consideration the opinion of the relevant line ministries on 14 November 2008 and 12 and 30 December selected 36 applications that were proposed to be submitted to the FMO for further assessment. The Monitoring Committee approved two lists of applications:

1. The first list consisted of 32 applications with the total grant requested of EUR 19.997.298, and covered the planned budget of the 2nd call (the list of projects recommended for financing from the EEA Financial Mechanism is provided in Annex 3).
2. The second list consisted of 4 reserve applications with total applied grant of EUR 2.256.828 (please, see Annex 4).

After selection of the applications recommended for financing from the EEA and Norwegian Financial Mechanisms, the relevant applicants were asked to correct the applications according the recommendations of evaluators and line ministries. During December 2008 – January 2009 the corrected applications with the reasoned opinion prepared by the NFP were submitted to the FMO.

Further assessment of the applications was performed by the FMO. Applicants together with the CPMA and NFP had the chance to comment the Detailed Appraisal Reports (DARs) on each of the projects that were prepared by the external evaluators contracted by the FMO. Some applicants also received requests for additional information and the answers to the FMO were sent through the CPMA and NFP with their additional comments if applicable.

In February 2009 the NFP started receiving first Grant Offer Letters. By the cut-off date of this report total 29 Grant Offer Letters were received and 23 Acceptance Letters with the completed Project Implementation Plans were submitted to the FMO.

The main forthcoming task is to provide timely all the requested information to the FMO in order to approve all the remaining applications till the commitment deadline (30 April 2009) and finalize documentation for approved projects, in order to ensure smooth and fast signature of

respective Grant Agreements and Project Implementation Agreements. The actual start of the implementation of most of projects is planned in July 2009.

Comparing 2nd open call for the individual projects with the 1st one, the evaluation process (both national and donors') was completed faster as well all required terms were met. Compared to the 1st open call the number of RAI's (requests for addition information from FMO) was less. Also DARs indicated less needed amendments in the applications. As in the 1st open call the biggest grant demand was in Health and Childcare and Conservation of Cultural Heritage priority sectors.

3. PROGRESS MADE IN RESPECT OF INDIVIDUAL PROJECTS

3.1. Implementation of projects approved under the 1st open call

Considering the fact that the implementation of most individual projects began in July – August 2008, during the reporting period project promoters have started preparation works needed for the implementation of the activities – organizing of public procurement procedures for renovation, purchase of equipment, training of personnel, publicity, etc.

An important factor that influenced the implementation of the projects was the amendments introduced to the Public Procurement Law of the Republic of Lithuania that entered into force on 15th September 2008. Therefore, project promoters (contracting authorities) had to prepare and adopt new rules regulating their public procurement procedures for purchases not exceeding international threshold values. Due to the delayed organization of public tenders almost all projects face some delays compared to the schedules indicated in the PIPs. Although it is expected that most of the projects will later catch up with the initial schedules some of them may need the extensions of the implementation periods.

Another external factor worth mentioning is the rise of VAT rate in Lithuania from 18% to 19% since 1 January 2009. However, since the rise was not very high, it is expected that minor budget reallocations should be enough to solve this problem for most of the projects, especially keeping in mind that (re)construction prices tend to decrease recently and most of the projects might have savings in this area.

The 1st interim reporting period for 47 individual projects ended on 31 December 2008. The project promoters have submitted the Project Interim Reports (PIR) during January – February 2009 to the CPMA. Due to the generally poor quality of the PIRs and related payment claims most project promoters are asked to amend them therefore, by the cut-off date of this report only 6 PIRs were submitted to the FMO. The remaining PIRs will be confirmed and sent to the FMO after their amendment by the project promoters and after the payment claims related to the relevant reporting period are approved by the CPMA.

It is noticeable from the submitted PIRs that major part of the projects has not achieved the indicators foreseen in the project implementation plan (PIP) yet as these indicators are planned to be obtained in the later stages of projects implementation (like reconstruction of the building, renovation of premises, installation of equipment, etc.). However, some projects have already achieved most of the foreseen indicators. For example, the project promoter of the project LT0040 has purchased a part of the medical equipment, in the projects LT0041 and LT0056 the premises were renovated, in the project LT0026 the technical project for reconstruction was prepared, in the project LT0019 scientific research report was produced and patent application was submitted. Almost all projects have started the publicity activities (articles in the newspapers, press releases, conferences, notice boards, booklets and etc.).

More detailed information on the status of the individual projects approved under the EEA Financial Mechanism including financial progress is presented in Annex 5 of the report.

3.2. Implementation of projects approved under the 2nd open call

Although most of the projects were already approved by the donors by the cut-off date of this report, no Grant Agreements have been received yet. It is expected to start receive Grant Agreements in May 2009, after which Implementation Agreements will be signed. It is planned that implementation of most of the projects will start in July 2009.

One risk factor for the implementation of projects approved under the 2nd open call is the already mentioned rise of VAT rate in Lithuania. It is likely that most projects will successfully deal with this issue, however, the problem might be more acute for the healthcare projects because previously medical equipment was subject to a reduced VAT rate of 5%. Therefore the rise of VAT rate to 19% might cause significant problems (the problem is not so relevant for the projects of the 1st open call, as most of them managed to purchase most of the equipment by 1 January 2009). It is still expected that in most of the cases beneficiaries will have savings in other projects activities which can be reallocated to cover the rise of cost of medical equipment. If no inner project recourses will be found, the NFP will consider the possibility of allocating additional co-financing for this purpose.

4. PROGRESS MADE IN RESPECT OF FUNDS LISTED IN ANNEX C TO THE MEMORANDUM OF UNDERSTANDING

4.1. Seed Money Facility Fund

The implementation of sub-projects under the Seed Money Facility Fund started in March 2008 and proceeded during this reporting period. The signing of sub-project agreements was finalized in the beginning of April 2008. In total 35 sub-project implementation agreements were signed. Necessary standard document forms, such as interim and completion reports, payment requests were prepared and approved by the CPMA. The prepared forms were used by the project promoters during the sub-project implementation.

Sub-projects were implemented according to the schedule. Around 90% of procurements for feasibility studies / investment projects and (or) technical projects services were carried out until the end of June 2008. Therefore sub-project promoters were able to complete the preparation of feasibility studies / investment projects and (or) technical projects in by 1 September 2009.

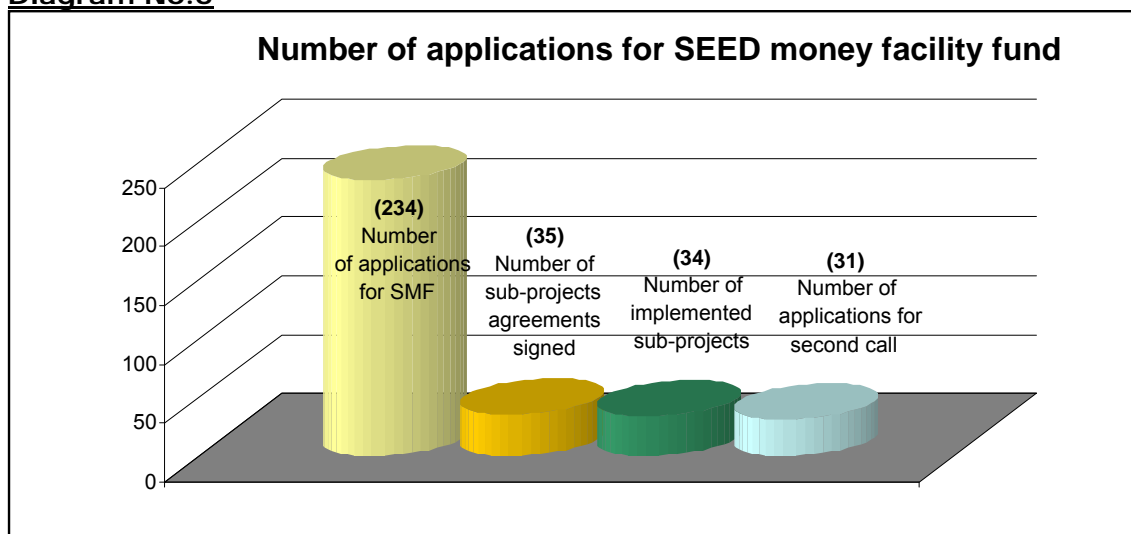
After the end of sub-project implementation verification of eligibility of expenses by external audit company was accomplished in January 2009 and final payment for sub-project promoters was done in February 2009.

In total 34 sub-projects were implemented as 1 sub-project was terminated, since the sub-project promoter was not able to implement the sub-project on time. The amount of 114196 EUR was de-committed from a Seed Money Facility Fund and transferred to the budget of the 2nd open call for individual projects.

Sub-project promoters prepared 29 feasibility studies / investment projects and 14 technical projects. 31 sub-project promoters used the prepared documents and applied for the 2nd open call

for individual projects, 13 of them successfully passed all evaluation stages and were recommended to be financed and forwarded to the donors.

Diagram No.5



4.2. NGOs Fund

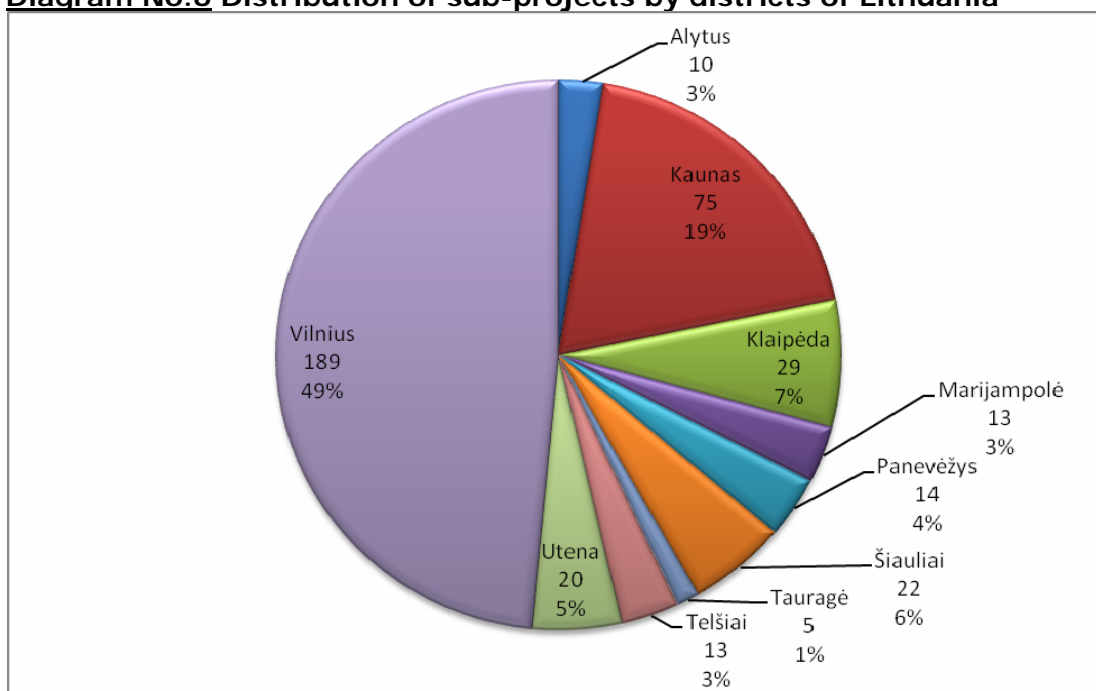
The open call for proposals of big and small sub-projects was launched on 15 March 2008 and 10 informational seminars for potential applicants were organised in the end of previous reporting period. In the beginning of this reporting period 10 training seminars for potential applicants on preparing the applications (10 training seminars were organized in 10 counties, with 509 participants through the whole seminar-cycle).

The open call ended on 15 May 2009. In total 390 applications were received (199 for small sub-projects and 191 for big sub-projects), requesting the grant of 22 million EUR. The amount of grant requested by small sub-project applications exceeded the planned allocations by 2,5 times, whereas the large sub-project applications – by 6,3 times. The total requested grant amount exceeded the available sum by 4,4 times.

Table No.2 Received applications by priority areas

Priority areas	Small sub-projects	Large sub-projects	Total
Environment protection and environment protection education	16	14	30
Bio-diversity protection	4	0	4
Coordination of cultural heritage and community development	13	15	28
Support to the stable regional/local development	29	30	59
Reduction of social disjunction in the society	28	24	52
Development of social services	14	18	32
Improvement of the role of science and education	19	17	36
Improvement of local and international cooperation, promotion of the establishment of coalitions and cooperation between the net of non-governmental organizations and governmental organizations at the European level	22	15	37
Protection of human/equal rights	6	8	14
Improvement of competences of non-governmental organizations	48	50	98
Total:	199	191	390

Diagram No.6 Distribution of sub-projects by districts of Lithuania



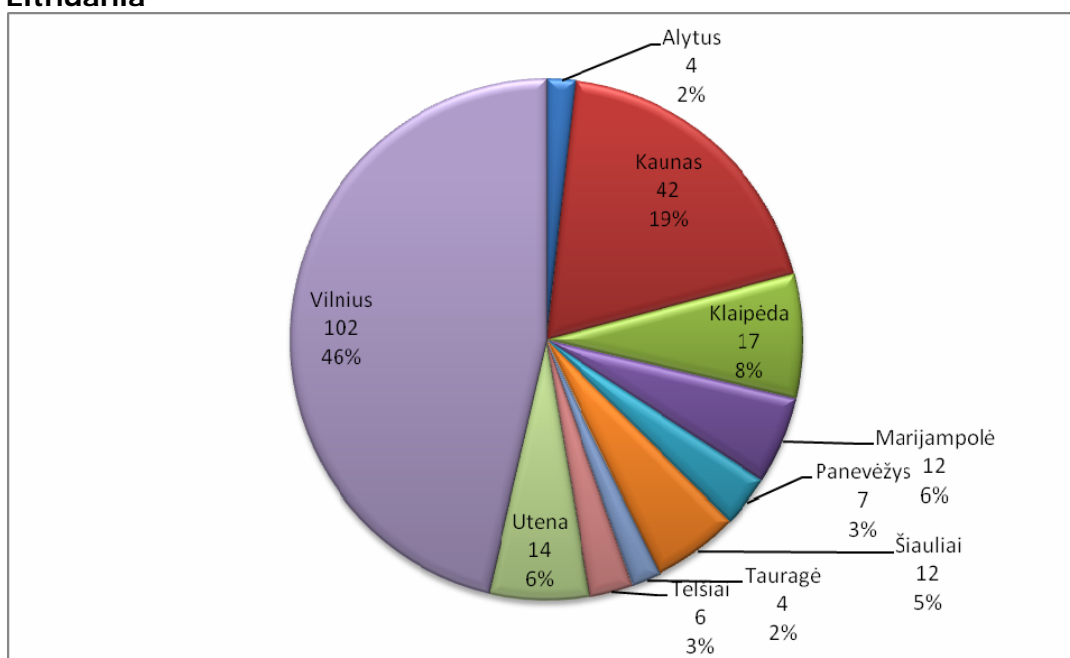
The administrative compliance and eligibility assessment was conducted by two employees of the secretariat in accordance with the strategy on the assessment of the administrative compliance and eligibility which was agreed with the Ministry of Finance. This stage was completed on 24 September 2008. During this stage 31 applications were rejected and 359 applications passed to the value-for-money assessment stage. Value-for-money assessment was conducted by the assessment commission consisting of 17 members – 13 external experts and 4 employees of the secretariat, and was completed on 26 November 2008. Each application was assessed by at least 2 evaluators. The third evaluator was assigned only when one evaluator recommended to finance a sub-project and the other did not recommend it, as well as in case of significant difference between the sums of points given to a sub-project.

The sub-project was considered to be appropriate for financing if it collected no less than 60 points (out of 100 possible). In total the evaluators recommended 220 sub-projects – 117 small sub-projects and 103 large sub-projects – for financing (the number of rejected sub-projects – 139). The grant requested by sub-projects appropriate for financing still significantly by 114% exceeded the available grant amount.

Table No.3 Sub-projects recommended for financing by priority areas

Spheres financed by the non-governmental organizations fund	Small sub-projects	Large sub-projects	Total
Environment protection and environment protection education	6	5	11
Bio-diversity protection	3	0	3
Coordination of cultural heritage and community development	6	10	16
Support to the stable regional/local development	13	6	19
Reduction of social disjuncture in the society	16	8	24
Development of social services	12	8	20
Improvement of the role of science and education	18	7	25
Improvement of local and international cooperation, promotion of the establishment of coalitions and cooperation between the net of non-governmental organizations and governmental organizations at the European level	18	5	23
Protection of human/equal rights	4	5	9
Improvement of competences of non-governmental organizations	43	27	70
Total:	117	103	220

Figure No.7 Distribution of sub-projects recommended for financing by districts of Lithuania



After the completion of the assessment of sub-projects, the report on the assessment of sub-projects applications was prepared and on 26 November 2008 submitted to the Ministry of Finance and the CPMA. During its meeting on 3 February 2009 the NGOs Fund Steering Committee approved the assessment report and lists of sub-projects recommended for financing. The sub-projects will be financed on the basis of their score-ranking in the list of small sub-projects and the list of big-sub-projects. The Fund suffices for financing of 74 small sub-projects and 30 big sub-projects, while the following sub-projects are considered as reserve sub-projects. Following the decision of last annual meeting with the donors on 30 May 2008 the Steering Committee also decided that all the available grant sum of the NGOs Fund will be distributed for the selected sub-projects through one open call. The Fund's financial allocations will be distributed in equal parts, i.e. 50% to large sub-projects and 50% to small sub-projects as was agreed during the Steering Committee meeting on 3 February 2009.

The standard sub-project implementation contract was approved by the order of the Minister of Finance on 20 April 2009. Preparation of implementation agreements for concrete sub-projects is underway. It is expected to sign them in the beginning of the next reporting period.

4.3. Strengthening Administrative and Public Service Capacities of Local and Regional Authorities and their Institutions (Capacities Strengthening Fund)

In May 2008 the public procurement procedures for the selection of the service provider of the secretariat functions were started. The contract between the Intermediary and the Secretariat was signed on 25 September 2008.

The Steering Committee was set up by the order of the Minister of the Interior on 27 October 2008. The Steering Committee consists of representatives from the Intermediary, the Focal Point, the Implementing Agency as well as representatives of regional and local authorities and Ministry of Foreign Affairs.

All the documents for the first open call for proposals were prepared by the secretariat; the Steering Committee approved the documents (guidelines for applicants, application form and

forms of its supplements, budget forms, evaluation grids, etc.) and conditions of the first open call on 16 December 2008. The guidelines for applicants were affirmed by the order of the Minister of the Interior on 24 December 2008 .

The first open call for proposals was launched on 8 January 2009 and lasted until 13 March 2009. After the announcement of open call the secretariat arranged 5 information seminars as well as 5 consultation events on submitting the applications for the potential applicants in different counties of Lithuania (the information and consultation events were carried for Capacities Strengthening Fund and Cooperation Fund together).

Table No.4 Dates and places of the information seminars for potential applicants

<i>Date of the event</i>	<i>Place</i>	<i>Number of Participants</i>
21 January 2009	Vilnius	97
27 January 2009	Kaunas	61
29 January 2009	Utena	27
30 January 2009	Klaipėda	45
6f February 2009	Šiauliai	43

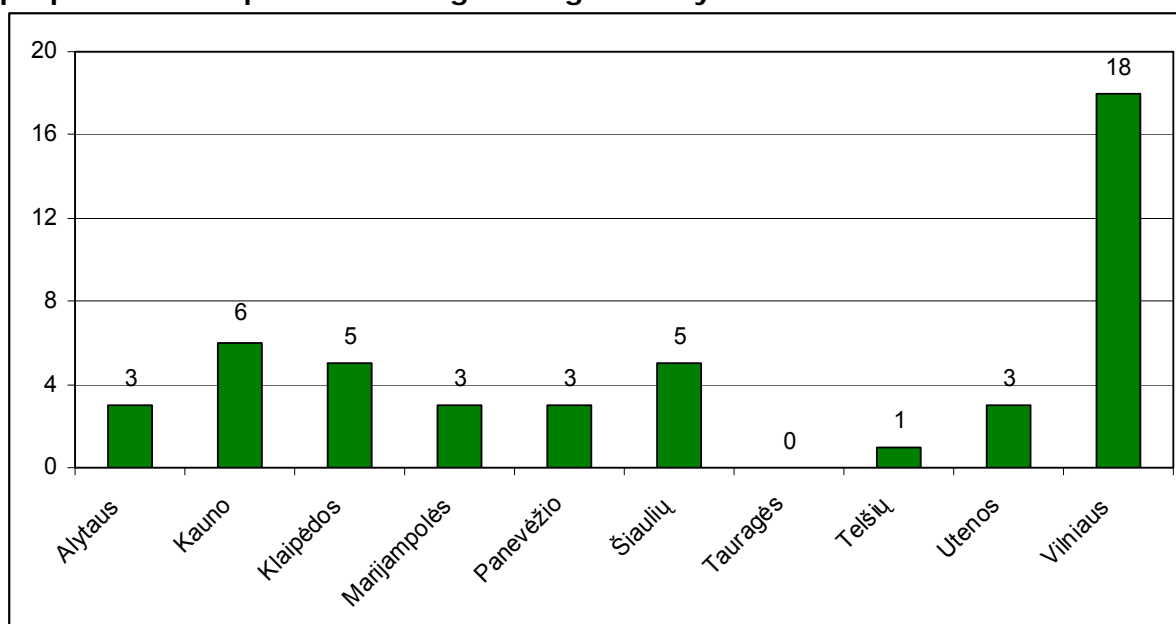
Table No.5 Information about the consultation events for potential applicants

<i>Date of the event</i>	<i>Place</i>	<i>Number of participants</i>
19 February 2009	Alytus	7
20 February 2009	Panevėžys	4
24 February 2009	Vilnius	26
26 February 2009	Kaunas	22
27 February 2009	Klaipėda	10

During the reporting period the following publicity activities were carried out: information announcements to the public, announcements about the first open call for proposals, development of the website, were all the documentation and news about the Capacities Strengthening Fund may be found.

47 applications were received and now they are going through the administrative compliance - eligibility assessment.

Diagram No.8 Distribution of the received applications under the 1st call for proposals for Capacities Strengthening Fund by counties



It is foreseen to finalize the administrative and eligibility assessment of applications by the mid of May and then start the value-for-money assessment. The Evaluation Committee will be established by the end of April 2009. The applications to be financed will be selected by the Steering Committee after the assessment will be carried out. It is foreseen to sign the implementation agreements with the beneficiaries by 1 September 2009. The contract template is almost at the final stage of harmonisation and will be approved by the order of the Minister of the Interior by 30 June 2009.

The second call for proposals will be announced by the mid of May 2009, which will last until mid of July 2009. The Steering Committee should approve the documents and conditions of the second call of proposals on 27 April 2009.

5. IMPLEMENTATION OF THE TECHNICAL ASSISTANCE PROJECT

During the reporting period the following activities of the Technical Assistance project were performed:

- Under Activity 1: Development of the Financial Mechanisms' Management and Control System:
 - Some additional staff for management and implementation of Financial Mechanisms were hired for the Ministry of Finance and the CPMA. At the end of the reporting period the total number of persons working for this purpose and being paid from the Technical Assistance funds were: 5 in NFP and 13 in the CPMA.
 - Independent project appraisal experts to assist the CPMA in appraisal of applications received under the 2nd open call for individual project proposals were contracted.
 - External audit company was contracted by the CPMA for the audit of Seed Money Facility fund.
 - Necessary translation and interpretation services were procured by the NFP.
 - In October 2008 the CPMA organised trainings for beneficiaries of projects selected under the 1st open call on the following topics: 1) public procurements; 2) payment requests; 3) project publicity activities. (90 participants attended).
 - In March 2009 the CPMA organised the introductory training for applicants of projects selected under the 2nd open call on the following topics: 1) signing of project implementation agreements; 2) preparation of Project Implementation Plans; 3) introduction to procurements while implementing the projects; 4) basics of the reporting structure. (51 participants attended).
- Strengthening of administrative capacities of the related staff:
 - Staff working with the Financial Mechanisms further strengthened their competence and administrative capacities by taking part in seminars on project management and implementation, reporting structure, etc.
- Raising public awareness of the Financial Mechanisms:
 - After announcement of the 2nd open call for individual project proposals, in June 2008 6 information seminars for potential applicants regarding the preparation of individual project and implementation were held in 6 different counties.
 - Services of creation and production of Financial Mechanisms' publicity materials (booklets, posters, calendars, etc.) were procured by the NFP.

6. INFORMATION AND PUBLICITY ACTIVITIES

6.1. General Measures

During the reporting period the information on the Norwegian Financial Mechanism was regularly updated on the web pages www.finmin.lt (www.eeagrants.lt) and www.cpva.lt, including publication of list of the signed implementation agreement, announced open calls and results of evaluation of received applications.

The website www.eefondai.lt for 3 Block Grants (NGOs Fund, Cooperation Fund and Capacities Strengthening Fund) was created, where all the relevant information on these Block Grants and all methodical material for applicants and final beneficiaries can be found.

6.2. Publicity Measures for Individual Projects

During the reporting period the 2nd open call for individual project proposals was announced on 6 May 2008. The announcement was published in the Official Gazette “Valstybės žinios”, the biggest Lithuanian daily newspaper “Lietuvos Rytas” and the websites of the NFP and the CPMA. Also all the methodical information for applicants was published on the websites of the NFP and the CPMA.

In June 2008 6 informational seminars for potential applicants of the 2nd open call regarding the preparation and implementation of individual projects were held in 6 counties of Lithuania:

1. on 13 June 2008 in Utena, 5 participants,
2. on 16 June 2008 in Šiauliai, 24 participants ,
3. on 17 June 2008 in Klaipėda, 22 participants,
4. on 18 June 2008 in Kaunas, 50 participants,
5. on 19 June 2008 in Alytus, 5 participants and
6. on 20 June 2008 in Vilnius, 64 participants.

Potential applicants were provided with the information on: Financial Mechanisms, requirements for the projects, eligible expenses of the project, practical advices concerning preparation of the application (filling of application and annexes), applications’ selection and assessment process.

After the end of the 2nd open call, the results of each stage of evaluation of applications were published on the websites of the NFP and the CPMA.

In addition, after signing of the implementation agreements of the projects selected under the 1st open call, the list of these agreements together with the summary information on the projects was announced on the website of the NFP.

6.3. Publicity Measures for NGOs Fund

The Internet website www.eefondai.lt (previous website www.nvoprojektai.lt was connected with this website in order to have the information for all Block Grants in one place – the previous address links to the new website now) announces all the information on the course of implementation of the Fund: (invitations to training/educational events, results of calls for proposals, interim results of assessment, minutes of the NGO Steering Committee meetings, other information at request).

Also information on the NGO Fund, first open call for proposals, informational and training seminars was distributed via electronic means to ngo@konferencijos.lt – a mailing list according to the NGOs data base.

10 training events for potential applicants on preparation of applications were organized in 10 different counties of Lithuania.

Informational brochure presenting the NGO Fund in Lithuania was prepared and distributed to the target group during the public events.

6.4. Publicity Measures for the Capacities Strengthening Fund

The first open call for sub-project proposals was announced on 8 January 2009. The announcement was published in the Official Gazette “Valstybės žinios”, a number of regional newspapers and on the websites of the Ministry of Interior, the secretariat, the CPMA and the NFP. All the relevant information and methodical material for applicants were published on the secretariat’s website www.eefondai.lt.

The secretariat also arranged 5 information seminars and 5 consultation events on submitting the applications for the potential applicants in 5 different counties of Lithuania: Vilnius, Kaunas, Utena, Klaipėda and Šiauliai.

7. ASSESSMENT OF THE DISTRIBUTION OF THE GRANTS OF THE EEA AND NORWEGIAN FINANCIAL MECHANISMS AMONG THE PRIORITY SECTORS

Under the both open calls for individual projects the highest amount of funds was allocated to the priority sectors of Health and Childcare and Conservation of the European Cultural Heritage. Health and Childcare sector is also distinctive by the largest number of focus areas indicated by Lithuania ranging from the reconstruction and equipment of the hospitals to the renovation of foster houses and school playgrounds, as well as development of informal education for children and youth. This explains why nearly 30 million EUR, i.e. over 40% of the total grant sum of the Financial Mechanisms, were allocated to this priority sector (exact numbers are still not known as there are still some projects awaiting the approval of the donors). It is worth mentioning that the benefit will be nationwide as some of the beneficiaries are country level hospitals providing healthcare services for patients from all over Lithuania.

Altogether health projects will significantly contribute to the implementation of numerous regional and national strategy documents related to health, cancer treatment and improvement of medical services provision which include such important documents as National strategy of public health for the period of 2006-2013, Lithuania’s Health Programme and Strategic Action Plan for 2008-2010 of the Ministry of Health. And childcare projects will help to achieve objectives determined in State Education Strategy 2003-2012, State Policy Strategy on Child’s Welfare and its Implementation Action Plan for 2005-2012.

The impact of the Financial Mechanisms on the Health and Childcare sector will be even larger if considering 5 approved academic research projects which are also closely related to health sector as they are mostly directed towards research on prevention and treatment of oncological diseases.

Also over 11 million EUR was committed for the sector of Conservation of the European Cultural Heritage. With the help of 23 projects 22 objects of Lithuanian cultural heritage (manor

houses, castles, mills, etc.) will be fully or partly renovated and adapted to the public needs by promoting their multifunctional use for tourism and various social, educational and cultural activities thereby contributing to the versatile regional development. The importance of the Financial Mechanisms' grant towards implementation of the Lithuanian cultural heritage preservation policy is especially significant keeping in mind that condition of most of these cultural heritage objects (especially wooden) is rapidly deteriorating and there are very limited alternative recourses available for their reconstruction.

Although financial contribution of the Financial Mechanisms to the other priority sectors is not as large as for the abovementioned two, the impact would still be beneficial. It will very tangible in the case of judiciary projects which will directly promote national actions according to the National action plan for the acceptance of Schengen acquis or the Programme for the prevention and control of trafficking in human beings. Also, one project approved under the sustainable development priority sector and two environmental projects will contribute to the implementation of the provisions of National Sustainable Development Strategy and State long-term development strategy. All projects under human resources sector and even those of other sectors but having training activities will have a considerable input while pursuing the goals of State Education Strategy for 2003-2012, Civil servants training strategy for 2007-2010, Lifelong learning assurance strategy.

8. ASSESSMENT OF THE IMPACT OF PROJECTS ON THE CROSS-CUTTING ISSUES

As the implementation of individual projects started only recently (an only of those approved under the 1st open call), the NFP cannot provide a comprehensive assessment of the tangible effects of projects on the cross-cutting issues.

However, it can already be stated that most of the projects will have a positive or at least neutral effect on the cross-cutting issues. It is likely that the impact on the *social dimension of the sustainable development* will be particularly visible in health and childcare sector's projects, as the improved quality of health services provided for the patients, increased accessibility to medical services, improved living and educational conditions for children, better possibilities to the children's integration into society, contribution to the reduction of social and economic exclusion in Lithuania constitute the main objectives of these projects.

Human recourses development projects will also contribute to social dimension of sustainable development through development of formal and informal lifelong education, strengthening of general and specific professional capacities.

The impact on the *economic aspect of sustainable development* probably will be the most pronounced in the cultural heritage sector. Restored cultural heritage objects will be adapted to public needs and will promote socio-cultural activities as well as stimulate tourism industry as well as create new work places and increase regional revenue without the negative impact on the environment. As these cultural heritage objects are located in different regions all over Lithuania, widespread regional development will be greatly promoted. The economic effect should be also indirectly promoted in the projects primarily targeted at social aspect, because their longterm results like better public health, better social integration will also have impact on higher participation rates in labour market and thus on the economic situation of the target groups.

None of individual projects financed from the EEA Financial Mechanism are directly related to the *environmental aspect of sustainable development*. However, all the projects will be implemented without negative impact on the environment (this is especially relevant to

(re)construction projects where project promoters are obligated to execute works and treat (re)construction waste in an environmentally friendly way).

Gender equality is applied as horizontal principle while implementing all the projects. No discrimination on the grounds of gender, race, religion, etc. is allowed while forming project management groups or hiring other project staff. Remuneration systems are also based only on the actual work functions and input for the project and cannot be biased towards gender or any other personal characteristics. All projects' results are also accessible to intended target groups not favouring any gender (although there are some objectively justifiable exceptions, i.e. projects targeted at healthcare services for women and not relevant for men like in cases of breast cancer, etc., or some NGOs Fund's sub-projects dedicated to improve the situation of women suffering violence in family), and where applicable and possible special access for disabled people is promoted.

A direct positive impact on *good governance* principle could be expected in the Capacities Strengthening Fund and Cooperation Fund as their direct objectives include strengthening of administrative capacities and exchange of good practices. All elements of good governance are applied horizontally while implementing all the projects. This means that all project procurements and accounting are executed according to relevant national legislation and following the principles of accountability and transparency. All projects have (will have) management teams and/or monitoring committees looking that the projects would be implemented effectively and efficiently. All the relevant project implementation procedures are regulated by the specific rules approved by the NFP and the Government which are regularly updated and modified based on the experience gained and seeking to even further improve efficient and smooth implementation of the Financial Mechanisms in Lithuania.

9. ASSESSMENT OF THE IMPACT OF PROJECTS ON THE BILATERAL RELATIONS

5 individual projects are implemented with the partners from Norway in line with the partnership agreements signed (4 of them are financed from the Norwegian financial Mechanism). During the reporting period the administration group of the project LT0031 had travelled to Flora Kommune in order to coordinate the forthcoming cooperation. While implementing the project LT0047 the representative from the Norwegian Water Research Institute together with partners from other countries had visited Coastal Research and Planning Institute of Klaipėda University. The other working visits, experience exchange, workshops will be organized in the next implementation stages of projects listed in the Table No.6.

Table No.6 Projects with partners from Norway

No.	Title of the project	Name of the applicant	Name of the partner
LT0031 (NOR FM)	Vijurkai children's care home reconstruction and staff education	Kelme Region Municipality Administration	Flora Municipality (Kingdom of Norway)
LT0047 (NOR FM)	A system for the sustainable management of Lithuanian marine resources using novel surveillance, modeling tools and an ecosystem approach	Klaipėda University	1.University of Oslo, Department of Physics 2. Norwegian Water Research Institute
LT0053 (NOR FM)	Development of Norwegian and other Scandinavian language studies in Vilnius University	Vilnius University	University of Oslo
LT0058 (EEA FM)	Intensification of competence of the National Centre of Pathology in the sphere of early diagnostics and prevention of cancer diseases	National Centre of Pathology	National Hospital of Oslo University
LT0068 (NOR FM)	Themis: International cooperation against criminality in Europe	Klaipėda Police School under the Ministry of Internal Affairs of the Republic of Lithuania	The National Police Directorate

There will be forms of bilateral relations other than formal partnerships while implementing the projects as well. Sharing of experience between Lithuanian and Norwegian institutions will definitely have a positive effect on strengthening of bilateral relations, for example organization of exchange trips and traineeships, know-how exchange, participation of the EFTA states experts in the seminars, conferences, workshops organized in the course of projects' implementation and etc. Sharing of experience between Lithuanian and Norwegian institutions (penitentiary, medical and cultural institutions) will definitely have a positive effect on strengthening of bilateral relations.

10. FINANCIAL PROGRESS PERTAINING TO COMMITMENTS AND DISBURSEMENTS

During the reporting period the following individual projects were approved by the Financial Mechanism Committee:

Table No.7

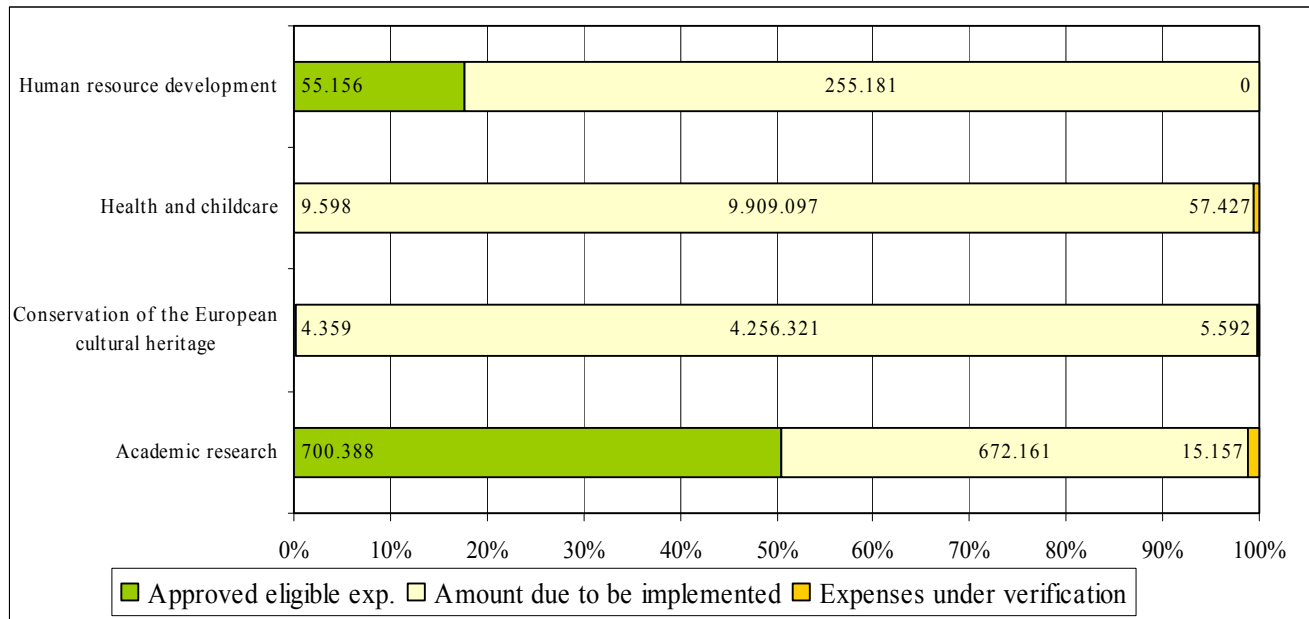
No.	Project title	Date of GOL	Grant (EUR)
LT0017	Youth format: knowledge and healthy lifestyle	2008.05.28	309785
LT0049	Development of adult education in municipalities to reduce social exclusion and regional disparities in Lithuania	2008.05.28	263786
LT0058	Intensification of competence of the National Centre of the Pathology in the sphere of early diagnostics and prevention of cancer diseases	2008.04.21	340000
LT0072	Preservation and sustainable use of the heritage of Pažaislis Camaldolese Monastery	2009.03.04	895903
LT0073	Conservation of Joniškis Red Synagogue and Its Adaptive Reuse for Public Needs	2009.03.16	406299

LT0074	Reconstruction of the Rebellion Museum of 1863	2009.03.03	529426
LT0075	Restoration of Liubavas Manor Watermill and its Adaptation to Cultural and Public Needs	2009.03.19	410006
LT0076	Restoration and application of Agluonėnai ethnographical homestead for public needs of cultural, educational and social activities	2009.03.17	334545
LT0078	Application of Wooden Nemajūnai St Peter and Paul	2009.03.17	847131
LT0093	Equipment and renovation of comprehensive school playgrounds in Akmene district	2009.03.18	963434*
LT0099	Reconstruction and equipment of sport fields in Alytus district municipality	2009.03.17	509051
LT0100	Modernisation of Pandėlys gymnasium sports playground, Rokiškis region	2009.03.17	407269
LT0102	Global sport virus in Druskininkai	2009.03.04	437445
LT0103	Equipment of athletic fields near schools of Ukmerge district	2009.03.17	815890
LT0112	National hereditary childhood cancer research platform	2009.04.07	287420

* The project is financed from both Financial Mechanisms

The level of the usage of funds of the individual projects financed from the EEA Financial Mechanism according to the priority sectors is demonstrated in the Diagram No.9 below (here and further disbursements levels indicate the amounts paid from the Lithuanian State Treasury and do not necessarily reflect the sums that were reimbursed from the Financial Mechanisms). More detailed information on the progress of each individual project is presented in the Annex 5 of the report.

Diagram No.9 Financial progress of the individual projects financed under the EEA Financial Mechanism, EUR



Financial progress of the specific forms of grant assistance listed in Annex C to the Memorandum of Understanding is illustrated in the Diagrams No.10 and11 below.

Diagram No.10

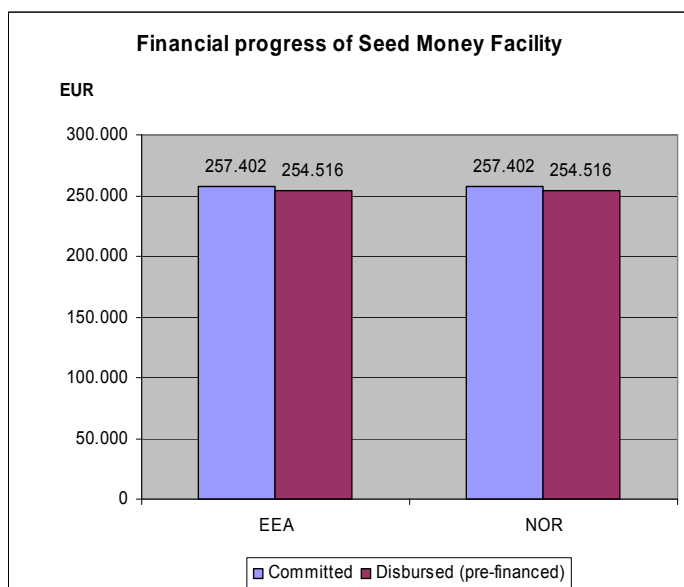
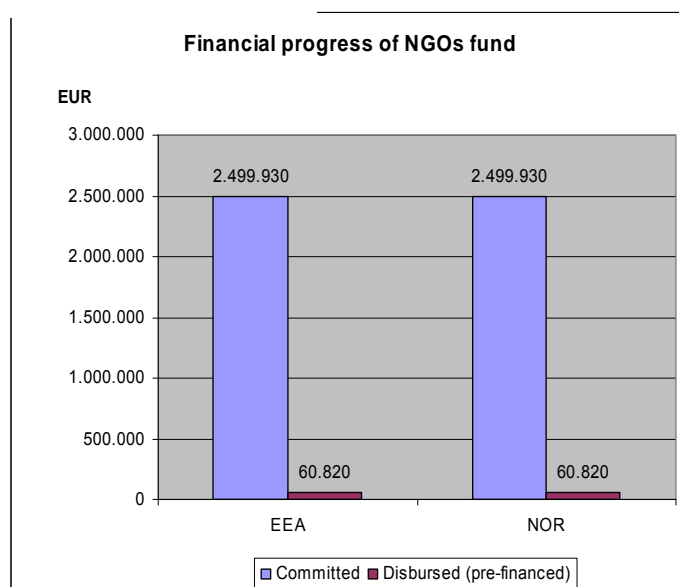
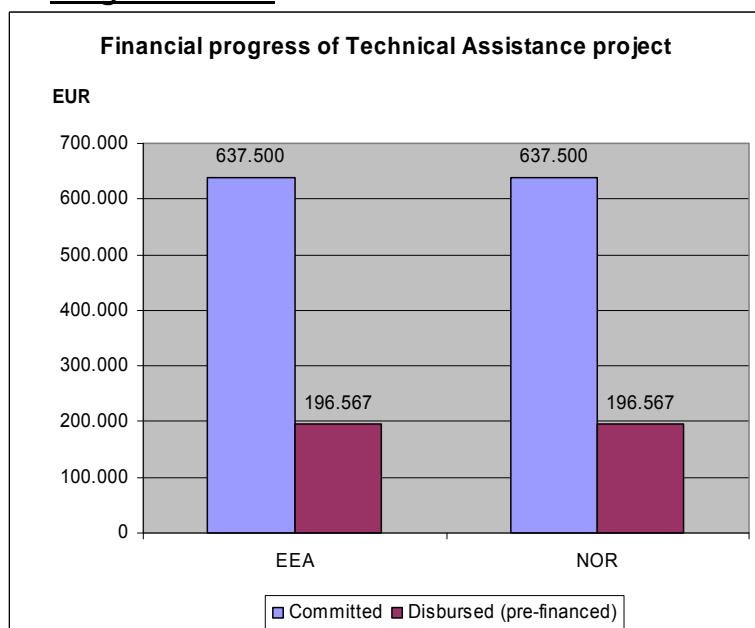


Diagram No.11



The figures for the Seed Money Facility fund are final as the implementation is already completed. Only the retained amount of 5% should be reimbursed from the Financial Mechanisms when a Project Completion Report will be prepared and approved. The figures for the NGOs fund represent the payments made to the secretariat implementing Fund management activities. No disbursements are made to the sub-projects yet.

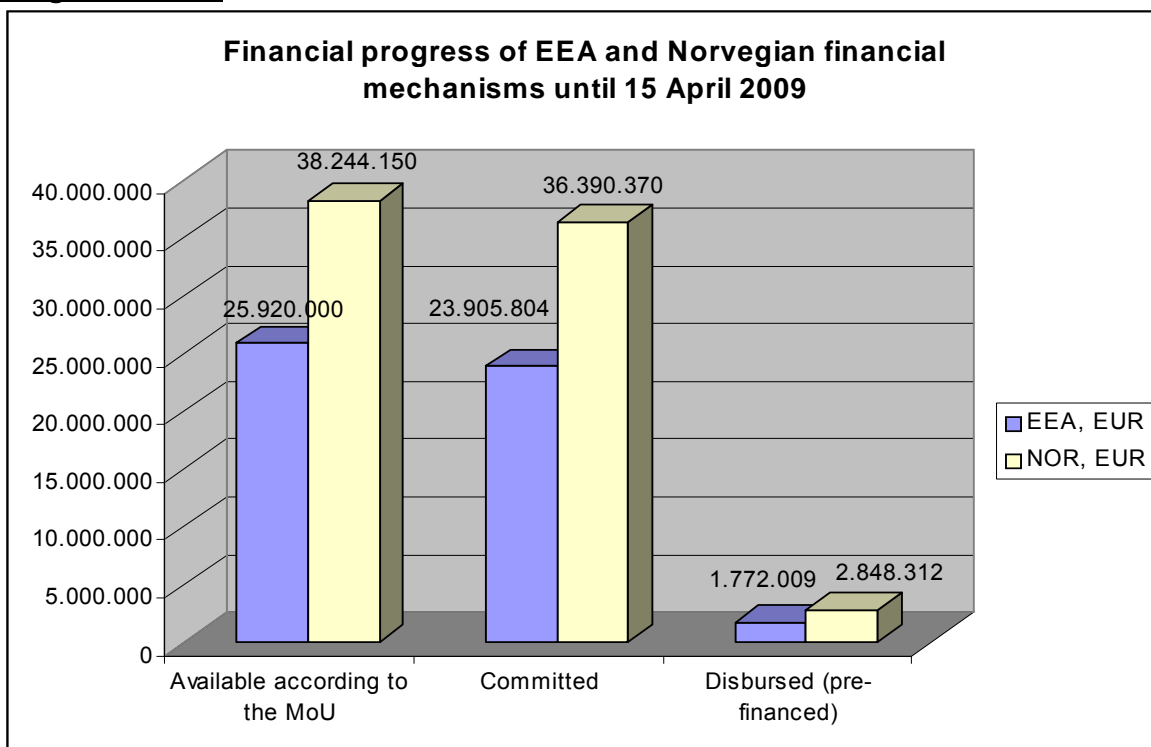
Diagram No.12



No disbursements have been made to the Capacities Strengthening Fund yet.

The following Diagram No.13 summarises the total amounts committed and disbursed under each of the Financial Mechanisms by the cut-off date of the report (amount available is presented after deduction of the sum retained by donors to cover their management expenses).

Diagram No.13



Almost all the funds of both Financial Mechanisms were committed, only a few individual projects remain to be approved by the donors. Disbursed sums include payments made to some individual projects, Seed Money Facility, NGOs Fund and Technical Assistance project.

11. WORK PLAN FOR THE NEXT REPORTING PERIOD

Lithuanian work plan for the next reporting period (April 2009 – March 2010) is presented in the table below:

Table No.8

Task	II Q 2009	III Q 2009	IV Q 2009	I Q 2010
Tasks related to the individual projects				
Implementation of individual projects selected under the 1 st open call	X	X	X	X
Signing of the Grant Agreements for the projects approved under the 2 nd open call between the donors and the NFP	X			
Preparation and signature of the project implementation agreements (for projects approved under the 2 nd open call) among the CPMA, the NFP and Project Promoters	X	X		
Implementation of individual projects selected under the 2 nd open call		X	X	X
Tasks related to the Block Grants				
NGOs Fund				
Signing of sub-project implementation contracts	X			
Implementation of sub-projects		X	X	X
Organization of trainings for sub-project promoters	X			X
Preparation and approval of regulatory legal acts governing the administration of the block grant	X			
Supervision and monitoring as well as on-site-checks of the sub-projects		X	X	X
Strengthening Administrative and Public Service Capacities of Local and Regional Authorities and their Institutions				
Assessment of the sub-projects submitted under 1 st open call	X	X		
Selection of sub-projects received under 1 st open call		X		
Preparation and signature of the sub-project (of the 1 st open call) implementation agreements among the Intermediary, the secretariat and end-recipients		X	X	
Implementation of the sub-projects approved under 1 st open call		X	X	X
2 nd open call for sub-projects	X	X		
Assessment of the sub-projects submitted under the 2 nd open call		X	X	
Selection of sub-projects received under the 2 nd open call			X	
Preparation and signature of the sub-project (of the 2 nd open call) implementation agreements among the Intermediary, the secretariat and end-recipients			X	
Implementation of the subprojects approved under 2 nd open call			X	X
Seed Money				
Preparation of Projects Completion Report and ending of the Seed Money Facility	X			

ISSUES AND RECOMMENDATIONS

It could be stated that during the reporting period significant progress in the implementation of the Norwegian Financial Mechanism in Lithuania has been achieved. The implementation of the 1st call individual projects was started, the 2nd open call for individual projects was executed (including the approval of most of the projects by donors), the implementation of sub-projects selected under the Seed Money Facility was completed, open calls under NGOs Fund and Capacities Strengthening Fund were executed.

Seeking to start actual implementation of individual projects approved under 2nd open call fast and smooth signature of the Grant Agreements and Project Implementation Agreements should be ensured by the competent authorities. Monitoring of the projects already under implementation should be continued in order to help project promoters successfully use the allocated grant and reach the planned results. Specific issues that need closer preventive monitoring are the following:

- 1) project implementation delays due to the change of the Law on Public Procurement – timely requests to change Project Implementation Plans should be sent to the FMO when catching up with the initial schedule becomes impossible;
- 2) possible needed budget reallocations due to the rise of VAT rate in Lithuania – specific attention should be given to healthcare projects that will be affected the most.

Trainings for the individual project promoters on the issues related to projects' implementation should be continued as well as trainings for sub-project promoters under the NGO Fund and Capacities Strengthening Fund should be organised.

Also the timely execution of the 2nd open call for sub-projects under Capacities Strengthening Fund is very important with an emphasis on related publicity activities in order to reach the biggest possible number of potential applicants and receive enough applications to cover the funds that will remain after the 1st open call.

ANNEXES

1. List of the applications received during the 2nd open call for individual projects.
2. List of projects with intended partners from EEA EFTA states received during the 2nd open call for individual projects.
3. List of applications recommended by the Monitoring Committee for financing from the EEA Financial Mechanism.
4. List of reserve applications of the 2nd open call recommended by the Monitoring Committee.
5. Summary of the status of the 1st call individual projects financed from the EEA Financial Mechanism.
6. Audit plan for the following reporting year.