



norway
grants

*Annual Report on the Implementation of the
Norwegian Financial Mechanism in Lithuania
16 April 2009 – 30 September 2010*

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SUMMARY

According to Article 5 of the Memorandum of Understanding on the implementation of the Norwegian 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 Norwegian Financial Mechanism in Lithuania* (hereinafter – the report).

The report reflects the implementation of the Norwegian Financial Mechanism during 16 April 2009 – 30 September 2010 and contains information with regard to the progress made towards implementation of individual projects, the selection, approval and implementation of sub-projects under Block Grants, as well as describes activities planned for the next reporting period.

During the reporting period the Grant Agreements and Implementation Agreements for the projects approved under the 2nd open call for individual project proposals were signed. Implementation of these projects started in summer 2009, while the implementation of projects approved under the 1st open call was continued, and for some of them was already finished.

Selection of sub-projects under all the Block Grants was finished and implementation started. Implementation of all subprojects under the *NGOs Fund* and of most of the sub-projects under Block Grants “*Transfer of Experience and Strengthening of Cooperation among local, regional and euroregional partners in Lithuania and Norway*” and “*Strengthening Administrative and Public Service Capacities of Local and Regional Authorities and their Institutions*” was finished.

The report also provides information on publicity activities undertaken, assessment of the cross-cutting issues in the implementation of projects and financial progress of both individual projects and Block Grants.

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 27 October 2010.

REVIEW OF THE IMPLEMENTATION STATUS

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

1.1. Legal Acts on Implementation of the Financial Mechanisms in Lithuania

During the reporting period the NFP and the CPMA revised some legal acts based on the experience gained.

On 28 September 2009 Rules of procurement for Project promoters supported by the European Economic Area and the Norwegian Financial Mechanisms were amended (Order of the Minister of Finance No. 1K-325).

The Rules were adapted to the changes made to the Law on Public Procurement of the Republic of Lithuania. Also Project Promoters were given more freedom to choose simpler purchase methods for small procurements. The threshold below which procurements can be done without announcing an open contest was raised from 20 000 LTL (~5800 EUR) to 100 000 LTL (~29 000 EUR).

On 6 November 2009 Rules of Administration and Financing of Projects Supported under the European Economic Area and the Norwegian Financial Mechanisms were amended (Order of the Minister of Finance No. 1K-394).

In order to facilitate the start of project and sub-project activities the advance payment provided to beneficiaries without the need for guarantee from a bank or an insurance company was raised from 10 000 LTL to 100 000 LTL. This amendment was especially relevant for the NGOs which generally lack their own recourses to start implementing the projects.

On 17 December 2009 Rules of disbursement from the special EEA and Norwegian Financial means programme implemented by the Ministry of Finance were amended (Order of the Minister of Finance No. 1K-461).

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

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

Grant Offer Letter for 1 more project approved under the 2nd open call were received with the condition that the 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 (making the total number of projects with this condition – 17). Thus by signing the Grant Agreements the NFP undertakes full responsibility to implement this obligation.

None of the projects 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-394).

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

No more open calls for individual projects were organised. The commitment of the projects received under the 2nd open call was successfully finalised by the set deadline of 30 April 2009. The remaining 4 Grant Offer Letters were received and Acceptance Letters to them were sent during the reporting period (together with the remaining 6 Acceptance Letters to the Grant Offer Letters received during the previous reporting period). In total 99 % of the grant funds available for the 2nd open call were committed. Almost all Project Implementation Agreements were signed during the period from June 2009 to August 2009 and only one agreement was signed in October 2009.

A full list of signed Implementation Agreements for the projects selected under the 2nd open call and financed from the Norwegian Financial Mechanism is provided in Table No. 1 below.

Table No. 1

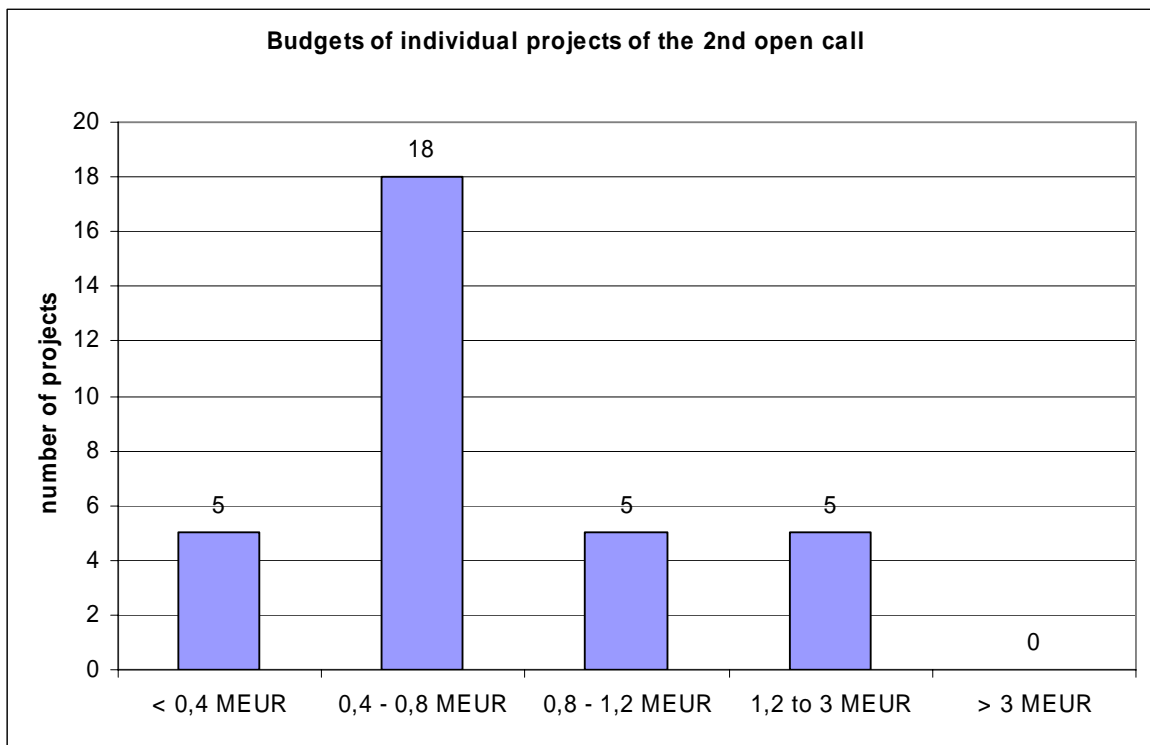
Project No.	Project Promoter	Project Title	Project budget (EUR)	Grant Agreement Date	Implementation Agreement Date
LT0070	Lithuanian Hydrometeorological Service under the Ministry of Environment	Creation and implementation of an early warning system for disastrous natural phenomena (EWSNPN)	951.355	22 June 2009	15 July 2009
LT0071	The Baltic Environmental Forum	Strengthening institutional capacities for implementation of international conventions in agricultural landscape in Lithuania	382.193	22 June 2009	16 July 2009
LT0077	Kaunas City Municipal Administration	Restoration of Kaunas Castle and its adaptation to public needs - 2nd stage	294.497	1 June 2009	16 June 2009
LT0079	Samogitian Museum „Alka” of Telsiai Regional Municipality	Restoration of Country Museum of Samogitia	403.664	20 May 2009	11 June 2009
LT0080	Kazlu Ruda Municipality Administration	Preservation of authenticity of wooden architecture and adaptation for cultural needs in the Kazlų Rūda municipality	471.764	22 June 2009	3 July 2009
LT0081	Jurbarkas Region Museum	Adaptation of the Sculptor's V. Grybas Memorial Museum Established in Buildings of the Jurbarkas Estate for Cultural and Public Needs	509.237	22 June 2009	20 July 2009
LT0082	Vilnius Academy of Arts	Adaptation of a Building in Nida for International Education and Culture Activities	1.727.177	30 June 2009	22 July 2009

Project No.	Project Promoter	Project Title	Project budget (EUR)	Grant Agreement Date	Implementation Agreement Date
LT0084	Fund "Parama vaikui"	Renovation of non-governmental children's home "Namų židinys" and development of child welfare services	584.858	30 June 2009	16 July 2009
LT0085	Public Institution "Marijampole Children's Family Home"	Renovation of Marijampole children's family home	818.076	28 July 2009	12 August 2009
LT0086	Moletai foster care facility for children	Construction of a children's independent living home in Molėtai (SAGYNA)	1.735.565	30 June 2009	16 July 2009
LT0088	Vilnius University Antakalnis Hospital	Assurance of better quality and access to children allergic diseases diagnostics and treatment by upgrading Vilnius university Antakalnis Hospital	711.600	22 June 2009	16 July 2009
LT0089	Kaunas Child Development Clinic "Lopselis"	More effective habilitation for disable children and their families	630.900	21 July 2009	10 August 2009
LT0090	National Public Health Surveillance Laboratory	Establishment of Biosafety Level III laboratory in Lithuania	1.674.486	22 June 2009	15 July 2009
LT0091	Klaipeda Children's Hospital	Improvement of Accessibility and Quality of Emergent Consulting Aid and Reanimation – Intensive Therapy Services in Public Institution Klaipeda Children's Hospital	437.809	22 June 2009	22 July 2009
LT0092	Radviliskis Hospital	Improvement of children health care availability and quality in Radviliškis Hospital (early diagnostic of diseases and treatment) and assurance of health care services quality control	475.250	30 June 2009	22 July 2009
LT0093	Akmene District Municipality Administration	Equipment and renovation of comprehensive school playgrounds in Akmene district	1.204.293	22 June 2009	13 July 2009
LT0094	Kelme District Municipality Administration	Renovation of Kelmė district educational institutions' athletic fields	1.340.973	22 June 2009	17 July 2009
LT0101	Administration of Kazlų Ruda Municipality	Construction and Refurbishment of Sports Fields in Schools of Kazlų Rūda Municipality	611.454	22 June 2009	15 July 2009
LT0107	Authority of local government of Kaišiadorys District	Reduction of violence in schools in Kaišiadorys District Municipality	294.118	30 June 2009	20 July 2009
LT0109	Public Institution Druskininkai Rehabilitation Sanatorium for Children "Saulutė"	Development of Facilities' Accessibility and Quality in Public Institution Druskininkai Rehabilitation Sanatorium for Children "Saulutė"	588.235	30 June 2009	17 July 2009

Project No.	Project Promoter	Project Title	Project budget (EUR)	Grant Agreement Date	Implementation Agreement Date
LT0111	Police Department under the Ministry of Interior	Development of national integrated information system (NIIS), designed to combat international organized crime related to human trafficking, which enables interconnection with the national EUROPOL and INTERPOL units and other EU Member States.	762.968	30 June 2009	31 July 2009

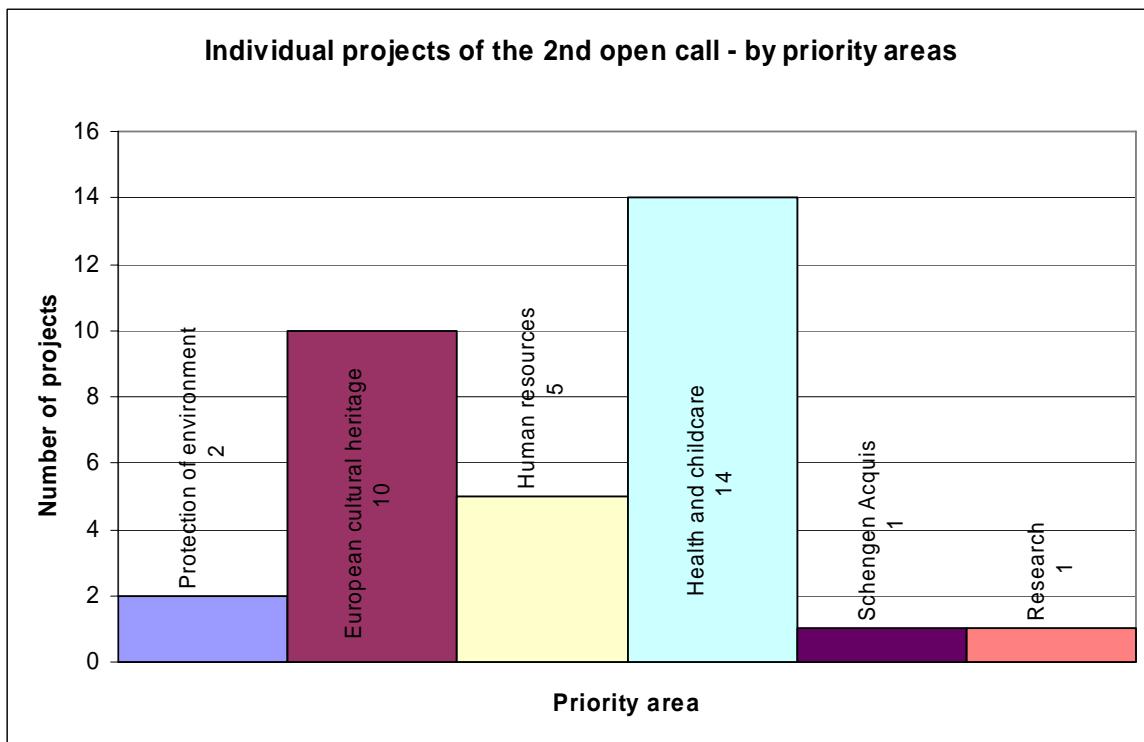
More than half of the approved projects could be considered of medium size, i.e. their budgets (including cofinancing) are between 0,4 MEUR and 0,8 MEUR. This corresponds with the tendency already witnessed in the projects approved under the 1st open call.

Graph No. 1

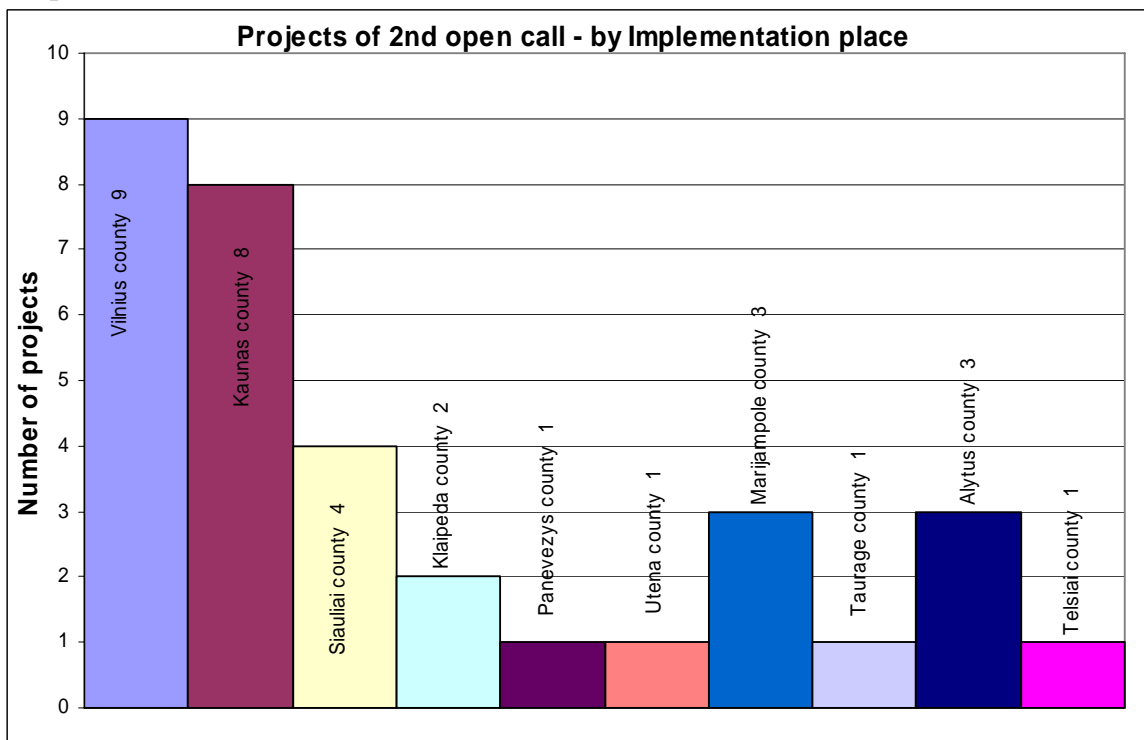


Distribution of approved projects among the priority areas and regions of Lithuania is shown in the Graphs No. 2 and 3 below.

Graph No. 2



Graph No. 3



3. PROGRESS MADE IN RESPECT OF INDIVIDUAL PROJECTS

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

During the reporting period implementation of projects approved under the 1st open call was continued. By 30 September 2010 11 projects finished implementation of the activities – 6 of them financed from the Norwegian Financial Mechanism (LT0014, LT0025, LT0036, LT0043, LT0045 and LT0060). Project promoters are currently filling the last PIRs or PCR's.

One project implementation contract was terminated because of the Project Promoter's financial problems. Project promoter could no longer ensure the cofinancing from its own resources (LT0024 – EEA FM). One more Project Promoter (LT0017 – EEA FM) also faced serious financial problems, due to which the implementation of the project is currently at a standstill and it is already clear that all the planned results will not be reached by 30 April 2011.

One of the factors that had some negative influence on the implementation of projects was the amendments introduced to the Public Procurement Law of the Republic of Lithuania that entered into force on 1 September 2009 and 2 March 2010. Although amendments were more of a technical nature, project promoters (contracting authorities) had to adopt new rules regulating their public procurement procedures for purchases not exceeding international threshold values. New rules had to be confirmed by Public Procurement Office and this harmonisation process took some time, therefore it delayed some of the remaining procurements. Despite this fact most of project procurements are already successfully completed and the contracts are signed.

Although it was feared that another potentially problematic matter – the increase of VAT rate (18% to 19% from 1 January 2009 and further increase: 19% to 21% since 1 September 2009) – might cause financial difficulties for some of the projects, it did not prove to be the case. Because of the decline of general financial and economical situation in Lithuania, prices of many goods, services and works decreased. This is particularly evident in (re)construction projects and many projects after executing public procurements even had savings. The need to use savings for additional activities and improvement of projects' results also caused the necessity to extend project implementation periods in most of the cases. But it is expected that even the new activities will be completed by the eligibility deadline of 30 April 2011.

The 2nd, 3rd and 4th interim reporting periods for most of the individual projects selected under the 1st open call ended respectively on 30 June 2009, 31 December 2009 and 30 June 2010. Project Promoters have submitted Project Interim Reports (PIRs) during July-August 2009, January-February 2010 and July-August 2010 to the CPMA. During the reporting period of this Annual Report 124 PIRs were submitted to the FMO. As PIRs can be completed only after all payment claims for that particular reporting period are checked and eligibility of expenses is confirmed, due to mistakes in these payment claims or lack of supporting documentation Project Promoters have to amend payment claims (sometimes even several times), thus approval of eligible expenses and filling of the PIRs takes a lot of time. Often PIRs can be submitted to the FMO only long time after the cut-off date of the reporting period and information included becomes outdated.

In addition, it is noticeable that a relatively low level of achievement of the indicators in comparison to the implementation duration can be demonstrated in the submitted PIRs of the projects involving (re)construction works. However, this is due to the fact that according to the Lithuanian law the results of the (re)construction and renovation works can be officially approved only after all the works are completed and Project Promoters have no possibility to measure interim results to be demonstrated in the PIRs. However, some projects already

achieved all of the planned results, but because of the savings in the budgets they asked the FMO to implement more activities.

During the reporting period the CPMA performed 19 on-spot checks. 16 projects were checked according to the plan and 3 projects were checked after the CPMA had received any indications that the projects might not be implemented according to the regulations.

During the reporting period 4 irregularities were confirmed and reported to the FMO:

Table No. 2

Project No.	Summary
LT0024 (EEA FM)	Due to financial situation the Project Promoter was not able to continue the implementation of the Project. The implementation activities were abandoned from July 2009. The Project Implementation Agreement was terminated on Project Promoter's own initiative. 858 EUR that were disbursed to the project from the donors were reimbursed.
LT0027 (EEA FM)	The irregularity was related to the ownership rights of the real estate for which financial support was granted. Project Promoter had leased the restored buildings to a concessionaire for 99 years thus infringing respective provisions of Project Implementation Agreement. On 2 September 2010 Project Promoter provided the CPMA with the amended lease agreement which remedied the irregularity.
LT0033 (NOR FM)	Project Promoter had mortgaged the real estate for which financial support was granted. The irregularity was fully remedied on 29 July 2009 when the mortgage agreement was amended to exclude the building renovated from the funds of Norwegian Financial Mechanism.
LT0050 (NOR FM)	Infringements of Lithuanian construction law were confirmed. The Project Promoter had carried out construction works without permission which according to the Construction law applicable at that time was obligatory. However due to new amendments of the Construction law which entered into force in October 2010 the restitution will not be applied and this kind of construction works can be legitimized. Project Promoter prepared all necessary documents for remedying the irregularity. It is planned that the irregularity will be remedied till the end of the project and all the planned results will be achieved.

More detailed information on the implementation status of individual projects approved under the 1st open call and financed from the Norwegian Financial Mechanism is presented in Annex 1 of the report.

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

During the reporting period implementation of all 33 projects started and all of them are still ongoing. As implementation of most of the projects started in July 2009, the following half of a year was dedicated mostly to the public procurement procedures. By the cut-off date of the reporting period 143 out of planned 204 procurements of the projects financed from the Norwegian Financial Mechanism were completed.

Similarly to projects of the 1st open call no serious problems were faced due to the increase of the VAT rate. But delay of public procurements due to changes of Public procurement law can potentially be even more problematic than in case of the projects of the 1st open call, because projects approved under the 2nd open call are relatively shorter in duration and have no room for extensions like projects of the 1st open call had.

Total number of PIRs submitted to the FMO for projects of the 2nd open call financed for both Financial Mechanisms is 43. None of the projects were finished during this reporting period. The end of most of the projects is planned for January 2011. More detailed information on the implementation status of the projects approved under the 2nd open call and Financed from the Norwegian Financial Mechanism is presented in Annex 1 of the report.

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

4.1. Seed Money Facility Fund

During the reporting period the Project Completion Report was prepared and submitted to the FMO in June 2009. It was approved on 18 September 2009 (the FMO's letter on the approval of PCR for LT0007 – Seed Money Facility, dated 23 September 2009).

4.2. NGOs Fund

Implementation agreements for almost all the sub-projects were signed during May-June 2009. 4 of the total 105 sub-projects were soon terminated as the sub-project promoters refused the grant. These sub-projects were replaced by the new ones from the approved reserve list and their implementation agreements were signed in November 2009.

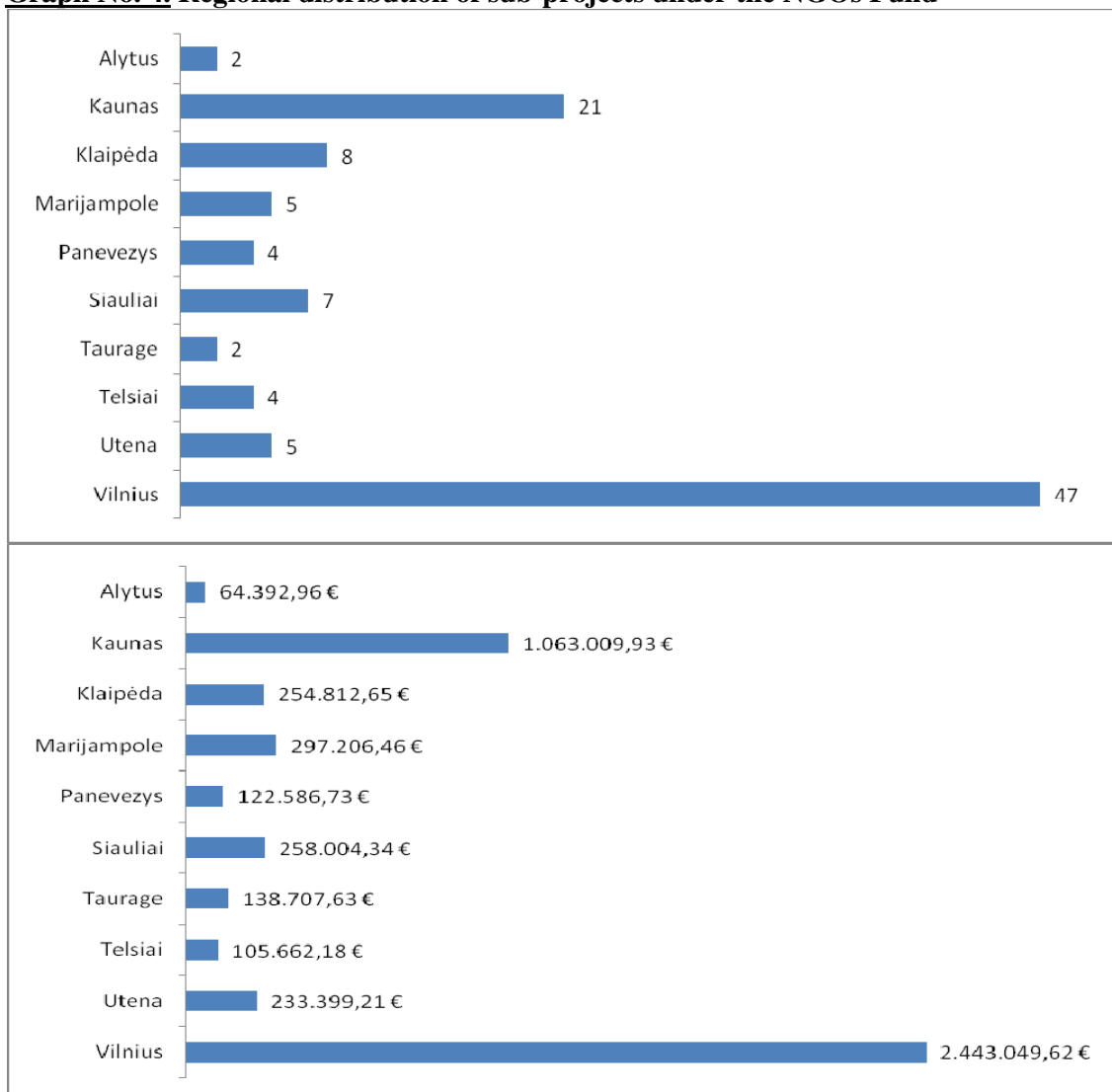
Table No. 3

Sub-project Implementation Agreement No.	Sub-project Title	Sub-project Promoter	Reason for contract termination
2004-LT0008-NVO-1EEE/NOR-02-042	Improvement of Klaipeda social and psychological help center' specialists qualification	Klaipeda social and psychological help center	Lack of financial resources for ensuring the co-financing of the sub-project.
2004-LT0008-NVO-1EEE/NOR-02-075	Strengthening of local and international cooperation of Civil society institution	Civil society institute	The administrative procedure was not properly considered at the time of preparation of the application. After signing the contract the beneficiary decided that the procedure for sub-project administration was too complicated.
2004-LT0008-NVO-1EEE/NOR-02-094	Improvement of organizational activities of the Lithuanian Diabetes Association and its collective members	Lithuanian Diabetes Association	Lack of financial resources for ensuring the co-financing of the sub-project.

2004-LT0008-NVO-1EEE/NOR-02-096	Enhancing National Capacity to Implement International Human Rights Standards in Lithuania	Public institution Human Rights Supervising institute	The administrative procedure was not properly considered at the time of preparation of the application. After signing the contract the beneficiary decided that the procedure for sub-project administration was too complicated.
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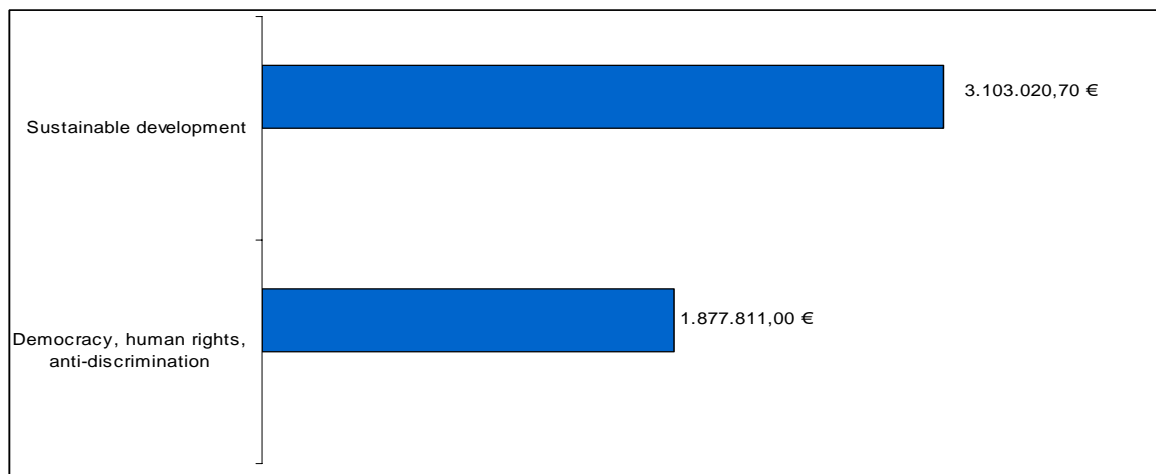
Most sub-projects were implemented in Vilnius and Kaunas regions – the leading regions in Lithuania. However, all the remaining regions will also receive some benefit as at least 2 sub-projects were implemented in every region.

Graph No. 4. Regional distribution of sub-projects under the NGOs Fund



63 sub-projects were dedicated to the Sustainable development priority area. The total grant amount allocated to them was 3,103 MEUR. The remaining 42 sub-projects aimed at strengthening democratic and civil society and received 1,878 MEUR grant support.

Graph No. 5. Thematic distribution of NGOs Fund's subprojects (by priority area)



Trainings for beneficiaries were organised shortly after signing of the implementation agreements. 8 training events (instead of initially planned 5) were attended by 152 representatives from the NGOs. In addition to the abovementioned trainings, the Secretariat also organised 7 practical training courses for small groups of beneficiaries that had the least experience in project implementation and needed more intense assistance. These trainings were targeted at practical preparation for project implementation: procurement and cash flow planning and carrying out other preparatory works.

After the start of the implementation of the sub-projects, some beneficiaries expressed dissatisfaction with the complexity of the reporting procedures. Taking into account these complaints some simplifications were introduced. Some parts of the interim reports were allowed to be submitted only in electronic format by e-mail without the need to send a hardcopy by regular post. Also, as the beneficiaries encountered cash-flow related problems, conditions of the grant contracts were amended. The amendment created possibilities for the beneficiaries to receive an advance payment of up to 100 000 LTL (28 962 EUR) without presenting a guarantee from a bank or an insurance company (compared to 10 000 LTL – 2896 EUR – before the amendment). This amendment accelerated the implementation of activities envisaged in sub-projects.

During the whole period of sub-projects implementation the Secretariat performed 104 planned on-spot checks. 8 unplanned on-spot checks were organised after receiving some signals of possible irregularities in the sub-projects. No serious infringements of sub-project implementation agreements or other legal acts were detected insofar. Some spotted inadequacies were mainly of technical nature such as lack of systemic storage of project documentation, missing publicity stickers on purchased equipment or inventory numbers etc. The Secretariat then obliged the beneficiaries to remedy these irregularities by a set deadline. Cases where sub-project promoters did not manage to purchase some of the equipment within sub-project implementation duration were also detected. In these cases the incurred expenses were recognised as ineligible.

By the middle of September 2010 implementation of all subprojects was finished. Most of the sub-projects have fully achieved the planned indicators. The precise results of baseline indicators vs. target indicators of all sub-projects will be summarized by the Secretariat after approval of all final sub-project implementation reports (before the end of 2010).

4.3. Transfer of Experience and Strengthening of Cooperation among local, regional and euroregional partners in Lithuania and Norway (Cooperation fund)

4.3.1. The 1st open call for proposals

Assessment of the applications received under the 1st open call continued until June 2009.

Table No 4. Assessment of the applications received under the 1st open call of the Cooperation fund

1.	Deadline for the submission of applications	10 March 2009
2.	Number of received applications	47
3.	Number of applications submitted for the administrative and eligibility assessment	47
4.	Start of administrative and eligibility assessment	18 March 2009
5.	End of administrative and eligibility assessment	25 May 2009
6.	Number of applications that successfully passed the administrative and eligibility assessment and were submitted to quality assessment stage	41
7.	Start of quality assessment	14 May 2009*
8.	End of quality assessment	19 June 2009
9.	Number of applications that passed the quality assessment	34**
10.	Number of sub-project implementation agreements signed	33

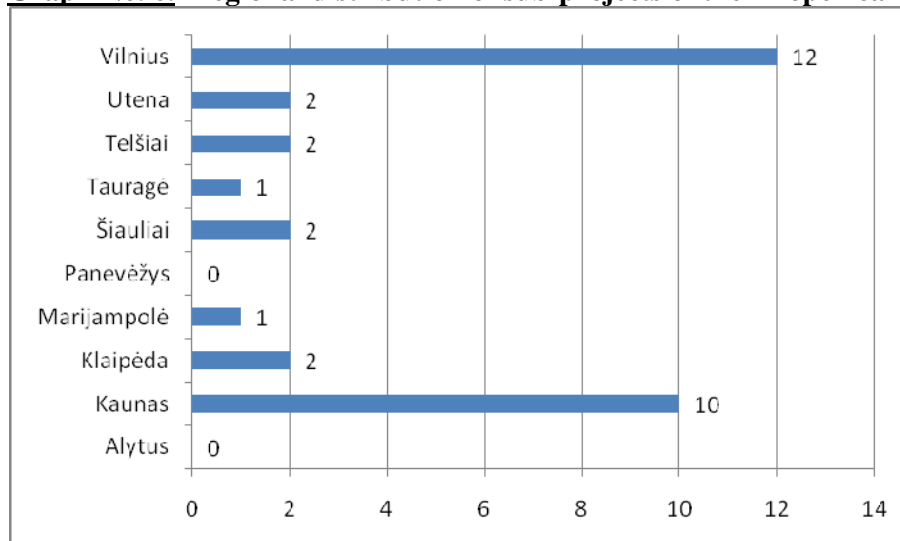
* Quality assessment was done in two stages: 1st part started on 14 May and the 2nd part – on 25 May.

** Only applications that received at least 60 points (out of possible 100)

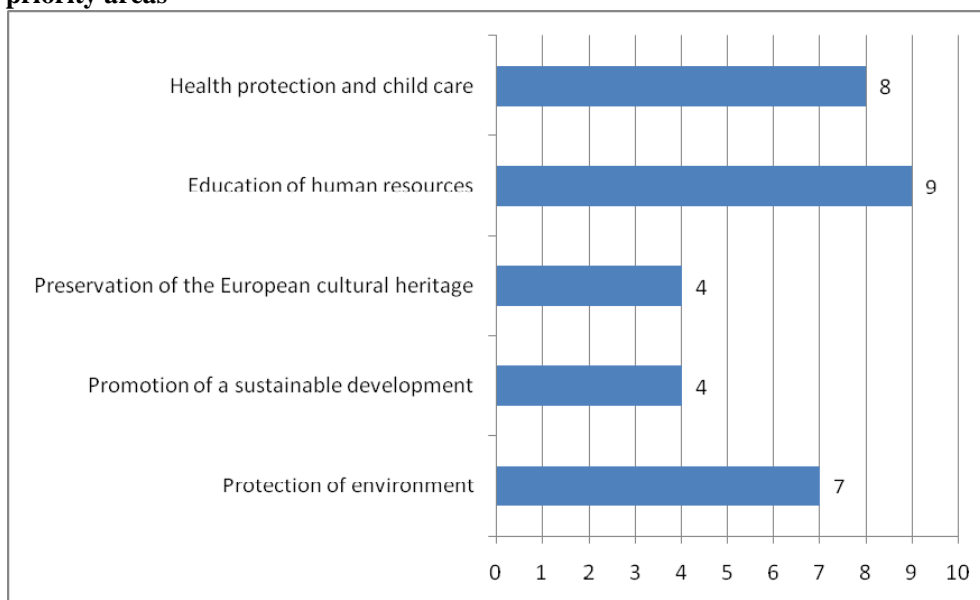
The standard sub-project implementation agreement was harmonized with the Focal Point and the Implementing Agency and approved by the order of the Minister of the Interior on 19 June 2009.

On 10 July 2009 the Steering Committee during its meeting made a decision to award grant support for all 34 sub-projects that passed the quality assessment stage. During August-October 2009 sub-project implementation agreements were prepared and harmonized between parties and during October-November 33 of them were signed. One applicant refused the grant due to its unfavorable financial situation. On 9 September 2010 one applicant refused of the assistance. Reason for contract cancellation was made by sub-project organization, because partner organization from Norway couldn't take part in project activities. Therefore only 32 sub-projects will be implemented.

Graph No. 6. Regional distribution of sub-projects of the 1st open call of Cooperation Fund



Graph No. 7. Distribution of sub-projects of the 1st open call of the Cooperation Fund by priority areas



4.3.2. The 2nd open call for proposals

The guidelines for applicants for the 2nd open call were adopted by the order of the Minister of Interior on 7 May 2009. The 2nd open call was launched on 14 May 2009 and lasted until 17 July 2009. After the launch of the second call for proposals, 10 information events were organised for the potential applicants in all 10 counties of Lithuania (the information events were carried for Cooperation Fund and Capacities strengthening Fund together). In total 212 participants attended the events.

56 applications were received and on 20 July 2009 the administrative compliance assessment and eligibility assessment was started. Afterwards the Assessment Committee was established for the quality assessment of submitted applications, which carried out the quality assessment

Table No. 5. Assessment of applications received under the 2nd open call of Cooperation Fund

1.	Deadline for the submission of applications	17 July 2009
2.	Number of received applications	56
3.	Number of applications submitted for the administrative and eligibility assessment	56
4.	Start of administrative and eligibility assessment	20 July 2009
5.	End of administrative and eligibility assessment	27 August 2009
6.	Number of applications that successfully passed administrative and eligibility assessment and were submitted to quality assessment stage	49
7.	Start of quality assessment	27 August 2009
8.	End of quality assessment	15 October 2009
9.	Number of applications that passed quality assessment stage	38*
10.	Number of sub-project implementation agreements signed	34

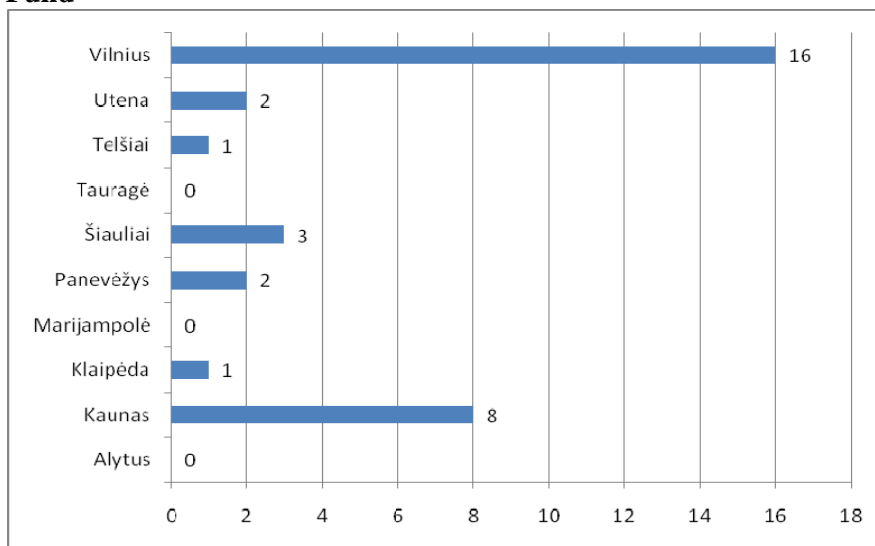
* Only applications that received at least 60 points (out of possible 100)

The standard sub-project implementation agreement for sub-projects of the second call for proposals was harmonized with the Focal Point and the Implementing Agency and approved by the order of the Minister of Interior on 2 October 2009.

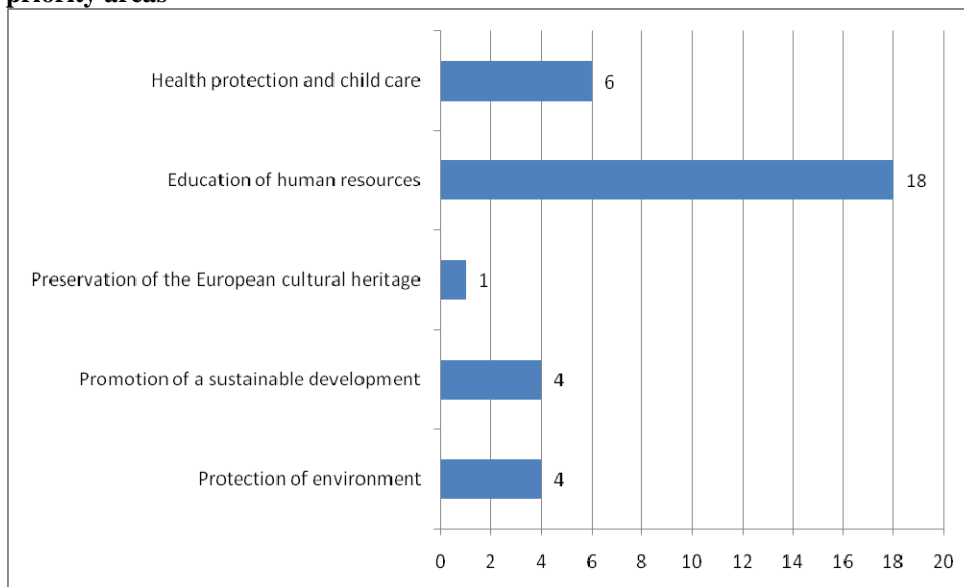
On 20 November 2009 the Steering Committee during its meeting made a decision to award grant support for 34 sub-projects which received the most points during the quality assessment. During December 2009 and January 2010 the sub-projects implementation agreements were prepared and harmonized among parties and afterwards all of them except one were signed (one applicant refused the grant due to unfavorable financial situation in the organization).

As some of the grant funds remained free after 1 applicant refused the grant and another 1 beneficiary decided to terminate the implementation agreement which was already signed (reason for contract termination was unfavorable financial situation within the beneficiary organization), 2 more sub-projects from the reserve list were awarded by separate decision of the Steering Committee on 31 March 2010. But only 1 more agreement was signed on 23 July 2010 as the other applicant refused to take the grant because of too little time left for sub-project implementation. Therefore only 33 subprojects will be implemented.

Graph No. 8. Regional distribution of sub-projects of the 2nd open call of Cooperation Fund



Graph No. 9. Distribution of sub-projects of the 2nd open call of Cooperation Fund by priority areas



4.3.3. Implementation of sub-projects

In November 2009 the trainings on subproject implementation and the key aspects of finance management were organised for beneficiaries of sub-projects approved under the 1st open call. The events were held in 3 biggest cities of Lithuania: Vilnius, Kaunas and Klaipeda. In total 92 persons were trained. In February 2010 the same trainings were organised in Vilnius, Kaunas and Siauliai for beneficiaries of sub-projects approved under the 2nd open call. In total 87 persons participated in these trainings. In addition the Intermediary together with the Secretariat provided all necessary assistance to the sub-project promoters during the whole sub-project implementation period.

In order to control the implementation of the sub-projects, planned on-spot checks were carried out in May-September 2010. All sub-projects were checked once per implementation period by the Secretariat. The problems revealed by on-spot checks were: activities of sub-projects were late because of the lack of competence of project leaders; public procurements were late or stopped because of complaints of bidders of public procurement contests; institutions have scarce resources required for cofinancing. Some sub-project promoters reported that they had communication problems with the Norwegian partners and this influenced the results and the quality of the sub-project implementation.

The amendments to sub-projects implementation agreements were made if necessary. Also in justified cases the implementation period of the sub-projects was prolonged by up to one month.

In total 19 sub-projects finished their activities by the end of August 2010, 34 sub-projects – by the end of September 2010. And 12 sub-project will be finished by the end of October.

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

4.4.1. The 1st open call for proposals

Assessment of the applications received under the 1st open call continued until June 2009.

Table No. 6. Assessment of applications received under the 1st open call of Capacities Strengthening Fund

1.	Deadline for submission of applications	13 March 2009
2.	Number of received applications	47
3.	Number of applications submitted for administrative and eligibility assessment	46*
4.	Start of administrative and eligibility assessment	18 March 2009
5.	End of administrative and eligibility assessment	25 May 2009
6.	Number of applications that successfully passed administrative and eligibility assessment and were submitted to quality assessment stage	44
7.	Start of quality assessment	14 May 2009**
8.	End of quality assessment	1 July 2009
9.	Number of applications that passed quality assessment	28***
10.	Number of sub-project implementation agreements signed	26

* 1 application was received after the set deadline

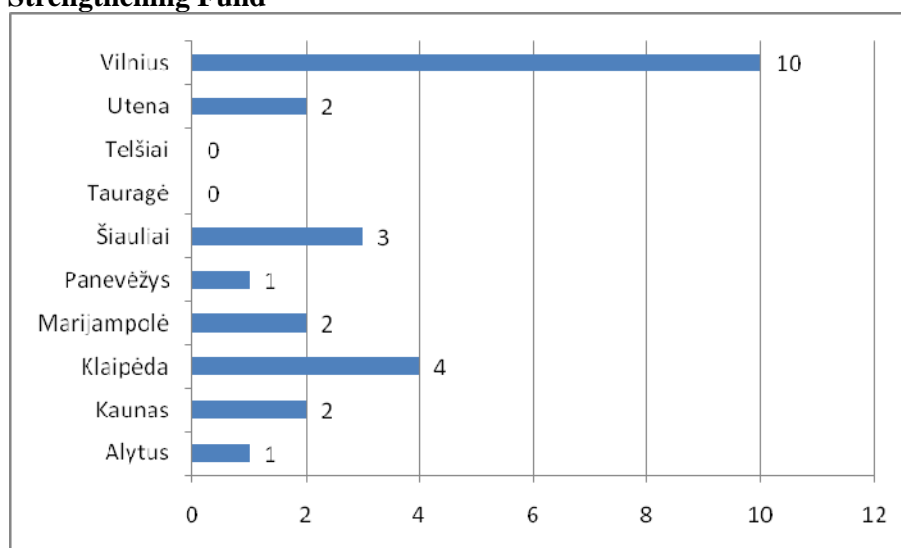
** Quality assessment was done in two stages: 1st part started on 14 May and the 2nd part – on 25 May.

*** Only applications that received at least 60 points (out of possible 100)

The standard sub-project implementation agreement was harmonized with the Focal Point and the Implementing Agency and approved by the order of the Minister of Interior on 19 June 2009.

On 10 July 2009 the Steering Committee during its meeting made a decision to award grant support for all 28 sub-projects that passed quality assessment stage. However, 2 applicants refused the grant due to difficulties to provide cofinancing. During August-October 2009 sub-project implementation agreements were prepared and harmonized among parties and during October-November 26 agreements were signed. On 23 July 2010 one beneficiary terminated the implementation agreement because the administrative procedure was not evaluated to the full extent at the time of project preparation. After signing the contract the beneficiary decided that the procedure for subproject administration was too complicated. Therefore only 25 projects will be implemented.

Graph No. 10. Regional distribution of sub-projects of the 1st open call of the Capacities Strengthening Fund



4.4.2. The 2nd open call for proposals

The guidelines for applicants were adopted by the order of the Minister of Interior on 7 May 2009. The 2nd open call was launched on 15 May 2009 and lasted until 15 July 2009. After the launch of the 2nd call for proposals 10 information events were organised for potential applicants in all 10 counties of Lithuania (the information events were carried out for Cooperation Fund and Capacities Strengthening Fund together). In total 212 participants attended these events.

83 applications were received and on 20 July 2009 the administrative compliance assessment and eligibility assessment of these applications started. Afterwards the Assessment Committee was established for the quality assessment of submitted applications.

Table No. 7. Assessment of applications received under the 2nd open call of the Capacities Strengthening Fund

1.	Deadline for submission of applications	15 July 2009
2.	Number of received applications	83
3.	Number of applications submitted for administrative and eligibility assessment	83
4.	Start of administrative and eligibility assessment	20 July 2009
5.	End of administrative and eligibility assessment	27 August 2009
6.	Number of applications that successfully passed administrative and eligibility assessment and were submitted to quality assessment stage	77

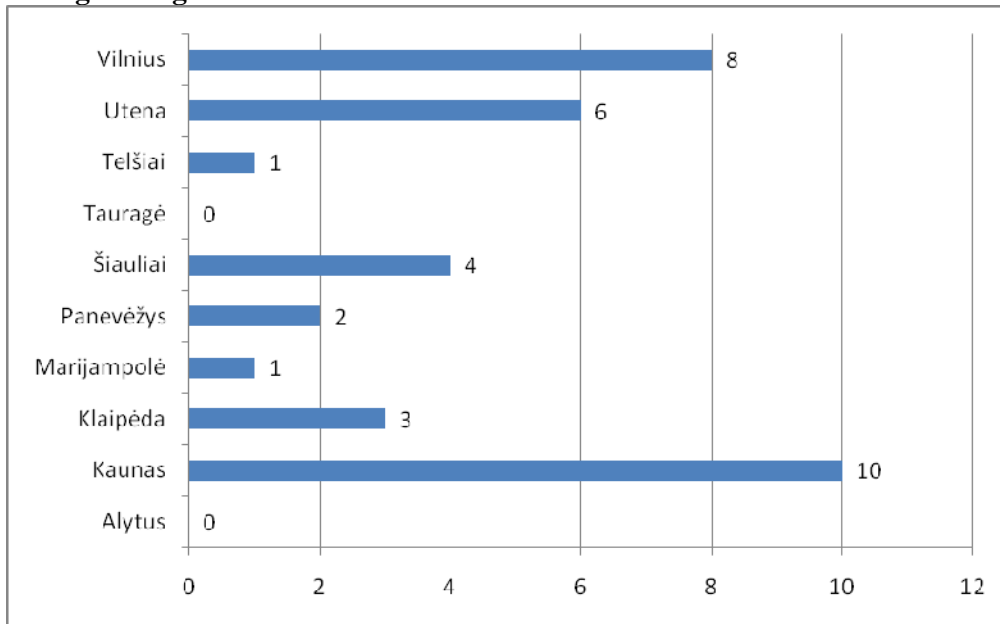
7.	Start of quality assessment	27 August 2009
8.	End of quality assessment	15 October 2009
9.	Number of applications that passed the quality assessment	58*
10.	Number of subproject implementation agreements signed	38

* Only applications that received at least 60 points (out of possible 100)

The standard sub-project implementation agreement for sub-projects of the second call for proposals was harmonized with the Focal Point and the Implementing Agency and approved by the order of the Minister of Interior on 2 October 2009.

On 20 November 2009 the Steering Committee during its meeting made a decision to award grant support for the best 38 applications. During December 2009 and January 2010 sub-project implementation agreements were prepared and harmonized between parties and afterwards 37 of them were signed. As one applicant refused the grant (due to financial difficulties), the Steering Committee awarded one sub-project from the reserve list by the separate decision on 14 January 2010 and the sub-project implementation agreement on implementation of that sub-project was signed on 19 March 2010. 3 beneficiaries later terminated the implementation agreements (reasons: problems with gathering the target group; change of founder of the organisation, which made the organisations ineligible to receive grant support). Therefore only 35 projects will be implemented.

Graph No. 11. Regional distribution of sub-projects of the 2nd open call of the Capacities Strengthening Fund



4.4.3. Implementation of subprojects

In November 2009 the trainings on subproject implementation and the key aspects of finance management were organised for the beneficiaries of sub-projects approved under the 1st open call (the events were organized together for Cooperation Fund and Capacities Strengthening Fund). The events were held in Vilnius, Kaunas and Klaipėda. In total 92 persons were trained. In February 2010 similar trainings were organised in Vilnius, Kaunas and Siauliai for the beneficiaries of subprojects approved under the 2nd open call. In total 87 persons participated in these trainings. In addition the Intermediary together with the Secretariat provided all the necessary assistance to the sub-project promoters during the whole sub-project implementation period.

In order to control the implementation of the sub-projects, planned checks on spot were carried out in May – September 2010. 100 percent of the sub-projects were checked once per implementation period. The problems, revealed by on-spot checks were: activities of the sub-projects were late because of the lack of competences of the project leaders; public procurements were late or stopped because of complaints of participants of public procurement contests; institutions have scarce resources necessary for co-financing.

The amendments to the sub-projects implementation agreements are made if necessary. Also in justified cases the implementation period of the sub-projects was prolonged by up to one month.

4 sub-projects finished their activities by the end of July 2010, 16 sub-projects – by the end of August 2010, 28 sub-projects – by the end of September 2010 and 12 subprojects are scheduled to end in October 2010.

5. IMPLEMENTATION OF THE TECHNICAL ASSISTANCE PROJECT

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

Under Activity 1 *Development of the Financial Mechanisms' Management and Control System:*

- Some additional staff for management and implementation of Financial Mechanisms was hired for 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 23 in the CPMA (17 full-time employees and 6 employees working partly on demand – i.e. engineer, medical equipment expert) and 6 in the Focal Point (5 full-time employees and 1 employee on a part-time basis).
- Two contracts with external audit companies were signed during the reporting period. 25 payment requests were verified by these companies. However, the CPMA was not satisfied with the quality of the verifications performed, therefore, it plans to continue verification of all payment requests by itself.
- On 10-11 December 2009 the CPMA organised 2 training seminars for project promoters of the 2nd open call regarding the implementation of individual projects on the following topics: 1) public procurements in the projects; 2) filling of payment claims; 3) eligible expenses of the project; 4) changing of project implementation agreements; 5) filling of PIRs; 6) other practical advices concerning implementation of the project. 50 people were trained.
- 19 on-spot checks were performed.

Under Activity 2: *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, public procurement, amendments of VAT law, etc.

Under Activity 3: *Raising public awareness of the Financial Mechanisms:*

- Relevant information about the Financial Mechanisms and the methodical information for project promoters was published or continuously updated on websites of the Focal Point and the CPMA;
- Press releases about the course of implementation of Financial Mechanisms and selected individual projects were published.
- Preparation of public procurement documents for the purchase of creation of a video on the results and benefit of the Financial Mechanisms were started.

For more detailed information, please, see Part 6 of this report.

Under Activity 4: Management of the Technical Assistance project

- During the reporting period the contracted audit company checked 3 Technical Assistance expenditure declarations of the CPMA and produced 3 interim audit reports required for verification of expenditure eligibility.

6. INFORMATION AND PUBLICITY ACTIVITIES

6.1. General Measures

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 the list of signed individual project implementation agreements and announced open calls for Block Grants.

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

As the implementation of the Financial Mechanisms 2004-2009 is coming to an end, gradually more attention was being shifted from distributing the information about the availability of EEA and Norwegian financial assistance to the publication of the reached results and created benefit. After the FMO's consent to amend the PIP of the Technical Assistance project, the Focal Point introduced additional publicity measure – a video – to inform general public about the benefit of the Financial Mechanisms in Lithuania. Currently public procurement documents for purchase of services for creation of a video is under preparation.

Press-releases about the course of implementation of Financial Mechanisms (i.e. start of implementation of individual projects approved under the 2nd open call and later – the progress made in implementation of all the individual projects and especially in one of the biggest priority sectors in Lithuania – healthcare) were published.

6.2. Publicity Measures for Individual Projects

Two press releases about implementation of selected individual projects to demonstrate the benefit of the Financial Mechanisms were prepared. These announcements about projects LT0067 “Restoration of Deguciai St. Vincent Ferrero Parish Church as an object of the cultural heritage” and LT0048 “Improvement of Children Living Conditions in Children Foster Home of Panevezys District“ were really popular in Lithuanian media, especially announcement about the project LT0067. It was published in all biggest internet news portals of Lithuania, also in newspapers.

All Project Promoters implement adequate publicity means on project level. According to the Publicity Rules approved by the Order of Minister of Finance, they are obliged to publish at least one press release during project implementation period, to produce billboards and commemorative plaques when project involves infrastructural investments, to mark tangible project results with publicity stickers and to implement at least 2 of the following means: posters and stands in premises of Project Promoter or project implementation place, informational events, other informational material (website, printed informational material, etc.).

6.3. Publicity Measures for the NGOs Fund

Information about the NGOs fund's progress and implemented projects is provided in E-letter "NGO Fund" which is prepared and disseminated every month. These e-letters are disseminated to all beneficiaries, NGO steering committee members and published on www.eefondai.lt.

The Secretariat prepared and distributed to beneficiaries the logos and symbols to be placed on the equipment acquired from the grant funds. This decision was taken to carry out marking of the equipment in the most cost-effective manner and to ease administrative burden on sub-project promoters. The Secretariat also distributed to the beneficiaries publicity material that was earlier produced by the Focal Point. Wall calendars, posters, booklets, etc. with information about Financial Mechanisms were distributed to the beneficiaries to be used and demonstrated in their premises. Other material publicity items such as folders, pens and notebooks were also produced and distributed.

Public events organised under the financed sub-projects are announced on the website of the Block Grants www.eefondai.lt. This gives possibilities of wider publicity compared to relying only on individual sub-project promoters' efforts to publicise their events.

Apart from the abovementioned measures each sub-project independently implements the envisaged publicity measures: publishes articles, organises conferences, radio reportages, etc.

6.4. Publicity Measures for the Cooperation Fund and the Capacities Strengthening Fund

Information on open calls for proposals of sub-projects and about the progress of implementation of both funds is put on the website of Intermediary institution and the website dedicated to the Block Grants in Lithuania www.eefondai.lt.

Aside from announcements to media on the 2nd open call for proposals under both funds (which were launched on 14 and 15 March 2009 for the Cooperation Fund and Capacities Strengthening Fund respectively) messages were sent to 10 county governor administrations and 60 municipal administrations. Other institutions that may be interested in submitting applications were informed about the possibility of grant support via e-mail – over 10 000 e-mails were sent using the available e-mail database of the Secretariat. Information was also distributed among NGOs through an e-conference in which the majority of Lithuanian NGOs participate.

On 28 May – 16 June 2009 information events were organised for potential applicants of the 2nd open call in all 10 counties of Lithuania, where all the conditions of the call and sub-project implementation were explained. In total 212 participants took part in these events.

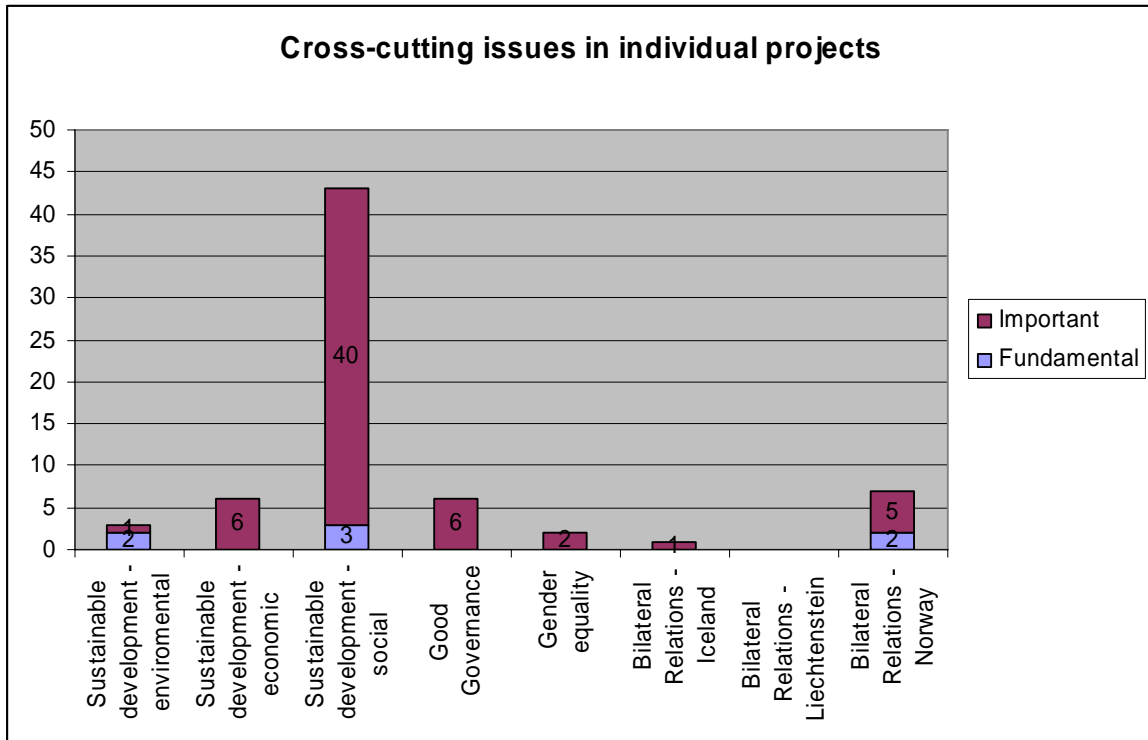
Material publicity items (notebooks, document folders, pens, etc.) were produced and distributed to the beneficiaries and participants of various events.

Apart from the abovementioned measures, each sub-project independently implements the envisaged publicity measures: publishes articles, organises conferences, radio reportages, etc.

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

All principles of sustainable development, gender equality and good governance are followed during implementation of projects. Number of individual projects that involve any cross-cutting issue as an important or fundamental part of its scope is demonstrated in Graph No. 12 below.

Graph No. 12



Sustainable development – social

The social aspect of sustainable development is reflected in most of the projects financed by EEA and Norwegian Financial Mechanisms. Social aspect especially could be noticed in projects related to childcare (improvement of well-being conditions in foster homes, involvement of children and youth, especially the ones from risk groups, into various informal activities). Healthcare projects and especially those targeted at children also play a significant role. Important effects will be noticeable in cultural heritage projects which through renovating cultural heritage objects also adapt them to different social and cultural needs of local communities.

Sustainable development – economic

Most individual projects in Lithuania will not generate any revenue. And even in those few exceptional cases Project Promoters are obliged to reinvest all income related to the results of the project into its primary activities, i.e. education, independent research and the dissemination of research results. Indirect economic effects are likely in cultural heritage projects through the promotion of tourism in the areas of renovated cultural objects.

Sustainable development – environmental

Projects financed by EEA and Norwegian Financial Mechanisms have in general a neutral impact on the environment. Promoters of projects that include (re)construction works have to ensure that any residual or extracted material form the renovation and the reconstruction will be reused, recycled, treated and/or deposited in an environmentally sound manner. 3 individual projects (LT0047, LT0070, LT0071) will have a positive impact on environmental aspect of sustainable development.

Gender equality

Implementation of projects financed from the EEA and Norway financial mechanisms complies with gender equality rules.

Good governance

Positive impact is expected from projects aiming at strengthening administrative capacities and improving management systems by invoking electronic means. Good governance principle is also followed as a general cross-cutting issue in management of all projects. Projects are managed either by the staff of project promoters or by external companies. Winners of public procurements are selected according to their strict compliance with the established qualification criteria, competence and experience requirements.

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

During the reporting period the following activities were implemented in cooperation with Norwegian partners:

LT0049 (EEA FM): Project was implemented without official partners, however the good practice of Norway was used in project implementation: Norwegian expert prepared proposals regarding education model trainings and recommendations to the administration group, also introduced Project Promoter with adult learning development in Norway. 6 persons went on a study visit to Oslo. Participants visited Training Center of Brdttvet Prison and Oslo Adult Education Center.

LT0068 (NOR FM): Project is implemented with the partner – The National Police Directorate, Norway. The partner organized trainings for 5 Lithuanian instructors who created training programmes and will later train Lithuanian police officers. Trainings were provided in National Police Directorate, Ostfold Police District, Oslo Police District, Police University College.

LT0042 (NOR FM): In October 2009 a conference “Current problems in paediatric cardiology and cardiac surgery” was organized. During this conference 3 professors from Oslo Rikshospitalet University Hospital delivered lectures on paediatric anaesthesiology and intensive care, paediatric cardiology and pediatric cardio surgery.

LT0047 (NOR FM): During project implementation the partnership with the project partners NIVA (Norwegian Water Research Institute) and AquaBiota Water Research was elaborated. Expert from NIVA participated in the project field survey and provided valuable sediment profile imagery equipment (SPI) for seabed quality monitoring.

LT0084 (EEA/NOR FMs): A possible cooperation with Vestfold Fylkeskommune during the implementation of the project was mentioned in the application, however no common activities are being planned at the moment.

LT0058 (EEA FM): The specialists of National Centre of Pathology visited their Norwegian partners to discuss project activities and to consult on research methods planned for implementation.

LT0057 (NOR FM): 2 specialists of the Institute of Oncology will attend traineeship in Norway in December 2010.

LT0031 (NOR FM): The visit of 8 experts from Floro Municipality, Norway to Kelme was organized in May 2009. 5 employees of Vijurkai children's home, 1 person working with socially risky families, 4 persons from Kelme district municipality administration and 1 interpreter visited Floro Municipality in June 2009. One more visit of 2 persons from Floro to Kelme, is planned for October-December 2010.

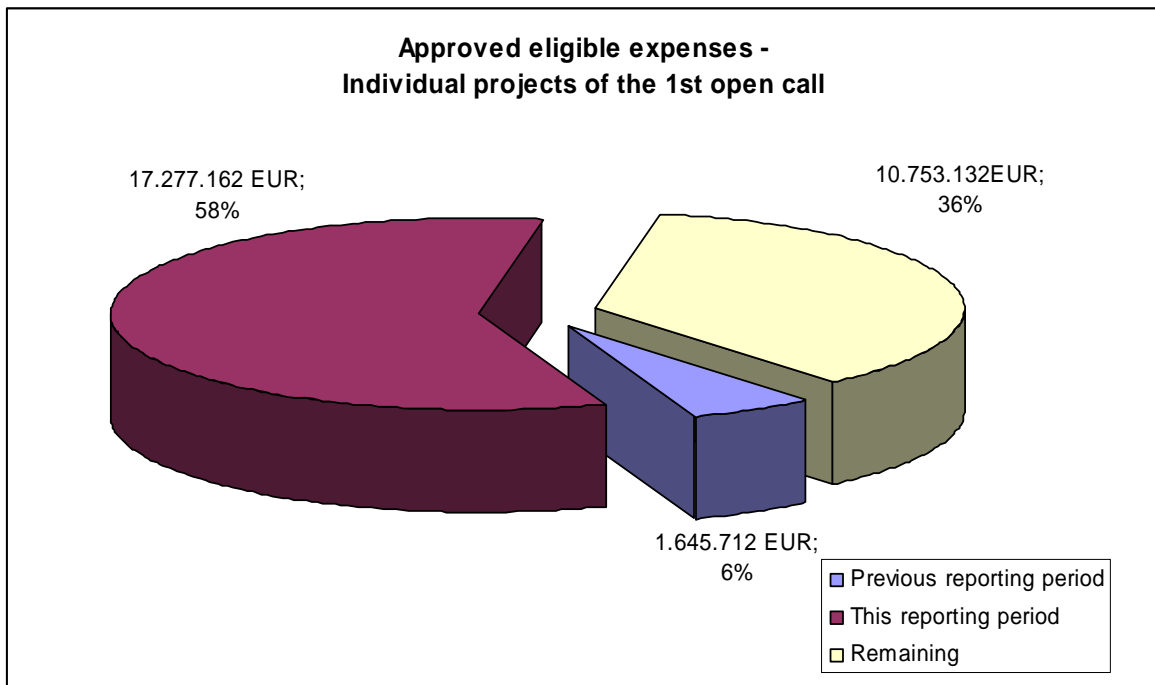
LT0053 (NOR FM): Project partners are actively participating in the following activities: revision and development of BA, MA and course programmes, creation of new grammars and small dictionaries in Scandinavian languages, development of Norwegian-Lithuanian dictionary. Project partner provides regular consultations. The meeting with the coordinator of the University of Oslo was organized and consultations were planned with the Norwegian experts. In November 2009 seminars for Vilnius University students and lecturers were organized, conducted by consultants from Oslo University.

In general sharing of experience between Lithuania and Norway has a positive effect on strengthening bilateral relations, e.g. exchange trips, trainings, know-how, participation of EFTA state members in conferences and workshops.

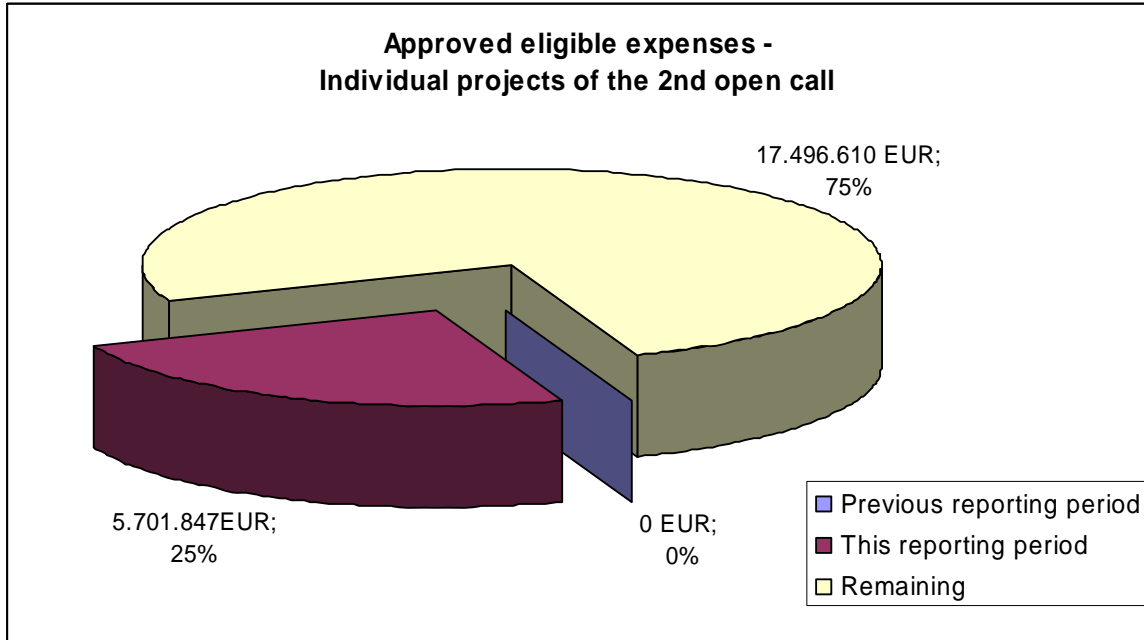
9. FINANCIAL PROGRESS

A significant financial progress was made during the reporting period. It is demonstrated in Graphs No. 13 and 14 for individuals projects approved under each of the open calls (grant amounts of both Financial Mechanisms are shown). Detailed financial progress of each individual project financed from the Norwegian Financial Mechanism is provided in Annex 2 of this report.

Graph No. 13

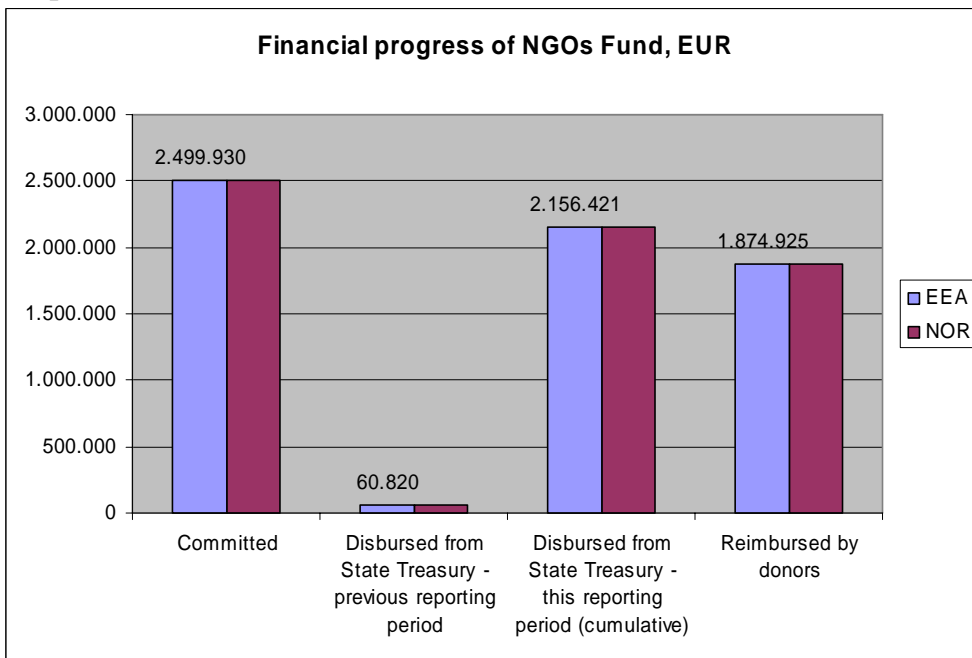


Graph No. 14

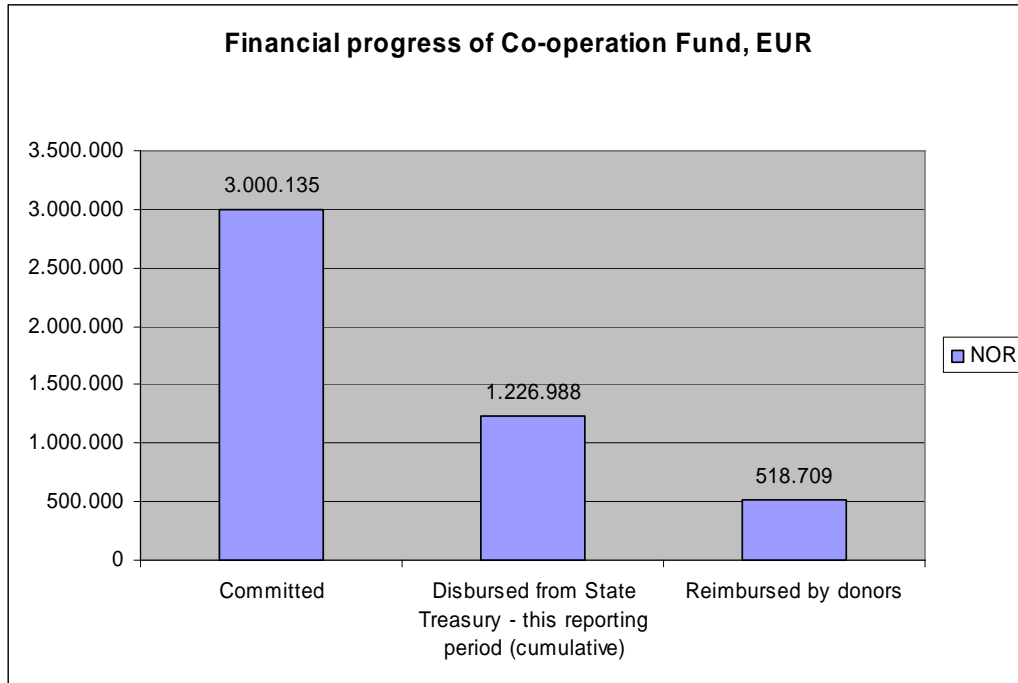


Financial progress of the specific forms of grant assistance listed in Annex C to the Memorandum of Understanding is illustrated in the Graphs No. 15-18 below. Since no disbursements were made yet to the Cooperation Fund and Capacities Strengthening Fund during the previous reporting period, only the progress of this reporting period is shown.

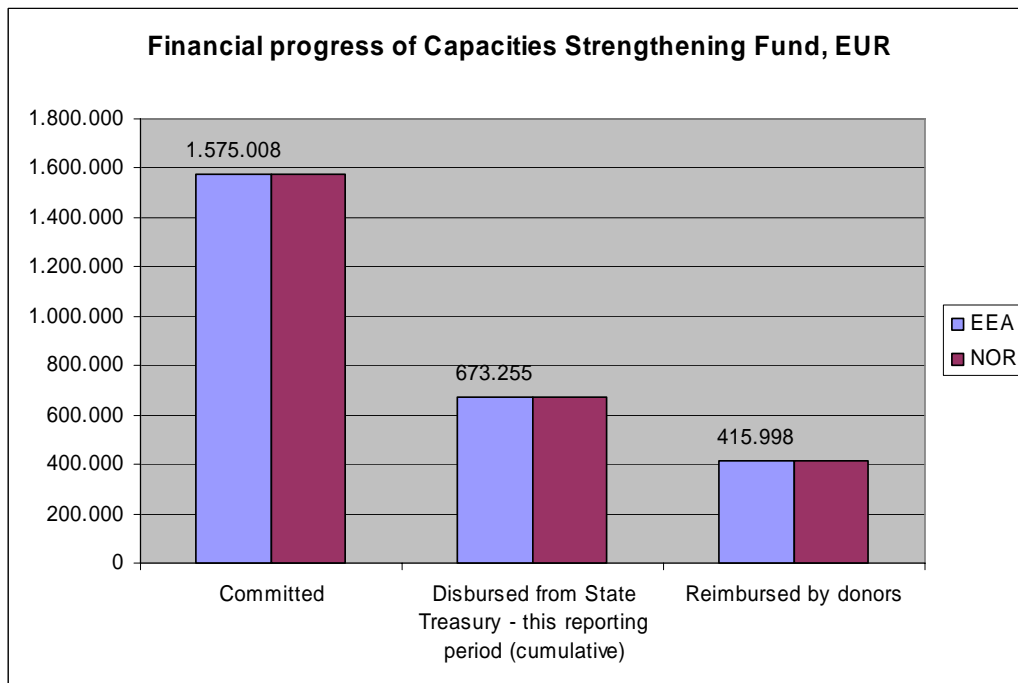
Graph No. 15



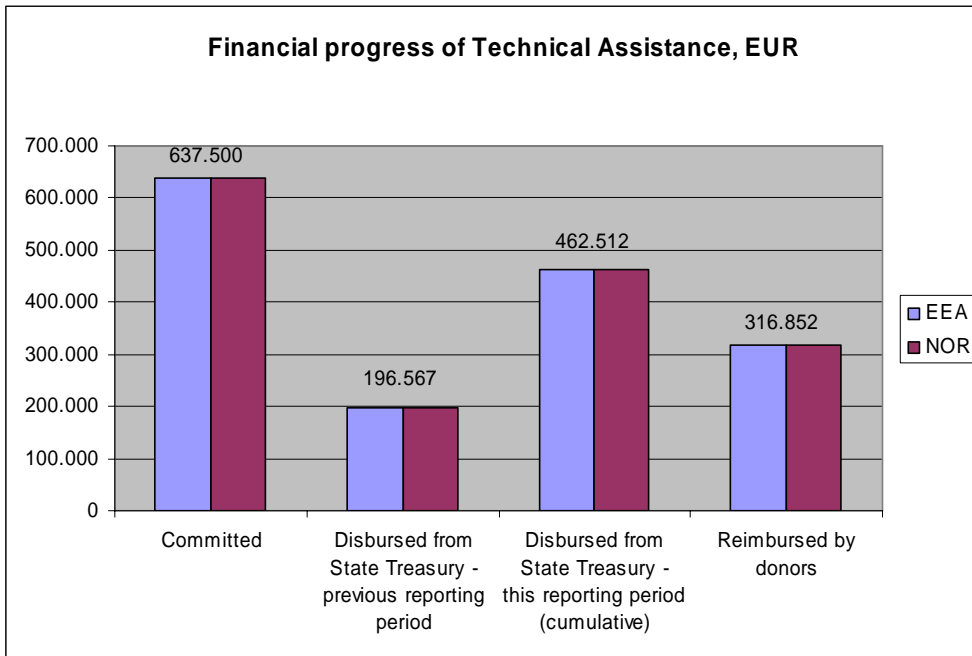
Graph No. 16



Graph No. 17

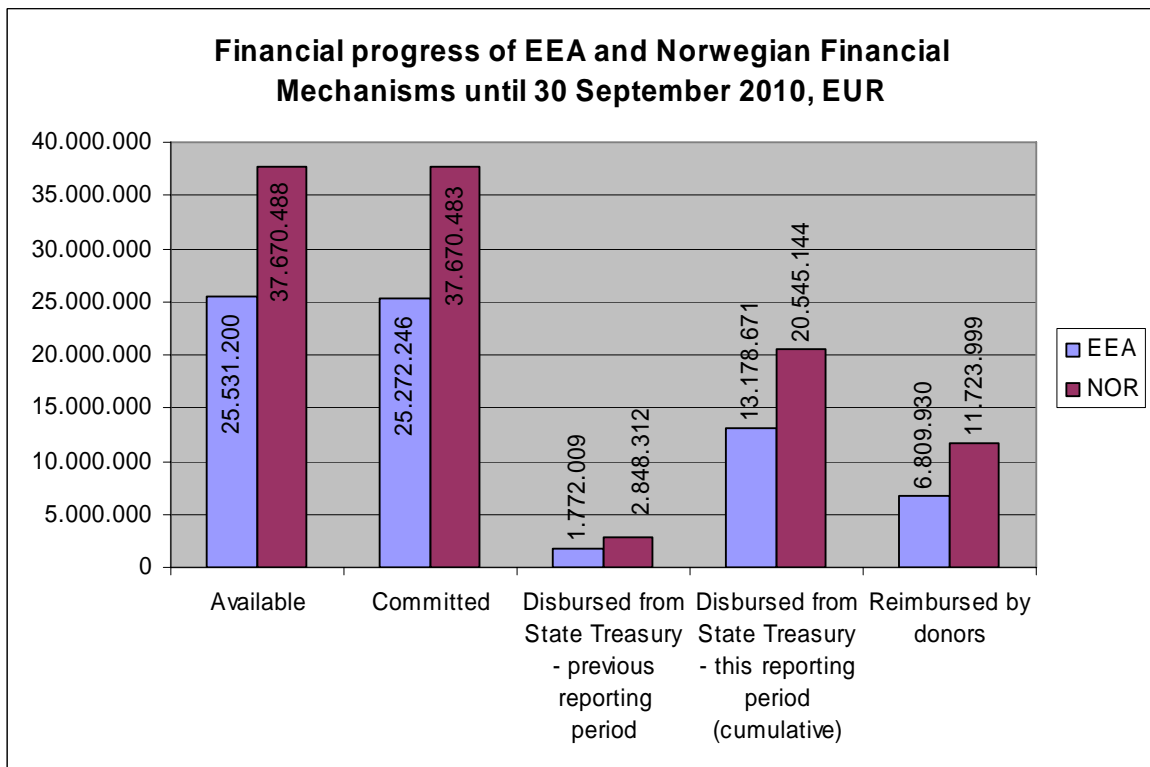


Graph No. 18



The following Graph No. 19 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).

Graph No. 19



10. WORK PLAN FOR THE NEXT REPORTING PERIOD

Lithuanian work plan for the next reporting period (October 2010 – September 2011) is presented below:

Table No. 8

Task	IV Q 2010	I Q 2011	II Q 2011	III Q 2011
Closing event to introduce the results and benefit of the Financial Mechanisms		X		
Tasks related to the individual projects				
Implementation of individual projects	X	X	X	
Final reporting on completed projects	X	X	X	X
Tasks related to the Block Grants				
NGOs Fund				
Evaluation of sub-projects' impact on cross-cutting issues	X			
Preparation and dissemination (electronic publication) of the Final Report for Fund implementation		X		
Closing conference		X		
Cooperation Fund and Strengthening Administrative Capacities Fund				
Implementation of sub-projects	X			
Preparation and dissemination of informational brochure about the results of the Funds	X			
Preparation and publication of articles about the results of the Funds in each of 10 Lithuanian regions	X	X		
Preparation of the Final Report for Fund implementation	X	X		

ISSUES AND RECOMMENDATIONS

During the reporting period significant progress in the implementation of the Norwegian Financial Mechanism in Lithuania has been achieved. Implementation of individual projects advanced to a second half of project cycle and some of the projects approved under the 1st open call were already finished (mostly projects in Healthcare and Human Recourses sectors). A lot of projects needed extensions, but often it was caused not only by the delays due to some problems in the course of implementation, but also due to the wish to use the savings to introduce new activities and improve the initially planned results.

Although judging from the current implementation status of individual projects it is expected that all of them will be finished by the deadline of 30 April 2011 (for the majority of projects the end is scheduled for January 2011), the major challenge for the next reporting period is close monitoring of the implementation course of the projects in order to identify any potential problems before their emergence as there is almost no room left time-wise for correction of them. The most risky group is the projects involving still unfinished (re)construction works as they are highly dependant on winter weather conditions.

Implementation of the Block Grants is already at the final stage. The Seed Money Facility was already finished during the previous reporting period and only the final reporting was settled in 2009. The sub-projects of the NGOs Fund are already completed. 4/5 of the sub-projects under the Cooperation Fund and Capacities Strengthening Fund also finished their activities by the cut-off date of this reporting period. However, since the final reporting is still not completed the results achieved and benefit created will be known only in a few forthcoming months. The major remaining tasks for these Funds are completion of reporting, as well as evaluation of the achieved aggregate results and their presentation to the beneficiaries and general public.

Significant general financial progress was also made. However, since the eligibility of expenses is verified and disbursements are made later than the activities actually are performed it is lower than the physical progress. Level of reimbursement from the donors to the State Treasury is even lower, because Project Interim Reports are submitted to the FMO with a significant delay due to fact that Project Promoters make many mistakes in payment claims and verification of eligibility of expenditures to be demonstrated in the PIRs takes a lot of time. Taking this into account every effort will have to be made to prepare and submit the last PIRs within the 6 months of the final date of the eligibility, especially taking into consideration the workload when most of the projects will be finished almost at the same time.

ANNEXES

1. Summary of the implementation status of the individual projects financed from the Norwegian Financial Mechanism.
2. Financial status of the individual projects implemented under the Norwegian Financial Mechanism.
3. On-spot checks plan for the next reporting period.