

# ANNUAL MEETING ON THE EEA AND NORWEGIAN FINANCIAL MECHANISMS

Friday 30, May 2008

Venue: Ministry of Finance, Vilnius  
Conference Room 331  
10.00 – 12.30 h

## MINUTES

### Lithuania:

Mr. Rolandas Kriščiūnas, Co-Chairman, Undersecretary of the Ministry of Finance, National Focal Point (NFP),  
Ms. Audronė Nikšaitė, Head of International Financial Assistance Coordination Division, Ministry of Finance,  
Ms. Jūratė Vlaščenkienė, Deputy Head of International Financial Assistance Coordination Division, Ministry of Finance,  
Ms. Edita Bačkieriūtė, Chief Specialist of International Financial Assistance Coordination Division, Ministry of Finance,  
Ms. Eglė Puodžiukaitė, Chief Specialist of International Financial Assistance Coordination Division, Ministry of Finance,  
Ms. Rita Subačiūtė, Chief Specialist of International Financial Assistance Coordination Division, Ministry of Finance,  
Ms. Agnė Metelionytė, Chief Specialist of International Financial Assistance Coordination Division, Ministry of Finance,  
Mr. Kasparas Jakubėnas, Chief Specialist of International Financial Assistance Coordination Division, Ministry of Finance,  
Mr. Viktoras Sirvydis, Director of Central Project Management Agency (CPMA),  
Ms. Rasa Suraučienė, Head of International Programmes' Management Department, Central Project Management Agency,  
Ms. Ieva Kazlauskaitė, Project Manager, EEA and Norwegian Programmes Division, International Programmes' Management Department, Central Project Management Agency.

### Norway:

Mr. Anders Erdal, Chairman, Deputy Director General, European Department, Ministry of Foreign Affairs,  
Ms. Anne Strand, Senior Adviser, European Department, Ministry of Foreign Affairs,  
Mr. Steinar Gil, Ambassador, Norwegian Embassy,  
Mr. Henrik Foyen Skjerve, Counsellor, Norwegian Embassy,  
Ms. Anne Sylvelin Lamvik, Intern, Norwegian Embassy.

### Financial Mechanism Office (FMO):

Ms. Stine Lundin Andresen, Director,  
Mr. Jon Gunnar Aasen, Country Officer,  
Ms. Daniela Dimitri, Legal Officer.

## **OPENING OF THE MEETING**

The Co-chairman Mr. R. Kriščiūnas opened the meeting by welcoming everybody and making a few introductory points. Mr. R. Kriščiūnas proposed the representatives of donor states to make some initial remarks.

Mr. A. Erdal firstly thanked Lithuanian Focal Point for the organisation of on-site visits to implementation places of some of the projects the day before the annual meeting. He noted that the donors were very satisfied with the quality of the visited projects. Mr. A. Erdal also observed that Lithuania made a great progress since the last annual meeting and that the general quality of Lithuanian projects was very good and promising significant results to be achieved. He remarked that 2<sup>nd</sup> Open Call for individual projects was already in process, however much effort would have to be given to the fast and efficient assessment of received applications taking into account the limited time span left for project committing.

Mr. R. Kriščiūnas thanked Mr. A. Erdal for the positive remarks on the implementation of Financial Mechanisms in Lithuania and suggested passing onto the discussions according to the agenda items. He proposed to make the meeting as interactive as possible and to raise questions during the discussion.

### **Implementation framework and regulatory environment**

Mr. R. Kriščiūnas shortly introduced the structure and covered reporting period of Annual Reports. Mr. A. Erdal noted that the reports were well structured and really informative, but he had a comment that next year more attention could be given to the advancement with regard to the priorities of Financial Mechanisms and national strategies as well as cross-cutting issues. Ms. Stine Lundin Andresen remarked that such impact analysis would also be easier to do next year taking into account that the implementation of the Financial Mechanism would have been progressed further.

#### *Legal acts on the implementation of the Financial mechanisms in Lithuania*

Mr. R. Kriščiūnas pointed out that during the reporting period some new legal acts were adopted, i.e. Guidelines for the individual project applicants, as well as for sub-project applicants under the NGOs and Seed Money funds. Some amendments were done to the already approved legal acts. The modifications of the Individual projects Assessment Rules were directed towards the acceleration and improvement of the appraisal process of applications: 1) administrative compliance assessment and eligibility assessment stages were merged into one stage; 2) considering the recommendations of the Monitoring Committee in the value for money assessment stage more weight was given to the opinion of the respective line ministries which would elaborate on project's conformity with and contribution to national strategies and could give up to 20 points to an application (total maximum possible score for an application is 100 points). Some minor amendments aimed at better clarity were made in the Rules of Administration and Financing of Projects Supported under the EEA and Norwegian Financial Mechanisms as well as in the Rules of Management of the EEA and Norwegian Financial Mechanisms in Lithuania.

#### *Compliance with Community policy*

Mr. Kriščiūnas informed that tendering and procurement for all the projects would be implemented following the Law of the Republic of Lithuania on Public Procurement which had been harmonized with the respective EU legal acts. He noted that none of the applications

selected under the 1<sup>st</sup> Open Call for individual projects fell under the scope of the environmental EU directives which also meant that no projects would have negative impact on the environment.

Mr. R. Kriščiūnas reminded of the discussions Lithuanian NFP had with the FMO on the state aid issue in several health care projects. He informed that after the consultations with respective national authorities (Ministry of Health and the Competition Council) the NFP arrived at the opinion that Lithuanian health sector projects were in line with the EU state aid rules and provided the FMO with respective reasoning. Afterwards the NFP started receiving Grant Offer Letters for the projects in question confirming grants from the Financial Mechanisms with the specific obligation for the NFP to ensure that the assistance granted complies with the rules related to state aid and that the approval of the projects by donors does not imply a positive assessment of such compliance. Mr. R. Kriščiūnas stated that the formulation of the obligation is totally acceptable to the Lithuanian NFP. Mr A. Erdal noted that he was very pleased with the very positive and constructive manner of finding the solution satisfying all sides.

#### Disbursement procedures in Lithuania

Mr. R. Kriščiūnas reported that in January 2008 amendments to the Annex III (Fund set-up) of the Grant Agreements for the financing of the *Seed Money Facility Fund*, the *NGOs Fund*, the *Transfer of Experience and Strengthening of Cooperation among local, regional and euroregional partners in Lithuania and Norway Fund* as well as modifications of the Annex III of the block grant application *Strengthening Administrative and Public Service Capacities of Local and Regional Authorities and their Institutions* were made. The amendments were targeted at unifying the disbursement procedures in Lithuania, i.e. establishing pre-financing from State Treasury and later compensation from the donors for all the types of grant assistance (individual projects and sub-projects under the block grants). Therefore, advance payments provided by the donors' would not be needed.

### **Progress made in respect of individual projects**

#### 1<sup>st</sup> Open Call

Mr. R. Kriščiūnas stated that Lithuanian level evaluation was finalised in June 2007. After agreeing with the donors to finance additional applications from initial reserve list by reallocating some of the 2<sup>nd</sup> Open Call funds to the 1<sup>st</sup> Open Call, 50 applications in total were submitted to the FMO for further assessment. The total grant sum requested from the Financial Mechanisms in these applications was slightly over 31 million euro. Mr. R. Kriščiūnas noted that by the annual meeting day 44 Grant Offer Letters had been received, 29 Acceptance Letters with the completed Project Implementation Plans had been submitted to the FMO, 16 Grant Agreements signed by the donors had been received. He drew the attention of the annual meeting participants to the fact that out of the 50 mentioned applications two were later withdrawn: one (LT0064) – by the applicant who did not manage to solve some ownership related issues, the other (LT0037) – by the Monitoring Committee due to emergence of the fact that the applicant had withheld information that was essential for assessment process. Also, one more application (LT0057) was rejected by the FMO, however taking into consideration the importance of the very idea of the project it was being amended at the moment in order to strengthen the managerial part of it and it was planned to resubmit it for the FMO's evaluation.

Mr. A. Erdal asserted that the donors were satisfied with the progress made and with the quality of the projects.

### 2<sup>nd</sup> Open Call

Mr. R. Kriščiūnas informed that the 2<sup>nd</sup> Open Call was launched on 6 May 2008. The deadline for submission of the applications was set for 1 August 2008. Also, 6 information seminars on the Call should be organised in different regions of Lithuania on 13-20 June. According to the detailed Action Plan prepared by the NFP and the CPMA necessary measures and administrative resources were planned for the speedy and efficient assessment of the received applications. Among the new means of this goal there was a requirement for the applicants to submit the applications in English. Moreover, the NFP would submit more supporting documentation together with the applications to the FMO seeking to diminish the number of requests for additional information. Mr. R. Kriščiūnas remarked that the NFP planned to submit all the prioritised applications to the FMO by the end of year 2008.

Mr. A. Erdal agreed regarding the importance of expeditious assessment. He told that the FMO would be expecting to start receiving the applications as soon as possible and to have all the applications at least by the end of the year. Mr. A. Erdal also admitted that the 1<sup>st</sup> open call proved the good quality of Lithuanian evaluation and this together with their own lessons learnt would allow the donors' side to reduce their assessment scope and further accelerate the appraisal process. Ms. Stine Lundin Andresen remarked that the junction of years 2008 and 2009 would be a serious challenge to the FMO as well because some other countries would also send their projects from the last calls. She noted that the FMO had prepared some measures in order to tackle this challenge and she suggested discussing the Lithuanian proposals of improving the appraisal process further.

Mr. A. Erdal commented that limited time for commitment also meant that weak applications would be outright rejected as there would be no time for amending them therefore the beneficiary countries should have sufficient and ready lists of reserve projects. Mr. A. Erdal also expressed the hope that more bilateral partnership projects would be received under the 2<sup>nd</sup> open call.

### **Progress made in respect of Funds listed in Annex C to the MoU**

#### Seed Money Facility Fund

Mr. R. Kriščiūnas stated that the Grant Agreement for financing the Seed Money Facility Fund was signed on 27 July 2007. An open call for proposals was announced on 15 March 2007 and lasted 3 months. The most popular priority sector according to the number of received applications was health and childcare and the focus area distinguished within it by Lithuania – Equipment and renovation of the sporting sites near the schools. Mr. R. Kriščiūnas informed that 35 projects had been selected and were currently under implementation.

Mr. H. Foyen Skjerve asked how the NFP planned to deal with the inconsistency that emerged after dedicating seed money for one research project but not reserving any funds for research projects under the 2<sup>nd</sup> open call for individual projects. Ms. A. Nikšaitė explained that this situation appeared after reallocation of part of the 2<sup>nd</sup> open call funds to the 1<sup>st</sup> open call. She assured that applicants were not restricted to submit research project proposals and said that the NFP expected to make some savings so that still one research project could be financed.

### NGOs Fund

Mr. R. Kriščiūnas reported that the Grant Agreements were signed on 3 July 2007. On 20 September 2007 the contract between the Secretariat which had been selected via a public tender and the Ministry of Finance was signed. The 1<sup>st</sup> open call for sub-project proposals was announced on 15 March 2008 and closed on 15 May 2008. Mr. R. Kriščiūnas pointed out that almost 400 applications requesting for over 22 million euro, i.e. more than 4 times bigger amount than was available in the Fund, had been received. He also mentioned that if a lot of applications proved to be of sufficiently good quality, the NFP would most probably like to ask for donors' permission to use funds from subsequent open calls to finance the projects received under the first one.

Mr. A. Erdal assured that the donors would be open to the reallocation proposals. He also remarked that if enough projects would appear really good, it could even be decided not to have any further calls.

As regards the future plans Mr. R. Kriščiūnas noted that the 2<sup>nd</sup> open call for subprojects was preliminary scheduled for the 4<sup>th</sup> quarter of 2008.

### Transferring of Experience and Strengthening of Co-operation among Local, Regional and Euroregional Partners in Lithuania and Norway

Mr. R. Kriščiūnas reported that the Grant Agreement was signed on 3 July of previous year. On 1 April 2008 the agreement on the implementation of the Fund was concluded by the NFP, the Intermediary and the Implementing Agency. The public tender for the services of the Secretariat was launched on annual meeting's day. It was planned that the 1<sup>st</sup> open call for sub-project proposals would be launched in the 4<sup>th</sup> quarter of 2008.

### Strengthening administrative capacities of local and regional authorities

Mr. R. Kriščiūnas told that the application prepared by the Ministry of Interior was submitted to the FMO for approval on 28 August 2007. The Grant Agreements were signed on 14 May 2008. The Secretariat for the administration of the block grant would be procured and it would be the same Secretariat as for the block grant "Transferring of Experience and Strengthening of Co-operation among Local, Regional and Euroregional Partners in Lithuania and Norway". Therefore, the 1<sup>st</sup> open call for sub-project proposals was also planned in parallel with the open call under the bilateral relations block grant, i.e. in the 4<sup>th</sup> quarter of 2008.

Mr. A. Erdal noted that the reallocation of funds between the calls or reduction of number of calls under the both block grants administered by the Ministry of Interior could also be considered if similar situation like in the NGO fund's case would emerge.

### Technical Assistance

Mr. R. Kriščiūnas informed that on 3 July 2007 the Grant Agreements were signed. The bilateral implementation agreement on the implementation of the project was signed on 5 May 2007 between the NFP and the CPMA. During the reporting period the Financial Mechanisms' Management and Control System was developed: necessary staff was hired and was being gradually trained, independent project appraisal experts to assist the CPMA in appraisal of applications of the 1<sup>st</sup> open call for individual projects were contracted, services of the external audit company as well as translation and interpretation services were

purchased. The database for development and maintenance of the projects should be created by the end of the year. As regards the publicity activities, the seminars on the reporting structure of the Financial Mechanisms for the applicants whose projects were selected under the 1st open call for individual projects were arranged in February 2008. Unfortunately, public tender of the publicity services which was launched in January 2008 was unsuccessful (no proposals from potential service providers received) therefore, new tender would be launched in the 2nd quarter of 2008.

### **Information and publicity activities**

Passing on to the publicity measures Mr. R. Kriščiūnas stressed that as a general publicity measure the information on the Financial Mechanisms was being regularly updated on the web pages of the NFP and the CPMA, including the publication of intermediate and final assessment results of applications submitted under the 1st open call for individual projects and Seed Money Facility Fund. Concerning the publicity related to the individual projects, on 19-20 February 2008 seminars on the issues of implementation for the applicants of selected projects were arranged. The representatives from the FMO also took part in the seminars and presented the reporting structure, as well instructed the applicants on completion of project implementation plans, project interim reports and project completion reports. As regards the future plans, information seminars for potential applicants in different regions of Lithuania will be organised in June 2008. Mr. R. Kriščiūnas added that under Seed Money Facility information seminars for potential applicants in 5 largest cities of Lithuania were also organized on 14-22 May 2007. He emphasised that later the CPMA published answers to the most frequently asked questions with regard to completion and submission of applications on its website. Regarding publicity measures under the NGO Fund, not only information seminars for potential applicants were organised by the Fund secretariat in all 10 counties of Lithuania, but also training seminars for potential applicants on practical issues of completing the applications were arranged in the same 10 counties.

Mr. A. Erdal expressed the satisfaction with the NFP's activity in publicity sphere. The big number and wide geographical coverage of received applications were the direct result of that. He told he hoped that this activeness would be preserved in the future, too. Mr. H. Foyen Skjerve also commended the NFP's and the CPMA's activeness and thanked for the possibility to participate in various publicity events.

### **Financial progress**

Mr. R. Kriščiūnas introduced the financial progress achieved during the reporting period by comparing the sums allocated to Lithuania and the sums already committed and disbursed (for more detailed information, please, see the presentation in Annex 1).

Mr. A. Erdal pointed out the need to concentrate on the commitment of the remaining funds and giving the impetus to the disbursements.

### **Work plan for next reporting period**

Mr. R. Kriščiūnas presented the planned work schedule for individual projects as well as for each block grant for the next reporting period (please, see Annex 1).

Mr. A. Erdal commended the presented work plan and expressed the trust that the implementation of the Financial Mechanisms in Lithuania would keep on progressing really

well and that this would contribute tangibly to the diminishing of social and economic disparities in Lithuania.

## **Lithuania's Proposals**

### *Regarding the appraisal of the applications received under the 2nd Open Call*

Mr. R. Kriščiūnas proposed the FMO to reconsider the detailed appraisal process and make it a little less inclusive, because it appeared that some parts of it overlapped with the evaluation performed by the CPMA. Moreover, it substantially extended the duration of appraisal process and sometimes required overmuch effort and financial input from the applicants' side, e.g. if asked to translate high volume technical documentation into English. Mr. R. Kriščiūnas observed that these costs created only very limited added value as by the cut-off day only 1 project out of 50 submitted was recommended for considerable improvement and re-submission by the donors.

Ms. Stine Lundin Andresen suggested arranging a separate meeting to discuss in detail where the evaluation overlaps occurred during the 1<sup>st</sup> open call and to raise any other ideas in order to make the 2<sup>nd</sup> call evaluation quicker and more efficient. Mr. R. Kriščiūnas agreed that such a meeting could be organised on 10 June in Brussels when Lithuanian representatives would participate in the workshop organised by the FMO.

### *Regarding the formulation of grant condition on establishment of maintenance fund*

Mr. R. Kriščiūnas emphasised that the current formulation of maintenance fund obligation for applicants, which was introduced in the Grant Offer Letters, created some practical obstacles due to its contradiction to certain national legal principles of management of public funds. He explained that according to Lithuanian law no separate funds or accounts could be established outside annual budget planning procedures of budgetary institutions. And the nature of Lithuanian budgetary system determined that accumulation of funds was not possible – all budget appropriations received by the project promoters (whether they are budgetary or public institutions) had to be used for a particular predefined measure until the end of every financial year and unused amount of money for the purpose of maintenance would have to be returned to the state or local budget. The funds could not be reserved in a particular year budget if they were not planned to be spent for a concrete defined objective. Such approach would be treated by national control institutions as ineffective and incorrect planning of public funds.

Mr. R. Kriščiūnas stressed that the NFP did not question the very principle of maintenance, but it asked for a more appropriate and flexible means to implement it. He noted that the NFP could not sign the Grant Agreements because the current formulation contradicted national law. Therefore he introduced two Lithuanian proposals for possible new formulation of the post-completion obligation (please, see Annex 1), accenting that the 1<sup>st</sup> alternative was more convenient for the NFP as it gives flexibility to establish different most appropriate mechanisms for the implementation of the obligation taking into account the specificity of every individual case.

Ms. D. Dimitri expressed concern that if no fixed minimum amount would be allocated for maintenance costs yearly that would leave no reserve funds for unexpectedly emerged maintenance needs. Mr. V. Sirvydis explained that allocation of even amounts every year is not pragmatic in Lithuanian case because most probably during the first few years after project completion very little or no funds will be required for maintenance for according to

Lithuanian laws a warranty period for construction and renovation works of minimum 5 years applies and contractors that had executed works were obliged to eliminate any shortcomings that emerged during this period. Ms. A. Nikšaitė added that other cases that would not fall under the contractors' responsibility like natural disasters would be covered by the insurance. Mr. R. Kriščiūnas further elaborated that even if some totally unforeseen cases occurred there were additional instruments like state reserve to deal with them. He emphasised that Lithuanian NFP was the Ministry of Finance which was managing public funds therefore it had all the necessary authority to undertake this commitment and ensure its pursuance on the case by case basis without any need for uniform external mechanism.

After hearing all the arguments Mr. A. Erdal stated that the donors would approve the 1<sup>st</sup> alternative of the formulation proposed by Lithuania: He noted that this formulation would eliminate fixed yearly distribution of maintenance funds but would nevertheless guarantee the allocation of sufficient funds for maintenance after the project completion.

After all the meeting participants agreed with Mr. A. Erdal's proposal, it was decided that the new formulation would be included in future Grant Agreements and the addendums would be concluded for the already sent Grant Agreements.

The agreed formulation on the maintenance condition;

“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”

Mr. R. Kriščiūnas thanked everybody for participation in the meeting as well as for benevolent and constructive discussions and closed the meeting.

#### **DECISIONS TAKEN:**

1. In case a lot of applications received under the 1<sup>st</sup> call of NGOs fund proved to be of sufficiently good quality, the NFP will request donors' permission to use funds from subsequent open calls to finance the projects received under the first one and possibly not to have any further calls.
2. A separate meeting to discuss in detail where the evaluation overlaps between the CPMA's and the FMO's assessment occurred during the 1<sup>st</sup> open call and to raise any other ideas in order to make the 2<sup>nd</sup> call evaluation quicker and more efficient will be organised.
3. New formulation of post-completion maintenance obligation will be included in future Grant Agreements and the addendums will be concluded for the already sent Grant Agreements.

#### *Enclosures:*

1. Annex 1: Presentation “Implementation of EEA and Norwegian Financial Mechanisms – Annual meeting”.