

**Annual report**  
**on the implementation of the European Economic Area Financial**  
**Mechanism in Poland**  
**in the period from January 2006 to December 2006**

adopted by the Monitoring Committee for the European Economic Area Financial Mechanism and the  
Norwegian Financial Mechanism on (date)

**National Focal Point**  
**Ministry of Regional Development**

**Warsaw, 28 February 2007**

<b>SUMMARY .....</b>	<b>3</b>
<b>INTRODUCTION.....</b>	<b>5</b>
<b>1. PROGRAMMING THE USE OF FINANCIAL RESOURCES .....</b>	<b>6</b>
1.1. CHANGES IN THE <i>OPERATIONAL PROGRAMME</i> .....	6
1.2. CHANGES IN THE <i>ANNEXES TO THE MEMORANDUM OF UNDERSTANDING ON THE IMPLEMENTATION OF THE EUROPEAN ECONOMIC AREA FINANCIAL MECHANISM</i> .....	7
1.3. SIMPLIFICATIONS IN THE IMPLEMENTATION SYSTEM .....	8
1.4. CHANGES IN THE ALLOCATIONS OF FINANCIAL RESOURCES .....	10
<b>2. IMPLEMENTATION OF THE EUROPEAN ECONOMIC AREA FINANCIAL MECHANISM.....</b>	<b>12</b>
2.1. FIRST CALL FOR PROPOSALS .....	12
2.1.1. <i>Appraisal of applications under individual projects</i> .....	12
2.1.2. <i>Statistics of the first call</i> .....	13
2.1.3 <i>Applicants</i> .....	15
2.2. BLOCK GRANTS .....	16
2.2.1. <i>Technical Assistance Fund</i> .....	16
2.2.2. <i>Fund for Non-Governmental Organisations</i> .....	17
2.2.3. <i>Scholarship and Training Fund</i> .....	18
2.2.4 <i>Seed Money Fund</i> .....	20
2.3. INFORMATION AND PROMOTION .....	20
<b>3. IMPLEMENTATION PLAN OF THE EUROPEAN ECONOMIC AREA FINANCIAL MECHANISM IN THE PERIOD FROM JANUARY 2007 TO DECEMBER 2007 .....</b>	<b>24</b>
3.1. MONITORING THE IMPLEMENTATION OF PROJECTS .....	24
3.2. SECOND CALL FOR PROPOSALS.....	25
3.3. THIRD CALL FOR PROPOSALS .....	25
3.4. IMPLEMENTATION OF BLOCK GRANTS .....	25
3.5. INFORMATION AND PROMOTION .....	26
<b>CONCLUSIONS .....</b>	<b>28</b>
<b>APPENDIX 1. LIST OF BILATERAL PARTNERSHIPS WITH ENTITIES FROM THE DONOR STATES.....</b>	<b>30</b>
<b>APPENDIX 2. ANNOUNCEMENT OF THE SECOND CALL FOR PROPOSALS.....</b>	<b>30</b>
<b>APPENDIX 3. ACTION PLAN IN 2007 .....</b>	<b>30</b>
<b>APPENDIX 4. INFORMATION ON THE AUDIT IN 2007 .....</b>	<b>30</b>

## Summary

The document *Annual report on the implementation of the European Economic Area Financial Mechanism in the period from January 2006 to December 2006* fulfils the commitment imposed on Poland in Article 5 of the *Memorandum of Understanding on the implementation of the European Economic Area Financial Mechanism 2004-2009*. It includes issues related to programming the use of financial resources, describes the implementation progress of the European Economic Area Financial Mechanism, and presents activities of institutions involved in the implementation of the Mechanism, planned for the next reporting period, i.e. from January 2007 to December 2007.

Programming the use of resources in the first place included changes in the most important documents referring to the European Economic Area Financial Mechanism. Their purpose was to make the process of the call for proposals and implementation of projects more efficient, as well as to ensure the necessary consistency between the programming documents. A document entitled *Changes in the Operational Programme for the use of financial resources under the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism* was prepared. Moreover, the scope of changes in the *Memorandum of Understanding on the implementation of the European Economic Area Financial Mechanism*, comprising all Annexes to the document, was determined. They are a substantial basis for concluding an international agreement amending the contents of the Annexes to the *Memorandum of Understanding*. Modifications of the financial allocations for the next open calls for proposals constituted another significant element of programming.

The annual report presents information concerning the implementation of the European Economic Area Financial Mechanism under the first call for proposals. It includes statistics relating to the number of submitted and recommended projects and their value in the division into the priority areas. These statistics are complemented by the characteristics of the applicants. The implementation work encompassed not only evaluations of 1391 applications sent during the first call, but also actions aimed at commencement of specific forms of assistance under the EEA Financial Mechanism, named block grants. Two of them, i.e. the Technical Assistance Fund and the Seed Money Fund were launched in 2006. In the next

reporting period, the work is to be continued in order to commence the call for proposals for the Fund for Non-Governmental Organisations as well as Scholarship and Training Fund.

## **Introduction**

Pursuant to Article 5 of the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2004-2009*, the Ministry of Regional Development, performing the function of the National Focal Point for the implementation of the EEA Financial Mechanism in Poland, prepared a document entitled *Annual Report on the implementation of the EEA Financial Mechanism in Poland in the period from January 2006 to December 2006*.

The purpose of the document is to present the implementation progress of the EEA Financial Mechanism in Poland, as well as the process of preparing the use of financial resources, in particular through introducing appropriate changes in the contents of the Mechanism programming documents. Moreover, the report presents action plans for the next reporting period, i.e. from January 2007 to December 2007.

This document is drawn up according to Article 3.3 of the *Beneficiary state reporting and monitoring guidelines*. It will be presented, in compliance with the contents of the *Guide to Annual Meeting Preparation*, during the Annual Meeting planned in June 2007, of the Donor States of the Norwegian Financial Mechanism and the European Economic Area Financial Mechanism – the Kingdom of Norway, the Principality of Liechtenstein and the Republic of Iceland. Prior to its submission to the representatives of the Donors the report requires approval by the Monitoring Committee for the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism.

## **1. Programming the use of financial resources**

Programming the use of financial resources is understood to mean both the changes in the documents constituting the legal framework and the basis for the implementation of the EEA Financial Mechanism, as well as modifications concerning the allocation of financial resources within the next calls for proposals.

### **1.1. Changes in the *Operational Programme***

On the basis of the arrangements of 18 April 2006, Poland agreed to modify the document entitled *Operational Programme for the use of financial resources under the EEA Financial Mechanism and the Norwegian Financial Mechanism*. Changes in the *Operational Programme (OP)* were introduced by the Ministry of Regional Development – the National Focal Point (MRD-NFP), which acted in cooperation with Intermediate Bodies and the Ministry of Finance. The purpose of the modification was to make certain elements of the contents more detailed and more specific, which is required for simplifying the system of using financial resources, and to adjust the document to the changes in the rules for the implementation of the Financial Mechanisms, proposed by the Donors.

The modified *OP* was presented to the Donors on 31 May 2006. In reply, Norway as well as the Financial Mechanism Office (FMO) made remarks at the beginning of July 2006, which were later discussed with all Intermediate Bodies. The jointly worked out positions of the Polish side referring to particular issues were presented by the MRD-NFP during a meeting of the Donor State in mid-July 2006. The talks resulted in a decision to maintain the current structure of the *Operational Programme* and introduce certain modifications, in particular in a part concerning a description of the priority areas. At the end of July 2006, the NFP delivered a new version of the *Operational Programme* to the Donor States.

On 19 October 2006, the document entitled *Changes in the Operational Programme for the use of financial resources under the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism* was adopted by the European Committee of the Councils of Ministers. Then, on 3 November 2006, it was approved by the Committee of the Councils of Ministers. The document of changes in the *OP* was finally accepted by the Council of Ministers at a meeting on 14 November 2006.

The modification of the *Operational Programme*, among other things, referred to simplifying the procedure concerning the formal appraisal procedure and a more precise

description of the procedure concerning the content-related appraisal. Significant changes in this regard included:

- certain elements of the formal evaluation were moved to the stage of the content-related evaluation (e.g. verification of the cost eligibility, the compliance of a project with national/ regional/ local programmes and planes),
- submission of a project in partnership with an institution from a group of the Donor States was added as one of the content-related evaluation criteria,
- the level of compliance with type of eligible projects under a given priority was removed from the stage of the content-relation appraisal and added to the formal evaluation as an eligibility criterion.

The above mentioned changes are of vital importance primarily due to the fact that the possibility of using an appeal procedure by the applicant is envisaged exclusively with reference to the formal evaluation of an application.

Other significant modifications of the *Operational Programme*:

- possible corrections in an application made by the applicant upon request of the Intermediate Body within 48 hours,
- extending the list of possible eligible costs under Priority 2.9 “Regional policy and cross-border activities”,
- the time limit for submitting appeals by the applicant was shortened from 14 days to 10 days,
- editorial corrections connected with changes in the proper names of entities and documents.

## 1.2. Changes in the *Annexes to the Memorandum of Understanding on the implementation of the European Economic Area Financial Mechanism*

A superior purpose of the amendments to the *Annexes to the Memorandum of Understanding on the implementation of the EEA Financial Mechanism* was to make the management system more efficient and accelerate the implementation process of the EEA Financial Mechanism in Poland. An important factor was also to ensure the required consistency of the provisions contained in the *Memorandum of Understanding* with the contents of the *Operational Programme*.

Pursuant to the provisions of Articles 7 and 8 of the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2004-2009*, the Annexes may be subject to a review during Annual Meetings with the Donor States. Therefore, at the Annual

Meeting on 14 October 2005, Poland presented its proposed amendments to the Annexes to the agreements. The work on modifying the contents of Annexes was conducted from April to June 2006. The final approval of the amendments took place during the Annual Meeting on 29 November 2006 in Brussels.

Changes introduced to *Annex A*:

1. updating the names of particular Intermediate Bodies and the National Focal Point,
2. adding the following duties to the scope of competencies of Intermediate Bodies:
  - conducting a formal, technical and content-related appraisal,
  - presenting ranking lists of projects with justifications to the Steering Committees,
3. removing from the list competencies which may be transferred to Auxiliary Bodies by Intermediate Bodies,
4. adding to Chart 1, the names of particular Auxiliary Bodies,
5. making the competencies of the Steering Committee more detailed on the basis of the Operational Programme,
6. changes in the wording of the provisions concerning the procedures for evaluations of projects on the Polish side.

Changes introduced to *Annex B*:

1. adding the overall objective of the EEA Financial Mechanism,
2. changes in the chart describing the priority areas by indicating that Priority 2.4 “Human Resources development” is devoted, among other things, to modernisation of self-government administration services,

Changes introduced to *Annex C*:

1. making the description of the Technical Assistance Fund more detailed,
2. cancelling the point 4. “Research Programme”.

### 1.3. Simplifications in the implementation system

Drawing upon the experience of the first call for proposals, the MRD-NFP undertook numerous actions during 2006, aimed at modifying the implementation system of the EEA Financial Mechanism in order to simplify it.



On 2 February 2006, the Minister of Regional Development – Grażyna Gęsicka, participated in the conference in Oslo “The enlarging of the European Union – challenges and opportunities”, during which she participated in bilateral talks with Norway. The meeting was attended by Jonas Gahr Store – Norwegian Minister of Foreign Affairs, his Deputy Liv Monica Stubholt and Inge Bartnes, Secretary of State at the Ministry of Local Self-Government and Regional Development. During the talks, the issue of simplifying the procedures was brought up (including: shortening the applications appraisal process, increasing the allocation of the funds under the open call, a long-lasting period of financing the projects and a risk of the financial liquidity loss), along with other issues connected with the bilateral cooperation. The talks were continued by representatives of the Ministry of Regional Development, Ministry of Culture and National Heritage and Ministry of Environment during a meeting in Brussels on 7 March 2006 at the Financial Mechanism Office.

On 7-17 March 2006, auditors of the Norwegian company, Nordic Consulting Group, commissioned by the Donor States, drew up a report, entitled *A Review of the Polish implementation of EEA Grants in focus on experiences from the first open call for proposals in Poland*. It was designed to summarize the first call for proposals. The National Focal Point received this report from the Financial Mechanism Office in Brussels on 4 April 2006 r. It was delivered to the attention of Intermediary Bodies. The main thesis of the report states that the process of the call for proposals was transparent but contained certain inaccuracies, among other things, related to entering into partnerships with entities from the group of the Donor States, and to the long-lasting procedure. The Focal Point responded to the contents of the report in a letter of 24 April 2006, presenting necessary explanations. In addition to clarifying numerous substantive inaccuracies included in the report, the letter explained, among other things, the issue of disproportion between the number of submitted and recommended applications, emphasising that the main factor in this case was a great demand for and interest in the assistance among the beneficiaries. In reply to the reproach that the process for appraisal was too lengthy and complicated, it was established that this did not result from the Polish bureaucratic procedures, as the report suggested, and that it was consistent with the guidelines prepared by the Donors. It was also indicated that in order to make the procedure more efficient, Poland enabled an applicant to correct the application within 48 hours, which was finally reflected in the amended contents of the Operational Programme.

On 19 April 2006, the Ministry of Regional Development – the National Focal Point held further talks with the Donors on possible simplifications of the implementation system.

The participants decided initially on actions aimed at making the implementation of the Financial Mechanisms more efficient, among other things, through shortening the list of annexes required for the beneficiary's submission of an application, change in the scope of the formal appraisal, making the provisions of the *Operational Programme* more specific, replacing a partnership agreement with a letter of intent at the stage of submitting an application, and preparing a document indicating the most frequent mistakes. The Donors proposed that they would resign from certain elements of their evaluations of applications and use the results of evaluations prepared by the Polish institutions. Moreover, they committed themselves to verifying applications on the basis of the suggestions made by the Focal Point, Intermediate Bodies and beneficiaries.

By virtue of a letter of 1 June 2006, the MRD-NFP provided the Donors with a proposal of shortened lists of annexes, which were to be required from the applicants during the call for proposals in 2006. On 29 August 2006, the FMO officially accepted the delivered documents.

#### 1.4. Changes in the allocations of financial resources

On 18 August 2006, the Financial Mechanism Office presented a proposal to increase the funds assigned to monitoring and evaluation conducted by the Donor States, from EUR 4 million to EUR 10 million. The Focal Point announced on 14 September 2006 that the amount had been increased for the benefit of the Financial Mechanism Office.

At the same time, the Ministry of Regional Development presented a proposal of the Ministry of Environment, concerning the completion of the calls under all three environment priorities and the assignment of the remaining amount of EUR 73,45 million for financing the thermal modernisation projects which received a high score on the Polish side during the first call for proposals. In a reply received on 21 September 2006, representatives of the Financial Mechanism Committee and the Financial Mechanism Office announced that the Donor States would not accept the proposal of finishing the calls for proposals for the indicated priorities.

During the Annual Meeting on 29 November 2006 in Brussels, representatives of the Ministry of Regional Development – National Focal Point said that under the contest of 2005, a lot of well-prepared applications under priority 2.1 “Environmental Protection” were submitted. The applicants were mainly interested in area 3 “Thermal modernisation of public utility buildings”, as it exceeded the allocation amount for all projects under Priority 2.1. For this reason, Poland again asked for increasing the allocation amount for projects related to

thermal modernisation measures and submitted during the first call, and resigning from them during further open calls. Finally, the Donors decided that EUR 20 million would be shifted from the allocation assigned to the following years for the benefit of thermal modernisation projects submitted under the first call, which were not recommended due to the lack of funds. In effect, area 3 “Thermal modernisation of public utility buildings” under Priority 2.1 was excluded from further calls for proposals. The following chart presents a detailed division of funds under successive calls for proposals, determined at the Annual Meeting on 29 November.

**Chart 1. Allocation value under successive calls for proposals**

	1 <sup>st</sup> call in €	2 <sup>nd</sup> call in €	3 <sup>rd</sup> call in €	Total in €
<b>Protection of environment*</b>	68 010 695	34 170 000		102 180 695
<b>Sustainable development</b>	3 200 000	2 400 000	2 400 000	8 000 000
<b>Culture heritage</b>	36 641 069	42 010 000		78 651 069
<b>Human resources</b>	11 267 011	8 885 000	8 885 000	29 037 011
<b>Health and childcare</b>	17 573 489	12 680 000	12 680 000	42 933 489
<b>Academic research</b>	8 120 000	12 200 000		20 320 000
<b>Schengen</b>	45 380 000	45 380 000	22 700 000	113 460 000
<b>Environment protection acquis</b>	2 458 788	4 820 000	9 660 000	16 938 788
<b>Regional policy</b>	1 949 448	7 650 000	15 280 000	24 879 448
<b>Technical assistance acquis</b>	1 059 500	550 000	1 140 000	2 749 500
	195 660 000	170 745 000	72 745 000	439 150 000
<b>Reserve</b>		6 150 000		6 150 000
<b>Overall allocation (per call)</b>	<b>195 660 000</b>	<b>176 895 000</b>	<b>72 745 000</b>	<b>445 300 000</b>

\* the amount from the announcement of the call in 2005 was increased by EUR 20 million, which was reallocated for thermal modernisation projects

## **2. Implementation of the European Economic Area Financial Mechanism**

The implementation process of the EEA Financial Mechanism in Poland included an appraisal and selection of individual applications sent under the first open call. In this regard, the work aimed at launching block grants constituting specific forms of assistance under the EEA Financial Mechanism, was also significant.

### **2.1. First call for proposals**

The first open call for financing projects under 10 priority areas took place on 5 September 2005 to 30 November 2005 and concerned both the Norwegian Financial Mechanism and the EEA Financial Mechanism.

The amount of the available allocation was EUR 175 600 000. The evaluation process of applications on the Polish side lasted mainly for the first three quarters of 2006.

#### ***2.1.1. Appraisal of applications under individual projects***

The evaluation of applications for financing of individual projects on the basis of formal as well as content-related criteria, submitted under the first call, was carried out and completed within 2006. The competent entities on the Polish side in this regard were 8 Intermediate Bodies and 3 Auxiliary Bodies assisting them. The evaluation resulted in the preparation of ranking lists for each area under the priorities, which were later approved by the respective Steering Committees, following a decision on qualifying particular projects for financing. The next step involved the verification conducted by the National Focal Point, of applications recommended by Steering Committees for each priority. Next, they were sent to the Financial Mechanism Office in Brussels, along with the NFP justification for each of the recommended projects. The lengthy evaluation process of applications on the Donor side, as well as delays on the Polish side in the evaluation of applications in the environmental priorities resulted in the necessity of undertaking appropriate steps in order to accelerate the work and make the process more efficient (they are presented in Chapter I).

The websites of Intermediate Bodies include lists of applications submitted by beneficiaries in particular priority areas under the first call to the Financial Mechanisms, as well as applications recommended by the Steering Committees. Moreover, the lists of applications considered by the above mentioned Committees are published on the websites of the Ministry of Regional Development.

In total, the Steering Committees for all 10 priority areas approved for financing from both Financial Mechanisms 150 projects, the overall financing value of which amounted to

about EUR 176 229 million. Furthermore, 18 projects were approved as reserve ones. The value of assistance provided only from resources of the EEA Financial Mechanism was EUR 95,718 million, whereas the value of grants assigned at the same time from both the Norwegian Financial Mechanism and the EEA Financial Mechanism amounted to EUR 1,852 million. Respectively, the total value of the grant provided only from funds of the Norwegian Financial Mechanism was EUR 78,658 million.

In addition, as a result of the arrangements made at the Annual Meeting on 29 November 2006, the Donors accepted the proposal to reallocate the funds assigned to thermal modernisation measures under Priority 2.1 “Environmental Protection” from the following calls, to projects submitted in this regard, during the call in 2005, r., which received the highest number of points. Such recommendation was given to further 29 additional projects of the total grant value applied for amounting to EUR 19,883 million.

The first applications recommended by Poland were sent to the FMO at the end of March 2006. By the end of 2006, the National Focal Point delivered 146<sup>1</sup> individual projects and 18 projects from the reserve list, to the Financial Mechanism Office.

Moreover, during the evaluation of the above mentioned applications by the Donors, the National Focal Point received from the Financial Mechanism Office, additional questions concerning the recommended projects as well as reports on the evaluation conducted by external experts. They were delivered by the agency of Intermediary Bodies to beneficiaries, who were asked to provide necessary explanations and the missing information as well as respond to the expert recommendations included in the reports. All the information was sent to the Financial Mechanism Office within the required time limits.

By the end of 2006, the Ministry of Regional Development – the National Focal Point received from the Financial Mechanism Office 42 Grant Offer Letters. A list of projects which were granted by the Donors is published on the website of the National Focal Point.

It must be emphasised that within 2006 no financial agreement concerning support for a individual project was concluded. Therefore, in this situation it is not possible to describe the benefits resulting from the implementation of projects under particular priority areas.

### *2.1.2. Statistics of the first call*

During the first open call, 1391 applications were submitted. The most popular among the beneficiaries was Priority 2.1 “Protection of the Environment”, under which 665

---

<sup>1</sup> Further four applications from the basic allocation were sent to the FMO in January 2007.

applications were submitted. It is significant that the beneficiaries were especially interested in financing of projects under the area “Thermal modernisation of public utility buildings”, as almost 50 % of all applications submitted under Priority 2.1 referred to this type of works. However, out of 296 thermal modernisation projects, recommendation for financing was granted only to 65. Due to a large disproportion between the interest level and the financial possibilities resulting from the amount of allocation assigned to the first call for proposals, the Ministry of Regional Development, upon request of the Ministry of Environment, presented a proposal of additional support for thermal modernisation projects submitted in 2005, which received the highest amount of points, through reallocation of funds assigned to the following calls. The Donors accepted the proposal on condition that the area “Thermal modernisation of public utility buildings” be excluded from the following contests, which resulted in 29 additional projects of the total value of the grant applied for, amounting to EUR 19 883 million, receiving recommendation under the first call.

*Chart 2. Detailed statistics of the first call*

Priority	Number of submitted applications	Number of recommended applications + applications from reserve lists	Amount of financing in EUR recommended by SC (excluding reserve projects)	Meeting date of the Steering Committee
<b>2.1. Protection of the environment, including human environment</b>	665	62	47 451 315	27 July 2006
		29 (additional allocation)	19 883 038	by circulation
<b>2.2. Promotion of sustainable development</b>	13	5 + 1 reserve application	3 244 410	3 April 2006
<b>2.3. Conservation of the European cultural heritage</b>	111	14 + 1 reserve application	37 295 310	1 March 2006
<b>2.4. Human resources development</b>	46	11	11 267 012	7 March 2006
<b>2.5. Health and childcare</b>	372	22 + 9 reserve applications	17 845 769	24 April 2006
<b>2.6. Academic research</b>	121	17+ 7 reserve applications	8 528 134	30 May 2006
<b>2.7. Implementation of <i>acquis</i> Schengen</b>	47	11	45 380 002	12 May 2006
<b>2.8. Protection of the environment – administration capacity</b>	6	2	2 208 788	3 April 2006
<b>2.9. Regional policy and cross-border activities</b>	6	3	1 949 449	1 February 2006
<b>2.10. Technical assistance in the implementation of <i>acquis communautaire</i></b>	4	3	1 059 500	6 February 2006
<b>Total</b>	1391	150 + 18 reserve applications + 29 under Priority 2.1	176 229 689 + 19 883 038 (additional allocation under Priority 2.1)	

The largest beneficiary turned out to be the Mazowieckie Voivodship, where the value of the recommended financing of individual projects, including the funds reallocated for thermal modernisation projects, was over EUR 60 million. This results from the fact that among applicants there were many central administration institutions seated in Warsaw. In the second place, as regards the amount of financing of the qualified projects is the Małopolskie Voivodship with the amount of over EUR 36 million. It is worth noting that in the Lubelskie Voivodship, which is one of the least developed regions in the European Union in terms of economy, the financing value of the recommended projects equalled to over EUR 10 million.

### 2.1.3 Applicants

During the first call for proposals, the territorial self-government units constituted the greatest share of applicants, as they accounted for almost 60% of all beneficiaries. This number is lower in relation to the number of projects recommended by the Steering Committees and amounted to over 40%. It must be emphasised that the territorial self-government units could apply for granting at the level B, i.e. up to 85% of the eligible project

costs, which may have constituted an additional cause of such a great interest in the Financial Mechanisms among these units. However, also government administration units could apply for assistance at the level B, but their share in the total number of project providers did not exceed 6%. Education and research units accounted for approximately 15 % of the applicants, similarly to health care entities. Nevertheless, among the recommended applications, the percentage was lower and did not exceed 6% in both cases. The share of private sector entities was also slight, taking into consideration the fact that they constituted about 3% of the applicants and 10% of entities, whose applications received recommendation of Steering Committees, while the Non-Governmental Organisations accounted for 5% of applicants as regards both the submitted and recommended projects.

Moreover, it is worth noting that from among 150 recommended projects, 30 were in the form of partnerships, including 14 projects being partnerships with entities from Norway. The greatest amount of projects (6) will be implemented under Priority 2.6 “Scientific research”. A complete list of bilateral partnerships with entities from Norway is included in Annex 1.

## 2.2. Block Grants

### 2.2.1. *Technical Assistance Fund*

The Technical Assistance Fund was established on the basis of the *Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism* and the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism* as a block grant amounting to EUR 9858 million for the years 2006-2011. The beneficiaries of the Fund are all institutions involved in the implementation of the EEA Financial Mechanism, i.e. the National Focal Point, Intermediary Bodies, Auxiliary Bodies, Paying Authority and Audit Institution. The resources from the Fund will be assigned to support the management, implementation, monitoring, control and audit of projects financed from the Mechanism, including also the operation costs of the Steering Committees and the Monitoring Committee.

On 3 April 2006, the Ministry of Regional Development received a Grant Offer Letter from the Financial Mechanism Office, and hence information on the approval by the Donors, of the application submitted by the Technical Assistance Fund of the EEA Financial Mechanism. At the same time, the Donors committed themselves to signing the financial



agreement for the Technical Assistance Fund within 3 months. As the specified time limit was not met, on 4 July 2006 the MRD sent a letter to the FMO in this regard.

On 19 September, the Ministry of Regional Development received from the Financial Mechanism Office, grant agreements for the Technical Assistance Fund, signed by a representative of the Donors, Mr Anders Erdal – the Chairman of the Financial Mechanism Committee and Deputy Director General of the Norwegian Ministry of Foreign Affairs. On 26 September 2006, Poland asked the Donors for additional explanations concerning the agreement. Upon being delivered by the Donors, they were immediately attached to the agreement. On 11 October 2006, the agreements were signed by Mr Janusz Mikula, Undersecretary of State at the Ministry of Regional Development.

At the beginning of November 2006, Poland received from the FMO information on transferring the first advance payment concerning the aforementioned Fund to the account of the Paying Authority. According to the information of the Ministry of Finance, the advance payment of over EUR 492 thousand was transferred to the accounts of the Paying Authority from the EEA Financial Mechanism for the performance of tasks under the Technical Assistance Fund (the same amount was received from the Norwegian Financial Mechanism). Then the Ministry of Regional Development, as the Intermediary of the Fund, asked the Beneficiaries to fill in the *Project Interim Report (Payment Claims)*, which were used to draw up an aggregate *Project Interim Report* covering the period from 29 March 2006 to 31 December 2006.

On 6 December 2006, an agreement was signed, which concerned bank accounts open to the disposal of the Ministry of Regional Development under resources from the EEA Financial Mechanism (and the Norwegian Financial Mechanism) for the Technical Assistance Fund, the Fund for Non-Governmental Organisations and the Scholarship and Training Fund. In addition, on 22 December 2006, the MRD asked the Beneficiaries of the Fund to prepare the *Justification for the Technical Assistance Fund grants needs from the European Economic Area Financial Mechanism the and Norwegian Financial Mechanism in 2007*. Upon being developed, the aggregate document including all involved units will be sent to the Financial Mechanism Office.

### *2.2.2. Fund for Non-Governmental Organisations*

As a result of the arrangements made with the Donors, concerning the *Fund for Non-Governmental Organisations Framework Document* as well as the contents of the tender

documentation (the announcement of the call and the Terms of Reference), on 30 January 2006 the National Focal Point commenced proceedings aimed at awarding a public contract by negotiated procedure with publication to select an intermediary/ intermediaries of the Fund. The subject of procurement concerned the management of the Fund, among other things, through the call, projects appraisal, contracting, monitoring and settlement of the projects submitted by the Non-Governmental Organisations, supported by resources from the EEA Financial Mechanism (and the Norwegian Financial Mechanism) under three areas of the Fund: democracy and civil society, environmental protection and sustainable development, as well as equal opportunities and social integration. It is estimated that during the implementation of the Fund, i.e. in the years 2006-2009, the assigned grants will amount to approximately EUR 37,35 million within the three areas of the Fund.

On 9 March 2006, the tender committee opened the applications submitted by the contractors at the first stage of the proceedings and started the evaluation procedure.

In mid-May 2006, negotiations with the contractors, who passed the first evaluation stage, were held. On 10 August 2006 r. the Financial Mechanism Office received the final version of the Terms of Reference for acceptance, and the document was accepted on 29 September 2006.

On 4 December 2006, the tender committee selected two entities to perform the function of the Intermediary for the Fund for Non-Governmental Organisations – the *Cooperation Fund* Foundation, which will manage the area of democracy and civil society, and Ecorys Polska Sp. z o.o. company, which will implement the other two areas.

On 22 December 2006, the Ministry of Regional Development – the National Focal Point sent applications concerning the aforementioned Fund to the Financial Mechanism Office in Brussels. After the evaluations of the applications submitted by the Intermediaries are completed, the Donor States will take a decision on launching the Fund. The planned launch will occur in the second quarter of 2007.

### 2.2.3. *Scholarship and Training Fund*

In January 2006, the National Focal Point prepared the *Expertise on Scholarship and Training Fund (STF)* to identify the directions and ways of using resources from the Fund. The expertise analysed the national needs in the context of two documents prepared by the Donors: *Establishing scholarship block grants under the EEA Financial Mechanism and the Norwegian Financial Mechanism* as well as *EEA enlargement and the EEA Financial Mechanisms: possible areas of cooperation in the field of education and research, as well as*

*specific experience of the Donor States, which may constitute a field of transfer of knowledge and cooperation with the Polish entities.* Moreover, it indicated the proposed objectives for the Fund and the related measures as well as potential beneficiaries. On 15 February 2006, the first draft version of the framework document was sent by the National Focal Point to the Financial Mechanism Office in Brussels in order to work out one joint final version of the guidelines.

On 29 May 2006, a meeting was held, attended by representatives of the Donor States and Poland, from the Ministry of Regional Development, Ministry of National Education and Ministry of Science and Higher Education, on the framework operation of the STF. During the meeting, the participants discussed, among other things, the Polish assumptions concerning the STF as well as remarks regarding the document prepared by Poland, entitled *Expertise on Scholarship and Training Fund*, made by Norway. The Donor States announced that they would present their opinion concerning the aforementioned document in August 2006, following consultations conducted with competent ministries, as well as with the Norwegian Council on Vocational Training regarding matters connected with the exchange of experts. The Donors' proposal was delivered to the Focal Point on 30 August 2006.

On 5-6 October 2006, in Bergen a meeting was held, at which both parties discussed matters concerning the implementation of the Scholarship and Training Fund in the beneficiary states. On 16 October 2006, the Ministry of Regional Development addressed the Ministry of National Education and the Ministry of Science and Higher Education putting forward a proposal to use the current structures implementing the EU Programme Socrates – Erasmus in Poland for effectuation of the Fund under the Financial Mechanisms. In a reply delivered on 22 November 2006, the Ministry of Science and Higher Education indicated a possibility of implementing the Fund by the agency of the Information Processing Centre.

In parallel, on 21 December 2006, the Ministry of National Education came up with a proposal that the function of the Intermediary could be performed by the Education System Development Fund (ESDF) seated in Warsaw, which is supervised by the Ministry of National Education. The Fund is a unit implementing the EU programme “Lifelong Learning”, based on procedures for the programmes: Erasmus, Leonardo da Vinci, Comenius and Grundtvig.

Moreover, during the Annual Meeting with the Donor States on 29 November 2006, the participants decided to single out from the aforementioned Fund, the Cultural Exchange Fund between Poland and three EFTA countries. Hence, the MRD-NFP asked the Ministry of Culture and National Heritage to provide an opinion regarding the performance of the

function as an Intermediary of this Fund. Finally, the Ministry of Culture and National Heritage decided to assume the role of the Intermediary of the Cultural Exchange Fund.

#### *2.2.4 Seed Money Fund*

The long-term evaluation of the application concerning the implementation of the Seed Money Fund (SMF) in Poland on the side of the Donors and the European Commission made it impossible to launch it in the first quarter of 2006, and hence this questioned the validity of the implementation in the original design. Moreover, the results of the first call for proposals showed that the interest of the potential beneficiaries in the Financial Mechanisms was very large and would remain at a similar level within further calls, regardless of the implementation of the Seed Money Fund. Therefore, the National Focal Point asked the Financial Mechanism Office, by way of a letter of 10 February 2006, for suspending the work on the Fund and reallocating the resources to priorities indicated in Annex B to the Memorandum of Understanding. According to the arrangements with the Donor States, the amount of available resources under the Seed Money Fund (SMF) was decreased from EUR 10,67 million to EUR 2 million, while the scope of support possible to be obtained under the SMF was limited to financing the preparation of the projects implemented by the Polish entities under partnerships with entities from the Donor States. Within the SMF, grants in the amount from EUR 5 thousand to EUR 20 thousand as well as from EUR 5 thousand to EUR 10 thousand, were envisaged to support the preparation of projects by Non-Governmental Organisations.

On 31 August 2006, the Financial Mechanism Office announced a tender to select the Intermediary of the Fund. On 27 November 2006, ECORYS Polska Sp. z o.o. company was selected to perform the function of the Intermediary of the Fund.

On 15 December 2006, the Intermediary started the call for proposals under the Fund. It will last until 15 February 2007.

### **2.3. Information and promotion**

Under the promotion and information activities, the website of the Ministry of Regional Development concerning the Financial Mechanisms, [www.eog.gov.pl](http://www.eog.gov.pl), as well as websites of particular Intermediate Bodies, undergo ongoing updating. The website of the Ministry of Regional Development includes new versions of the Donor States' guidelines concerning individual projects, programmes, block grants and the Seed Money Fund. In April

2006, the Ministry of Regional Development in cooperation with Intermediate Bodies prepared a list of the most frequent mistakes made by applicants in the first call for proposals. The list is available at [www.eog.gov.pl](http://www.eog.gov.pl) and has been delivered to the Donors. The said website includes also a template of a letter of intent on entering into partnerships during the implementation of projects under the Mechanisms. Moreover, the Financial Mechanism Office, on 14 July 2006, published at its website a new version of the application form along with guidelines how to fill it in. This version was translated into Polish and is published at the website of the MRD. A new application form together with the instruction will apply for projects submitted during the second call for proposals.

Additionally, under the promotion and information activities, the Ministry of Regional Development prepared a printout of the set of guidelines developed by the Donor States.

The activity of the Information Point, which answers the potential beneficiaries' questions asked by phone or by electronic means, is another important element of the information work.

Moreover, under the information and promotion work, representatives of the Ministry of Regional Development and Intermediary Bodies, participated in numerous meetings and conferences on the implementation of the Financial Mechanisms in Poland.

On 11 January 2006 in Warsaw, during the Meeting of the Caritas Diocesan Directors a presentation was made on "The possibilities of financing from the EEA Financial Mechanisms and the Norwegian Financial Mechanism".

On 12 January 2006 in the Regional Accounting Chamber in Zielona Góra, the NFP held a meeting with the Lubuskie Region self-government representatives.

On 30 January 2006, a representative of the National Focal Point conducted a one-day training on the EEA Financial Mechanisms during the Information Meeting with institutions involved in the implementation of the project "Extending the information activity on the Community Support Framework".

On 6 April 2006, a representative of the Focal Point made a presentation on "The possibilities of using resources under the EEA Financial Mechanism and the Norwegian Financial Mechanism" at the Polish Association of the Blind in Warsaw.

On 3-4 April 2006 in Warsaw, a conference was held, organised by the Ministry of Health, on "The new possibilities of financing health protection and child care projects".

On 25 April 2006 in Warsaw, a meeting of representatives of the FMO and NFP took place, at which the results of the first call for proposals were presented.

On 16 May 2006, a representative of the NFP participated in a meeting with representatives of the Silesian Union of Gminas and Poviats, during which he presented new possibilities of using resources under both Financial Mechanisms.

Moreover, under the promotion and information activities on 13-14 June 2006, representatives of the NFP and the Intermediate Body for the Priority “Regional policy and cross-border activities” took part in an international conference entitled “Benefiting from European Experience. Poland, Norway and Ukraine in Cross-border Co-operation”, organised under the patronage of the Ministers of Foreign Affairs of the Republic of Poland, Kingdom of Norway and Ukraine in Krasieczyn near Przemyśl. During the conference, representatives of the MRD made a presentation on the experience connected with the implementation of the Financial Mechanisms in Poland. Moreover, they conducted workshops for representatives of the regions and self-governments interested in the cross-border cooperation, the aim of which was, among other things, to explain the procedure for submitting applications under the Financial Mechanisms.

Between June and July 2006, the Ministry of Health in cooperation with the NFP organised 5 regional conferences devoted to the Priority “Health and childcare” (Olsztyn – 28 June, Kielce – 29 June, Białystok – 30 June, Lublin – 5 July, Rzeszów – 12 July). In particular, the conference was targeted at public and private sector institutions of health protection.

On 24 August in Gorzów Wielkopolski, a representative of the NFP conducted a training on the practice of applying for resources from the Financial Mechanisms, for self-government activists, health protection institutions and Non-Governmental Organisations. On 11 September 2006, the Foundation for Enterprise Development from Łódź organised a conference concerning Financial Mechanisms. Among the addressees of the training there were representatives of: government and self-government administration authorities, scientific and research institutions, sector and environment institutions, social organisations, and entities of public and private partnership.

On 11 September 2006, a meeting of the Public Utility Activity Council took place, at which a representative of the MRD presented synthetic updated information concerning the implementation of the Financial Mechanisms, including, among other things, the Fund for Non-Governmental Organisations.

On 26 September 2006, a representative of the NFP took part in the 7<sup>th</sup> Forum of Non-Governmental Organisations in Toruń. Employees of the MRD participated, on 9 October

2006, in a training organised by the Council of Non-Governmental Organisations of the Łódzkie Voivodship.

On 13-15 December 2006, the Ministry of Culture and National Heritage organised workshops for churches as well as central government and self-government institutions of culture, connected with Priority 3 of the EEA Financial Mechanism and the Norwegian Financial Mechanism.

### **3. Implementation Plan of the European Economic Area Financial Mechanism in the period from January 2007 to December 2007**

In the next reporting period, Poland will expect further Grant Offer Letters from the Financial Mechanism Office. Moreover, entering into grant agreements between representatives of the Donor States and of the National Focal Point is planned to be started, for projects sent under the first call, as well as implementation contracts between Intermediate Bodies and project promoters.

In 2007, besides the planned second call for proposals, also work connected with monitoring the implementation of projects will be carried out, as well as with audit and control thereof, which will be conducted upon request of both the Donors and the National Focal Point.

Furthermore, information and promotion activities will be continued.

#### **3.1. Monitoring the implementation of projects**

Poland expects to receive the missing Grant Offer Letters from the Financial Mechanism Office in the first and second quarters of 2007.

Moreover, signing of the first grant agreements between the Donors and Poland is planned in the first quarter of 2007. Signing the above mentioned agreements makes it possible to sign the implementation contracts between the project promoter and a competent Intermediate Body.

In 2007, the stage of implementing and monitoring projects, programmes and block grants from the first call for proposals will start, with reference to applications which were finally selected and accepted by both parties for financing under the Financial Mechanisms. The monitoring system requires that the monitoring process of the aforementioned projects include, in compliance with the rules and forms agreed by both parties, periodical reporting on the implementation of projects as well as site visits and checks. These checks, in addition to individual visits paid by the Donor States, will be to a large extent conducted by Poland, with particular emphasis on the role of Intermediate and Auxiliary Bodies in this regard. The National Focal Point will supervise the whole process of implementing the above mentioned projects and monitoring at each stage of the implementation thereof, and will participate actively in the control system of particular projects.



### 3.2. Second call for proposals

On 29 November 2006 in Brussels, the Annual Meeting attended by representatives of the Ministry of Regional Development and of the Donor States was held, at which the participants made decisions concerning further calls. As a consequence, the second call for proposals was announced on 21 December 2006. According to the arrangements, the call will last from 2 January 2007 to 16 April 2007. The amount envisaged for support of the projects equals to EUR 176 895 000.

The second call comprises all 10 priorities set in the Operational Programme, excluding area 3, i.e. “Thermal modernisation works in public utility buildings” under Priority area 2.1 “Protection of the environment, including human environment”. As there were a lot of thermal modernisation projects which received a high score during the first call, it was decided that they would be supported by additional amount of EUR 20 million which would be reallocated from the share assigned to future allocations under Priority 2.1. In effect, thermal modernisation projects will not be included within second call for proposals. Moreover, in case of Priorities: 2.1 “Environmental Protection”, 2.3 “Protection of the European cultural heritage” and 2.6 “Scientific research”, the second call will be the last call for proposals. The text of the announcement of the second call for proposals is included in Appendix 2.

### 3.3. Third call for proposals

The third open call includes the following Priority areas: 2.2 “Promoting sustainable development”, 2.4 “Development of human resources”, 2.5 “Health care and child care”, 2.7 “Implementation of acquis Schengen”, 2.8 “Environmental protection, with particular focus on strengthening administration capacity”, 2.9 “Regional policy and cross-border activities”, and 2.10 “Technical assistance for the implementation of aquis communautaire”. The final time limit for the third call has not been determined yet. The allocation amount to support the projects will equal to EUR 72 745 000.

### 3.4. Implementation of Block Grants

As regards the Technical Assistance Fund the work will be continued throughout the whole 2007. At the beginning of 2007, an aggregate *Project Interim Report*, covering the year 2006, was submitted to the Ministry of Finance, and then to the Financial Mechanism Office.

At the same time, the National Focal Point prepared decisions for all beneficiaries of the Fund, on the basis of which they would receive financing. In April 2007, another *Project Interim Report* will be drawn up. In 2007, *Project Interim Report* will be prepared on a quarterly basis.

On 6 February 2007, the Donor States took a final decision to launch the Fund for Non-Governmental Organisations. In the first quarter of 2007, a financial agreement will be signed by the Donors, which will constitute a condition of commencing programming and implementation work by the Intermediaries. It is estimated that the official commencement of the Fund will occur in the first quarter of 2007, and the first call for proposals will be announced in the second quarter of 2007.

Within 2007, activities will be conducted, aimed at mobilising both the Scholarship and Training Fund (STF) and the Cultural Exchange Fund (CEF). In February 2007, the Financial Mechanism Office accepted the Education System Development Foundation as the Intermediary of the STF, and the Ministry of Culture and National Heritage as the Intermediary of the CEF. The envisaged allocation amount for the Scholarship and Training Fund is approximately EUR 12 million, and for the Cultural Exchange Fund – about EUR 4 million. Applications for both Funds should be prepared by the end of the first quarter of 2007, whereas the agreements should be signed in the fourth quarter of this year.

On 15 February 2007, the call for proposals referring to the Seed Money Fund was completed. During the call (15 December 2006 – 15 February 2007 r.), 271 applications were submitted. The Application Evaluation Committee assessed 128 projects, of which 12 projects received a negative score in a formal and content-related evaluation. Finally, the decisions to granting were taken in case of 116 applications. In effect, the allocation of approximately EUR 2 million envisaged for the Seed Money Fund was exhausted.

### 3.5. Information and promotion

The overall objectives in the next reporting period of promotion and information activities will remain the same. They will include:

- increasing awareness of potential beneficiaries on the financing possibilities available under the EEA Financial Mechanism (in particular within the work of the Information Point),
- supporting project applicants in the preparation of applications in connection with the ongoing and planned calls for proposals,

- informing public opinion about effects of the implementation of the EEA Financial Mechanism, in particular – in accordance with the recommendations of the Donor States – promoting the Mechanism at the level of projects.

In connection with moving from the initial phase of the assistance implementation under the EEA Financial Mechanism to the implementation stage of implementing particular projects, the information policy will undergo relevant modifications, and focus, in particular, on: seeking projects of great potential for the nationwide promotion, ongoing updating of the list of projects accepted for support, and informing the Financial Mechanism Office in Brussels and the media in Poland about significant promotion events related to the implementation of the EEA Financial Mechanism. The following table presents the most important promotion and information activities planned in 2007.

<b>Period</b>	<b>Activity</b>	<b>Remarks</b>
1 <sup>st</sup> quarter 2007	<p>Creating a new structure, layout and information contents of the website <a href="http://www.eog.gov.pl">www.eog.gov.pl</a>.</p> <p>Organisation of thematic conferences</p> <p>Preparation and printout of promotional material and publication of updated programming documents</p>	In cooperation with Intermediate and Auxiliary Bodies
2 <sup>nd</sup> quarter of 2007	Cooperation with the media in connection with the announcement of the call with reference to the Fund for Non-Governmental Organisations	
4 <sup>th</sup> quarter of 2007	Promotional activities connected with the preparation of the third call for proposals	In cooperation with Intermediate and Auxiliary Bodies
4 <sup>th</sup> quarter of 2007	Promotional activities connected with the implementing of the Scholarship and Training Fund as well as the Cultural Exchange Fund	In cooperation with Intermediaries
Ongoing process	<p>Current updating of the website contents <a href="http://www.eog.gov.pl">www.eog.gov.pl</a>.</p> <p>Information Point operation (telephone and e-mail service of the inquiries made by applicants and potential beneficiaries)</p> <p>Participation of the NFP representatives in conferences/ trainings/ meetings organised nationwide by potential beneficiaries.</p>	

## Conclusions

The main element of fulfilling the commitments arising from the *Memorandum of Understanding on the implementation of the EEA Financial Mechanism* concluded in Poland in the reporting period from January 2006 to December 2006 was the evaluation of the applications sent under the first open call. On the Polish side, all 1391 submitted projects were evaluated. The Steering Committees recommended 150 applications for granting (further 18 projects were placed on reserve lists). In the reporting period, 42 projects were accepted for financing by the Donors through delivering Grant Offer Letters.

The changes introduced in the contents of the *Operational Programme* and *Annexes to the Memorandum of Understanding* were aimed at making the implementation system more efficient, accelerating the execution of projects and improving the disbursement system. During the second call, a new application form will apply. It was prepared by the Financial Mechanism Office in Brussels. In addition, the National Focal Point, in cooperation with Intermediate Bodies, prepared new lists of annexes to the applications.

For objective reasons, the information presented herein does not make it possible to characterise the benefits obtained from particular priority areas in connection with the implementation of projects, as not a single project in the period from 2006 to December 2006 was carried out under financing from the EEA Financial Mechanism. For the same reasons, it was impossible to evaluate the implementation of the EEA Financial Mechanism in terms of the effects on the objectives of the Mechanism, as well as cross-cutting issues, such as: sustainable development, gender equality and good governance. It must be emphasised that this was caused, i.a. by a lengthy evaluation process of projects on the Donors' side. A positive impact on the development of bilateral relations between the Republic of Poland and the Donor States: the Kingdom of Norway, the Principality of Liechtenstein and the Republic of Iceland is illustrated by the fact that 14 projects recommended for financing by the Steering Committees were in the form of partnerships with Norwegian entities.

As regards the next annual reporting period, the activities of institutions implementing the EEA Financial Mechanism will focus on tasks connected with the call for proposals under the second call for proposals and the evaluation and selection thereof. Additionally, monitoring, control and audit activities will be conducted with reference to the implemented projects. By the end of 2007, preparations will be made to announce the third, and at the same time, the last announcement of the call for proposals under the EEA Financial Mechanism.

In the next reporting period, also activities related to the implementation of block grants will be conducted.

**Appendices:**

**Appendix 1. List of bilateral partnerships with entities from the Donor States**

**Appendix 2. Announcement of the second call for proposals**

**Appendix 3. Action plan in 2007**

**Appendix 4. Information on the audit in 2007**