Annual report
on the implementation of the Norwegian Financial Mechanism in Poland
in the period from January 2008 to December 2008

adopted by the Monitoring Committee for the European Economic Area Financial Mechanism
and the Norwegian Financial Mechanism on 13 March 2009

National Focal Point
Ministry of Regional Development of Poland

Warsaw, 13 March 2009

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Summary

The document *Report on the implementation of the Norwegian Financial Mechanism in the period from January 2008 to December 2008* fulfils the commitment imposed on Poland in Article 5 of *Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2004-2009*. Because the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism are supplementary the Report covers issues common to both these Mechanisms. The statistical data refer to the total allocation for the two Financial Mechanisms.
The document describes the implementation progress of the Financial Mechanisms in the 2008, as well as presents the activities of institutions involved in the implementation of the Programme planned for the next reporting period: January – December 2009.
The Report presents the progress of works as regards the appraisal of applications send under the second (2007) and third (the last one) call for individual projects and programmes, which was announced in Ist quarter of 2008. The Report also shows statistics concerning the stage of contracting and distribution of resources. Moreover, as regards the projects implementation and monitoring the Report presents information on the projects implementation status, modification of projects and/or Project Implementation Plans, as well as improvement of the effectiveness of the implementation and monitoring process. Furthermore, the document gives information on the controls carried out at the level of both projects and institutions involved in the implementation of Financial Mechanisms. It also includes the results of the researchs of 2008, which concerned the implementation of Financial Mechanisms. In addition, the progress of works as regards the implementation of block grants was also presented. The document also covers a review of information and publicity activities undertaken related to the promotion of the results of the Financial Mechanisms implementation in Poland. Appendixes are an integral part of the Report. They present a list of projects/ programmes/block grants accepted by the Donors and implemented in 2008 together with the information on implementation status and progress, a list of applications from IIIrd call for proposals accepted by the Polish side and forwarded to Financial Mechanism Office, a review of information and publicity activities undertaken in 2008, as well as the audit plan for 2009.

Introduction

Pursuant to Article 5 of the *Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2004-2009* the Ministry of Regional Development (MRD), acting as the National Focal Point (NFP) for the implementation of the Norwegian Financial Mechanism (NFM) in Poland, prepared a document *Annual report on the implementation of the Norwegian Financial Mechanism in the period from January 2008 to December 2008*. The following document was developed in line with the content of the *Beneficiary State Reporting and Monitoring Guidelines* of 16 January 2008. According to the *Guidelines for the preparation of annual meeting* of 21 June 2007 it shall be presented during an annual meeting planned for 2009 of representatives of the Polish side with the representatives of the Donor state of the Norwegian Financial Mechanism – the Kingdom of Norway. Prior to its submission to the representatives of the Donor states the report requires approval by the Monitoring Committee for the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism.

1. Review of the work progress as regards appraisal of individual projects and programmes

In the year 2008 IIIrd and the last call for proposals of individual projects and programmes within the frameworks of resources available under EEA Financial Mechanism and the Norwegian Financial Mechanism 2004-2009 took place. The total number of 2,720 applications was submitted under all three calls for proposals.
By the end of 2008 the Donor states accepted 322 projects for the amount of approx. EUR 350.5 million. Donors are now evaluating 97 projects (including reserve projects).
The following summaries detailed information on individual calls for proposals.

1.1 Ist call for proposals (5 September - 30 November 2005)

As a result of Ist call for proposals, which covered all the priority areas, 169 projects are under implementation for the total amount of approx. EUR 178.6 million. Three reserve applications from Ist call (under Priority 2.1 *Protection of the environment, including the human environment*) await the decisions on co-financing from the Donors. Moreover, 11 beneficiaries withdrew their projects[1] – resigning from the possibility of co-financing, while 6 applications were rejected.
In case of 9 projects, submitted under Priority 2.1 *Protection of the environment, including the human environment*, the Financial Mechanism Office in Brussels (FMO) reported concerns as regards the state aid. In line with the European Commission decision (of 14 January 2008) issues related to state aid should be settled by Poland, taking into account the Polish influence on selection of projects and the scope of control exercised over resources distribution.
Given the very long period of applications' appraisal (about 2 years) the MRD addressed the FMO with a request to appoint an earlier date for costs eligibility and to consider the possibility of increased costs of projects. However, these demands were not considered by the Donors.
By 31 December 2008 the Donors approved 8 projects concerning state aid, while 1 project was rejected by the Donors. Given the fact that 5 beneficiaries resigned from project implementation, 3 projects covering state aid are implemented under Ist call for proposals.

1.2 IInd call for proposals (2 January – 16 April 2007)

As a result of IInd call for proposals, which covered all priority areas except for measure 3 i.e. *Thermal modernisation works in public utility buildings*, by the end of 2008 under Priority 2.1 *Protection of the environment, including human environment* MRD forwarded for appraisal to FMO 206 applications (including 13 reserve applications). Donor states issued a positive opinion for 147 projects for the amount of approx. EUR 169.6 million. Moreover, 6 beneficiaries withdrew their projects, while 8 applications were rejected by the Donors[2]. Still 32 applications (excluding reserve applications) await the decision of co-financing from the Donors.
For 9 projects submitted under Priority 2.1 *Protection of the environment, including human environment* issues related to state aid were identified. Three projects await Donors' decision, 5 are under implementation and 1 application was withdrawn by the applicant.

[1] The NFP forwarded next reserve applications to the FMO in the place of rejected projects.
[2] Additionally, 4 applications – under Priority 2.1 (2 applications), 2.6 and 2.3 were rejected by FMO providing the possibility to be submitted again after considering the Donors' remarks. The Steering Committee for Priority 2.6 decided not to submit the rejected application for the second time, while in its place it recommended another application from the reserve list. The applications from Priority 2.1 and 2.3 were submitted again.

1.3 IIIrd call for proposals (1 February – 31 March 2008)

Third call for proposals for individual projects and programmes took place from 1 February to 31 March 2008. The amount of EUR 60.61 million was foreseen as support for the projects. The call for proposals concerned the following Priority areas: 2.2 *Promotion of sustainable development,* 2.4 *Human resources development,* 2.7 *Implementation of Schengen acquis,* 2.8 *Protection of the environment, with a particular emphasis on strengthening the administrative capacity,* 2.9 *Regional policy and cross-border activities* and 2.10 *Technical Assistance relating to the implementation of acquis communautaire.*
Within the call 126 applications were submitted for the total amount of approx. EUR 132 million. Compared to the previous calls, close to ten times less applications were submitted, however it should be noted that in the third call for proposals it was possible to apply, primarily, for non-investment priorities, which generally enjoy less popularity among the applicants. The table below gives more details within the scope.

Priority	Number of applications submitted under III call	The applied amount of financing in EUR under III call	The allocation for III call in EUR
2.2 *Promotion of sustainable development*	23	10,106,959	7,400,000
2.4 *Human resources development*	31	22,678,162	8,885,000
2.7 *Implementation of Schengen acquis*	28	79,395,987	22,700,000
2.8 *Protection of the environment*	8	3,285,264	4,660,000
2.9 *Regional policy and cross-border activities*	32	15,127,638	15,280,000
2.10 *Technical Assistance relating to the implementation of acquis communautaire*	4	1,413,620	1,690,000
Total	**126**	**132,007,630**	**60,615,000**

1.3.1 The progress of works as regards applications appraisal

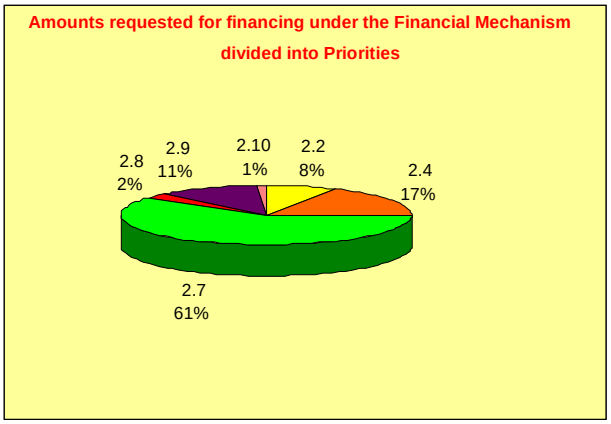
By the end of 2008 MRD forwarded 58 applications (including 3 reserve applications) to FMO, which were approved by the Polish side. Donor states issued a positive opinion for 6 applications for the total amount of financing of approx. EUR 2.3 million. Three projects were rejected. 49 projects from the basic list[3] still await the Donors' decision.

1.3.2 Detailed statistics concerning the third call for proposals

During IIIrd call for proposals the following Priorities: 2.9 *Regional policy and cross-border activities,* 2.4 *Human resources development* and 2.7 *Implementation of Schengen acquis* enjoyed the greatest interest.
The Diagramme below shows the amount requested for co-financing under Financial Mechanisms divided into individual priority areas. 61% from the requested amount follows from applications submitted under Priority 2.7 *Implementation of Schengen acquis.* The amount exceeded the allocation available under this Priority almost four times. As regards

[3] Appendix 1 presents the list of applications from IIIrd call accepted by the Polish side and forwarded to FMO.

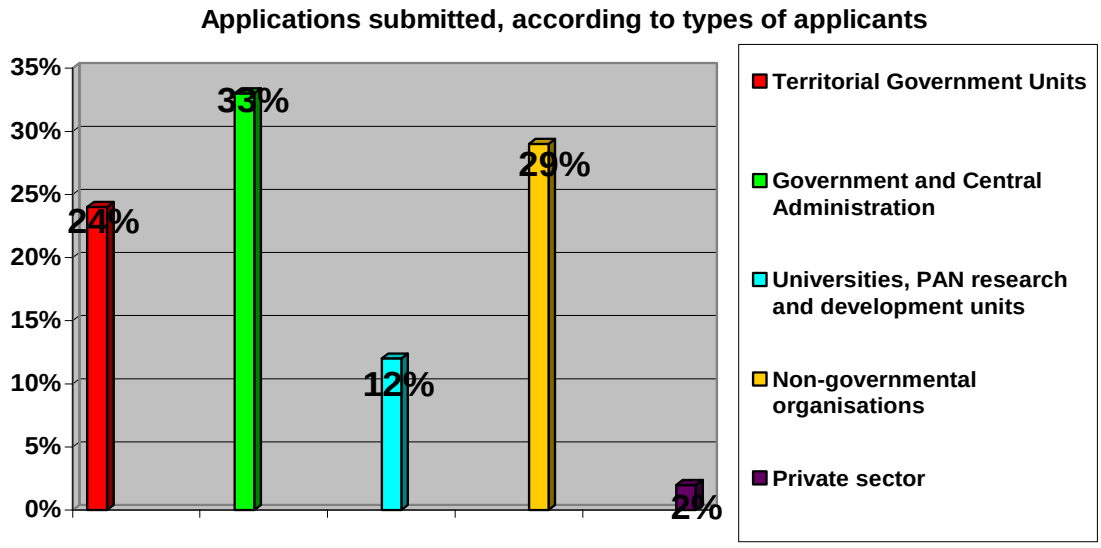
three Priorities (2.8, 2.9, 2.10), the amount requested for financing under the Financial Mechanisms did not exceed the allocation foreseen for a given Priority (see Table below).



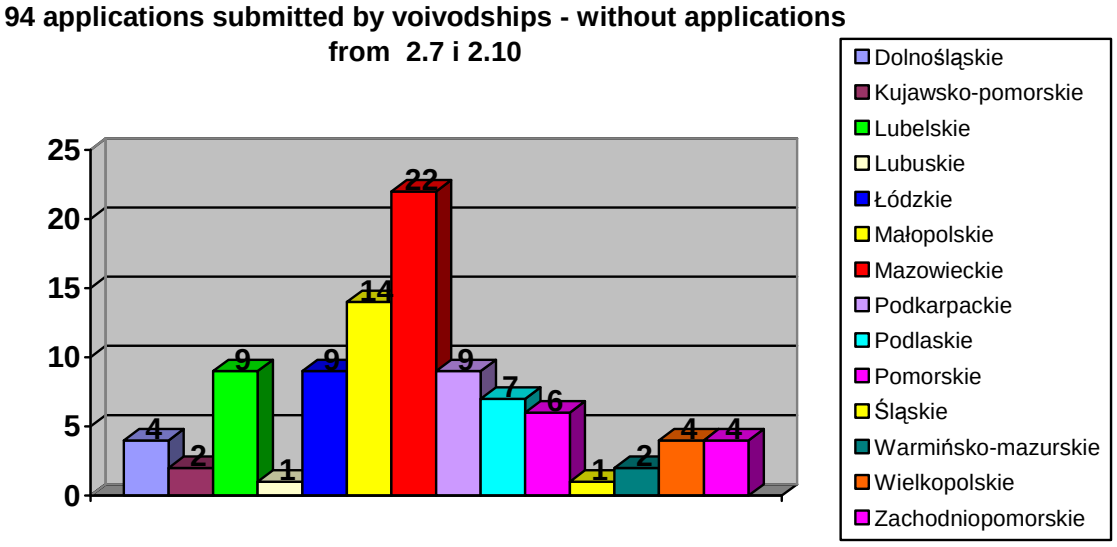
As for types of applicants, the greatest share belonged to the government and central administration entities, i.e. 33% - in contrast to Ist and IInd call where the majority of applications were submitted by the local government entities – 57% and 54%. It follows from the fact that IIIrd call excluded the possibility to apply within four Priorities, including three investment ones (2.1 *Protection of the environment,* 2.3 *Conservation of European cultural heritage*, 2.5 *Health and childcare*), which showed a significant share of local government entities in the previous calls.

A large number of government and central administration entities applying for financing was recorded under Priority 2.7 *Implementation of Schengen acquis* (among 28 submitted applications 25 were submitted by government and central administration entities). Moreover, the aforementioned type of applicants also participated under other Priorities (2.4 *Human resources development*, 2.8 *Protection of the environment, with a particular emphasis on strengthening the administrative capacity*, 2.10 *Technical Assistance relating to the implementation of acquis communautaire*). The significant participation of NGOs should also be emphasised – 29% of these type of organisations applied, primarily, under the following Priorities: 2.2 *Promotion of sustainable development,* 2.4 *Human resources development* and 2.9 *Regional policy and cross-border activities.*

The Diagramme below presents the percentage share of individual applicants.



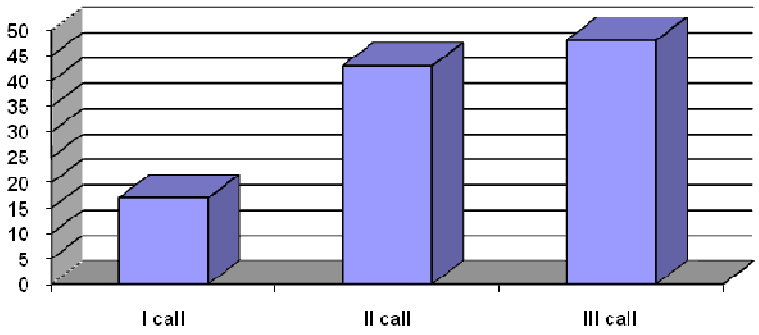
The number of submitted applications divided into individual voivodeships looks the following way. The greatest number of applications was submitted in the Mazowieckie Voivodeship, which, *inter alia*, results from the fact that many applicants were government and central administration entities which have their seats in Warsaw. If from the total number of applications we deduct the number of applications submitted under Priority 2.7 and 2.10, which are national projects, still Mazowieckie Voivodeship has the greatest share of projects in the total number of applications and their number exceeds almost two times the number of applications submitted in the Małopolskie Voivodeship, which comes second when we look at the number of submitted applications. It is worth noticing that no application was submitted by either Opolskie or Świętokrzyskie Voivodeships.
The Diagramme below presents the overall number of 94 submitted applications divided into individual voivodeships (excluding applications submitted under 2.7 and 2.10).



1.3.3 Projects in partnership

In 2008, during the appraisal of applications from IIIrd call for proposals, it was observed that the number of projects in partnership with national and foreign institutions increased, which is shown on the Diagramme below.

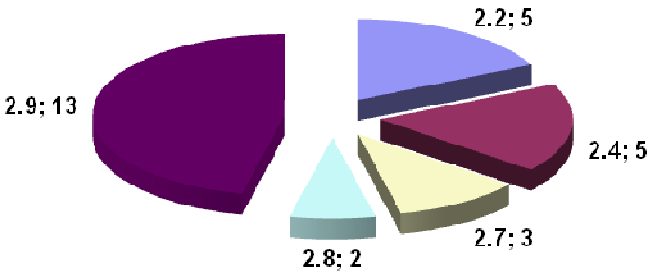
Percentage share of projects submitted in partnership with national and foreign institutions in Ist, IInd and IIIrd call



Comment: For Ist and IInd calls the considered projects are those which received Grant Offer Letter, whereas for IIIrd call – projects which received a positive decidion from the Polish side and were forwarded to FMO.

Among 58 applications from the basic list of IIIrd call, which received a positive decision from the Polish side and were forwarded to the FMO, 28 were submitted in partnership with national and foreign institutions, which is 48%. According to the Diagramme above it is the greatest share of projects submitted in partnership considering all three calls (Ist call – 17%, IInd call – 43%). The greatest number of partnership projects was submitted under Priority 2.9 *Regional policy and cross-border activities* – 13 (72% of all projects submitted under Priority 2.9), which follows from the specific nature of the Priority.

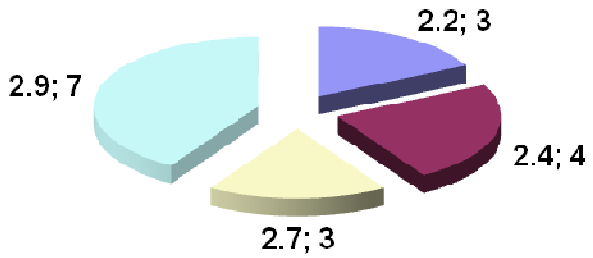
Number of partnership projects submitted in IIIrd call divided into Priorities



Among 28 partnership projects, 24 projects were submitted in partnership with a foreign institution. 17 projects include partners from Donor states (16 projects - from Norway, one -

from Iceland). 6 projects were submitted in partnership with Ukrainian entities, and two per each partnership projects with Belarusian and German institutions.
Among 17 projects submitted in partnership with institutions from Donor states the greatest number (i.e. 7) concerned Priority 2.9 *Regional policy and cross-border activities* (see Diagramme below)[4].

Number of projects submitted in IIIrd call in partnership with an institution from a Donor state divided into Priorities

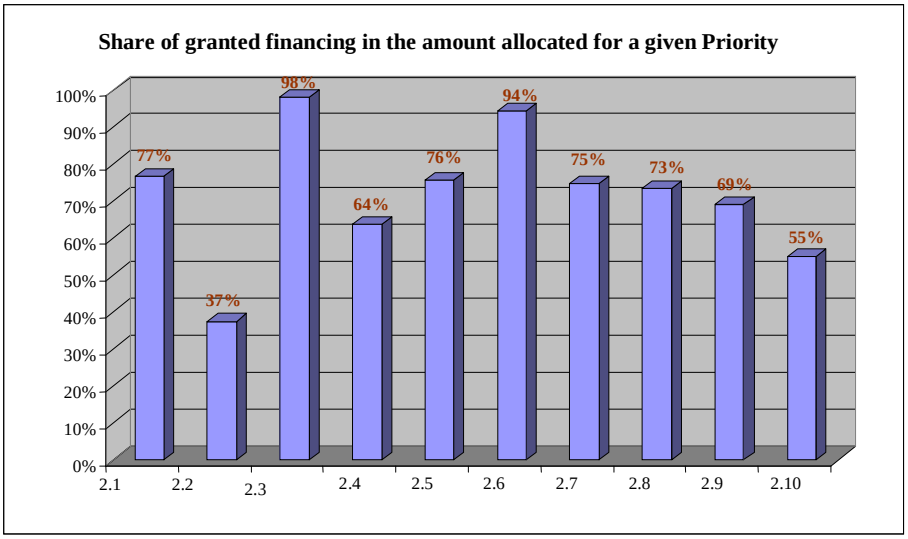


2. Review of the work progress as regards implementation and monitoring of individual projects and programmes

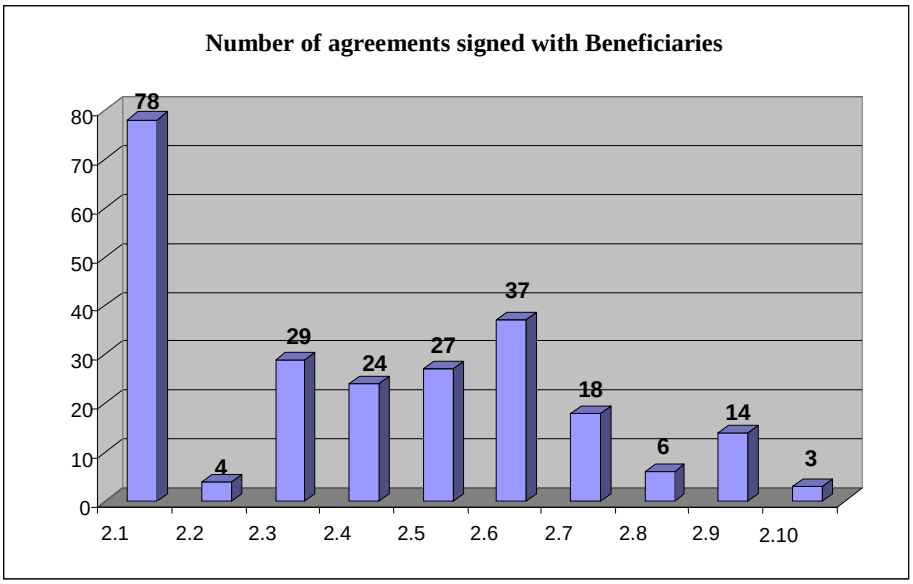
2.1 Progress as regards contracting and payments

By the end of 2008 the Polish side received **positive decisions on co-financing** (Grant Offer Letters - *GOL*) **for 322 projects** for the total amount of over EUR 350.5 million, which consists in over 78% of resources allocated under the Financial Mechanisms for individual projects and programmes[5].
The financing granted by the end of 2008 under Priority 2.3 *Conservation of European cultural heritage* used the allocation available for that Priority in 98%. Similar was also the situation as regards Priority 2.6 *Academic research.* However, it should be emphasised that the last call under these priorities took place in 2007. Details are presented on the Diagramme below (as of 31 December 2008).

[4] Appendix 1 presents the list of applications from IIIrd call with an indication of the applications submitted in a partnership, which were positively evaluated by the Polish side and forwarded to FMO.
[5] The list of all projects which received the Grant Offer Letter (marking these, which have signed Grant Agreement with Beneficiaries) is presented in Appendix 2. The table also indicates completed projects, which will be discussed in the following part of this report.



On the basis of Grant Offer Letters awarded by the Donors the MRD concluded **283 agreements** with the Committee of the Financial Mechanisms and/or the Norwegian Ministry of Foreign Affairs. The signed agreements amount to over EUR 326.7 million, which is over 72% of the total allocation for individual projects and programmes. Within the frameworks of the aforementioned agreements **the Intermediate Bodies and Auxiliary Institutions** signed **240 agreements** with Beneficiaries for the amount of approx. EUR 289 million. Details are presented on the Diagramme below (as of 31 December 2008).

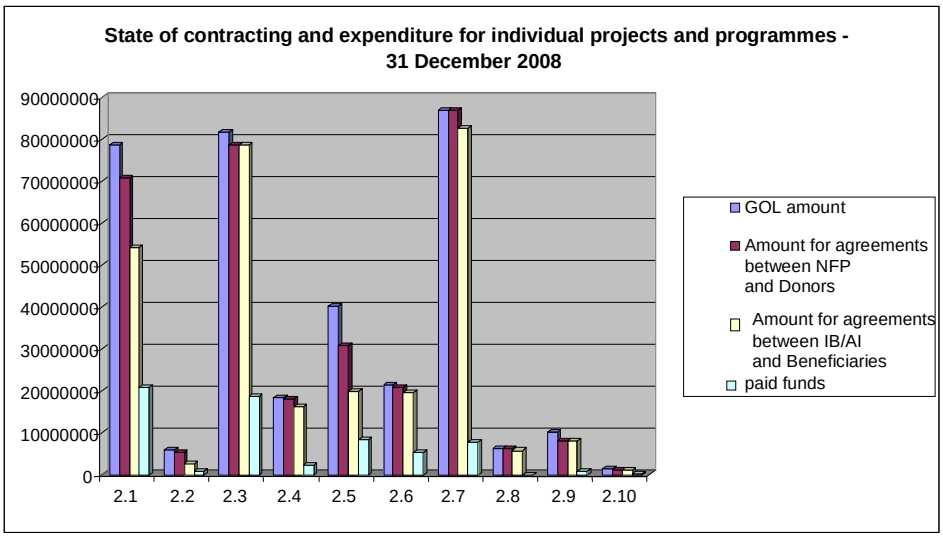


In 2008 the greatest number of projects i.e. 78 projects, were implemented under Priority 2.1 *Protection of the environment.* The majority of these concerned investment tasks related to thermal modernisation works in buildings or construction of water and sewage systems. However, taking into account the value of implemented projects, Priority 2.7 *Implementation of Schengen acquis* was of primary importance. The agreements concluded with Beneficiaries under this Priority amounted to over EUR 82.5 million. Projects implemented under this Priority are of an investment nature and they mainly consist in purchase of specialist equipment, hence they are projects with high level of expenditure. An average value of a

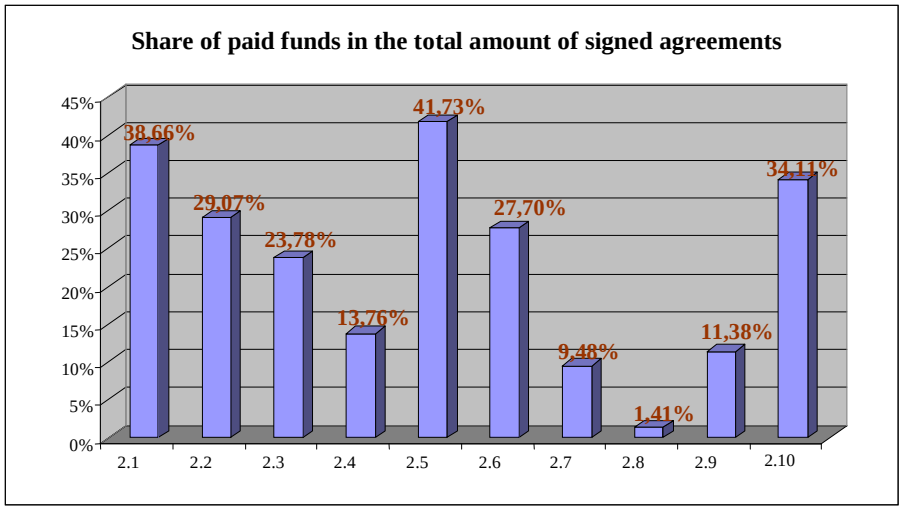
project implemented under Priority 2.7 *Implementation of Schengen acquis* in 2008 was over EUR 4.5 million, compared to the average for all Priorities - EUR 1.2 million.

In 2008 Beneficiaries of individual projects and programmes received **payments** in the amount of over **EUR 65.6 million**, which consists in almost 23% of the amount of agreements signed with Beneficiaries for projects implementation.

The Diagramme below presents the state of contracting and expenditure.



The greatest amount of resources was paid to Beneficiaries under Priority 2.1 *Protection of the environment* (payments to the amount of EUR 20.95 million) and 2.3 *Conservation of European cultural heritage* (EUR 18.72 million). However, the greatest share of resources paid in the total amount allocated to agreements signed with Beneficiaries was a feature of Priority 2.5 *Health and childcare*, under which Office for Foreign Aid Programs in Health Care implemented payments to the amount of over EUR 8.3 million, which was approx. 42% of resources contracted with the beneficiaries implementing projects under the Health Priority. The share of paid resources compared to the amount allocated to the signed agreements in individual Priorities looked the following way (as of 31 December 2008).



The lowest expenditure compared to the planned one was in Priority 2.8 *Protection of the environment, with a particular emphasis on strengthening the administrative capacity*, which was caused by the specific nature of the Priority. It was of non-investment character which influenced slower distribution of resources by the Beneficiaries despite efficient projects implementation. Similarly, the non-investment character of projects and long-term implementation perspective, which determines distribution of payments in a longer time period, caused that lower expenditure was also noted for other soft Priorities 2.4 *Human resources development* and 2.9 *Regional policy and cross-border activities.* Moreover, at the end of 2008 Priority 2.7 Implementation of Schengen acquis was also characterised by a low level of using its allocations. Prolonging procurement procedure concerning supplies of a large value resulted in delays in payments. Moreover, low level of payments also follows from the fact that Beneficiaries incur the greatest expenditure in the final stage of implementation, when the tenders are implemented. Hence, it is expected that the delays in payments for Priority 2.7 will be rapidly eliminated.

Furthermore, by the end of 2008 payments were implemented for **Operators** to the amount of approx. **EUR 25 million** (approx. 34% of the amount contracted with the Operators)[6].

In general, as of 31 December 2008 **under individual projects and programmes as well as block grants approx. EUR 90.6 million** were spent, which consists in close to **25%** of the amount contracted by IB/AI with the Beneficiaries and NFP with the Operators. On the whole, until the end of 2008 the expenditure of resources from the Financial Mechanisms was lower compared to the assumptions following from PIP. The delays result primarily from the delays which occurred in the first months of implementation of individual projects under Financial Mechanisms and from the complex system of submitting Project Interim Reports by Beneficiaries. However, in 2008 the implementation of the majority of projects entered in an advanced stage, following which in the last months of 2008 the level of reimbursement of expenditure for beneficiaries increased and the aforementioned delays were gradually eliminated.

According to the cash flow system operating between Poland and Donor states, Poland is entitled to use the advance payments fund - *Working capital*, established in the amount of EUR 30 million. Resources from this fund are allocated to reimburse to the State budget the

[6] More on the issue in the Chapter devoted to the implementation of Block Grants.

payments transferred earlier to the Beneficiaries for the implementation of projects co-financed from the Norwegian Financial Mechanism and the EEA Financial Mechanism.

The *Working Capital* fund resources in the amount of EUR 30 million were transferred to the bank accounts of the Financial Mechanisms on 21 January 2008. In 2008 the State budget received from this fund respectively from the Norwegian Financial Mechanism – EUR 16 166.975 and from the EEA Financial Mechanism – EUR 30 321 759.53. Moreover, in 2008 transfers from the Financial Mechanism Office to the account of the *Working Capital* fund (as of the end of 2008) were shaped in the following manner: from the Norwegian Financial Mechanism - EUR 30 979.783, and from the EEA Financial Mechanism – EUR 45 616.734.

As regards the assumptions included in the *Working Capital Guidline* concerning confirmaion of payments by the Polish side and making reimbursement to Beneficiaries, all deadlines for the submitting Project Interim Reports indicated in the aforementioned document were moved to the documents regulating the issues on the Polish side, in particular to provisions of agreements, which are signed by individual Beneficiaries and provisions on agreements between individual institutions involved in the process. The established time frameworks are generally met by individual Beneficiaries, which is confirmed, *inter alia*, in on-the-spot controls of projects implementation and by the National Focal Point and the Paying Authority. However, for some projects or priorities the verification process of Project Interim Reports carried out by the Intermediate Body/Auxiliary Institution is sometimes prolonged due to the fact that the deadline of 15 working days is insufficient to verify Project Interim Reports in the case of the so-called soft projects which have a very extensive accounting documentation confirming the incurred expenditure. Additionally, the need to correct or supplement the documentation by the Beneficiaries on the request of IB/AI significantly extends the process and can result in moving the deadline. Whereas, payments to Final Beneficiaries are made within the time limits determined in the aforementioned *Working Capital Guidline* .

2.2 Decommitments

In line with the existing *Rules and procedures for the implementation of the Financial Mechanisms*, by the end of October 2008 the National Focal Point presented to the Donors the applications for decommitments, that is release of resources for projects in almost all priority areas for the total amount of EUR 8 million. The released resources concerned savings generated under the implemented projects with the greatest share of Priority 2.7 *Implementation of Schengen acquis* (because of high value of projects) and Priority 2.1 *Protection of the environment*, where the projects were on the most advanced stage of implementation.
The resources decommited from the aforementioned projects and resources generated as a result of rejecting a project from the basic list or resignation of a Beneficiary will be allocated to the implementation of reserve projects.
The National Focal Point suggested allocating all the other resources, not contracted for individual projects, to increase the block grants budget - *Cultural Exchange Fund* and *Polish-Norwegian Research Fund*.

2.3 Reallocation of resources under Financial Mechanisms

In 2008 three major reallocations of resources were carried out, which in line with the Acts of the Committee of the Financial Mechanisms introduced changes into the allocation of resources between individual priority areas.

The first reallocation of resources between priorities took place on 14 March 2008. The reallocation concerned transfer of free financial resources in the amount of EUR 8 717.484 from the allocations awarded to Priorities: 2.9 *Regional policy and cross-border activities*, 2.8 *Protection of the environment, with a particular emphasis on strengthening the administrative capacity* and from the allocation under the Technical Assistance Fund and the general reserve of the Financial Mechanisms to the financing of reserve projects submitted under Priority 2.3 *Conservation of European cultural heritage* and projects submitted under Priority 2.2 *Promotion of sustainable development.*
On 30 July 2008 the Monitoring Committee implemented the second reallocation of resources between priorities. Reallocation concerned the transfer of free financial resources from the allocations awarded to Priorities: 2.2 *Promotion of sustainable development*, 2.3 *Conservation of European cultural heritage*, 2.9 *Regional policy and cross-border activities*, 2.10 *Technical Assistance relating to the implementation of acquis communautaire* and the financial reserve of the Financial Mechanisms to the amount of EUR 5 555.569 for the financing of projects from the basic list and other projects from the reserve list submitted under Priority 2.5 *Health and childcare*. The Committee Decision on transferring free resources to co-financing of selected projects submitted under Priority 2.5 *Health and childcare* was a result of a very large number of applications submitted for financing under this Priority. Moreover, by means of a Committee Decision resources in the amount of EUR 2 840.054 were transferred to financing of selected reserve projects under Priority 2.7 *Implementation of Schengen acquis.*
On 13 November 2008 the Monitoring Committee implemented the third reallocation of resources between priorities. The amount of EUR 3 916.704 released under Priorities 2.8 *Protection of the environment, with a particular emphasis on strengthening the administrative capacity* and 2.9 *Regional policy and cross-border activities* was reallocated to co-finance selected reserve projects submitted under Priority 2.5 *Health and childcare*. Moreover, the allocation for Priority 2.6 *Academic research* was increased in order to finance a reserve project.

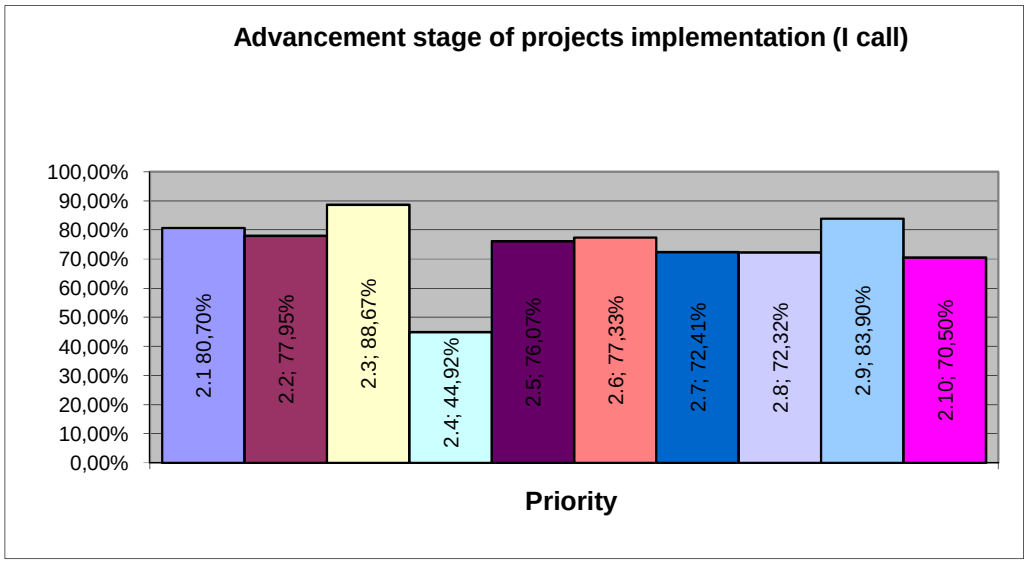
2.4 The projects implemantation status

Given the quarterly reporting data, the projects implemantation status is much differentiated compared to the one assumed in Project Implementation Plan (PIP), what results from many factors.
For individual projects and programmes from **Ist call for proposals** the indicator of project implementation calculated according to the financial data reported by the beneficiaries[7] is **79.06%**, which implies that over ¾ of the plan foreseen in the Project Implementation Plan was implemented. The highest compliance of progress as regards project implementation compared to the plan can be observed in Priority 2.3 *Conservation of European cultural heritage* (over 88%) and the lowest in Priority 2.4 *Human resources development* (44%).
The reason for this state of affairs is undoubtedly the nature and specific character of individual projects. For soft projects, such as projects on *Human resources development,* it is especially difficult to keep in line with the previously established schedule because of the large number of activities to be implemented and the large number of Final Beneficiaries, this in turn causes that for this type of projects it is necessary to be flexible as regards evaluation of their implementation.

[7] As of 31 December 2008 in line with the existing reporting system the available financial data come from the periodic reports for I-III quarter of 2008 and they form the basis for the statistics. The reports on IV quarter of 2008 are submitted to the NFP until 15 February 2009.

It is noteworthy that over the time, compliance of the indicator of project implementation with the plan included in PIP increases. According to the statistics for I quarter of 2008 65% of the plan was implemented, in II quarter the indicator was 76%.

The Diagramme below presents the data for individual priority areas as regards projects from Ist call for proposals (as of the end of September 2008).



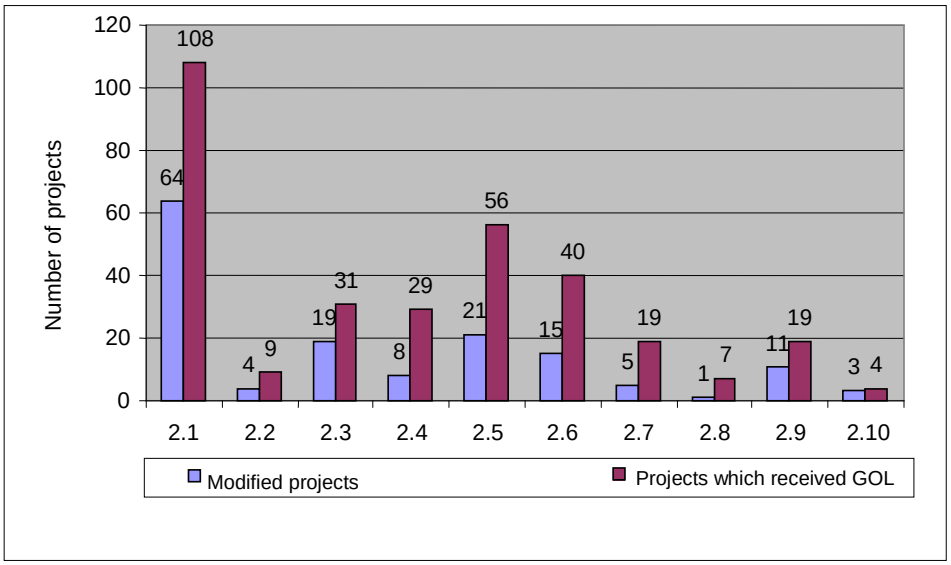
As regards individual projects and programmes from **IInd call for proposals** the project implementation indicator calculated according to the financial data reported by the Beneficiaries is only **14.10%.** In this case, the relatively low indicator results from the time shifts in the project implementation plans as a result of both receiving the Grant Offer Letter and signing the agreements in the IInd quarter of 2008 and the initial stage of projects implementation. It is expected that in the next year - 2009, the implementation of the aforementioned projects will increase and the existing delays will be eliminated.

Considering the above data **for projects submitted in Ist and IInd call for proposals** for projects implemented in 2008 under Financial Mechanisms the projects implementation indicator compared to plans included in PIP is **close to 50%.** It is a reflection of the need of modifying Project Implementation Plans, which shall be discussed in the following part of this report.

2.5 Modifications to projects and/or Project Implementation Plans

The experience from the implementation show that a large number of projects are modified during their carring out. Estimates as of the end of 2008 show that approx. 47% of all projects which received the Grant Offer Letter are modified. On many occasions, modifications in projects were introduced also before the day of signing the agreement with Beneficiaries, therefore the data presented below concern not projects with agreements signed but projects which received Grant Offer Letters.
The following Diagramme shows that in 2008 modifications to projects were introduces in every priority area. The majority of changes were identified in Priority 2.1 *Protection of the*

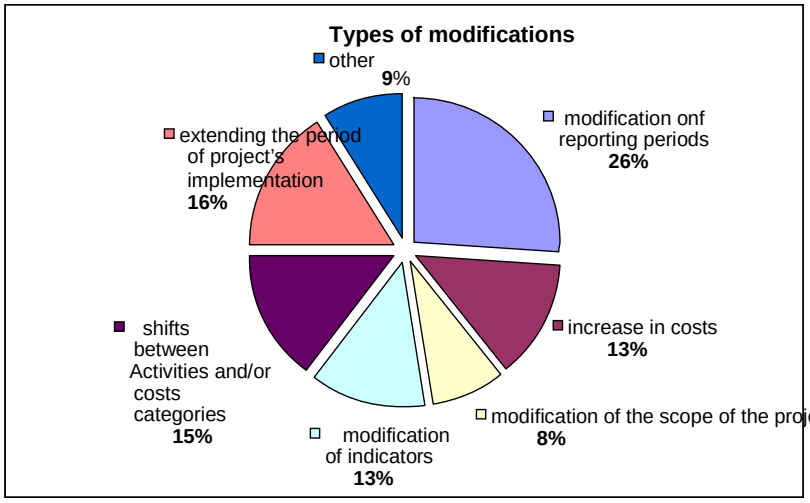
environment which results from the fact that under this area the greatest number of projects is implemented (compared to the total number of projects). Details are presented on the Diagramme below – as of 31 December 2008.



In summary, by the end of 2008 approx. 228 different modifications were identified as regards projects which received GOL in 2008. It should be also noted that one project could have been modified many times, and one complex modification could have covered some different types of modifications.

The most common and significant types of modifications include the following: prolonging the project implementation, shifts of financial resources between Activities and/or budget categories, increase in the project costs, modification of indicators and modification of the scope of the project.

The following Diagramme illustrates the percentage distribution of the aforementioned changes – as of 31 December 2008.



Joining together reporting periods was the most common modification, which consisted in approx. 26% of all modifications. It was used as a method of more efficient and faster settlement of projects, as well as a measure preventing disruption of their financial flow.
Extension of the scope of the project was used, *inter alia*, as a measure enabling to use the whole amount of the granted financing in case of unused resources appeared under a project, e.g. savings after settlement of procurement procedures. Reduction of the scope of the project however most commonly occurred as a result of performing part of the works before the starting date for the eligibility of costs.
Increase in costs, resulting from price increase, particularly at the construction market (more expensive materials and labour force), affecting mostly investment projects implemented under Priorities 2.1, 2.3, 2.5, 2.7 caused a need to ensure additional financing sources. However, it should be emphasized that despite the difficult situation of Beneficiaries, they managed to assign additional resources which made it possible to continue the implementation of projects. .
As a result of delays in launching the projects or postponements resulting from seasonal works, or long-lasting procurement procedures for investment projects Beneficiaries applied for PIP modification concernig the projects prolongation. In some cases the postponement of the deadline for the completion of projects was caused solely by the need to settle all expenditure, which though invoiced in the implementation period were paid in the following months. On the basis of information gathered by NFP it was estimated that the projects prolongation was extended in approx. 37 cases, which is approx. 16% of all modifications. Projects prolongation gave the Beneficiaries appropriate spare time for eliminating delays or for implementation additional tasks resulting from the extention of the project. As a result of the above, there is no risk that project will not be implemented within the eligibility deadlines determined by the Donors.
Beneficiaries also often recorded the need to modify, up-date or correct the table of indicators. Most commonly, it was a result of a verification the indicators at the initial stage of implementation (for the needs of procurement procedures), especially for investment/ construction projects under Priority 2.1. In majority of cases FMO did not introduce the requested modifications into the Project Implementation Plan recommending reporting the existing discrepancy in the Project Interim Reports.

2.6 Increasing the effectiveness of the implementation and monitoring process

Given the large number of requested and introduced project modifications, as well as their different nature and character, during the year 2008 the Polish side currently discussed with the Financial Mechanism Office solutions, which would help to increase the effectiveness of projects implementation and minimalise the risk of delays in their carring out and financial settlement.

a) Modifications in the template of Grant Agreement
On 11 February 2008 the Financial Mechanism Office modified the template of Grant Agreement concluded between Donors and National Focal Points by enclosing the Grant Offer Letter to the standard version of the agreement. It made it possible to avoid mistakes in the agreements and eliminated the need to send them back to the FMO to be corrected. The simultaneous transmission by the Financial Mechanism Office of the Project Implementation Plan together with the Grant Offer Letter was also an unquestionable improvement. Now the PIP must be filled in and sent back together with the acceptance of the Grant Offer at the latest.

b) Change in the reporting procedure as regards increase in costs

As a result of discussions conducted between the NFP and the FMO, on 21 April 2008 a new procedure of reporting increase in costs was implemented, which constitutes in introducing to PIP and Project Interim Reports a category of so-called non-reimbursed eligible costs. This regulates a problematic issues of changes in the financing rate, and what relates to it, modifications of PIP every time when the amount of eligible costs increases, for example after settling a tender. The above made it also possible to present the actual budgets for Activities covered by PIP.

c) Defining a number of activities for the needs of PIP (monitoring and reporting)

Given the efforts to accelerate the process of drawing up a list of activities, as well as avoiding prolongations as regards the process of settling the final version of PIP, and what relates to it signing grant agreements, correspondence was exchanged in order to determine the optimal method of drawing up activities.

In a letter of 11 August 2008 the Financial Mechanism Office presented its official position on dividing projects into Activities for the purpose of PIP. The National Focal Point pointed to the fact that it is justifiable to keep the current stand which is targeted at reducing the number of activities in a manner to illustrate only the key elements/results of the projects. Moreover, the NFP recommends combining Activities, which are to be implemented under the procurement procedure, to reduce the number of possible future project modifications related to reallocation of costs.

e) Procedure of introducing modifications into a project/Project Implementation Plan

In December 2008 the Financial Mechanism Office developed a document establishing the evaluation criteria for modifications to projects and standardising the issue of introducing modifications, as well as a method of their consideration. Implementation of the procedure enabled, *inter alia*, to issue by FMO positive decisions on reallocation of resources between Activities and/or cost categories, in case of savings regarding those Activites which are implemented under one procurement procedure. Before the aforementioned procedures were authorised the decisions on the above issues were negative or suspended for many months, which had a negative influence on the implementation progress of the projects concerned.

The NFP is of the opinion that from the perspective of the efficiency and effectiveness of the implementation process not all issues have been resolved in a positive way. One of these is no possibility to use the resources released in completed projects for which the Project Completion Report was submitted to the FMO after 31 October 2008. It should be emphasised that FMO received only 6 such reports. The NFP, with a view to achieving the highest level of expenditure of the allocation submitted, suggested to automatically decommit the free resources from completed projects (when the Project Completion Reports were submitted before the deadline for contracting, i.e. 30 April 2009) and transfer them to other projects.

Moreover, considering long waiting time for decisions on modifying projects issued by FMO, the NFP recommended to establish more precisely deadlines concerning the decisions..

f) Improvement of circulation of Project Interim Reports between the Polish side and the Financial Mechanism Office

In order to prevent the accumulation of significant delays in the financial settlement of projects, arising as a result of long-term procedures of introducing modifications into projects and in connection with the increasing number of projects in an advanced implementation stage, the NFP organised a meeting with the representatives of FMO which covered the

possibilities of improvements affecting the acceleration of a payment claim process, and thereby improve the payments flow and faster progress in implementing projects.
As a result of the meeting it was established that the relevant changes shall be introduced into the system on the Financial Mechanism Office side. These changes include, *inter alia*, improvement of the electronic system for generating Project Interim Reports for Beneficiaries by the FMO, enabling the Beneficiaries to draw up a next Project Interim Report when the previous one is still verified by the FMO and making the Project Interim Reports independent from the Project Implementation Plan modification process. Considering the fact that these arrangements were established in the last quarter of 2008, these changes have been gradually introduced from the middle of December 2008.

2.7 Completed projects

Until the end of 2008 the Beneficiaries completed implementation of 16 projects. The majority of projects were completed under Priority 2.1 *Protection of the environment, including human environment*. These were the projects of investment character concerning thermal modernisation works in public utility buildings. Works mostly consisted in installing thermal insulation on walls, replacing door and windows, as well as modernising heat sources and heating system. Hence, the projects financed to a large extent from the Financial Mechanisms contributed to reducing the amount of pollutants emitted into the environment[8].
Moreover, one project implemented under Priority 2.5 *Health and childcare* and one under Priority 2.7 *Implementation of Schengen acquis* were also completed. The two aforementioned projects enabled to create a public recreation areas, run after-school and integration classes in Bydgoszcz and equip the Polish Customs Service with means of transport.
By the end of 2008 the Ministry of Regional Development of Poland received 8 Project Completion Reports drawn up by individual Beneficiaries, which were positively verified and forwarded to FMO. Furthermore, the NFP received information that 5 of these reports were accepted by the Donors, which formed a basis to pay the final payments to these Beneficiaries.
The longest period of implementation belonged to a project submitted under Priority 2.5 *Health and childcare*, which was implemented from July 2007 to September 2008 (15 months). It results from the nature of the tasks implemented under this project, especially the component concerning after-school and integration classes. The average project implementation period of completed projects is almost seven months.

2.8 Control of project implementation

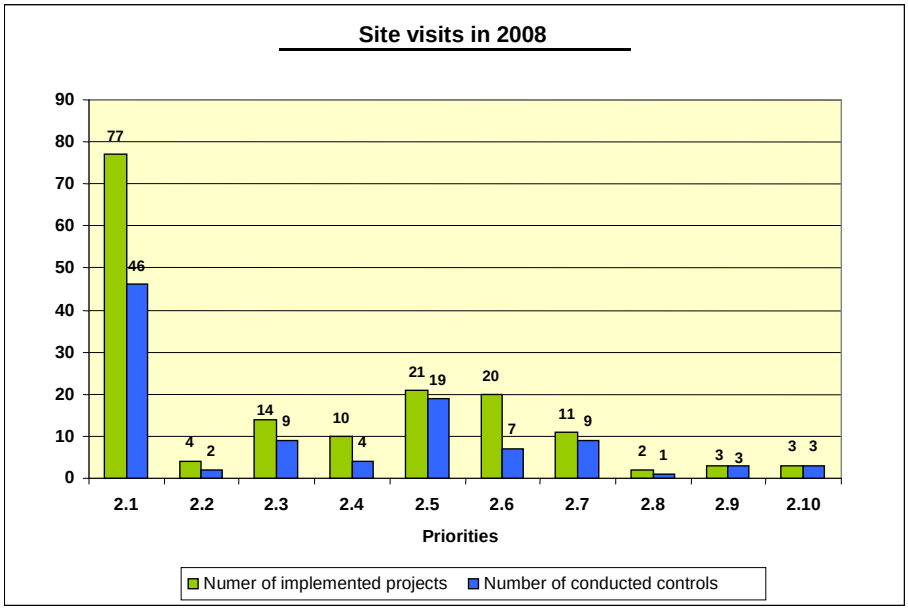
In line with the management and implementation system of the Financial Mechanisms in Poland the following institutions are entitled to perform control: the National Focal Point, Intermediate Bodies/Auxiliary Institutions, Audit Institutions and experts selected by the Financial Mechanism Office.
In 2008 the Polish side controlled 43% of projects implemented under Ist and IInd call (108 projects).

[8] More on the issue in the Chapter devoted to the appraisal of projects implemented under Financial Mechanisms.

Site visits by IB/AI and NFP of projects implemented in 2008 (in %)

Priority	% of controlled projects
2.1 Protection of the environment – investments	54%
2.2 Promotion of sustainable development	40%
2.3 Conservation of European cultural heritage	31%
2.4 Human resources development	15%
2.5 Health and childcare	63%
2.6 Academic research	19%
2.7 Implementation of Schengen acquis	55%
2.8 Protection of the environment – administrative capacity	16%
2.9 Regional policy	50%
2.10 Acquis communautaire	100%
Average	**43%**

However, excluding the projects from IInd call, which implementation was launched only in the middle of the year and the site visits were not planned in such an early phase of their implementation, the percentage of projects controlled by the Polish institutions is 62% (103 controlled projects out of 165 implemented ones). In addition, it should be noted that in Priorities in which a smaller number of projects was implemented, the percentage of controlled projects was higher or it even amounted to 100%.



In 2008 Intermediate Bodies/Auxiliary Institutions as implementing authorities in individual Priorities carried out site visits in case of 96 projects. The results of these visits were positive. The projects are implemented according to assumptions and guidelines. The settlement is run correctly (to a large extent thanks to trainings for Beneficiaries organised by Intermediate Bodies/Auxiliary Institutions and the NFP, as well as the current contact between Beneficiaries and project supervisors in relevant institutions). The scope of works is in line with the financial advancement. No significant errors or irregularities were identified. Only minor faults were observed concerning the following issues:

- Sufficiently early preparation by Beneficiaries modifications to PIP, together with necessary information (with a detailed description of introduced modifications) and required justification for introduced modifications;

- Incompliance with information and publicity rules, especially proper marking of the seat of the project's office, equipment, materials created during the project implementation and proper placing of billbords on financing sources and running the project publicity campaign in line with the schedule of Project Implementation Plan.
- Transgressions of public procurement procedures, *inter alia*, careful, precise and reliable preparation of the specifications relating to the tendering procedure, proper and smooth carrying out of a public procurement procedure and due selection of contractors. However, these transgressions do not affect the correctness of the conducted procedures.

Beneficiaries of monitored projects were given relevant corrective measures and recommendations in the follow-up information.

In 2008 the National Focal Point carried out 24 site visits. The scope of controls covered, *inter alia*, whether the conditions for co-financing and ensuring proper implementation of agreement were meet, substantive and financial progress in projects implementation, timeliness and reliability of preparing information in periodic reports and risk related to project implementation. Results of site visits carried out by the NFP did not raise any doubts. The implementation of controlled projects runs smoothly and properly. The follow-up recommendations forwarded to Beneficiaries most commonly concern:

- Better use of instruments for projects information and publicity transfer, *inter alia*, up-date of websites, placing information boards and memorial plaques, as well as running promotions in line with declarations included in the Project Interim Report.
- Monitoring of risk factors identified in the projects and undertaking all preventive measures;
- More reliability in timely transfer of reports, Project Interim Reports and applications for modification of Project Implementation Plans;
- The need to up-date Project Implementation Plan within the substantive and financial scope, as well as preparation of PIP modification within the deadlines set in the agreement.

Moreover, the NFP conducted systematic site visits in all Intermediate Bodies/Auxiliary Institutions and Operators, i.e. Ecorys Sp. z o.o. Polska, Cooperation Fund Foundation (Operators of NGOs grants) and Information Processing Centre (Operator of Polish-Norwegian Research Fund). The NFP also made site visits in the Paying Authority and Audit Institution.

Results of system visits carried out by the NFP did not raise any doubts. The most common follow-up recommendations concerned, *inter alia*, making every effort to transfer the verified and accepted Project Interim Reports and quarterly reports on time in line with the Monitoring System. Moreover, the recommendations covered monitoring of the timeliness of transferring documents by the Beneficiaries and exercising these deadlines within the scope of IB/AI competences and capacities, as well as consulting audit trails prepared by AI with the audit trails of IB to guarantee their cohesion.

3. Research carried out within the scope of implementing Financial Mechanisms

3.1 Mid-term evaluation carried out in all Beneficiary states

The evaluation was performed on the request of the Norwegian Ministry of Foreign Affairs and it was carried out by the PricewaterhouseCoopers covering all 15 Beneficiary states of the Financial Mechanisms.
In three Beneficiary states case studies were performed on the basis of interviews with persons responsible for the programme implementation at the national level. Apart from the Czech Republic and Estonia the case studies were also performed in Poland. The analysis covered the period from launching the Financial Mechanisms in 2004 to March 2008. The mid-term evaluation aims at providing guidelines relating to the current financial perspective, as well as the future programming period.
As regards Poland the evaluators highlighted that Poland is the largest recipient of aid (gross EUR 558.6 million[9]) and as the only country it implements projects under all ten priority areas. For this reason, Poland as the only country, drawn up an Operational Programme based on the current standard and experiences within the scope of implementing aid programmes. The report emphasises that Poland is also the only country which received an advance payment at the national level in the amount of EUR 30 million (so-called working capital). The evaluators also pointed to the detailed and thorough manner of carrying out applications appraisal and small number of applications rejected by the Donors. It was also noted that Poland set up a pre-financing system of payments for Beneficiaries from the State budget, while in the majority of countries operates a cash flow system established by the Donors. As regards the level of expenditure, according to the data from Ist quarter of 2008 (the period of carrying out evaluation) Poland was ranked second among the Beneficiary states of Financial Mechanisms.

3.2 Review of Polish projects concerning energy savings and renewable energy sources financed under Financial Mechanisms

In October and November 2008 a review of Polish projects concerning energy savings and renewable energy sources financed under the Financial Mechanisms was carried out on the request of the Norwegian Ministry of Foreign Affairs. The review was performed by the consultants from Scanteam, a company with its seat in Oslo and Proeko CDM with its seat in Warsaw. The review was aimed at evaluating the results and outcomes of the aforementioned projects implementation.
It should be highlighted that conclusions from the review are based on assumed results and outcomes, because during the review the majority of projects were still under implementation or have just been completed. The review concerned 65 co-financed projects (52 out of which concerned educational establishments), which received support under Financial Mechanisms to the amount of approx. EUR 41.4 million.
In line with the review it is estimated that the aforementioned projects supported by the Financial Mechanisms will bring savings in energy consumption of approx. 54%, i.e. reduction in CO2 emissions by 52,000 tonne per year, where the average period of investment cost recovery is 13 years. As provided for in the report, both the period of investment cost recovery, as well as reduction in CO2 emissions are at a satisfactory level.

[9] The amount covers the management costs, which are incurred by the Donor states institutions: Financial Mechanism Office, Committee of the Financial Mechanism and the Norwegian Ministry of Foreign Affairs

According to the report the programme of support to energy savings and implementation of renewable energy sources is delivered in a satisfactory manner in Poland. The quality of implemented projects is high and remains at a similar level. The assumed results will significantly contribute to the objectives at a national level and also a replication potential exists.
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3.3 Research "Evaluation of the results of implementing projects under Priority 2.5 *Health and childcare*"

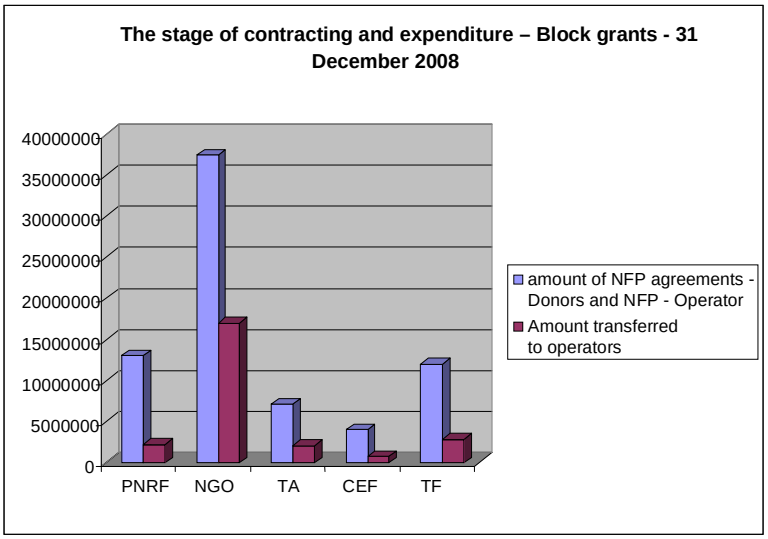
Within the period from October to December 2008 on the request of the MRD the Ecorys Polska performed an evaluation entitled "Evaluation of the effects of implementing projects under Priority 2.5 *Health and childcare*". The research aimed at evaluation of projects in respect of their efficiency and effectiveness, as well as at assessing their impact and possible durability. Twenty projects, which are implemented in the whole Poland and are at different stages of implementation, submitted under the first call for proposals were covered with the analysis. The majority of these (i.e. 9) concerned construction of generally accessible recreation areas for children. Actions and results achieved up to now were evaluated.

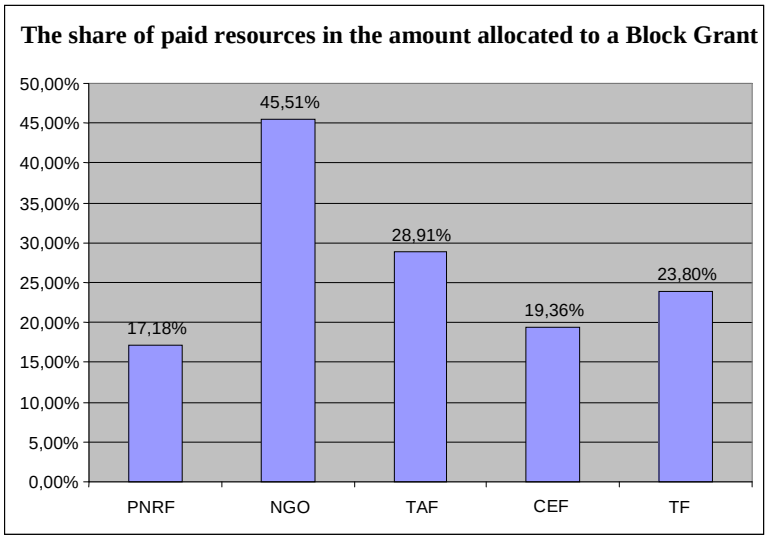
According to the performed research all projects are adequate, as regards construction of different types of infrastructure or purchase of specialist equipment. For the majority of projects financial and substantive progress is satisfactionary. The obstacles occurring in the course of project implementation are gradually overcome. The publicity campaign as regards distribution of information on the sources of aid is conducted without reservation. A significant majority of projects is efficiently implemented and managed. All coordinators would once again undertake to implement projects under Financial Mechanisms. The potential impact of projects cannot be evaluated at the stage of review, however, if the current manner of their management is maintained, some of them can exceed the foreseen frameworks covering larger target groups. Though, in the opinion of the evaluator no coherent system of indicators enabling current monitoring of progress regarding project implementation was developed under the Priority, which in turn hinders the evaluation of its efficiency, as well as the efficiency of the whole Priority.

4. Block grants – delivery of the implementation process by Fund operators

Within the discussed period two block grants were launched, i.e. Cultural Exchange Fund and Scholarship and Training Fund. Hence, the programming works under Financial Mechanisms in Poland for 2004-2009 were completed. Moreover, works were undertaken to implement Funds launched in the previous reporting period. As regards the Fund for Non-governmental Organisations four next calls for proposals were announced and implementation of projects selected in the 2007 calls was continued. Second call for proposals was announced for the Polish-Norwegian Research Fund, as a result of not using the allocation under Activity II *Workshops and Seminars*. Also the implementation of projects selected under Activity I *Research Projects* was initiated. Moreover, the Technical Assistance Fund was continuously implemented.
As regards contracting and expenditure, from the amount of approx. EUR 73.51 million contracted under five block grants between the MRD and the Norwegian Ministry of Foreign Affairs and/or Committee of the Financial Mechanisms until the end of 2008, the payments for Operators were implemented to the amount of approx. EUR 25 million (approx. 34% of the amount contracted with the Operators). The most advanced was under this respect the Fund for Non-governmental Organisations, which Operators received resources, which use

the allocation for the Fund in almost 45%. Given the early launching of this grant in 2008 a significant number of projects were in an advanced stage of implementation. Final payments were already made.
The Diagrammes below present the stage of contracting and expenditure, as well as the share of paid resources in the amount allocated/contracted with the Operators[10].





To sum up the implementation of the Funds it should be noted that the applied programme approach, which consisted in entrusting the tasks related to evaluation and selection of projects to Operators, significantly shortened the waiting period for Beneficiaries waiting for resources. Detailed information on implementing individual block grants are presented below.

[10] Detailed information on the issue is also given in Appendix 1.

a) *Fund for Non-governmental Organisations, total allocation: EUR 37.35 million*

In 2008 the works under the Fund were focused on implementing projects selected in the call of 2007, as well as on conducting next calls. In 2008 four calls for proposals took place – two under Component *Democracy and civil society* and one for each of the other components – *Environmental protection and sustainable development* and *Equal opportunities and social integration.*

Component I. *Democracy and civil society,* Operator: *Co-operation Fund Foundation,* allocation from the FM: EUR 12.45 million.
Four calls for proposals were organised under the component from the date of launching the Fund in February 2007 up to the end of 2008, two of which in 2008 – within the period from 29 February to 29 April, and from 16 August to 16 October 2008. Until the end of 2008 a total of 261 projects from I, II, III and IV call received financing. The projects within the scope of institutional capacity building of NGOs and enhancement of the civil society sector enjoyed the greatest popularity.

Component II. *Environmental protection and sustainable development,* Operator: *ECORYS Polska,* allocation EUR 12.45 million.
So far, two calls for proposals were held within the frameworks of this component, one of which in 2008 – from 30 April to 4 July. Within the frameworks of these two calls financing was granted to 86 projects. Over half of the implemented projects concern the thematic area related to educational and information activities for environmental protection.

Component III. *Equal opportunities and social integration,* Operator: *ECORYS Polska,* allocation: EUR 12.45 million.
Two calls for proposals were held within the frameworks of this component, one of which in 2008 – from 11 January to 14 March. Financing was granted to a total number of 84 projects, from which over 50 concerned assistance to and empowerment of the underprivileged.

The following table presents synthetic information on calls for proposals under all of the aforementioned components.

number of the call (year)	**date**	**type of projects (value of financing)**	**number of submitted applications**	**number of applications that were granted financing**	**allocation**
COMPONENT I *Democracy and civil society*					
I 2007	24.IV. – 8.VI.	micro (from EUR 5 to 15 thousand), small (from EUR 5 to 50 thousand)	900	86	EUR 1.8 million
II 2007	7.IX. – 22.X.	micro (as above), small (as above), medium (from EUR 50 001 to 150 thousand), large (from EUR 150 001 to 250 thousand)	895	78	EUR 3.4 million
III 2008	29.II. - 29.IV.	small, medium, large (as above)	390	50	EUR 4 million
IV 2008	16.VIII-16.X.	micro, medium	655	47	EUR 1.7 million
V 2009	I quarter of 2009	micro, small	-	-	EUR 1.7 million

COMPONENT II *Environmental protection and sustainable development*					
I 2007	24.VII. – 28.IX.	from EUR 5 to 250 thousand	370	40	5 million
II 2008	30.IV. – 4.VII.		236	46	5 million
III 2009	06.I. – 06.III.		-	-	2.6 million
COMPONENT III *Equal opportunities and social integration*					
I 2007	24.IV. - 29.VI.	from EUR 5 to 250 thousand	1232	43	5 million
II 2008	11.I. – 14.III.		666	41	5 million
III 2009	I quarter of 2009r		-	-	2.6 million

To sum up the implementation of this Fund it shall be noted that it enjoyed enormous popularity which was visible in all calls for proposals organised so far, which exceeded the allocation available under the call several times or several dozen times, depending on the component. The Fund was the first fund for NGOs in Poland, which had such a wide range of themes (three components) and provided support also to organisations commencing their activity (under Component I). The grant implementation and management scheme was adjusted to the NGOs sector in Poland. Reasonable financial terms were established (wide range of grants values and own contribution at a low level). Importantly, given small formal and legal requirements concerning, among others documentation annexed to the application, there was virtually no need to incur any expenditure when submitting applications. Moreover, a transparent, efficient and timely system for apprising applications was set up, which ensured full information for applicants as regards the progress of appraising their applications. The organisations stated that the procedures of submitting applications are friendly.

b) *Polish-Norwegian Research Fund* (PNRF), Operator – *Information Processing Centre* (IPC), allocation from NFM: EUR 13 million.

In the first half a year of 2008 the works under this Fund focused on the appraisal of applications submitted under the call held in IV quarter of 2007.
According to the data from the call, the Fund arouse great interest of applicants, which was illustrated by the number of submitted applications, which value many times exceeded the available allocation – 88 submitted applications to the amount of approx. EUR 97.52 million. Activity I *Research project* enjoyed particular interest – close to 90% of submitted applications. Financing was granted to 12 projects submitted under Activity I *Research project* and 8 projects under Activity II *Workshops and Seminars.*
Because the resources available under Activity II *Workshops and Seminars* were not used, in 2008, another call was announced covering only the above Activity. The call for allocation amounting to EUR 1.29 million took place from 31 July to 31 October 2008. Nineteen projects were submitted, which use the allocation in approx. 30%. Financing was granted to 13 projects in the amount of approx. EUR 237.5 thousand. Because the allocation available under the aforementioned Activity was not entirely used it was transferred to the implementation of 3 projects from the reserve list under Activity I.

The Fund received a positive feedback from the academic community, as demonstrated by the large number of applications. Given the fact that PNRF is addressed only to two areas (environment and healthcare) it has an opportunity to significantly develop research within these two areas. It will be possible to fully assess the scientific benefits only during the research delivery, however, even now we should highlight the significance of bilateral cooperation enabling exchange of knowledge and experiences within the scope at an international level.

c) *Cultural Exchange Fund*, Operator - *Ministry of Culture and National Heritage*, allocation from the FM: EUR 4 million

Within the discussed period the Cultural Exchange Fund was launched. On 21 March 2008 the Ministry of Regional Development of Poland and Norwegian Ministry of Foreign Affairs, as well as the Committee of the Financial Mechanisms signed Grant Agreements concerning the Fund implementation.
After the agreements were signed the first call for proposals was held, which started on 15 April and lasted until 16 June 2008. It was possible to submit applications under 4 thematic areas: *Cultural heritage, Literature and archives, Music and stage arts* and *Plastic and visual arts*. The allocation amounted to EUR 1.3 million. During the call the applicants submitted 48 projects to the Fund Operator for the total amount of financing of EUR 7.36 million. The greatest amount of applications - 26 - was submitted under the thematic area: *Music and stage arts*. After the appraisal 9 projects were recommended for financing, which fully used the allocation available under the call.

To sum up the implementation of this Fund it should be emphasised that the Cultural Exchange Fund launched in Poland is the only separate fund of this type in Beneficiary states, which aims at implementing "soft" projects from the field of culture and is a supplement for Priority 2.3 *Conservation of European cultural heritage* having an investment character. Similarly, as in the case of Scholarship and Training Fund it is required to submit applications together with the institutions from Donor states. During the Ist call institutions established contacts with 57 entities, the majority of which were from Norway. Also multilateral partnerships appeared (e.g. Norway-Iceland-Poland). Approx. 61% of applicants were NGOs acting in the field of culture.

d) *Scholarship and Training Fund* – Operator: *Foundation for the Development of the Education System)*, allocation from FM: EUR 12 million

Within the discussed period the Scholarship and Training Fund was launched. The agreement between the National Focal Point and Norwegian Ministry of Foreign Affairs, as well as the Committee of the Financial Mechanisms was signed on 7 April 2008. Following the agreement two calls for proposals were announced.

<u>Ist call for proposals (30 April – 30 June 2008)</u>
Within the frameworks of the first call the Beneficiaries could apply for support under five types of Activities: *Mobility of students and staff from higher education institutions, Language courses, Individual mobility grants, Inter-institutional cooperation, Development of Polish higher education institutions.* The total amount of resources available under the first call was EUR 3.6 million (owing to high interest in grants under the Activity I *Mobility of students and staff from higher education institutions* the amount was finally increased by EUR 700 thousand). Within the frameworks of the call 116 applications were submitted for the total amount of close to EUR 13 million, over three times exceeding the allocation. Financing was granted to a total of 52 projects, mainly under Activity I, where the support amounted to approx. EUR 2.3 million.

<u>IInd call for proposals (1 October – 30 November 2008)</u>
The amount of allocation available under this call was over EUR 2.6 million. The call excluded the possibility to apply for grants under Activity I *Mobility of students and staff.*

Within the call 131 applications were submitted for the total amount of over EUR 13.5 million. Also this call illustrated the high interest aroused by Scholarship and Training Fund. The majority of applications were submitted under Activity V *Development of Polish higher education institutions* – 76 projects for the total amount of approx. EUR 11.1 million. Until 31 December 2008 substantive evaluation was in progress.

While concluding the current implementation of the Scholarship and Training Fund it should be noted that the Fund complements the Activities implemented under European Union programmes, such as *Long Live Learning Programme*. The level of grants awarded to students and staff of higher education institutions who want to participate in foreign exchange under Activity I, is very attractive and hence the grants enjoy a very high popularity. As a result of the fact that this Fund is implemented in partnership with Donor states institutions (the Norwegian Center for International Co-operation In Higher Education - SIU - Norway; the Office of International Education – Iceland; Agentur fuer Internationale Bildungsgelegenheiten – Liechtenstein) it is easier for applicants to find partners in these countries (except for Activity V, where there is no need for a partner). It is important that in case of Activity III *Individual mobility grants* the applications are submitted without the intermediation of institutions, which provides for a greater freedom in their submission.

e) *Technical Assistance Fund*, Operator – *Ministry of Regional Development of Poland*, allocation from the FM: approx EUR 7.16 million

Within the discussed reporting period works related to implementing the Technical Assistance Fund were continued.
Until the end of 2008 eight Project Interim Reports were forwarded to FMO for the total amount of EUR 2 434.992. A reimbursement of the expenditure incurred under the aforementioned Project Interim Reports was transferred to the accounts of the Ministry of Finance (Paying Authority). Moreover, in 2008 the NFP settled the advance payment, which was transferred as the first payment under Technical Assistance Fund.
In 2008 the implementation of tasks under the Technical Assistance Fund was continued, which first of all, concerned the appraisal of applications and project implementation monitoring. Furthermore, wide-scale information and publicity measures were also carried out.
In 2008 the NFP carried out an overall number of 9 site visits to Beneficiaries of the Technical Assistance Fund. During the control, a lot of emphasis was put on the level of resources expenditure and to the plan of implementation. No significant transgressions were identified as regards this Fund implementation.
Moreover, in the middle of 2008 the NFP issued a request to reduce the amount of the grant and reallocate part of the resources to the implementation of projects under priority areas, and to extend the expenditure eligibility period until 30 April 2012. The Donor states in a letter of 8 May 2008 positively responded to the proposal presented by the NFP.
In 2008 the expenditure level under Technical Assistance Fund was EUR 1 574.045, i.e. 84% of the amount foreseen for that year. As of 31 December 2008 all Beneficiaries of the Fund spend a total amount of EUR 2 696.310 using 38% of the allocation granted to Technical Assistance Fund.

5**. Information and promotion**

Within the frameworks of the information and publicity measures the website of the Ministry of Regional Development of Poland concerning the Financial Mechanisms is continuously up-

dated - www.eog.gov.pl, as well as the websites of individual Intermediate Bodies/Auxiliary Institutions and Operators.
In 2008 as a result of announcing the last call for proposals under Financial Mechanisms, the information and publicity policy focused mainly on informing the public opinion on the results of implementing the Financial Mechanisms in Poland. Among others, promotional materials were developed, including publications on the implemented projects and information and publicity supplement was added to the national newspaper. The NFP also prepared a film on the projects (mostly environmental ones) financed from the Financial Mechanisms resources. At the end of the year a conference was organised, which summed up the completion of calls for proposals under the priority areas of the EEA Financial Mechanism and the Norwegian Financial Mechanism in Poland. A detailed list of information and publicity measures carried out in 2008 is enclosed in Appendix 3.

6. Norwegian Financial Mechanism implementation plan within the period from January to December 2009

On 30 April 2009 expires the commitment period under the Norwegian Financial Mechanism for 2004-2009. As a result of the above, the next reporting period will cover intensive works related to monitoring of projects implementation, as well as their control. Last calls for proposals under the Fund for Non-governmental Organisations will be launched. Works within the frameworks of other grants will be continued. Intensive information and publicity measures will also be performed.

6.1. Projects implementation and monitoring

By the end of January 2009 the NFP will forward to the FMO the two last applications. 81 applications await FMO approval (excluding reserve applications). Because the commitment period expires on 30 April 2009 there is a risk that not all funds available under individual projects and programmes will be contracted.
After the Grant Offer Letters received it is planned to proceed with concluding agreements. Actions related to monitoring of projects implementation from all calls for proposals will be conducted. These actions will cover periodic reporting as regards projects implementation and on the site visits. Apart from external site visits carried out by Donor states these controls will be, to a large extent, performed by the Polish side with particular attention given to Intermediary Bodies and Auxiliary Institutions. The National Focal Point will supervise the whole process of implementation and monitoring of the aforementioned projects at each stage of their carring out, as well as it will actively participate in the control system of individual projects. Next meetings of the Monitoring Committee will also be held.

6.2 Block grants implementation

All through the 2009 works will be continued as regards the Technical Assistance Fund in line with the reported need for resources. In Ist quarter of 2008 last calls for proposals under the three components of the Fund for Non-governmental Organisations will be announced. Moreover, one call for proposals is also planned per each: Scholarship and the Training Fund (from 1 February to 31 March 2009) and the Cultural Exchange Fund (from 6 January 2009 to 6 March 2009). The implementation and monitoring process of projects under the aforementioned Funds will be continued, as well as under the Polish-Norwegian Research Fund.

6.3. Information and promotion

The information and promotion policy will focus mainly on providing information to the public opinion on the results of implementing the Financial Mechanisms in Poland.
The website www.eog.gov.pl will be up-dated on a current basis, as well as websites of other institutions engaged in the implementation of Financial Mechanisms. Moreover, under the information and promotion activities the representatives of Intermediate Bodies/Auxiliary Institutions/Operators will participate in a number of meetings and conferences on implementing the Financial Mechanisms in Poland. Several trainings for Beneficiaries will be organised.

7. Summary

In 2008 the implementation of majority of projects entered an advanced stage. Until the end of 2008 the Polish side received positive decisions on co-financing for 322 projects for the total amount of over EUR 350.5 million, which is over 78% of resources allocated under Financial Mechanisms for individual projects and programmes. The Ministy of Regional Development of Poland concluded 283 agreements with the Committee of the Financial Mechanisms and/or the Norwegian Ministry of Foreign Affairs for the amount of over EUR 326.7 million (over 72% of the allocation for individual projects and programmes). Under the aforementioned agreements the Intermediate Bodies and the Auxiliary Institutions signed 240 agreements with the Beneficiaries for the amount of approx. EUR 289 million. The Beneficiaries of individual projects and programmes received payments in the amount of over EUR 65.6 million, which is almost 23% of the amount of project implementation agreements signed with the Beneficiaries. Moreover, by the end of 2008 from the amount of approx. EUR 73.51 million contracted under five block grants the payments implemented for Operators amounted to approx. EUR 25 million (34% of the contracted amount). On the whole, as of 31 December 2008 under individual projects and programmes, as well as block grants approx. EUR 90.6 million were spent, which is close to 25% of the amount contracted by Intermediate Bodies and the Auxiliary Institutions with Beneficiaries and the NFP with the Operators.
The stage of advancement of projects implementation compared to the one planned in the Project Implementation Plans, as regards individual projects and programmes from the Ist call for proposals was 79.06%, compared to IInd call – 14.10%. The total indicator of projects implementation in 2008 compared to plans included in PIP was close to 50%. It reflects the need to modify the Project Implementation Plans – approx. 47% of all projects, which received the Grant Offer Letter.
Taking into account the large number of modifications introduced into projects, as well as their different nature and character, whole year round the Polish side currently discussed with the Financial Mechanism Office the solutions which would help to increase the effectiveness of projects implementation and minimize the risk of delays in their carring out and financial settlement. These changes include among others, modified the Grant Agreement template, modification of the reporting procedure of increase in costs, change in the procedure of modifying the Project Implementation Plan, the manner of identifying actions for the need of PIP, as well as improving the circulation of Project Interim Reports between the Polish side and the Financial Mechanism Office.
Moreover, in 2008 the Polish side controlled 43% of projects implemented under Ist and IInd calls (108 projects).
As regards implementation of specific forms of aid in 2008, two block grants were launched - Cultural Exchange Fund and Scholarship and Training Fund. Hence, the programming works

under Financial Mechanisms for 2004-2009 were completed. Furthermore, works related to other grants were also continued.

Intensive works were also carried out as regards the information and promotion activities which aimed at promoting of the results of the Financial Mechanisms implementation. Among other things, promotional materials were developed, including publications on the implemented projects and information and publicity supplement to the national newspaper. The NFP also prepared a film on the projects (mostly environmental ones) financed from the Financial Mechanisms resources. A conference was also organised, which summed up the completion of calls for proposals under the priority areas of the EEA Financial Mechanism and the Norwegian Financial Mechanism in Poland.

It is expected that in 2009 the pace of projects implementation will significantly accelerate which follows from the Project Implementation Plans. By the end of 2008 the projects from Ist call for proposals achieved the implementation level foreseen in PIP (the delays, which occurred at the beginning of the implementation were eliminated). For this reason, the year 2009 will be a breakthrough in terms of the number of completed projects and the level of reimbursments. Also the implementation of essential activities within IInd call will begin. Also, the implementation of projects from IIIrd call for proposals will start in 2009.