

**Strategic Report
on the implementation of the European Economic Area
Financial Mechanism 2009-2014 in Poland in 2012**

submitted for the evaluation of the Monitoring Committee for the European Economic Area Financial
Mechanism and the Norwegian Financial Mechanism on 12 March 2013

National Focal Point
Ministry of Regional Development

Warsaw, February 2013

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LIST OF ABBREVIATIONS

FMO	FINANCIAL MECHANISM OFFICE IN BRUSSELS
DoRIS	DOCUMENTATION, REPORTING AND INFORMATION SYSTEM
EEA	EUROPEAN ECONOMIC AREA
FMC	EEA FINANCIAL MECHANISM COMMITTEE
NMFA	NORWEGIAN MINISTRY OF FOREIGN AFFAIRS
NFP	NATIONAL FOCAL POINT
MoU	MEMORANDUM OF UNDERSTANDING
MRD	MINISTRY OF REGIONAL DEVELOPMENT
PO	PROGRAMME OPERATOR
REGULATION	REGULATION ON THE IMPLEMENTATION OF THE FINANCIAL MECHANISM

INTRODUCTION

This *Strategic Report* is to meet the obligation imposed on Poland under Article 5 of Annex A to the *Memorandum of Understanding* and Article 2.2 of the *Regulation on the implementation of the EEA Financial Mechanism 2009-2014* (hereinafter referred to as the *Regulation*). It documents Poland's preparations for the absorption of funds under the Financial Mechanisms in 2012, the implementation status of approved programmes and presents the actions planned for the subsequent reporting period: January – December 2013.

Since the EEA Financial Mechanism and the Norwegian Financial Mechanism are complementary, the Report covers issues common to both Financial Mechanisms.

1. SUMMARY

The year 2012 was the year of intensive work on developing programmes, negotiating the terms and conditions of agreements and implementing the first approved programmes.

At the beginning of the year, Poland submitted programme proposals to the Donors, in line with the schedule set forth in the *Regulation* (by 10 February 2012). Pursuant to Article 5.3.4 of the *Regulation*, it was assumed that the decisions of the Donors would be revealed not later than within 4 months after submission of all required documents. However, in many cases the programme appraisal took much longer.

Delays in concluding Programme Agreements resulted, inter alia, from:

- Introduction of new guidelines by the Donors during programme appraisal (e.g. Bilateral guidelines);
- Suspension of the evaluation process by the Donors (e.g. until the cooperation rules are agreed with the partners not provided for in the *Memorandum of Understanding* as obligatory, e.g. with the Council of Europe);
- Introduction of new provisions by the Donors, in particular the new conditions to Annex 1, which were not subject to consultation earlier.

Ultimately, in 2012 the Donors approved 13 programmes under both Mechanisms, of which as many as 9 in the last quarter of 2012. Furthermore, in the case of two investment programmes with the largest budget (culture, environment), the final text of the Agreement and the Annexes was not agreed in 2012.

The programme evaluation by the Donors lasted up to 10 months, which is longer than the programme preparation by the Operators (8 months), and has not been completed as at the end of 2012.

At the end of the reporting period, the work was still underway on three programmes, namely, *Schengen Cooperation and Combating Cross-border and Organised Crime*, *Support for development and broad application of CCS technologies in Poland* and *the Fund for Non-Governmental Organisations*.

As of 31 December 2012, the funds contracted under the EEA Financial Mechanism and the Norwegian Financial Mechanism amounted to **EUR 350 742 000**, i.e. **66%** of the allocation for the programmes, taking into account the value of decisions of the Donors. If we compare the value of

signed agreements to the allocation, the value of contracted funds under both programmes in Poland at the end of 2012 amounted to **EUR 215 742 500**, i.e. **40.6%** of the allocation for the programmes.

The value of approved programmes under the EEA Financial Mechanism amounted to **EUR 209 882 500 (85%** of the allocation for the programmes). The value of signed agreements amounted to **EUR 74 882 500 (30.3%** of the allocation for the programmes).

The programmes implementation under both Mechanisms were at the initial stage in 2012. The activities could begin only under four programmes approved by the Donors in the first half of 2012. Calls for proposals were organised under two programmes, namely, *Diversity in culture* and *Norwegian-Polish Research Programme*. The implementation of a pre-defined project under the *Urban development* programme began. The Operator of the *Scholarship and Training Fund* conducted information activities concerning the planned calls for proposals.

In 2012, the second edition of the Norway and EEA Grants was officially launched. The opening conference took place in October and was attended by over 200 participants. The interest in the funds is very high. This is evidenced by a very large number of applications submitted in the calls for proposals.

2. ASSESSMENT OF IMPACT AT NATIONAL LEVEL

2.1 Cohesion

The objective of the Financial Mechanism is to reduce social and economic differences within the European Economic Area. The objective complies with the assumptions of the regional policy and the cohesion policy of the European Union.

Thanks to the membership in the EU, Poland received approximately EUR 12 billion in the years 2004-2006 and approximately EUR 68 billion for the years 2007-2013. Non-EU funds must also be added to these figures. Apart from the Financial Mechanisms, Poland is also a beneficiary of funds from Switzerland (under the Swiss-Polish Cooperation Programme).

The analysis of social and economic situation in Poland should begin with the **GDP**. According to the preliminary estimates by the Central Statistical Office in Poland, the gross domestic product in 2012 increased by 2% in real terms within a year, compared to a growth of 4.3% in 2011, and the forecast for 2013 is that the growth rate will slow down further.

Apart from the GDP, the **GDP per capita**, i.e. the indicator of wealth of the citizens of the given state, should also be taken into consideration. The GDP per capita in Poland increased from approximately 51% of the EU average in 2004 to approximately 64% in 2011¹. The figure demonstrates that there is still a development gap between Poland and the EU15. Despite the recorded economic growth, an average Pole is still a member of one of the four poorest societies in the EU (along with Bulgaria, Romania and Latvia). It should also be noted that the employment growth rate declined and the **unemployment** increased throughout 2012. According to the data of the Central Statistical Office, the unemployment rate in 2012 stood at 12.8%. The above indicator is inextricably linked to the employment rate which amounted to 64.8% in Poland in 2011, suffering a slight decrease compared to 2008 and 2009, i.e. the years before the crisis affected the Polish market. The employment rate is significantly higher for men (72.2%) than for women (57.6%) which demonstrates the persistent

¹ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00114>

disproportion in the employment of men and women, although a slight but stable upward trend in the employment rate of women has been recorded.

An important element of assessment of the social and economic situation of the country is the percentage of the population at risk of **poverty and social exclusion**. According to data by Eurostat, in 2011 as many as 27.2% of the Polish society fell into this category in line with the EU classification (the EU average is 24%), while in 2008 and 2005 the figure stood at 30.5% and 45%, respectively. The highest percentage of such population was recorded in the following voivodeships: Lubelskie – 40%, Lubuskie – 37%, Świętokrzyskie – 34.3% and Zachodnio-Pomorskie – 33.9%. In numerical terms, the data are as follows: in 2005 17 million people in Poland were at risk of poverty (7.7 million after the provision of social assistance), while in 2008 their number amounted to approx. 11.5 million (6.3 million) and in 2011 to over 10 million (6.6 million)². Although the indicator declined, the downward trend came to a halt in recent years and further actions are required, since it remains too high.

Another extremely important area of life is **health care**. Poland still suffers the lack of sufficient access to medical services which is, inter alia, due to a small number of practising doctors (compared to the population), as there are only 218 doctors per 100 000 inhabitants (data for 2010) which is the lowest ratio in the entire EU. The situation looks alike in the case of dentists. The trend raises concerns that the observed deficits will grow larger in the future due to unfavourable age structure - ageing of the personnel, the lack of interest in certain medical specialisations, migration of specialist doctors abroad, changes in medicine and demographic changes which result in increased demand for doctors of specific specialisations³. The reasons behind insufficient availability of the abovementioned services and their unsatisfactory quality include also one of the lowest health care expenditure in the EU (5.85% of the GDP in 2005, 6.54% in 2008 and 6.88% in 2010)⁴. Poland is also in the group of the EU countries with the lowest expenditure on long-term medical care (0.37% of the GDP in 2010). Moreover, healthy life expectancy of the youngest Poles is not very high, giving Poland the place after 20 or so EU countries, i.e. among the countries with the shortest healthy life expectancy (a newborn boy born in Poland in 2010 will live over 72 years, out of which 59 years without any symptoms of disability, whereas a newborn girl will live almost 9 years longer (almost 81 years), also in health - over 62 years (3 years longer than a boy)⁵.

One of key determinants of the development of the country is the share of **research and development** expenditure in the GDP. Although since the accession to the EU Poland has recorded an upward trend in this category (0.57% of GDP in 2005, 0.67 % in 2009, 0.77% in 2011), its growth rate remains low (the EU27 average is 2.03%). In order to achieve the planned level of 1.7% of GDP⁶, expenditure on R&D must increase significantly and the sector must develop dynamically in Poland.

The issues related to **environmental protection** are also important. In order to counteract climate change, Poland, similarly to other Member States, takes actions related to reduce the greenhouse gas emission. Whereas the EU target is 80 (compared to the reference level of 100 in 1990), in Poland it amounted to 83 in 2005 and currently it stands at 88. In order to ensure environmental protection and implement the Europe 2020 strategy, Poland conducts numerous measures to increase the share of energy from renewable sources in total energy consumption. The abovementioned percentage has been increasing since Poland's accession to the EU. Between 2004 and 2006, it remained at the level of 7%, grew to 9.4%⁷ in 2010 and finally exceeded 10% in 2011⁸. However, to achieve the target of 15% in 2020 the renewable energy sources sector must be developed and investments are necessary

² http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_52&plugin=1 and http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_50&language=en

³ http://www.stat.gov.pl/cps/rde/xbcr/gus/zo_zdrowie_i_ochrona_zdrowia_w_2011.pdf

⁴ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlth_sha_hp&lang=en

⁵ http://www.stat.gov.pl/cps/rde/xbcr/gus/zo_zdrowie_i_ochrona_zdrowia_w_2011.pdf

⁶ All data on R&D are taken from the following website:

http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_20&plugin=1

⁷ http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_31&plugin=1

⁸ "Report setting the targets for the share of electricity generated by renewable energy sources located in the territory of the Republic of Poland in the domestic electricity consumption for the years 2010-2019"

in new capacity. The wind power sector, as well as biomass and biogas energy sector, currently records the most dynamic development. The real economic potential is also present to a lesser extent in solar power and hydropower⁹.

Analysing the progress in achieving social and economic cohesion within the EEA, it should be noted that the fact of using EU and non-EU funds cannot be regarded as the only or the key factor stimulating the economic growth of Poland. The socio-economic situation of Poland is the product of numerous factors resulting from the accession to the EU and the presence in the European and global markets. The integration of the Polish market with the European market entailed the increase in importance of foreign trade and the related economic growth. Furthermore, the improved attractiveness of Poland for investment, its enhanced financial credibility and the removal of barriers to the flow of capital resulted in an increased influx of foreign capital. This is of course coupled with transfers from the EU budget (not only funds for development, but also funds granted under the Common Agricultural Policy) and non-EU funds. Therefore, it is often very difficult to specify the effects of (EU and non-EU) development funds.

The above data are thus to illustrate the current social and economic situation of Poland and the recorded phenomena and trends which should provide the basis for potential interventions aimed at mitigating the identified deficits.

2.2 Bilateral relations

Starting from the accession of Poland to the EU, i.e. from 1 May 2004, the cooperation between Poland and the EFTA/EEA countries takes place pursuant to the Agreement on the European Economic Area along with amendments stemming from the EEA enlargement by 10 new countries (EEA Protocol on enlargement entered into force on 6 December 2005).

2.2.1 Trade

The trade between Poland and the EFTA/EEA states under the new trade regime continues to grow at a fast rate. By becoming a member of the European Union, and thus a party to the abovementioned Agreement, Poland retained in principle the same trade regime as before the accession, i.e. for example full liberalisation of trade in industrial goods with Norway. As regards the trade in fish products, the exchange between the EU and Norway was extended to include a quota negotiated within the framework of the EEA enlargement.

Furthermore, the labour market for Poles expanded, since on 1 May 2006 Iceland removed all barriers in access to the labour market for nationals of new EU Member States, including Poland.

a) Norway

The share of Norway in Polish exports in 2011 amounted to 2.0% (18th place) and in Polish imports to 1.6% (14th place). The share of Poland in Norwegian imports in 2011 stood at 2.6% (8th place) and in Norwegian exports at 2.4% (8th place). The value of trade between the two countries increased from USD 4 267.3 million in 2007 to USD 7 145.7 million in 2011 (a growth by 42% compared to 2010, when the value of trade amounted to USD 5 billion 17 millions). According to incomplete statistical data for 2012, the value of trade between Poland and Norway was USD 5 219.6 million. The downward trend is due to the persistent crisis¹⁰.

⁹ http://www.paiz.gov.pl/sektory/odnawialne_zrodla_energii

¹⁰ The data on trade between Poland and individual EFTA EEA countries come from information obtained by the Polish embassies in Norway and Switzerland (concerning Liechtenstein) at the request of the Ministry of Economy.

Trade in goods between Poland and Norway (in USD million)

	2007	2008	2009	2010	2011	Growth rate 2010=100	Jan-Nov 2012
Export	2 493.4	2 858.2	2 557.0	2 340.2	3 819.6	163	2 816.0
Import	1 773.9	2 812.3	1 891.1	2 676.3	3 326.1	124	2 403.6
Turnover	4 267.3	5 670.5	4 448.1	5 016.5	7 145.7	142	5 219.6
Balance	719.5	45.9	665.9	-313.5	393.5	-	412.5

b) Iceland

As regards economic cooperation with Iceland, the value of trade in 2011 amounted to USD 183 million (USD 123 million in 2010, USD 180 million in 2007). In view of deep economic recession in Iceland and the crisis in the European market, the trade decreases which will have an impact primarily on the Polish export. According to the data for seven months of 2012, the trade in goods between Poland and Iceland amounted to USD 113.6 million (a growth by 11% compared to the analogous period of the previous year). The Polish export totalled USD 25.3 million (a decline by 1%) which the import from Iceland amounted to USD 88.3 million (a growth by 15%).

Trade in goods between Poland and Iceland (in USD million)

	2007	2008	2009	2010	2011	Growth rate (%)	2012 (Jan-Jul)
Turnover	180.0	229.5	101.3	123.2	183.2	146	113.6
Export	125.2	142.1	39.0	31.4	44.2	141	25.3
Import	54.8	87.4	62.3	91.8	139.0	148	88.3
Balance	70.3	54.7	-23.3	-60.4	-94.8	-	-63.0

c) Liechtenstein

According to the statistical data for 2010, the trade in goods between Poland and Liechtenstein amounted to USD 34.8 million. This marks a decline by 1% compared to the previous year. The Polish export amounted to USD 16.1 million (a decrease by 3% compared to the previous year), while the import from Liechtenstein to USD 18.7 million (an increase by 1%). According to the statistical data for 2010, the trade in goods between Poland and Liechtenstein amounted to USD 34.8 million. This marks a decline by 1% compared to the previous year. The Polish export amounted to USD 16.1 million (a decrease by 3% compared to the previous year), while the import from Liechtenstein to USD 18.7 million (an increase by 1%). According to the statistical data for five months of 2011, the value of the trade in goods between Poland and Liechtenstein amounted to USD 16.2 million. This marks a growth of 20% compared to the analogous period of the previous year. The Polish export amounted to USD 7.5 million (an increase by 14% compared to the previous year), while the import from Liechtenstein to USD 8.7 million (an increase by 27%).

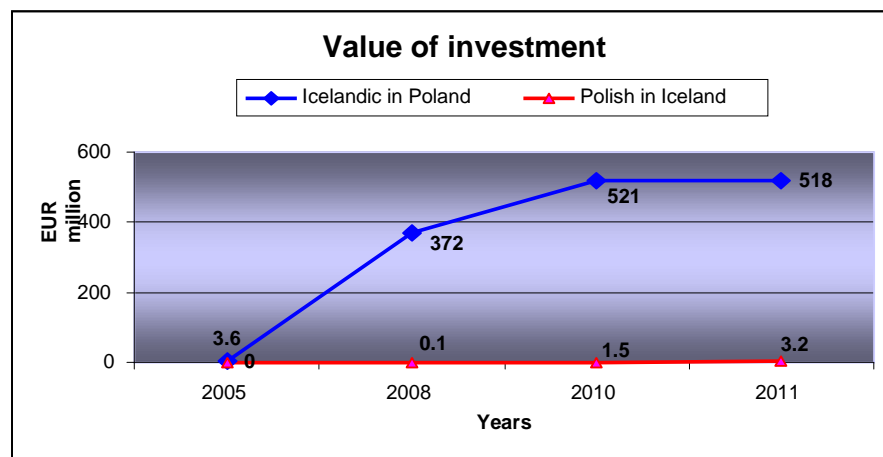
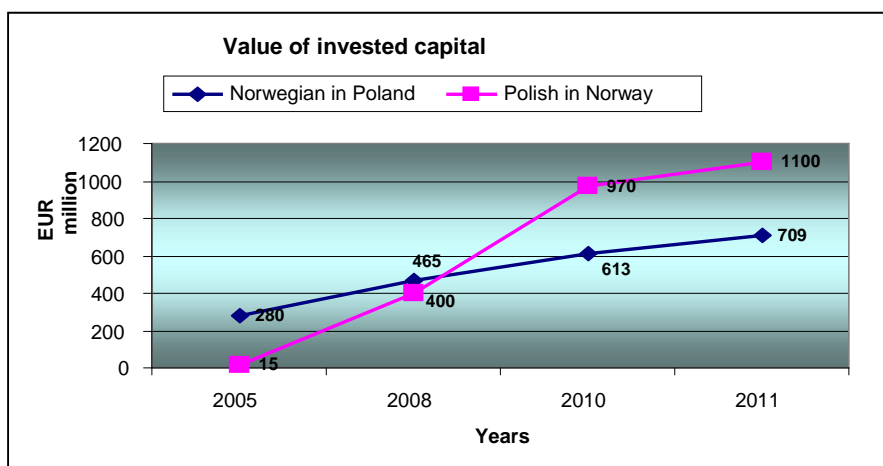
Trade in goods between Poland and Liechtenstein (in USD million)

	2006	2007	2008	2009	2010	Growth rate (%)
Turnover	31.0	41.2	45.3	35.0	34.8	99

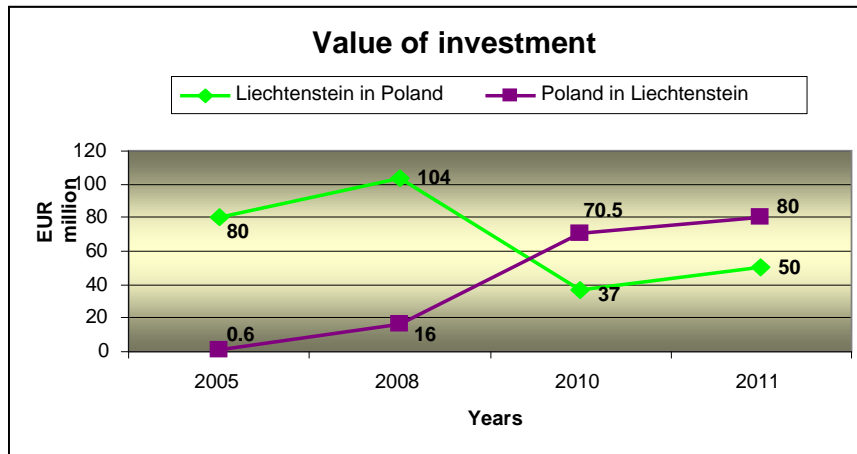
Export	10.6	15.6	17.7	16.6	16.1	97
Import	20.4	25.6	27.6	18.4	18.7	101
Balance	-9.8	-10.1	-9.9	-1.8	-2.6	-

2.2.2 Foreign investment

The value of invested capital in their respective countries is another determinant of bilateral relations between Poland and individual EFTA EEA countries. The three charts below present the investments of three Donor-states in Poland and Polish investments in EFTA EEA countries. Except for a temporary crisis in European markets or markets of specific countries (in particular Iceland), the increase in the value of mutual investment should be noted¹¹.



¹¹ Statistical data of the National Bank of Poland.

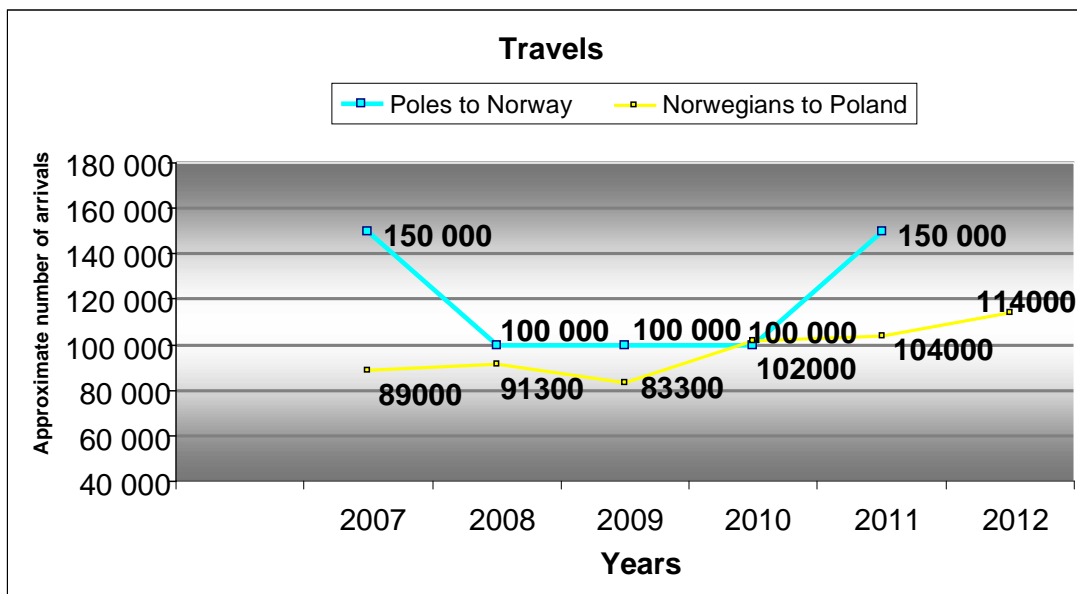


2.2.3 Trips and travels abroad

Bilateral relations, as well as knowledge about a given country to some extent, may also be determined by the frequency of travel/trips of various nature.

Due to limited data availability, the travels (mainly tourism) of Poles to Norway and Iceland and of Norwegians, Icelanders and citizens of Liechtenstein to Poland were presented based on the number of tourists registered in various collective accommodation facilities (the survey does not include travels to family and relatives and arrivals for long-term/temporary stay in order to work). The actual figures are therefore higher - in the case of Poland and Norway by at least a dozen thousand.

The chart below presents the data on travels of Poles to Norway and Norwegians to Poland.



As regards the travels of citizens of Iceland and Liechtenstein to Poland, the relevant figures are much lower than for Norwegians and amounted to 1905 and 351 persons, respectively, in 2011. The estimated number of Poles staying in Iceland (mainly in order to work) is 10 000-12 000 (the largest national minority in Iceland) which is primarily due to the fact that Iceland opened the labour market to Poles in 2006. The number of Polish tourists in Iceland is rather insignificant. Between 2007 and 2009, Iceland recorded approximately 57 500 visitors from Poland, of which approx. 19 000 in 2007, approx. 24 200 in 2008 and 14 300 in 2009¹².

2.2.4 Mechanisms of cooperation under Financial Mechanisms

A special characteristic of this edition of Financial Mechanisms is the emphasis on strengthening bilateral cooperation with Donors. This approach is demonstrated by:

- The establishment of the Bilateral Cooperation Fund at the national and programme level;
- The establishment of Donor Partnership Programmes;
- Promoting partnership cooperation at the level of projects, both pre-defined and submitted in calls for proposals.

All above instruments aim at achieving one of two key goals of Financial Mechanisms, i.e. closer cooperation with Donor States. The goals are described in more detail below.

(a) Donor Partnership Programmes

Eight programmes in Poland are Donor Partnership Programmes. These programmes were created in cooperation with partner institutions from Donor-States which will participate in management and implementation of the programmes as advisors to national Operators (at the forum of Cooperation Committee). The involvement of a twin institution from Norway and other Donor States guarantees that the programmes use the experience of Donors in the given sector and take into account the specific characteristics of the partner's operations. It is worth noting the challenges related to differences in management systems in Poland and Donor States and various characteristics of specific thematic areas. The division of competence is defined in programme documents, but usually the obligations of the partner include the supporting the national Operator in programme implementation, facilitating the establishment of partnerships and promoting the programme in Donor States.

(b) Bilateral Cooperation Fund at the national level

The Bilateral Cooperation Fund at the national level is a flexible source of financing the initiatives contributing to strengthening bilateral relations with Donor States in the programme areas defined for Financial Mechanisms for 2009-2014, including those going beyond the *Memorandum of Understanding*. The Fund accounts for 0.5% of total allocation for Poland, i.e. EUR 2 890 500.

The resources of the Fund are to be used effectively for the benefit of all stakeholders (Poland and Donors). Therefore, the activities under the Fund should be a continuation of projects implemented under Financial Mechanisms in such areas as environmental protection, research, culture, human resources, regional policy and internal affairs. It is equally important to open up to new initiatives extending and developing bilateral cooperation with Donor States defined by thematic scope of programme areas for the new edition of Financial Mechanisms.

Since in 2012 the arrangements concerning individual programmes were underway, the activities of the Fund at the national level mainly supported the preparation of bilateral cooperation programmes. To this end, representatives of programme Operators participated in the meetings with

¹² http://www.ferdamalastofa.is/upload/files/Tourism_in_Iceland_in_%20figures_Feb2010.pdf

representatives of institutions of Donors, including partners of programmes and pre-defined projects. Furthermore, the Fund also financed some activities related to the visit of the Norwegian royal couple in Poland. By the end of 2012, Poland received the payments under the Fund amounting to EUR 978 906 (including an advance payment of EUR 508 414). Poland assumes that as the implementation of programmes proceeds the scope of activities under the Fund will be extended.

In December 2012, after protracted negotiations, the Donors approved the *Work Plan* and the *Implementation system*. The documents form the basis for implementing tasks under the Bilateral Cooperation Fund at the national level.

(c) Bilateral Cooperation Fund at the programme level

The Bilateral Cooperation Fund at the programme level operates under each programme and its resources account for 1.5% of eligible expenditure of the given programme. Its implementation is the responsibility of the programme Operator and its use is agreed with the programme partner or other institutions of Donors, based on separate conditions laid down in the programme agreement.

In line with programme proposals submitted to the FMO at the beginning of 2012, the total amount planned for measures under the Bilateral Cooperation Fund in individual operational programmes exceeds EUR 7 million¹³. Funds exceeding EUR 3.5 million were allocated under 11 Programme Agreements concluded in 2012 for the Bilateral Cooperation Fund.

In general, under 11 programmes for which agreements with Donors were signed, the resources of the Bilateral Cooperation Fund are earmarked for searching for partners (Article 3.6.1a of the *Regulation*) and for exchanging knowledge and experience with the units of Donor States (Article 3.6.1b of the *Regulation*). The following activities dominate:

1. Study visits;
2. Seminars and conferences facilitating the establishment of contacts and the exchange of knowledge and experience; and
3. Open calls for proposals to find partners or exchange knowledge by means of joint actions.

Pursuant to the requirement of the Donors presented in Annex II to Programme Agreements, in majority of cases the detailed method of implementing the Bilateral Cooperation Fund will be based on the plan of funds absorption and the fund management system to be approved by the Donors. In 2013, the Donors are expected to approve the procedures for implementing the Bilateral Cooperation Fund under programmes. The calls for procedures are to be organised as well.

(d) Partnership projects

In principle, projects under all programmes may be prepared and implemented in cooperation with one or several entities from Donor States which is one of the most important forms of implementing the objective of strengthening bilateral relations.

Due to the specificity of planned actions, programmes which consist of bilateral projects only exist as well. They include: *Polish-Norwegian Research Fund*, *Promotion of Diversity in Culture and Arts* and the majority of measures under *Scholarship and Training Fund*.

The so-called pre-defined projects are also planned. A part of them will be implemented in partnership with institutions of Donor States. They will mostly focus on systemic issues where using the experience of countries with well-established innovative solutions is of utmost importance.

¹³ The amount does not include the Fund for non-governmental organisations.

3. MANAGEMENT AND IMPLEMENTATION

3.1 Management and control system

The NFP plays the leading role in the management and control system. It is responsible for creating the system in the Beneficiary State and developing common solutions for programmes.

3.1.1 Description of the management and control system

Description of the management and control system for Beneficiary State

In April 2012, the NFP provided the Donors with the *Description of the management and control system* for Beneficiary State¹⁴ covering the following institutions: National Focal Point, Certifying Authority and Audit Authority. While preparing the *Description of the management and control system*, Poland build mainly on experience from the first edition of Financial Mechanisms and from implementation of structural funds.

Description of the management and control system for programmes

The year 2012 also saw the beginning of the process of drafting the *Descriptions of management and control systems for operational programmes* approved in the first half of 2012. In order to facilitate the work, the NFP provided the earlier prepared *Description of the management and control system* for Beneficiary State to the Operators. The NFP also supported the Operators in drafting *Description of the management and control system* by means of ongoing consultation.

3.1.2 Guidelines supplementing the *Regulation*

In order to improve the Financial Mechanism implementation system, in 2012 the National Focal Point drawn up guidelines supplementing the provisions of the *Regulation*.

(a) Guidelines for implementation of Technical Assistance

In December 2011, the NFP drawn up *Guidelines on implementing Technical Assistance*. With a view to simplify the settlement of expenditure under Technical Assistance, the relevant amendments were introduced and a new version of the document was adopted in December 2012.

(b) Guidelines on calls for proposals

The *Guidelines* adopted in November 2012 specify in more detail the rules governing calls for proposals, project evaluation and appeals by applicants. The aim of the document is to introduce uniform rules and procedures in all programmes.

(c) Guidelines on contract awarding

The *Guidelines* adopted in November 2012 are to ensure that public contracts are awarded in line with the principle of effective financial management, as well as to guarantee unrestricted and fair competition between potential contractors and the optimal use of funds from the Financial Mechanism.

(d) Guidelines on management costs of programmes

The *Guidelines* will allow to ensure uniform financing of expenditure by the Operators.

¹⁴ Poland thus fulfilled the obligation stemming from Article 4.8.1 of the Regulation concerning the submission of the description of the management and control system before the approval of the first programme.

(e) Guidelines for implementation of the Bilateral Cooperation Fund at the national level

The *Guidelines* were adopted in December 2012 pursuant to approval by Donors of *the Implementation System* (annex to the *Work Plan*). The document regulates the issues related to the Fund management, specifies the rules of expenditure eligibility, as well as the rules of granting the financing. In addition, the document regulates the issues concerning reporting, payments and control.

3.2 Compliance with the EU law, national law and the Memorandum of Understanding

At the stage of programming, the NFP examined the compliance of programme proposals with the national legislation, EU law and with legislation on the Financial Mechanism (*MoU, Regulation*), in particular with regard to state aid, environmental regulations and public procurement. In line with the *Regulation*, the programmes were submitted by the FMO to the European Commission for verification in terms of compliance with the EU objectives.

Due to the fact that no projects had been selected yet, there were no problems concerning incompliance with the law which should be discussed here. Potential problems which may occur during the programme implementation will be verified by Poland on an ongoing basis.

3.3 DoRIS and reporting

The online database DoRIS (*Documentation, Reporting and Information System*) created by the Donors will play an important role in the management system. The database is to collect all information related to programme implementation and also act as an intermediary in reporting the progress in programme implementation, including also financial progress.

According to the initial plan, the DoRIS database was to be fully functional in 2012. However, by the end of the year the database underwent numerous modifications and it could not be used to evaluate programmes, sign agreements or for reporting.

The difficulties with reporting on implementation of first approved programmes (spring 2012) should be noted. Due to the fact that DoRIS was not functional in this regard, individual reports were generated outside the system and with significant delays. Moreover, certain inconsistencies were found in templates of reports which needed to be addressed. An additional difficulty was the lack of instructions for filling in the templates of interim financial reports and the lack of training for the Operators on how to prepare such reports.

3.4 Status of programmes

3.4.1. Progress in preparing programmes

2012 was the year of programming. Donors used it to evaluate programmes and conduct intensive negotiations on the programme implementation conditions.

Preparation of programme proposals by the Operators and their appraisal by the NFP was conducted in accordance with the schedule defined in the *Regulation* and there were no delays in this area. The

programmes have been transferred to the Donors within the deadline set in the *Regulation*: by **10 February 2012**¹⁵.

According to the *Regulation*, the Financial Mechanism Committee / Norwegian Ministry of Foreign Affairs have four months (since the receipt of all the required documents and necessary information) to evaluate and decide on the programmes. Parallel programmes are subject to screening by the European Commission.

In light of the foregoing, Poland expected Donor's decision on the programmes in mid-2012, and the schedules for the implementation of the programmes and the deadlines for calls for proposals were structured accordingly. Finally, the appraisal process was prolonged for most programmes by six more months, and in case of for example the programme *Schengen Cooperation and Combating Cross-border and Organised Crime*, the appraisal process was not completed in 2012 at all.

At the appraisal stage, Donors asked the Operators and NFP a number of additional questions regarding the content of the programmes, the organisation of management, eligibility of costs, partnership, etc. Preparing recommendations for the programmes was made conditional on receiving this information. The level of detail of the questions and the absence of coordination of programme appraisal on the Donors side resulted in prolonging the process and cannot be considered compatible with the idea of the programme approach and decentralisation assigned to this edition of the Financial Mechanism.

The most heated debates concerned issues such as: **co-financing, bilateral funds, project assessment methods and indicators**. It should be emphasised that the need to resolve these issues emerged only at the stage of assessment by the Donors. They were not challenged earlier on.

Donors' requests for **national co-financing of the programmes** had a significant impact on the delay of the entire process of programmes appraisal. The co-financing method supported by Donors (i.e. funding at both the programme and project level) would require double funding of programmes whose final beneficiaries are public sector entities by Poland. It would also be contrary to the approved rules of structural funds. Ultimately, for each programme an individual approach has been applied.

With regard to **bilateral funds at programme level**, there were requirements for the participation of institutions of Donors in the implementation of the programmes that were not defined in the Memorandum of Understanding as partner programmes. Donors also promoted the introduction of the Operators' commitment to agree bilateral strategies with Donors. Given the urgency of starting the implementation of the programmes, Poland finally approved the conditions, although they were not covered by the *Regulation*. The need to ensure **co-operation of the Operator with the Council of Europe** in the case of programmes *Domestic and Gender-based Violence* and *Schengen Cooperation*, which was not mandatory in the Memorandum of Understanding and not included in the programme proposals, resulted in a significant delay of the decision on the approval of the programmes. In the case of the *Schengen Cooperation* programme, the decision was not made by the end of 2012.

An important element of the negotiations on the terms of programme implementation was also the **method of assessing the projects** selected in open calls. The issue which needed resolving was the involvement of external experts in the appraisal of proposals, i.e. experts from outside the Operator's group of experts. Finally, the demand of Donors on the involvement of external experts remained in the provisions of Programme Agreements in individual cases. It should be noted that

¹⁵ Apart from the *Fund for non-governmental organisations* programme to which the deadline did not apply.

Poland still favours leaving the Operator's representatives who are experts in their fields in the group of experts.

Finally, it should be noted that the conditions imposed by the Donors concerned not only systemic regulations, but also substantive activities, programme indicators, and the catalogue of eligible costs. These conditions significantly interfered with the content of the programmes. For example, setting the environmental indicators under the programme *Saving energy and promoting renewable energy sources* took several months and resulted in a delay in issuing a decision on the programme. It should be highlighted that the requirements of the Donors in this area, presented at such a late stage of programme appraisal, were difficult to accept by Poland.

In light of the above, it should be noted that the wording of the final and binding decision of the Donors and linking it with a number of conditions may be regarded as an impediment to the management of the programme by the Operator. These conditions were often provided just before signing the Programme Agreement and did not have a chance to be commented on or verified. This situation could result in the need to make changes in the provisions of the above agreements in the future.

A positive example of cooperation with the Donors when approving programmes was allowing to finance the purchase of equipment under investment programmes. In addition, an example of a positive solution was the solution to the issue of eligibility of costs for preparing programmes. In accordance with Article 7.9 of the *Regulation*, the costs of programme preparation include only the costs incurred until the receipt of the programme by the FMC/NMFA. However, due to the extension of the appraisal procedure and the need to submit additional explanations and documents (which require financial outlays), it was found that these costs would still be treated as programme preparation costs, until a decision was issued by the Donors. This solution allowed the reimbursement of the costs incurred by the Operators.

3.4.2. Programme approval and contracting

a) Approved programmes

By the end of 2012, Donors approved 13 programmes¹⁶. Initial programmes were approved in spring this year:

- *Urban development by strengthening the competence of self-government units, social dialogue and cooperation with civil society representatives* – April 2012;
- *Promotion of Diversity in Culture and Arts within European Cultural Heritage* – May 2012;
- *Scholarship and Training Fund* – May 2012;
- *Norwegian-Polish Research Programme* – May 2012.

Programme approval allowed starting implementation work; first calls for proposals were announced.

In addition to the above programmes, also the *Global Fund for Decent Work and Tripartite Dialogue* was launched. It is implemented directly by the Donors. At the same time, the *Technical Assistance Fund* and the *Bilateral Cooperation Fund* were emerged, managed by the Ministry of Regional Development.

¹⁶ Detailed information on the programmes is presented in Annex 1 to this Report.

Another nine programmes were approved only in December 2012; in the case of two of them, Programme Agreements were not signed by the end of 2012.

The projects approved in December are:

- *Protection of the biological diversity and ecosystems;*
- *Improving environmental monitoring and inspection;*
- *Domestic and Gender-based Violence;*
- *Judicial Capacity-building and Cooperation/Improvement of the efficiency of justice;*
- *Correctional Services including Non-custodial Sanctions;*
- *Development and better adaptation of health care to demographic and epidemiological trends*
- *Reducing social inequalities in health;*
- *Conservation and Revitalisation of Cultural and Natural Heritage – no Programme Agreement;*
- *Saving energy and promoting renewable energy sources – no Programme Agreement.*

Summing up, the programme appraisal by the Donors lasted up to 10 months, which is longer than the programme preparation by the Operators (8 months), and has not been completed yet.

It should be noted that the longer-than-expected process of appraisal and approval of the programmes on the Donors side can influence the effective management entire Financial Mechanism in horizontal terms by the National Focal Point.

b) Status of work on other programmes

At the end of 2012, the programme ***Schengen Cooperation*** was **evaluated by the Donors**. In 2012, arrangements between the Council of Europe and the Operator on the co-operation and scope of the pre-defined project continued. Donors were provided with all the necessary information in this regard. Poland expects a decision on the programme.

As for the programme for ***Supporting the development and widespread use of CCS technology in Poland***, by the end of the year there was a risk associated with the possibility of not contracting EUR 137 million earmarked for the programme. The final decision on the implementation of the programme depends on the decision of the European Commission on the project submitted for funding under the competition for funds from NER300. Due to the fact that the Commission's decision is likely to be negative, the NFP will take steps to use the funds earmarked for the programme for other initiatives. It is proposed to use the allocation for five programmes: scholarships, environmental (energy efficiency), research, and two health programs. Providing suggestions to Donors to allow them making decisions is planned for January 2013.

Programme work is underway for the ***Fund for non-governmental organisations***. At the beginning of 2012, public consultations on the thematic scope and shape of the proposed Fund were carried out. Following public consultations, work on the selection of the Operator started. Due to the longer than expected consultations with Donors on the call documentation, the Operator's call was launched only in mid-year. Despite a three-month call, only two applications¹⁷ were submitted by:

- 1) Stefan Batory Foundation in partnership with the Polish Children and Youth Foundation;
- 2) ECORYS Polska Sp. z o.o. in partnership with Association of Economic Initiatives Support DELTA PARTNER.

¹⁷ Such a small number of applicants can be explained, on the one hand, by a narrow catalogue of entities approved by the Donors (only non-governmental organizations and private companies), and on the other hand, by a number of subjective requirements (including extensive experience in re-granting) and objective symptoms (presenting in-depth and rational implementation procedures).

Due to the complexity of the appraisal process related to the selection of the entity responsible for the implementation of the programme (not a project), the appraisal was completed at the end of 2012. Therefore, the decision on selecting the Operator will be made in the beginning of 2013. It is estimated that the first call for proposals (of several) would be launched in Q3 or Q4 of 2013.

c) Programme implementation risk

The risk in the implementation of individual programmes is defined in the proposals for the programmes. The most commonly identified risks that may affect the achievement of expected results include, in the opinion of the Operators, the following:

- Lengthy process of programme proposal appraisal;
- Relatively short time for project and programme implementation;
- Exchange rate risk;
- Problems with subsidising a sufficient number of projects;
- Legal problems – Public Procurement Law, public aid;
- Delays in project implementation;
- Possible inability to make use of savings;
- Force majeure and random events.

Based on the experience from 2012, it should be concluded that the risk connected with insufficient time for programme implementation is the major risk at present.

The extension of the Donor appraisal process disrupted the planned schedules of programme implementation contained in the proposals for programmes, especially those concerning the time frames of launching the calls for proposals. It must be assumed that it may affect the achievement of the assumed indicators of projects for which the implementation time was automatically shortened.

Pursuant to Article 7.14(3) of the *Regulation*, expenditures are eligible when incurred by 30 April 2016. Thus, given that the implementation of the majority of the programmes will in fact begin in 2013, and the calls for proposals will be resolved in the second half of 2013, potential beneficiaries have a little over two years for project implementation. Taking into account the investment projects, or projects based on seasonality, such as biodiversity and research projects, adherence to strict schedules of activities will be particularly important and crucial for the achievement of programme outcomes.

The results of the above-mentioned risk management include, *inter alia*, acceleration of the calls for proposals by the Operators (where possible) and the requirement of holding full documentation at the stage of applying for funds in the case of investment projects. One of the risk management tools can be extending the period of project implementation, for which Poland is planning to apply to the Donors, provided for in the *Regulation*.

As for the year 2013, the greatest risk is associated with the calls for proposals, and gathering a sufficient number of applications in particular. With a view to mitigating the risk, already in 2012 many Operators began to prepare documentation for the calls. In addition, it is planned to carry out trainings for potential applicants and to organise information campaigns on the calls.

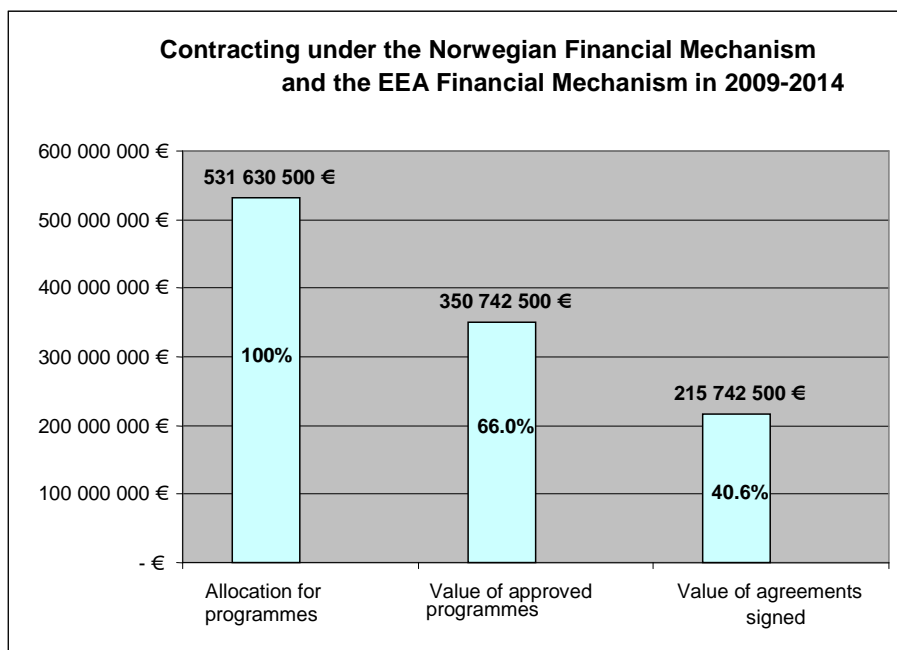
d) Contracting

As at 31 December 2012, the funds contracted under the EEA Financial Mechanism and the Norwegian Financial Mechanism amounted to EUR **350,742,000**, i.e. **66%** of the allocation for the programmes, taking into account the value of the Donors' decisions. If we compare the value of

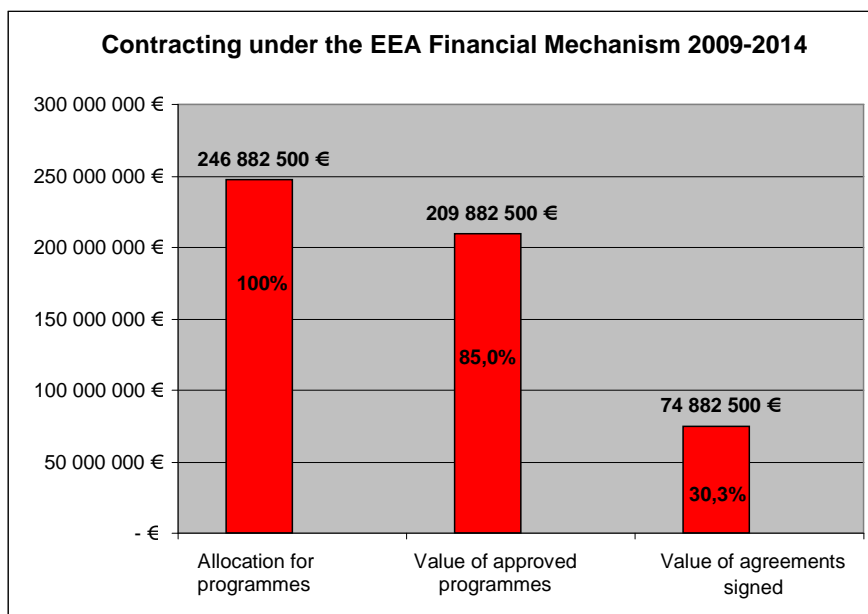
signed agreements with the allocation, the value of contracted funds under both programmes in Poland at the end of 2012 amounted to EUR **215 742 500**, i.e. **40.6%** of the allocation for the programmes¹⁸.

The value of approved programmes under the EEA Financial Mechanism amounted to **EUR 209 882 500 (85% of the allocation for the programmes)**. The value of signed agreements amounted to **EUR 74 882 500 (30.3% of the allocation for the programmes)**.

The figures below present the status of fund contracting in total for both programmes and in the framework of the Norwegian Financial Mechanism.



¹⁸ The values of all approved programmes used for the calculations include the *Technical Assistance Fund, Bilateral Cooperation Fund* and *Global Fund for Decent Work and Tripartite Dialogue*.



e) Payments

By the end of 2012, Donors provided **close to EUR 4.5 million** to Poland, which is 0.9% of the contracted amount.

This amount is composed of first advance payments accompanying the concluded agreements (in the amount of approximately EUR 2 million) and advances paid on the basis of the first *Interim Financial Reports* for the programmes (of the requested advances in the amount of approximately EUR 16.1 million, in 2012 the Donors gave Poland EUR 2.5 million).

3.5 Irregularities

So far, due to the early stage of implementation of the programme, there were no irregularities that require discussion at this point. Any problems that may arise during the implementation of programmes and projects will be verified on an ongoing basis by Poland.

3.6 Audit, monitoring, review and appraisal

NFP activities in the area of monitoring in 2012 include a continuous verification of the documentation provided by the Operators (including interim financial reports for the programmes – payment requests) and monitoring of payments under the programmes. Given the very early stage of implementation of the Financial Mechanism, in 2012 the NFP did not carry out controls of the programme Operators.

In 2012, there were two meetings of the Monitoring Committee for the Financial Mechanism (March and December).

By 30 June 2012¹⁹, the Audit Authority carried out a compliance audit of the management and control system of the state-beneficiary (NFP, Audit Authority, Certifying Authority) with the *Regulation* and the general accounting rules (audit date: April 2012).

Due to the initial stage of implementation of the Financial Mechanism, the Audit Authority did not carry out a compliance audit of the management and control systems of individual operational programmes.

In 2012, the Audit Authority did not carry out the audit of operations, which concerns a declaration of actual expenditure. Given the very early stage of implementation of the Financial Mechanism in Poland, by 30 June 2012 Poland did not submit any declarations of actual expenditure to Donors.

Due to the above, the Audit Authority resigned from issuing an annual opinion on the efficiency of the management and control system.

In addition, it should be noted that in December 2012 the Audit Authority prepared an Audit Strategy for the Financial Mechanism for 2009-2014.

3.7 Information and promotion

In 2012, the second edition of the Norway and EEA Grants was officially launched. The opening conference took place in October 2012 and was attended by over 200 participants. The conference proved that interest in the funds was very high (the number of applicants exceeded the number of placements several times).

Interest in applying for grants is also proven by the large number of phone calls and e-mails from applicants, and by the large number of information provided by the media. So high interest in the Financial Mechanism is, on the one hand, due to the awareness of the funds from previous years and, on the other hand, depletion of funds for co-financing from the EU funds.

The promotion of Norway and EEA Grants in 2012 was also well-served by the launching conferences of approved programmes (Scholarship and Training Fund – May 2012; Promotion of Diversity in Culture – May 2012, Research Programme – July 2012; Regional Programme – October 2012) and subsequent actions announcing calls for proposals.

The visit of the royal couple from Norway, which took place in early May 2012, received a lot of media coverage. Apart from information about the visit of the royal couple, the media mentioned the EEA and Norway Grants as well.

In 2012, all Operators published information on the programmes on their websites and launched Information Points. On the occasion of the inauguration of the second edition of the EEA and Norway Grants, the National Focal Point launched a new and user-friendly website with the current address: www.eog.gov.pl. In order to reach potential partners in the donor countries with information about the fund, an English version of the website was created.

The above actions were implemented according to the *Communication Strategy* approved by the Donors in October 2012.

3.8 Work plan for 2013

¹⁹ According to the *Regulation* (Article 4.6), the Audit Authority reports to the FMC/NMFA on actions taken within 12 months by 30 June of a given year.

In the beginning of 2013, the programming phase of the Financial Mechanism will be finally completed. It is expected that decisions on the other three programmes, on which the decisions were not taken by the end of 2012, would be made: *Fund for non-governmental organisations, Schengen Cooperation, Programme for Supporting the development and widespread use of CCS technology in Poland.*

At the same time, in the beginning of 2013, it is expected that the other two agreements will be signed: agreement on programme *Conservation and Revitalisation of Cultural and Natural Heritage* and *Saving energy and promoting renewable energy sources*, which at the end of 2012 were at the stage of negotiating the terms of annexes to the agreements with the Donors.

After the recent decisions of the Donors and signing other agreements, 2013 will see the preparation, announcement and appraisal of projects in the open calls for proposals. It will be a very important year in terms of contracting funds under individual programmes and it is expected that at the end of 2013, the majority of funds will be distributed to individual projects, of course with the exception of programmes *Scholarship and Training Fund* and the *Fund for non-governmental organisations*, where calls for proposals are planned in cycles in 2013, 2014 and 2015.

The schedule of planned calls for proposals is as follows:

PLANNED SCHEDULE OF CALLS FOR PROPOSALS					
Programme	2012	2013			
		Q1	Q2	Q3	Q4
Protection of the biological diversity and ecosystems		X			
Improving environmental monitoring and inspection		X			
Saving energy and promoting renewable energy sources			X		
Fund for non-governmental organisations*				X	x
Urban development by strengthening the competence of self-government units social dialogue and cooperation with civil society representatives		X			
Development and better adaption of health care to demographic and epidemiological trends		X			
Conservation and Revitalisation of Cultural and Natural Heritage		X			
Promotion of Diversity in Culture and Arts within European Cultural Heritage	15 June 2012 – 15 October 2012		XX		
Scholarship and Training Fund*		X			
Norwegian-Polish Research Programme	29 September 2012 – 30 November 2012	1 December 2012 – 31 January 2013			
Reducing social inequalities in health					X
Domestic and Gender-based Violence			X		
Schengen Cooperation and Combating Cross-border and Organised Crime, including Trafficking and Itinerant Criminal Groups		X			
Global fund for Decent Work and Tripartite Dialogue	20 October 2011 – 22 April 2012				
X	First call for proposals				
XX	Second call for proposals				

*	Under the programmes, calls for proposals will be cyclical – organised each year (i.e. 2013, 2014, 2015)
	Programmes for which agreements with Donors were not signed by the end of 2012

The above schedule depends on the status of work on documents for the call for proposals developed by individual Operators, whose final preparation is possible only after the approval of the programme by the Donors and signing the relevant Programme Agreements.

Most of the calls for proposals will be announced in the first half of 2013. It means that this period will also see the intensification of the actions taken by the NFP related to coordinating the entire process and participation in the selection of projects in accordance with the system set out by the *Regulation*. At the same time, with such a number of active calls, we should expect a significant increase in interest in the program by the public.

It is assumed that in the second half of 2013 first calls for proposals will be resolved and first project agreements will be signed.

From the point of view of risk analysis, any delays related to the conduct and resolution of calls will have a direct impact on the achievement of programme objectives and results, as they will automatically reduce the period for implementation of the projects.

In 2013, activities related to monitoring, reporting, and control of programmes will be continued. The NFP will verify interim reports and will be responsible for the correctness of the system. The NFP will perform planned and ad hoc controls according to the attached monitoring plan. In 2012, there will be two meetings of the Monitoring Committee.

4. REPORTING ON PROGRAMMES

4.1 Thematic scope of programmes in the second edition of Financial Mechanisms

Even a cursory analysis of the two editions of the mechanisms seems to point to two complementary trends defining the new edition. Firstly, support went to projects that gained great popularity and produced significant results (e.g. environmental protection, research, culture, scholarships, civil society) or constitute the starting point for the continuation of work (the effects of the project "Improvement of efficiency of the Inspectorate for Environmental Protection based on the Norwegian experience" that was implemented in the first edition of Norway and EEA Grants will be monitored by the pre-defined project of the programme *Improving environmental monitoring and inspection*). Secondly, attention was directed to the areas that are of particular interest to the donor states, such as energy efficiency, renewable energy sources and climate change. Support also went to health care, regional development and Schengen, but with a different emphasis and different priorities, a significantly lower allocation (except health care) and a limited group of final beneficiaries. There are new areas: prevention of domestic violence and violence based on gender, and decent work and tripartite dialogue.

The Table below shows how the experience from the previous financial perspective made its way to the current edition.

Comparison of support in both editions of the Mechanisms

Area	2004-2009		2009-2014		
	Area/block grant	Allocation (EUR)	Programme	Allocation (EUR)	
ENVIRONMENT	Protection of the environment, including the human environment, through inter alia, reduction of pollution and promotion of renewable energy	124.45 million	Saving energy and promoting renewable energy sources	75 million	110 million
	Promotion of sustainable development through improved resource use and management		Protection of the biological diversity and ecosystems	20 million	
	Protection of the environment, with a particular emphasis on strengthening the administrative capacity to implement relevant acquis crucial for the execution of investment projects		Improving environmental monitoring and inspection	15 million	
CULTURE	Conservation of European cultural heritage, including public transport and urban renewal	88 million	Conservation and Revitalisation of Cultural and Natural Heritage	60 million	70 million
	Cultural Exchange Fund	10 million	Promotion of Diversity in Culture and Arts within European Cultural Heritage	10 million	
SOCIAL AND REGIONAL DEVELOPMENT	Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions, as well as strengthening of democratic processes that support it	27 million	Urban development by strengthening the competence of self-government units, social dialogue and cooperation with civil society representatives	9.5 million	46.5 million
	Regional policy and cross-border activities	14 million			
	Fund for non-governmental organisations	37.35 million	Fund for non-governmental organisations	37 million	
HEALTH	Health and Childcare	59 million	Development and better adaption of health care to demographic and epidemiological trends	52 million	70 million
			Reducing social inequalities in health	18 million	
SCIENCE	Academic research	56 million	Norwegian-Polish Research Programme	36.9 million	46.8 million
	Polish-Norwegian Research Fund				
	Scholarship and Training Fund		Scholarship and Training Fund	10 million	
SCHENGEN AREA SECURITY AND THE JUDICIARY	Implementation of Schengen acquis, support of National Schengen Action Plans, as well as strengthening the judiciary	112 million	Schengen Cooperation and Combating Cross-border and Organised Crime, including Trafficking and Itinerant Criminal Groups	10 million	37 million
			Judicial Capacity-building and Cooperation/Improvement of the efficiency of justice	14 million	
			Correctional Services including Non-custodial Sanctions	13 million	
			Domestic and Gender-based Violence	3 million	3 million
			Programme for Supporting the development and widespread use of CCS technology in Poland	137 million	137 million

	Global fund for Decent Work and Tripartite Dialogue	3.1 million	3.1 million
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Summing up, the new edition of the Norway and EEA Grants supports most of the areas covered by the 2004-2009 perspective, but with greater emphasis on energy efficiency and environment-friendly solutions, and strengthening the health and social potential.

4.2 Progress in implementing individual programmes

In 2012, programme implementation was at the initial stage. In the framework of the EEA Financial Mechanism, only two programmes that has been approved by the Donors in the first half of 2012, could start substantive activities. For that reason, at this stage it is impossible to analyse implementation effects. In the first half of 2012, the Scholarship and Training Fund, funded by both mechanisms, was approved.

The information below presents the implementation status of the three programmes.

4.2.1 Urban development by strengthening the competence of self-government units, social dialogue and cooperation with civil society representatives

Operator: Ministry of Regional Development

Programme value with co-funding by Poland: EUR 10,993,712

Co-funding from the EEA Financial Mechanism: EUR 9,544,500

Objective:

The programme, which aims to intensify cooperation between regions and urban areas in the field of public and private services, is a program expected by local governments in Poland. The programme allows to build lasting relationships between local governments, based on the experience of both the Polish entities, as well as to those of the Donors.

The programme will be implemented through a pre-defined project and projects identified in an open call for proposals. The idea of the programme, and especially the pre-defined project (based on the Polish-Norwegian cooperation), has a chance to become a "best practice" for the future.

Effects in 2012

The effect of the programme in 2012 is establishment of 61 partnerships between local governments as a result of the pre-defined project *Building competences for inter-municipal and inter-sectoral cooperation as tools for local and regional development*. This number is an important indicator of interest in the programme and ensures receipt of a large number of proposals in an open call, scheduled for 2013. Established partnerships consist of more than 700 local government units (representing nearly 33% of local authorities in the country) and several local NGOs, private and public entities.

Activities

Implementation of the programme began with a pre-defined project (June 2012). The project is carried out by the Association of Polish Cities in partnership with the Association of Local and Regional Authorities in Norway. Recruitment of self governments partnerships within the project lasted until September 2012. In total, 61 partnerships were submitted (maximum of 45 partnerships

were expected!). Following the project assumptions, the Association of Polish Cities undertook actions supporting the partnerships. Project beneficiaries were receiving direct support from advisors and sectoral experts. These consultations included 358 days of work in the form of advice on distance and 218 days of work in the premises of beneficiaries. A major achievement was the organization of a Polish-Norwegian seminar with the participation of 49 Polish and 18 Norwegian local governments.

Calls for proposals

It is planned to carry out a call for proposals concerning urban development strategies for functional city areas and plans for the implementation the strategies. The call for proposals will be open to the local government units. The amount to be distributed amounts to over EUR 7,4 million. An announcement of the call is planned for January 2013.

Summary

The role of pre-defined and the programme is at this stage difficult to assess. The final number of formal partners will be known at the stage of submitting applications within the open call. However, at this stage, the most important is to build awareness of the value of cooperation and to determine the scope of common needs and common projects.

4.2.2 Promotion of Diversity in Culture and Arts within European Cultural Heritage

Operator: Ministry of Culture and National Heritage

Partner at the programme level: Arts Council Norway

Programme value with co-funding by Poland: EUR 111,111,111

Co-funding from the EEA Financial Mechanism: EUR 10,000,000

Objective:

The programme serves the development of intercultural dialogue and European identity based on understanding of cultural diversity. Co-funding will be granted to 'soft' projects, i.e. non-investment projects, non-commercial projects, projects based on cooperation with Donors' institutions for artistic and cultural education, cultural heritage, music, performing arts, graphic arts and visual arts.

Effects in 2012

The effect of programme implementation in 2012 is a vast number of applications submitted in the first call. The applicants submitted applications for the amount more than seven times higher than the amount earmarked for the call. It is a proof of considerable interest from potential beneficiaries, effective promotional and informational campaign by the Operator, but also the effect of positive experience in the implementation of the Cultural Exchange Fund in the previous edition of the Mechanisms.

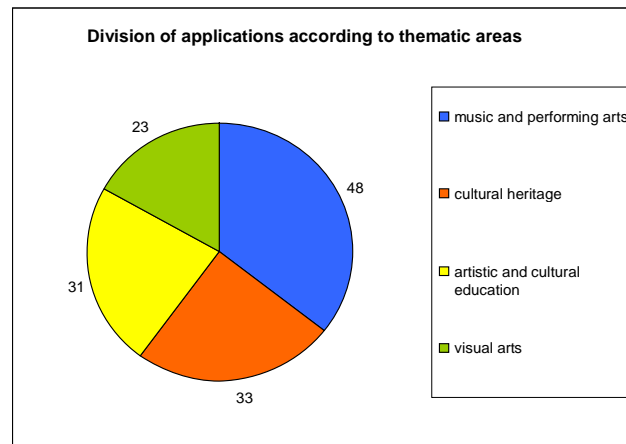
Actions taken in 2012

The programme began with the Polish-Norwegian inaugural conference which took place during the visit of the Norwegian royal couple to Poland (May). The call was held between 15 June and 15 October. In order to allow starting cooperation between Polish entities and entities from Donor countries, the following actions were taken:

- A database of partnerships was set up,
- A training handbook for applicants and programme partners was prepared in two languages (Polish and English),
- Six trainings and open days for potential beneficiaries were organised in major Polish cities.

Call for proposals

In the first call for proposals, the earmarked amount was nearly EUR 5 million. As a result of the call, 135 applications for funding were filed (68 for 'large' projects and 67 for 'small' projects), of which 113 'passed' formal appraisal. The most popular was the area of 'music and performing arts.' Particular areas of interest are presented in the Figure below.



Nearly half of the applicants were non-governmental organisations (65), followed by the public and local government cultural institutions (55), local government units (9), and four universities (including 2 art universities). The most applications were filed from Mazowieckie and Małopolskie Voivodeships.

Summary

In light of the above data, it can be stated that the objectives of the programme meet the needs of potential beneficiaries in relation to the range of support offered. Even distribution of applications between individual thematic areas confirms interest in each theme defined in the programme. At the same time, a diversified set of beneficiaries was reflected in the project proposals they submitted.

Plans

The second call for proposals is planned for Q1/Q2 of 2013.

4.2.3 Scholarship and Training Fund

Operator: Foundation for the Development of the Education System

Partners at the programme level:

- Norwegian Centre for International Cooperation in Education,
- Icelandic Centre for Research,
- National Agency for International Education Affairs in Liechtenstein.

Programme value with co-funding by Poland: EUR 111,111,111

Co-funding from the Norwegian Financial Mechanism and the EEA Financial Mechanism: EUR 10,000,000

Objective:

The objective of the Fund is to strengthen human potential and expand knowledge by:

- Increasing the mobility of students and university staff between Poland and states-donors,

- Extending and deepening institutional cooperation and partnerships between the institutions working in the field of education (at the level of: primary education, university education, vocational training and adult education) in Poland and in the states-donors.

Effects in 2012

In the reporting period, the Operator carried out preparatory work as well as promotional and informational activities aimed at announcing calls for proposals planned for the beginning of 2013, and strengthened and developed bilateral relations with programme partners and at the level of educational institutions (as the target groups of the programme and potential applicants).

Activities

In 2012, information about the Fund reached a wide audience mainly thanks to the ceremonial signing the Programme Agreement on 9 May 2012 in the presence of King Harald V of Norway and President of Poland Bronislaw Komorowski. During the year, information sessions at universities interested in applying were organised. The programme Operator also organised a meeting for regional coordinators and Regional Focal Points of the “Lifelong Learning” programme. In addition, the Operator created, inter alia, a website and prepared informational and promotional materials.

In addition to promotional activities, the Operator strengthened and developed bilateral relations with programme partners and at the level of educational institutions. These actions were carried out in particular by way of Cooperation Committee meetings, study visits (Iceland, Liechtenstein), as well as meetings of Operators of Scholarship Funds and National Focal Points (Norway and Iceland).

Calls for proposals

In January 2013, the call for proposals under action *Preparatory Visits* will be launched (short visits by representatives of educational institutions in order to establish cooperation, maintain and develop existing contacts, prepare and plan of a joint project, the preparation of an application for co-funding from the Fund). Subsequent calls are planned for March 2013. They will comprise calls for mobility projects, projects that consist in institutional cooperation, as well as the development of Polish universities.

5. SUMMARY OF OPEN ISSUES AND RECOMMENDATIONS

1. It is expected that decisions on the three programmes, on which the decisions were not taken by the end of 2012, would be made: *Fund for non-governmental organisations, Schengen Cooperation and Combating Cross-border and Organised Crime, Programme for Supporting the development and widespread use of CCS technology in Poland*. At the same time, in the beginning of 2013 it is expected that the other two Programme Agreements would be signed: *Conservation and Revitalisation of Cultural and Natural Heritage* and *Saving energy and promoting renewable energy sources*, which at the end of 2012 were at the stage of negotiating the terms of annexes to the agreements with the Donors.
2. In connection with the risk of not contracting funds in the amount of EUR 137 million earmarked for the *Programme for Supporting the development and widespread use of CCS technology in Poland*, Poland is planning to request the Donors to distribute the allocation between five programmes: scholarship, environmental (energy efficiency), research and two health programmes.

3. Due to the extension of the programme appraisal process by the Donors, which resulted in shortening of the period of project implementation, in order to mitigate the risk of not executing projects and thus not achieving the indicators, Poland plans to request the Donors for expanding the period for project implementation provided for in the *Regulation*.