

**PL Annual Meeting - minutes**  
**Warsaw, January 20<sup>th</sup>, 2022**

<b>Norway</b>	<ul style="list-style-type: none"> <li>- Jon Erik Strøm, Director of the Section for Central Europe and the EEA Grants (Head of Delegation)</li> <li>- Anniken Kleven Gasser, Counsellor, Royal Norwegian Embassy, Warsaw (remotely)</li> <li>- Christian Grotnes Halvorsen, Senior Advisor, Section for Central Europe and the EEA Grants</li> <li>- Karina Gradowska-Karpińska, Adviser, Royal Norwegian Embassy, Warsaw</li> </ul>
<b>Iceland</b>	<ul style="list-style-type: none"> <li>- Bergþór Magnússon, Director of EEA Grants, Directorate for External Trade and Economic Affairs, Iceland</li> </ul>
<b>Liechtenstein</b>	<ul style="list-style-type: none"> <li>- Alina Brunhart, Second Secretary, Mission of Liechtenstein to the EU</li> </ul>
<b>Financial Mechanism Office</b>	<ul style="list-style-type: none"> <li>- Tori Hoven, Director of Programmes Department</li> <li>- Eva Kløve, Head of Priority Sectors Unit</li> <li>- Linn-Kaja Rogstad, Senior Country Officer – Poland</li> <li>- Sofie Holtan Lakså, Country and Bilateral Trainee</li> </ul>
<b>National Focal Point - Ministry of Development Funds and Regional Policy</b>	<ul style="list-style-type: none"> <li>- Grzegorz Puda, Minister</li> <li>- Maciej Aulak, Director, Department of Assistance Programmes</li> <li>- Magdalena Iwaniecka, Deputy Director</li> <li>- Aneta Krzywicka, Head of Implementation Unit</li> <li>- Monika Zawistowska-Wąsik, Head of Monitoring Unit</li> <li>- Anna Cieśla, Head of Communication and TA Unit</li> <li>- Dominika Tyter-Niedbała, Deputy Director, Certifying Authority (remotely)</li> <li>- Natalia Kempa-Paplińska, Chief Specialist</li> </ul>

## 1. Opening remarks

Minister Grzegorz Puda greeted all participants, presented the scope of Ministry's activities and summed up the implementation stage – so far over 840 projects were granted financing, chosen from over 3 300 applications within 37 open calls - still few calls in the pipeline. It was emphasised that tight schedule of implementation, especially regarding the investment projects, is now the main risk factor. Pandemic of COVID -19 and its impact on the global economy and social networks is the second concern.

Director Jon Erik Strøm, head of Donor states delegation, thanked for the opportunity to meet directly. Mr Strøm highlighted that size of the Polish allocation affects the implementation and results of all EEA and Norway grants and appreciated efforts and close cooperation with Donors. He pointed out the mid-term review in 2021 as a demanding but successful process of allocating reserve funds. Director Strøm stated that political developments in Poland, including rule of law, media freedom, democracy rights are of concern for the Donors. The situation led to intensified discussion in Donor states and thus decision of the review of all programmes implemented in Poland in the light of EEA and Norway grants rules and principles.

Director Bergþór Magnússon emphasized strong and good relation between Poland and Iceland. He stated that Poles as largest migrants' group contributing to society and economy of Iceland and confirmed EEA grants are to be used to further strengthen the bilateral relations.

Mission of Liechtenstein to the EU Second Secretary Alina Brunhart thanked Polish NFP and all parties involved for the close cooperation and cutting down administrative burden in the recent circumstances. Liechtenstein is continuously focused on culture and education and is pleased with high interest in the second open call in Education programme. Ms Brunhart echoed Director Strøm in concerns of political background.

Minister Grzegorz Puda outlined the need to look for common grounds and priorities. He referred to the recent visit of EFTA parliamentary members to Poland and declared a readiness to constant dialogue.

## **2. Annual Strategic Report 2020/2021**

It was stated by PL side, the Strategic Report, was submitted to donors mid 2021 and is covering the period since March 2020. It is a reflection of pandemics-driven circumstances and actions performed in a new reality. It provides complex and detailed picture of the situation and challenges.

Donors appreciated concise and informative document, clear summarising of funds, and indicated need for continuous risk assessment. Justice programme was monitored and report shared with Polish part in December 2021. External monitoring is foreseen on Climate and ACF in Poland.

Strategic Report was approved by the Donors.

## **3. EA and Norway grants in Poland progress and risk assessment**

Director Aulak presented the overview of EEA and Norway grants in Poland. He thanked for close cooperation in adopting the reserve allocation and subsequent MoU modification.

- In 37 calls for proposals over 3 300 applications have been submitted. Up to now 842 projects (out of which 487 bilateral; more than 50%) were granted financing. There are 3 ongoing calls (Culture, Health, Blue growth in PARP) and two more to launch in the following months (small grant schemes under Justice).
- There is still MoU modification needed regarding the decisions connected with shifting EUR Mln 1 reserved initially for the Justice; due to Donors decisions it goes to the Bilateral Fund.
- The most advanced in spending are Research programs. Process of payments to the beneficiaries has been intensified recently within those programs.
- Total expenditures till the end of September 2021 amounted over EUR 80 million (PLN 359 million). Incurred amount (grant) constitutes 10% of the allocation. Amount of expenditures starts slowly growing. The reported expenditures recently has started to be mostly payments to the project promoters since projects enter implementation phase.
- Total disbursement by the FMO amounts to over EUR 168 million which is 24,5% of allocation (including already distributed reserve amount). For year 2022 amount forecasted in the recent period amounts to EUR 158 million. The highest amount of payment is planned for year 2023 – EUR 225 million showing big effort of all entities in the upcoming years. Expenditure weight moves over to the ending phase of the programme implementation making it critical.

It was outlined by PL side, that the project implementation plans are extremely tight and timely implementation of the projects requires joint and intensified efforts and activities of all the involved parties. Time-related risk, especially in case of infrastructure part is increasing, thus eligibility period extension seems to be inevitable to achieve the set goals.

Director Strømø indicated variations between programmes and ensured that Donors are eager to support NFP in the programmes implementation though within the current Regulation framework.

Programmes were presented one by one with special focus on implementation advancement, contracting, disbursement, programme modifications, risk factors, challenges, promotional events and partnership.

NFP expressed deep concern for the implementation period deadlines and no time margins. Tight schedule is especially alarming in case of research and infrastructural projects (only two construction seasons left). Contracting phase (especially in case of enterprises, hospitals and institutions in Climate or correctional services or Local Development) is challenging in pandemics conditions, weaker financial situation and capacity shortages. Communication of the effects is encouraged in each programme, especially in these of a specific potential, like Business

Development and Innovation. Increasing process are also a challenge making the promoters provide additional co-financing (project modifications, providing own resources, requesting for additional public financing, loans).

- As for the research programmes, the Donors were satisfied with progress nonetheless the risks of tight schedule was noticed. The excellent bilateral cooperation was pointed out.
- In Business Development and Innovation, the flexibility in moving funds between outcomes to mitigate risk of unspent funds and react on actual demand from the market were taken note of. The communication potential of good stories was outlined by both sides. The risk of withdrawals, being monitored closely during the ongoing contracting phase, was pointed out by PL side. The market driven risks and tight implementation schedule was discussed.
- Transparency and efficiency in calls were emphasised, especially in case of Climate. Proactive approach and flexibility in tackling challenges and appreciated close cooperation with DPPs was outlined by Donors. The risks connected with time factors and situation on the construction market and price increase was pointed out. The use of financial instruments is to be analysed further with PO in due time. The financial instrument is supposed to be used in Outcomes 3 and 4 of the Programme. Source of funding is national, therefore it remains outside the Programme's budget. It is too early to assess its impact on the Programme implementation as projects were just selected and the PO is in the process of signing project agreements. What the PO plans to do is to include a comprehensive study on use of FI in the evaluation planned at the final stage of implementation. Only then the PO will be able to determine whether the FI has attracted more applicants, helped them to bridge the funding gap (especially taking into consideration current market situation – increase in prices). Out of 54 selected projects 25 (46%) will be additionally supported by a loan - this should be treated as a tentative because until agreement is signed it shows only a willingness to obtain a loan.
- The bilateral cooperation as well as risk in infrastructure component in Culture sector were pointed out. The Donors declared the discussion on the open issues is to be continued.
- As the education sector is affected by the pandemic restrictions, the risks in Education programme were discussed. The high interest in calls was noticed by Donors. The strong bilateral component of the programme was also outlined.
- As for Health, the catching up for the call delays was pointed out. The capacity of hospitals as potential applicants was mentioned as a risk factor due to priorities connected with pandemic. The tight implementation schedule was discussed.
- In Home Affairs, Donors noticed the risk connected to the capacity of law enforcement institutions engaged in counteracting COVID pandemic and the ongoing crisis at the border to Belarus. The delays are not threatening the Programme results at this stage.
- The challenges in relation to price increase, procurements, tight schedules in infrastructure component in Justice were discussed. Donors expressed concern on the delays in implementation and increase of costs of the construction projects under outcome 1, the Improved Correctional System. Being aware of the Norwegian media coverage of the justice area in Poland, PL side ensured that all the requirements and conditions set by the donors during the negotiations of the EEA and Norway Grants were met by the Polish side. Donors mentioned the reputation risks in the area. The close cooperation with all stakeholders was pointed out as crucial by both sides. The Donors asked whether there are any institutional links between the Grants and the so-called Justice Fund. PL side assured that the Justice Fund is outside the competence of Ministry of Development Funds and that there are no links. Donors also requested an update on the status of a potential Polish withdrawal from the Istanbul Convention. PL side assured that there is no ongoing process of Poland withdrawing from the Istanbul Convention.
- As for Local Development, the solid cooperation between all stakeholders was outlined by PL side. The good results are expected, nevertheless the risk connected to time and market driven factors exist.

Ms Tori Hoven, FMO Director of Programmes Department, presented state of play in the Donors' managed programmes.

- In ACF national call high oversubscription was noticed, hence 14% application received funding.
- ACF regional 1<sup>st</sup> thematic call allowed 174 civil society organisations to fund their activities. Ongoing call for intervention projects was closed in December 2021. 2<sup>nd</sup> thematic call is to be launched on 26<sup>th</sup> January 2022.
- The limited access of the NGOs to the Eastern border area and new education law on NGOs access to the schools are issues of Donors concern
- Social Dialogue and Decent Work - 20 projects are in implementation, spare funds shall be allocated early this year. The social dialogue area is at the top of political agenda in NOR.
- Fund for Regional Cooperation - 19 projects are in implementation with 7 Polish entities involved. Podkarpackie Region cannot be funded (after revoking its resolution in August 2021) due to the lack of funds.
- Fund for Youth Employment - 33 projects in implementation with 17 Polish entities involved, 3 of those as leaders.

#### **4. Risks assessment overview and mitigation measures**

Overview of the contracting phase in each programme vs. project expenditures eligibility deadline was presented by PL side.

There are 5 programmes still in the contracting phase (meaning not all project contract signed)<sup>1</sup> and considerably under risk of not completing the projects on time. Two programmes are on the edge of the same risk<sup>2</sup>. Tight schedule of the EEA and Norway Grants programmes implementation was from the beginning the main risk factor.

Now, with COVID-19 many sectors were forced to focus on anti-crisis measures. Applicants and beneficiaries declare difficulties to prepare the complete documentation or to cooperate with partners (prolonged procedures of obtaining administrative decisions or documents such as building permits as well as documents confirming external co-financing). Delivery chains broke and hinder investment projects, increasing their cost. People usually work from home using all available information and communication technologies (platforms, services, websites, portals, communicators, phones, e-mails). Many activities needed to be redefined. One of the ideas is to use EUR/PLN exchange rate differences, but it certainly will not be sufficient. Some are trying to look for increased national funding, but no decisions has been made. Limiting the project scope might be inevitable. The issue regards all POs, mainly those with huge investments like Climate, Justice, Local Development, Culture.

Pl side emphasized, that implementing funds in these circumstances is most challenging and probably the grants shall not be efficient as expected without additional time granted, especially in case of investment projects with only two construction seasons left before the project final eligibility date.

There are no time margins for possible delays in the implemented projects.

PL side asked Donors to reconsider issue of eligibility period extension by at least a year. NFP and POs perceive it as an effective risk management tool, inevitable to deal with the underspending and underachievement of projects.

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<sup>1</sup> Basic Research, Applied Research, Business Development and Innovation, Climate, Local Development

<sup>2</sup>Culture, Home Affairs

Pl side mentioned the issue of savings, which might be used efficiently. Whereas prompt shifts to the outcomes and financing the reserve list projects are still feasible (and being now prepared or performed under Culture, Climate, Innovation, Applied Research), there is a challenge of late savings, that cannot be used to finance new projects. It was outlined the discussion with FMO on the issue has already started. The issue of flexibility under Bilateral Fund was also mentioned.

Donors encouraged Polish side to take up mitigation measures and be proactive, as no changes in the eligibility period are at that stage considered by the Donors and all actions should be performed under current Regulation framework. Donors admitted the critical stage of EEA and Norway grants implementation and declared flexibility in any proposed measures, nevertheless all of them needs to be in line with existing rules and timeframes.

PL side ensured keeping dialogue on the eligibility extension with Donors – to avoid looming risk of not achieving the foreseen results or expectations of high absorption rate.

Pl side informed that so far there is no plan to shift funds between programmes.

## **5. Bilateral cooperation**

As JCBF had to be postponed till January 28<sup>th</sup>, Pl side presented very general information on Bilateral Fund:

- It is currently 16 186 000 EUR – divided between POs (4 350 000 EUR initially) and NFP (11 836 000 EUR). EUR 1 490 621 of expenditures in total, EUR 776 376 of that PO's share. It's 9,21 % of the total BF allocation. Work Plan engaged 41% of JCBF allocation (around 4,3 mln EUR). Expenditure level however makes only 16% here.
- There is also additional million EUR to allocate (shifted to the Bilateral Fund due to the finalisation of mid-term review in 2021).
- There is 8 initiatives concluded, 5 initiatives in progress and 4 (including initiatives agreed upon in the course of the written procedure commenced in December 2021) still awaiting for the implementation agreement. There are several ideas in the pipeline too.
- Despite unfriendly pandemics circumstances POs and Work Plan initiatives promotes are carrying out the activities – sometimes postponed, sometimes prolonged or modified. They adjust and invent new ways of cooperation. POs are planning to use BF at the latest stage of implementation. The most advanced ones are Local Development, Culture, Climate and Business Development programmes.

Donor side outline constructive cooperation under JCBF framework and mentioned the eligibility period (April 2025) for BF activities. The discussion on the use of BF is to be continued.

## **6. Management and control system**

Pl side stated, Management and control system (MCS) at national level was not subject to changes in 2021. The same refers to the MSC of programmes. Small changes within detailed procedures were introduced (simplifications like resignation from a hard copy of document) to improve audit trail but it had no impact on MCS.

- 32 audit operations have just been carried out by the Audit Authority, the report shall be provided to Donors in February 2022. Only random financial errors were found (total amount of ineligible expenditures amounts to currently ca. EUR 26 000).
- In 2021, the Irregularities Authority submitted 1 report on new irregularity detected in project under Culture programme and 4 reports on new irregularities in BF (mainly

referring to the promoters' withdrawals under Culture). In total, there are 10 irregularities of 54 thousand EUR (0,04% of the PL allocation).

Director Strømø pointed at the need for accurate forecasting and not making buffers.

Pl side outlined, that financial planning is very uncertain especially in the current situation. All institutions are trying to do their best to be with prognosis of future payments as accurate as possible. However, there are many factors influencing level of expenditures what than affects level of payments applied to the Donors via IFRs. Pl side declared its continued engagement in accurate forecasting.

## **7. Communication**

Pl side presented key NFP's communication activities in 2021, like:

- completing of the educational competition for primary and secondary school students from all over Poland – on art works made by use of digital technologies, thematically referring to the EEA and Norway Grants and the Donor States ;
- adoption of a reindeer herd (as animals associated with Norway and Iceland) in the zoo in Wrocław;
- a flash mob: an outdoor performance of Edvard Grieg's music by artists of the Polish Baltic Fryderyk Chopin Philharmonic in the Old Town of Gdańsk;
- a competition with the awards in the form of Norwegian children's literature (Jørn Lier Horst' books) carried out on the Grants' Fb profile on the occasion of the International Children's Day;
- promoting the Grants during the 21st New Horizons International Film Festival in Wrocław – as part of Oslo / Reykjavik 4 section (achievements of contemporary films from Norway and Iceland were presented, like "Lamb" from Iceland, "Gritt" or "Him" from Norway);
- promoting the Grants during the 8th Kids Kino International Film Festival, the largest children's film festival in Poland;
- promoting the Grants during the Light Move Festival (LMF) in Łódź, which is the largest festival of this type in Poland and one of the largest in Europe;
- a workshop for the Polish POs on intellectual property law in Poznań;
- running website and Fb profile of the Grants.

The plans for 2022 were described:

- co-organization of the Scandinavian art exhibition in the National Museum in Warsaw (in part including Norwegian and Icelandic painting);
- continuing works on the organization of a mobile exhibition devoted to Iceland, Liechtenstein and Norway based on the collections of the State Archives in Poland;
- co-organization of events related to Norway and Iceland within the 5th Nordic Talking Festival in Gdynia in May 2022;
- broadcasting of a spot promoting the EEA and Norway Grants in the means of transport (Intercity trains);
- subsidies for the Regional Funds for Environmental Protection and Water Management (WFOŚiGW) / NGOs for pro-environmental activities promoting the Grants;
- continuation of cooperation with the New Horizons Association on co-organization of the Oslo/Reykjavik cinema section during the New Horizons International Film Festival 2022.

The necessity of continuous cooperation between all stakeholders (NFP/Embassy/FMO) was pointed out by Donors. The issue of constant updating of website and social media also in BF area was mentioned.

## **8. Conclusions and closing remarks**

In closing remarks Director Aulak expressed NFP hope for accelerating the implementation of the programmes and disbursement.

Director Strømø encouraged all parties to cooperate. He ensured close monitoring of risks and mitigation measures. According to Donors, the rule of law remains a challenge and constructive dialogue is highly appreciated.

In final words director Aulak invited Donors for the early June conference in Local Development.