

# **Mid-term Evaluation of the EEA Grants**

**Evaluation Report 3/2008**



**Norad**

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*Norwegian Agency for Development Cooperation*

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August 2008



## Acknowledgements

The European Economic Area (EEA) and Norwegian Financial Mechanisms are undergoing a external mid-term evaluation commissioned by Norad's Evaluation Department on request from the Norwegian Ministry of Foreign Affairs (NMFA). The evaluation has been carried out by an international team from PriceWaterhouseCoopers (PwC), including Kasha Klosowska, Jitka Krepelova, Karel Pubal, Rando Rannus, Alina Sarnacka and Ida Dokk Smith. The project manager for this evaluation is Ivar Strand.

The evaluation team includes professionals with extensive experience of aid programming, management and implementation of EU related programs and operations in the region, nationals and residents of all case countries and it is gender balanced. The involved PwC firms of the respective countries or the individual consultants have not conducted any prior work related to establishment or operations of the mechanisms.

The report has greatly benefited from the contributions and comments of the national stakeholders in the Czech Republic, Estonia and Poland, fund management stakeholders in the Norwegian Ministry of Foreign Affairs and the Financial Mechanism Office, as well as all of the survey respondents.

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Responsibility for the presentation of findings and recommendations rests with the evaluation team. The views and opinions expressed in the report do not necessarily correspond with those of Norad or the Norwegian Ministry of Foreign Affairs.

Sincerely,

Ivar Strand

Project Manager

Oslo, August 2008

# Contents

<b>Acknowledgements</b>	5
<b>Abbreviations</b>	9
<b>Executive summary</b>	11
Objectives and scope of the mid-term evaluation	11
Approach and methodology	11
Key findings and recommendations	11
Key overall findings	11
Key recommendations	12
<b>1 Introduction</b>	13
1.1 Objectives and scope of the evaluation	13
1.2 Methodology and analytical framework	13
1.2.1 Key Evaluation Areas	14
1.2.2 Case countries: The Czech Republic, Estonia and Poland	14
1.2.3 Limitations of the approach	14
1.3 Data and sources	15
<b>2 About the financial mechanisms</b>	16
2.1 Policy and economic context	16
2.2 Institutional context and origins	17
2.3 Program design	18
2.3.1 Multiplicity of objectives	18
2.3.2 Modalities of support	19
2.3.3 Implementation arrangements	19
<b>3 Portfolio overview</b>	21
3.1 Introduction	21
3.2 Portfolio	21
3.2.1 Country distribution	21
3.2.2 Priority sector distribution	22
3.2.3 Actor distribution	22
3.2.4 Type of assistance distribution	22
3.2.5 Commitments	23
3.2.6 Disbursements	23
3.2.7 Selection process flow	25
<b>4 Strategic relevance of program</b>	26
4.1 Relevance of priority sectors, focus areas and individual projects to national strategies and needs	26
4.2 Relevance of the individual projects to focus areas and priority sectors	27
4.3 Cross-cutting Issues	27
4.4 Findings	28
4.5 Recommendations	28
<b>5 Effectiveness: will the program reach its objectives?</b>	29
5.1 Introduction	29
5.2 Are objectives, indicators and benchmarks at all levels defined and clear?	29
5.3 Will the objective of reducing social and economic disparities in EEA be achieved?	30
5.4 Will the objective of bilateral partnerships be reached?	30
5.5 Will the cross-cutting objectives be achieved?	31
5.6 Is there timely progress of program implementation?	31
5.7 Findings	32
5.8 Recommendations	33

<b>6</b>	<b>Efficiency in implementation of the program</b>	34
6.1	Introduction	34
6.2	Implementation system	34
6.3	Project generation and selection at country level	35
6.4	Project appraisal and decision by donors	36
6.5	Project start-up delays	38
6.6	Financial management and controls	38
6.7	Monitoring and evaluation	40
6.8	Requirements of Norwegian public financial management regulations and auditor general reviews	40
6.9	Comparative analysis of the model with respect to best practices	41
6.10	Findings	42
6.11	Recommendations	43
<b>7</b>	<b>Sustainability: to what extent are the benefits of the program expected to continue after donor funding ceases</b>	44
7.1	Mechanisms in place to ensure financial sustainability of projects and the capacity of project promoter	44
7.2	Level of financial and conceptual ownership	44
7.3	Findings	44
7.4	Recommendations	45
<b>8</b>	<b>Findings and recommendations</b>	46
	Key findings and recommendations	46
	Key overall findings	46
	Key Recommendations	46
	Strategic relevance of the program	47
	Key findings	47
	Recommendations	47
	Effectiveness – Will the program reach its objectives?	47
	Key findings	47
	Recommendations	48
	Efficiency in implementation of the program	48
	Key findings	48
	Recommendations	49
	Sustainability – extent to which the benefits of the program are expected to continue after the donor funding ceases	49
	Key findings	50
	Recommendations	50
 <b>Annexes</b>		
	Annex 1 – Terms of reference	51
	Annex 2 – List of interviewed stakeholders	54
	Annex 3 – Interview guide for the country case studies	56
	Annex 4 – Extended survey and the summary of findings	58
	Annex 5 – Comparison of implementation modalities	62
	Annex 6 – Extended list of focus areas	64
	Annex 7 – About data and sources	77
	Annex 8 – Data and figures	78
	Annex 9 – Expanded evaluation questions	82
	Annex 10 – Schedule	83
	Annex 11 – List of references	84





## Abbreviations

<b>DAC</b>	Development Assistance Committee
<b>EC</b>	European Commission
<b>EEA</b>	European Economic Area
<b>EFTA</b>	European Free Trade Association
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>FMC</b>	Financial Mechanism Committee
<b>FMO</b>	Financial Mechanism Office
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>MOF</b>	Ministry of Finance
<b>MORD</b>	Ministry of Regional Development
<b>MoU</b>	Memorandum of Understanding
<b>NFM</b>	Norwegian Financial Mechanism
<b>NFP</b>	National Focal Point
<b>NMFA</b>	Norwegian Ministry of Foreign Affairs
<b>NPFM</b>	Norwegian Public Financial Management
<b>Norad</b>	Norwegian Agency for Development Cooperation
<b>OAG</b>	Office of Auditor General
<b>ODA</b>	Official Development Aid
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PIR</b>	Project Interim Report
<b>TA</b>	Technical Assistance
<b>WB</b>	World Bank



## Executive summary

The EEA and Norway financial mechanisms were established following negotiations of an enlarged European Economic Area (EEA) and they represent the contribution of the three EFTA states towards the benefits of access to the internal market. The assistance, provided in the form of grants to 15 countries in Central and Southern Europe, was established in 2004. In total, during the five year period, between 2004 and 2009, the donors agreed to contribute about €1.3 billion, of which Norway contributes over 95 percent. The grants are specifically targeted at lowering social and economic inequalities in the EEA.

### Objectives and scope of the mid-term evaluation

The key objective of this mid-term evaluation is to guide the implementation of current grants and future programming. The evaluation is comprehensive in scope, covering all fifteen beneficiary states, with case studies in three beneficiary states: the Czech Republic, Estonia and Poland. The analysis covers the period from inception in 2004 until end of March 2008. The Financial Mechanisms are undergoing a external mid-term evaluation commissioned by Norad's Evaluation Department on request from the Norwegian Ministry of Foreign Affairs (NMFA). The work has been conducted by an international team from PricewaterhouseCoopers (PwC).

### Approach and methodology

This is a formative evaluation and, as such, it assesses the efforts of the program prior to its completion with the intent of improving performance of this and forthcoming operations. The core framework has been adapted from widely accepted OECD DAC evaluation standards.

Results and impacts of the program are not sufficiently evident halfway through the implementation period due to limited progress in program disbursement and thus they preclude any in-depth analysis of their attainment or sustainability. The team has assessed whether prerequisites for accomplishing the targets are sufficiently robust. At the client's request, the study focuses, in particular, on issues of implementation efficiency.

### Key findings and recommendations

#### *Key overall findings*

**The program has been welcomed very enthusiastically by the beneficiaries and the demonstrated in-country demand is high.** The modalities of the program have allowed for support to a number of beneficiaries and projects which are traditionally perceived as too small to obtain financing and who have demonstrated financing gaps. Block grant support, which was made available for NGOs, appears to be particularly successful and well received. A capable implementation system, on the managerial and country level, with skilled and experienced staff has been established. There is considerable implementation capacity in the beneficiary states, however the fund, itself, further contributes to in-country capacity building. The fund has a high visibility in the beneficiary states, which has encouraged bilateral cooperation with the donor states. The mechanism shows high degree of willingness to learn from experiences and improve the program accordingly, as evidenced by the extent of reviews.<sup>1</sup>

**Despite some successes, there are considerable inefficiencies in implementation, which have led to significant delays.** Direct financial opportunity cost of delays amounts to 10-30 percent of total program cost. Inefficiencies are caused by replication of tasks, especially at appraisal, monitoring and control stages. The donor replication of tasks at the country level adds little value in terms of quality and control. The negligible added value from such replication does not justify associated high costs of replication. There is no systematic

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1 There have been three regional reports and two country specific reports (Poland and Estonia) commissioned by the donors and countries.

approach in determining country capacities and developing implementation modalities that match them.

**Objectives at program level are vaguely defined and are not supported by indicators and targets.** This has negatively impacted prioritization, operationalization, implementation and the ability to monitor performance at program level. Although robust monitoring systems are in existence at project level, they are decoupled from the program level.

**The most successful implementation modality appears to be the block grants and programs.** In contrast to individual projects these are based upon a programmatic approach. Each program includes clear prioritization, objectives and targets and design is further elaborated and implemented by intermediaries.

**Timely accomplishment of disbursement objectives is at risk due to delays in initial implementation.** Delays necessitated change in project parameters with subsequent needs for restructuring. Rigidity in control and reporting systems further compounds this risk. Only three percent of total funds have been disbursed by Q1 2008.

### **Key recommendations**

*For the remainder of the programming period:*

- There is a need to devote resources to ensuring timely commitment of the outstanding amount, and a speedy disbursement of the remaining 97 percent of the allocation.
- Mechanism to aggregate project level indicators and better link these with program level objectives should be strengthened so that program level progress can be determined.

*For future programming:*

- There is a need to establish clear objectives, indicators and targets at the program level and ensure sufficient linkages with country programs and with individual projects.
- Future financial mechanism should apply the principles of additionality and proportionality in order to avoid donor replication of country processes when adequate capacity exists at country level. The donors may consider using existing risk and capacity assessment conducted by other partners.
- The donors should consider adopting a programmatic approach where programs and their objectives and targets would be negotiated bilaterally with beneficiary states. The implementation could rely on country systems where sufficient capacity exists, with beneficiary states responsible for financial management and monitoring, as is customary in EU regional policy. The beneficiaries would be accountable for results and reporting to donors. Such an approach would realize significant efficiency gains, sacrifice little in terms of quality and control, and contribute to more country-level ownership; and ultimately promote the objectives of lowering social and economic disparities in EEA.

# 1 Introduction

This introductory chapter will define the objectives and scope of the evaluation, as well as the methodology used to carry out the analysis. Chapter 2 will describe the EEA/Norway financial mechanism design and organization. Chapter 3 will present an overview of the existing portfolio. Chapters 4 thru 7 will present the discussion of Relevance, Effectiveness, Efficiency and Sustainability in the context of EEA/Norway funds.

## 1.1 Objectives and scope of the evaluation

**The key objective of the mid-term evaluation is to guide the implementation of current grants and future programming.** Key audience of this report includes the Norwegian Ministry of Foreign Affairs (NMFA), the Financial Mechanism Office (FMO) in Brussels, beneficiary states and other stakeholders. The conclusions of this work could help to enhance the capacity for rational, coherent decision making in implementing and designing its EEA cooperation programs in general, and the Financial Mechanisms in particular. The evaluation will seek to support the threefold objectives of:

- Appraising the impact of supported activities with respect to the objectives of the EEA grants mechanism;
- Identify measures to improve the quality, relevance and efficiency of programming (including suggestions for possible reorientations to ensure a successful accomplishment of the original EEA objectives)<sup>2</sup>; and
- Suggesting more optimal program design features and implementation principles which could help guide negotiations and preparations of a possible new mechanism.

**The evaluation is comprehensive in scope covering all fifteen beneficiary states, with case studies in three beneficiary states: the Czech Republic, Estonia and Poland.**<sup>3</sup> The analysis covers the period from inception in 2004 until end of March 2008.

## 1.2 Methodology and analytical framework<sup>4</sup>

**This is a formative evaluation and as such it will assess the efforts of the program prior to its completion with the intent of improving performance of this and forthcoming operations.** The core framework will be adapted from the more standard ex-post objectives-based evaluation approach. Tools and methods will be seeking to relate the outcomes to pre-defined objectives and make reasoned judgments about the probabilities of their attainment.

**A key concept in the study is to analyze the interface between supply side factors of the donor mechanism, and the demand side i.e. how beneficiary states adjust to that mechanism.** The primary focus is on the supply side, seeking to understand the effects and efficiencies of the donor mechanisms. As such, the study is not analyzing the efficiencies of the 15 countries in implementing the program, but has researched three country programs in more depth to understand the interface with the donor mechanism. The country implementation systems are seen as given context and it is understood that, due to its small size, the EEA/NFM will not induce changes in the public financial management or administrative systems of these beneficiary states. The report will, however, analyze whether the mechanisms are designed to be as efficient as possible given the country realities, which will include adequacies of administrative absorption capacities such as capacity for preparing and implementing administrative work and more general the administrative capacity of public administration. Other demand side issues such as capacities of project promoters are out of scope of this report and will not be addressed.

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<sup>2</sup> It should be noted that implementing changes to the existing mechanisms may be unrealistic, taking into consideration the constraints as little time remains of the program period.

<sup>3</sup> Terms of Reference are attached as Annex 1.

<sup>4</sup> Full methodology and analytical framework were presented in the Inception report at the end of April, 2008. It was reviewed and accepted by the Reference group.

For the purposes of this analysis, **the EEA/Norway financial mechanisms, due to their near identical modalities, are analyzed as one program**, except where specific differences warrant individual discussions. In addition, this report is looking at the EEA/Norway grants as one comprehensive program and not 15 individual country programs.

### 1.2.1 Key Evaluation Areas

Per the TORs, this evaluation will focus on discussing four key evaluation areas: **(1) Relevance, (2) Efficiency, (3) Effectiveness and (4) Sustainability**. To assure the validity and reliability of the findings, the key evaluation areas have been defined according to widely accepted OECD DAC evaluation standards (see Figure 1). In addition, key evaluation questions, judgment criteria and indicators, for each evaluation area, were developed. The subsequent chapters elaborate on the approach.

Figure 1: Evaluation criteria and Key Evaluation Questions

Key Evaluation Areas	Key Evaluation Questions
<p><b>Relevance</b></p> <p>The extent to which the activity is suited to the priorities and policies of the target group recipient and donor.</p>	<ul style="list-style-type: none"> <li>• Is there a need for strategic shift?</li> <li>• Are the Priority Sectors consistent with country priorities?</li> <li>• Are the Priority Sectors harmonized with other donor support?</li> </ul>
<p><b>Effectiveness</b></p> <p>A measure of the extent to which an activity attains its objectives.</p>	<ul style="list-style-type: none"> <li>• Is there clarity of objectives, indicators and benchmarks?</li> <li>• Was the operationalization of the objectives appropriate and consistent?</li> <li>• Will the objectives be achieved?</li> <li>• Does the project level performance appear robust?</li> <li>• Is the timely progress of program implementation?</li> <li>• Is the timely progress of program implementation?</li> </ul>
<p><b>Efficiency</b></p> <p>Measure of the qualitative and quantitative outputs in relation to the inputs. Efficiency indicates that aid uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approach to achieving the same outputs, to see whether the most efficient process has been adopted.</p>	<ul style="list-style-type: none"> <li>• To what extent is the current organization model converting the available resources in a low-cost manner into the intended results?</li> <li>• Implementation, project selection and appraisal, financial management and controls, monitoring</li> </ul>
<p><b>Sustainability</b></p> <p>Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn.</p>	<ul style="list-style-type: none"> <li>• To what extent are the benefits of the program expected to continue after the donor funding will cease?</li> <li>• Is there financial and conceptual ownership?</li> </ul>

### 1.2.2 Case countries: The Czech Republic, Estonia and Poland

The three countries for the case studies were chosen by the client at the outset of the evaluation. Poland is the largest recipient of EEA/NFM funds, receiving almost half of the funding. There are strong existing relations between Norway and Estonia. The Czech Republic represents the first country to launch the financial mechanisms and therefore has extensive experience with these grants. Consideration was also given to avoid duplication with other (ongoing) work in Hungary, Latvia, and Slovakia.

The case studies were not carried out as in-depth analyses of these particular countries and their systems, but rather consisted of multiple stakeholder interviews in order to assess the implementation of the EEA/NFM grants at the country level and bring in country evidence of the financial mechanisms' functionality within specific context.

### 1.2.3 Limitations of the approach

**Results and impacts are not sufficiently evident halfway through the implementation period.** Only a limited amount of the resources have been disbursed and results cannot be expected to have materialized sufficiently to allow for any in-depth analysis of *effectiveness* or *sustainability*. However, the report will assess whether there are policies and processes in place that promote achievement of objectives and their sustainability.

**Objectives, indicators and benchmarks are poorly defined at program level which further constrained the analysis of effectiveness and sustainability.** The team has not attempted to construct and retrofit the program logic in order to make reasoned judgments about the progress, due to (i) limited progress in program disbursement; and (ii) client's request to focus on particular issues in efficiency and implementation.

**Ideally, cost efficiency of interventions would have been assessed but given the lack of implementation progress this cannot be done.** Such an analysis could have compared planned versus actual costs, or compared actual unit costs against established benchmarks in the region. As an alternative this study will assess whether there are sufficient mechanisms in place to ensure that cost efficient interventions are selected.

**The evaluation will not assess adherence to fiduciary regulations and processes whether national or donor states or whether there are issues of misconduct.** The evaluation will however discuss generally the consistency of the financial mechanisms with the requirements of Norwegian Public Financial Management Regulations and policies.

### **1.3 Data and sources**

**The team has been given access to:** documents on policies and procedures of the financial mechanisms, datasets, previous and ongoing reviews commissioned for the program, and in-depth interviews with key officials at all levels. Information and data are cross-validated by using a variety of sources. For a complete source summary, see Annex 7.

The datasets used in this analysis were provided by the FMO on April 2 and 16, 2008. The disbursement data appears inconsistent between the two sets. In addition, the data suffers from classification issues in terms of the priority sector classification and the type of assistance classification.

## 2 About the financial mechanisms

This chapter describes the design of the financial mechanisms including the contextual factors, such as the political and the institutional contexts that have influenced the design.

### 2.1 Policy and economic context

**The EEA/Norway financial mechanisms were established following negotiations of an enlarged European Economic Area (EEA) and represent the contribution of the three EEA/EFTA states<sup>5</sup> towards the benefits of access to the internal market.** The assistance, provided in the form of grants to 15 countries in Central and Southern Europe, was established in 2004.<sup>6</sup> In total, during the five year period, between 2004 and 2009, the donors committed to contribute about € 1.3 billion, of which Norway contributes over 95 percent. The grants are specifically targeted at lowering social and economic inequalities in the EEA.<sup>7</sup>

**It was agreed to establish one joint EEA financial mechanism and an additional mechanism with exclusive Norwegian financing, organized separately,** in order improve visibility of that particular additional contribution. The legal framework for the assistance was established in two underlying documents:

- Protocol 38a of the Treaty on the European Economic Area established the EEA Financial Mechanism with commitment of € 672 million, in annual tranches of €120 million from May 2004 to 30 April 2009.
- 14 October 2003 Agreement between the Kingdom of Norway and the European Community on a Norwegian Financial Mechanism (NFM), committed Norway to make available an additional € 567 million in annual tranches of € 113.4 million during the same time period.

**These financial mechanisms are among the largest freestanding development programs managed by Norway but are small in comparison with EU funds and beneficiary country economies.** In comparison with other Norwegian bilateral programs, this is a large operation, for example, the transfers for Poland are larger than those to any other country receiving Norwegian assistance. However, in relation to the beneficiary country economies, the EEA/NFM allocations constitute only between 0.01 percent and 0.05 percent of beneficiaries' GDP. In comparison, the EU transfers for the post accession countries oscillate between 2.1 percent and 4.9 percent of the beneficiary states' GDP (see Figure 2).

**The beneficiary states differ from the type of countries which usually benefit from official development aid (ODA).** As EU members, they are characterized by expanded institutional capacities and robustness of economic and social policies. They mostly comprise middle income economies and their economic scale and absorption capacity is significantly larger than in lower income ODA recipients.

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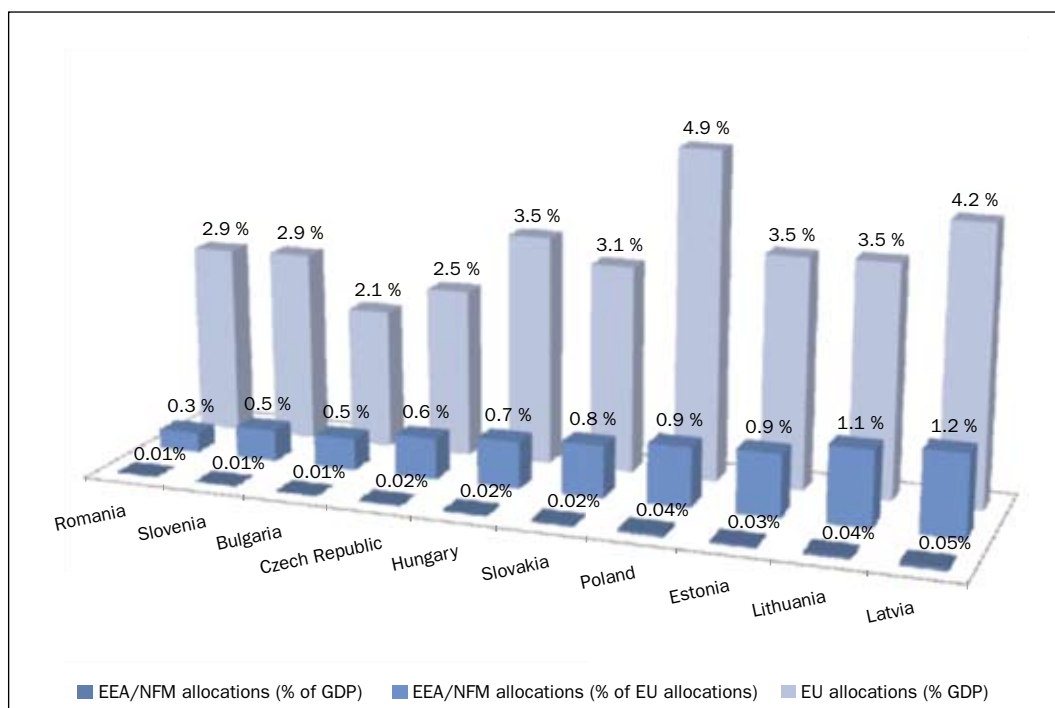
<sup>5</sup> Iceland, Liechtenstein and Norway

<sup>6</sup> The 15 countries are: Bulgaria, Greece, Portugal, Romania and Spain (only EEA funding) as well as, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia (EEA and NFM funding). Bulgaria and Romania were added to the EEA program in 2007 following the accession; a special Norwegian Cooperation program, which differs in modality from EEA/NFM, was established in 2007 for these two countries and is out of the scope of this evaluation. Greece, Portugal and Spain are not eligible for support under the Norwegian mechanism.

<sup>7</sup> The key European Union (EU) instruments for reducing differences post-accession are the structural and cohesion funds. For a summary of social and economic indicators in the beneficiary countries see Annex 6.



Figure 2: Total EEA/NFM assistance per country 2005-2009 compared with EU assistance<sup>8</sup>



**Key to understanding the design of the financial mechanisms is to appreciate the implications of it being conceived during negotiations of conditions for expanding the EEA agreement.** As such, the mechanism was primarily related to Norway's relationship with the EU. Relevant, effective, and efficient support for new member states was important but *de facto* secondary and has only gained in importance later. This backdrop may have had an impact on the design in the following ways:

**Actors in Norway may have perceived these mechanisms as less voluntary than establishing the typical aid program and as such securing Norwegian interests consequently became important.** The program's dispersed set of objectives may have been a result of openness to Norwegian stakeholder interest. This has had an impact on the efficiency and effectiveness of the program (see discussion in chapters 5 and 6).

**The donors' needs for visibility and separation from EU supported schemes had an impact on the choice of implementation modalities.** The implementation mechanisms have been established in parallel to EU and other external financing systems instead of relying on the existing country systems.

**Mitigation against possible political backlash for the mechanisms may have induced overenthusiastic controls.** Because of the contested establishment, need for control may have been perceived as higher than for other bilateral and multilateral support programs despite the fact that the institutional and fiduciary risks are significantly lower in the new member states than in higher risk and lower capacity countries which receive most of the Norwegian ODA.

## 2.2 Institutional context and origins

**The establishment of the EEA/NFM mechanism follows two successive financial transfer programs (1994-1998 and 1999-2003).** These programs are related to the EEA agreement but differ in scope and modality. The first EEA financial transfer program comprised a larger number of donor states and only five beneficiary states (Greece, Spain, Portugal, Ireland and Northern Ireland<sup>9</sup>), while the second program benefitted only Greece, Spain and Portugal. It was primarily implemented through the European Investment Bank (EIB). Grants totaling ECU500 million were committed to 56 projects. The mechanism also provided interest rebates for EIB loans amounting to about ECU160m at 1994 present value. The successor

<sup>8</sup> Assistance/country as share of total EU funds made available 04-09 (annualized commitments from both 2004-2006 and 2007-2013 periods). 2004 prices. Source IMF, ECB and Eurostat. PwC calculations

<sup>9</sup> Northern Ireland benefitted only from the 1999 allocation

fund, committed € 119.6 million to 25 projects in the same five beneficiary states.<sup>10,11</sup> In the current mechanisms fewer donors are providing assistance to a bigger group of beneficiaries. The modalities have changed and the number of supported projects is expected to reach about one thousand due to their small size.

**The mechanisms are designed as freestanding regional operations utilizing country systems for implementation.** They are established as regional programs and are separate from EU funds and other Norwegian bilateral assistance. Individual MoUs are signed with each beneficiary state for EEA and for NFM mechanism (altogether 25 agreements). The MoUs establish the responsibilities and authorities of the donor and the beneficiary and outline the programming frameworks. The agreements are strongly similar across beneficiary states, both with regards to implementation arrangements and programming frameworks. While the EEA and NFM agreements are nearly identical, beneficiaries are obliged to report separately to each mechanism.

## 2.3 Program design

### 2.3.1 Multiplicity of objectives

**The underlying objective of the EEA/Norway financial mechanisms is to lower social and economic inequalities in the EEA.**<sup>12</sup> In addition, according to the agreement establishing the Norwegian mechanism, it aims to: *“contribute to the consolidation of the capacity of the new member states to take fully part in an enlarged EEA internal market”*. This objective is also included in the official propositions submitted to the Norwegian Parliament<sup>13</sup> but it is not included in the individual country MoUs.

**There are several other strategic level and outcome level objectives:**

- **There are ten priority sectors identified in the overarching documents agreed with the commission.** These priority sectors are not stated as objectives but simply as areas of intervention. EEA establishes six priority sectors which are shared by both mechanisms:
  1. Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy;
  2. Promotion of sustainable development through improved resources use and management;
  3. Conservation of European cultural heritage including public transport and urban renewal;
  4. Human resources development, through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it;
  5. Health and childcare; and
  6. Academic research
- **In addition, the NFM adopts four complementary priority sectors:**
  1. Implementing of Schengen acquis, support of National Action Plans and strengthening the judiciary;
  2. Regional policy and cross-border policies;
  3. Technical assistance relating to implementation of *acquis communautaire*; and
  4. Protection of environment, with particular emphasis on strengthening the administrative capacity to implement *acquis* relevant to investment projects
- **Each country has developed a further programming framework through creating focus areas within each priority sector.** The focus areas were developed separately by each country and were agreed on in the Annex B of each country MoU. Since the focus areas were formulated by the beneficiaries themselves, the level and quality of objectives differ across countries, e.g. Poland, the largest recipient, has developed a detailed Operational Program. Smaller recipients were less detailed in the development of focus areas.<sup>14</sup>

<sup>10</sup> ECU660 million 1994 value and € 119.6 million 1999 value equals in 2004 value respectively € 862 million and € 137 million. (ECB HICP deflator).

<sup>11</sup> Source: Annual Report of the European Free Trade Association 2007

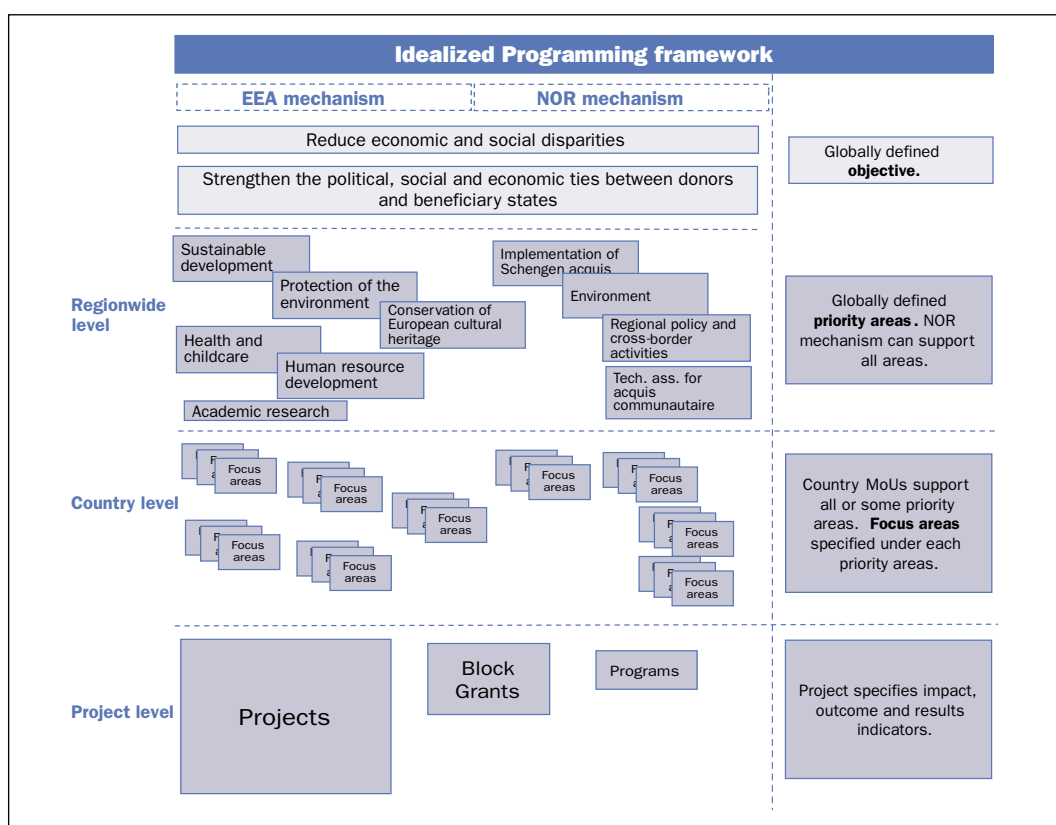
<sup>12</sup> Article 1 of Protocol 38A and the Agreement between the Kingdom of Norway and the European Community on a Norwegian Financial Mechanism for the period 2004 – 2009.

<sup>13</sup> St. prp. Nr. 3 (2003-2004) p.11

<sup>14</sup> The focus areas are country and sector specific, for an expanded matrix of focus areas please see Annex 6

- **In addition to the ten aforementioned priority sectors, individual MoUs make provisions for funding for: NGO grants, Seed Money Facility and Technical Assistance for Grant Management.** These additional categories could be understood as modalities for support but are reported by FMO as priority sectors. The NGO grants have well-defined objectives but do not have established linkages to the original priority sectors.
- **Further objectives were added during the Norwegian Parliament's ratification of the agreements.** It was stated that Norwegian contributions must promote Norwegian interests in the EU and relations to the accession countries.<sup>15</sup> Similarly, preambles to the individual MoUs state that one of the objectives of the funds is to strengthen relations between EEA states/Norway and the beneficiary states.
- **Finally, individual beneficiaries' MoUs also include three so-called cross-cutting objectives of "good governance, sustainable development and gender equality."**

Figure 3: Idealized Programming Framework



### 2.3.2 Modalities of support

The support is delivered through three modalities: **Programmes, Block grants and Individual projects**. Programmes are coordinated portfolios of separate projects, aimed at achieving common spatially, sectorally and thematically defined objectives. They are intended to facilitate the implementation of more comprehensive and cost-intensive strategies.<sup>16</sup> Block grants are funds consisting of an intermediary-level (they are implemented by block grant operators) and sub-projects (implemented by end-recipients). They are intended to facilitate activities where each sub-project or end recipient is too small to be identified a priori or to be administered cost-effectively on an individual basis.<sup>17</sup>

### 2.3.3 Implementation arrangements

**Management of implementation is shared between beneficiary and donor states.**

Country-level operationalization was generally conducted by departments of Ministries of Finance (MoF) or Ministries of Regional Development (MoRD) helping to ensure integration of planning and financing between national funds and external funds. Models of integration

<sup>15</sup> Although the mechanism are based on the principle of recipient responsibility, it is desired to include Norwegian firms, education- and research institutions, organizations and other relevant institutions wherever appropriate. Ref: Innst. S. nr. 103 (2003-2004)

<sup>16</sup> Programmes guideline – [www.eeagrants.org](http://www.eeagrants.org)

<sup>17</sup> Block Grants guideline – [www.eeagrants.org](http://www.eeagrants.org) - Block grants have been negotiated by donors and recipient countries and specified in the MoUs (they mostly comprise the NGO funds but also, Academic research grants and Seed money facility).

differ but most beneficiaries have adopted approaches used previously for pre-accession programs, transition mechanisms and other bilateral support programs. On the donor level, the Financial Mechanism Office (FMO) was given the responsibility for managing the program. There is a division of responsibilities between the beneficiary states and the donors at most stages of the program cycle: (i) Generation, appraisal and selection, (ii) Implementation (Implementing structure, financial management and controls), and (iii) Monitoring and evaluation.

**All projects are reviewed and prioritized at the country level and appraised at the FMO level.** Average review time at the country level varies depending on the extent of the appraisal process. Some countries, notably Poland, have a very thorough and extensive prioritization process, resembling a full appraisal<sup>18</sup>, others, like Slovenia, adopted a more relaxed approach. The country level appraisal lasts between 3-8 months on average.<sup>19</sup> The review at the FMO level involves a second thorough appraisal of the submitted projects and can last between 5 and 18 months. The total assessment time for an application, can therefore last between 8 months and 2 years. After the FMO makes its recommendation, the individual projects are in turn approved by the NFMA and the FMC.

**Financial management and controls are shared responsibilities at all levels.** The fund uses a reimbursement scheme<sup>20</sup> where project promoters are reimbursed based on the submitted progress reports of the projects (including fulfillment of targets and summary of incurred costs). The claims and receipts are verified on the national level and certified by the paying authority, while the NFP certifies progress against the targets, before forwarding the progress report to FMO. FMO checks the claims against the project implementation plan and releases the payment to the paying authority, who transfers the reimbursement to project promoters within 14 days. The financial management processes in the countries are fully integrated into the national public financial management systems.

**Monitoring is performed jointly with the financial management process based on the progress reports.** These reports are **quarterly or less frequent**. The FMO organizes monitoring agents who further assess progress in selected projects. In addition NFPs submit annual reports to the FMO for each mechanism (they are nearly identical). To date, the annual reports have mostly discussed the selection process and have not reported on results or impacts achieved.

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<sup>18</sup> Review of the Polish implementation of the EEA Grants.

<sup>19</sup> The average figure is an approximation of time spent to review at country level and forward to FMO most batches of projects. The variance is however considerable and reviews of some projects has taken as much as 18 months.

<sup>20</sup> The only exception is provision of €30 million "working capital" to Poland, in order to speed up the implementation and disbursement. Also, Block Grants operate on an advance payment basis.

### 3 Portfolio overview

#### 3.1 Introduction

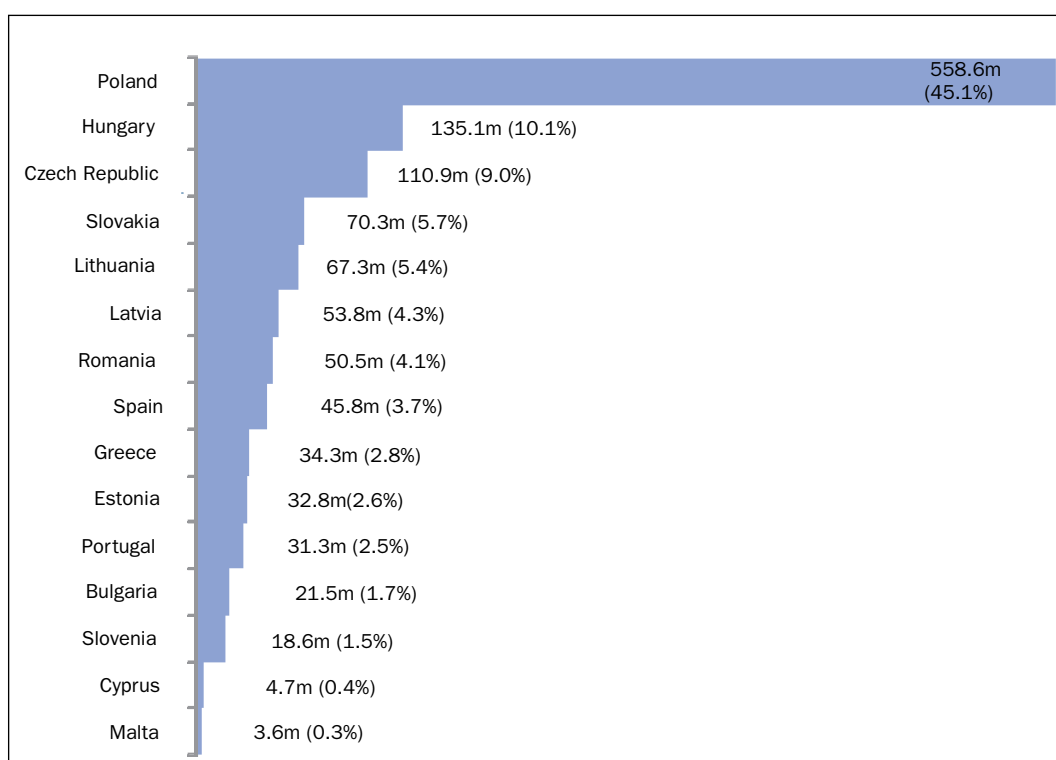
This chapter discusses the overview of the funds' distribution, including the distribution by country, type of grant assistance, actor and priority sector. It presents the progress of commitments and disbursements in relation to allocation targets. The data used for the purposes of this analysis consists of datasets provided by the FMO on April 2 and April 16, 2008

#### 3.2 Portfolio

##### 3.2.1 Country distribution

There are 15 states which benefit from the EEA/NFM allocations: Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, and Spain.<sup>21</sup> EEA/NFM country distribution was modeled after EU allocation for Structural and Cohesion funds although the details of the formula are not clarified. Poland is the single largest recipient of the EEA/NFM funds, with an allocation of EUR 558.6 million, or about 45 percent of the total funds and is followed by Hungary and the Czech Republic, which receive, respectively, EUR 135 million (10 percent) and EUR 111 million (9 percent). These three beneficiaries receive two thirds of all available funds, with the left over funds distributed between the twelve remaining beneficiary states.

Figure 4: Distribution of EEA/NFM grants by country (EUR million and percent of total)

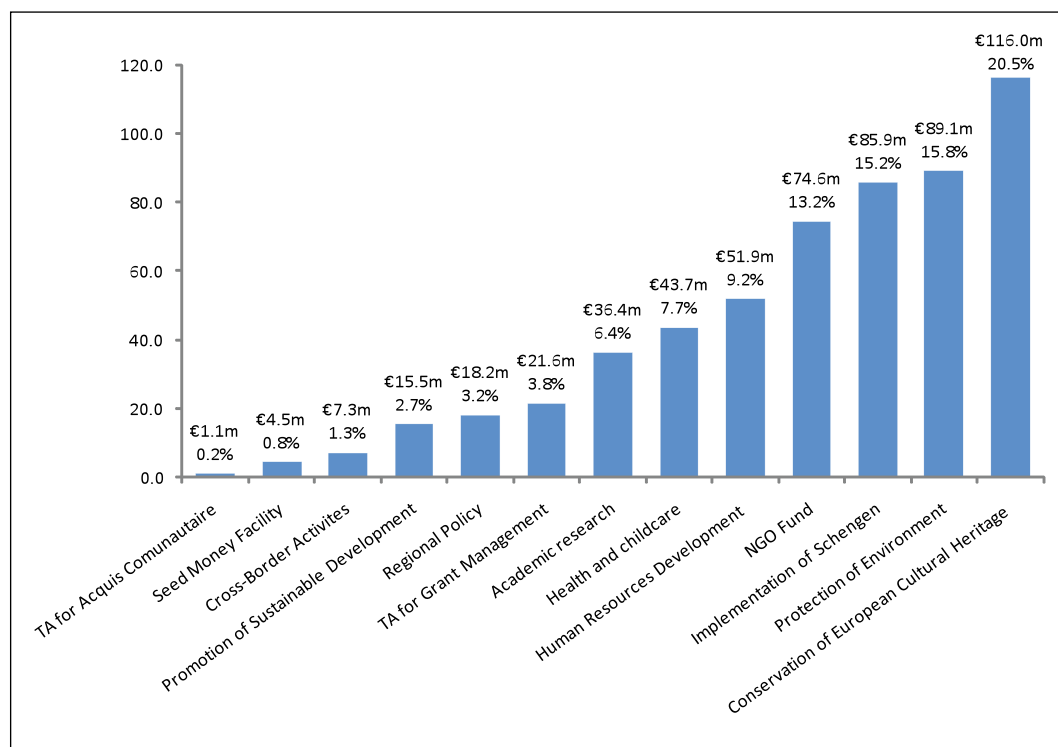


21 This evaluation only covers EEA portion of assistance for Bulgaria and Romania, the Norwegian mechanisms for these two countries are established separately and are outside of the scope of this program.

### 3.2.2 Priority sector distribution

**Based on the commitments made by the end of Q1 2008, the three leading priority sectors are:** Conservation of European cultural heritage (EUR 116 million), Protection of environment (EUR 89 million) and Implementation of Schengen acquis (EUR 86 million). Altogether they constitute 51 percent of total commitments or EUR 291 million. NGO block grant commitments amount to 13 percent or EUR 74.6 million.

Figure 5: Distribution of commitments among the priority sectors (in EUR millions and percent)



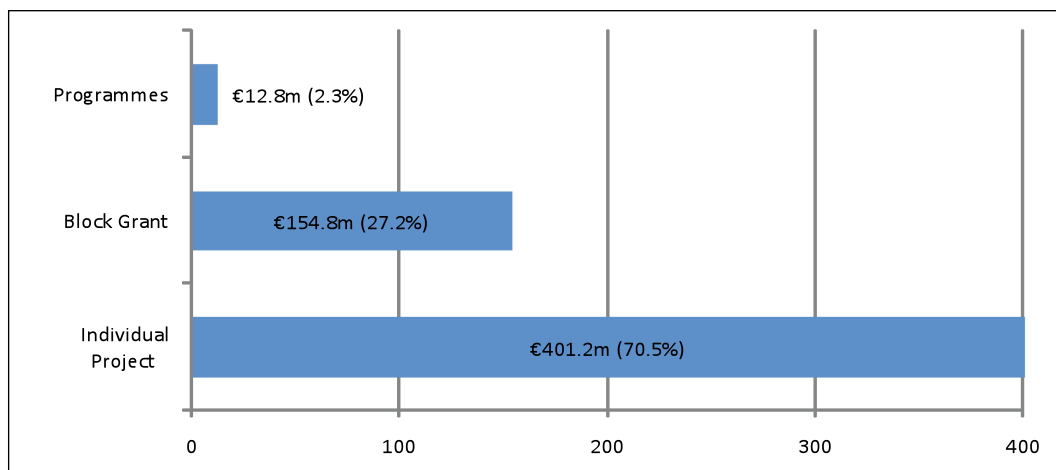
### 3.2.3 Actor distribution

**On the national level, the commitments are distributed between a number of actors,** as defined in the eligibility guidelines. Following the FMO classification, the actors include: the public sector (national and local authorities), educational/research institutions, non-governmental organizations, private-owned enterprises, public-owned enterprises and public-private partnerships. National and local authorities receive almost 53 percent (EUR 177.5 million) of total commitments, education/research institutions and non-governmental organizations receive about 11 percent each, while private/public enterprises and public-private partnerships receive in total about 7 percent. The remaining amount remains unclassified. (for a detailed distribution see Annex 8)

### 3.2.4 Type of assistance distribution

**There are three different types of assistance defined and allowed by the EEA/NFM grants,** they include: (i) *Programmes*, which comprise 2.3 percent of total commitments (EUR 155 million); (ii) *Block Grants* constitute little over 27 percent of total commitments (EUR 155 million); and (iii) *Individual Projects* comprise 70.5 percent of total commitments (EUR 401 million). (see Figure 6)

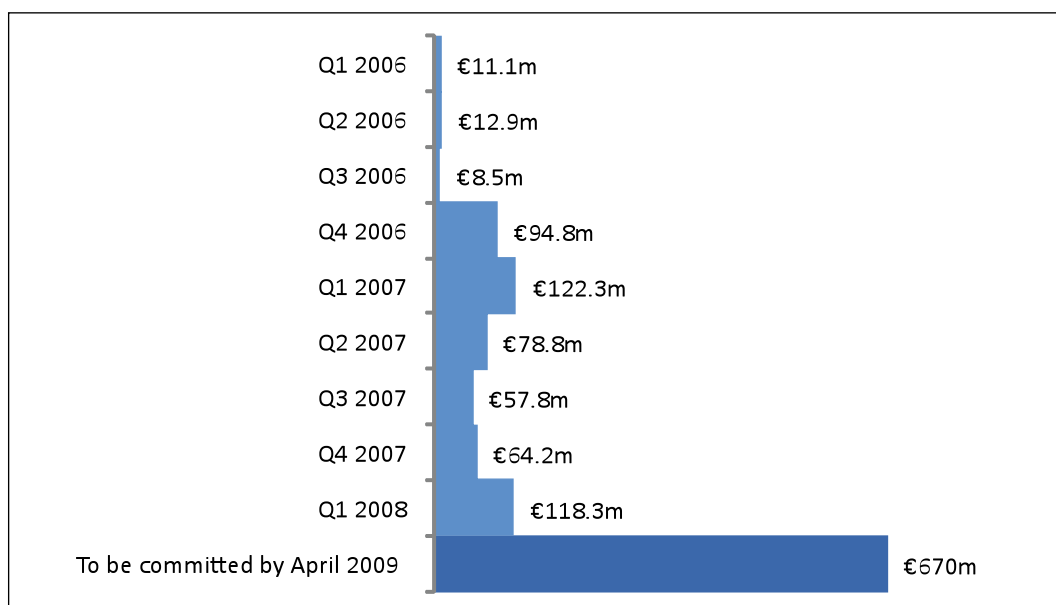
Figure 6: Type of assistance (in EUR million and as percentage of total commitments)



### 3.2.5 Commitments

**This section discusses the rate at which funds are committed in relation to the commitment target.** The commitment rate depends both on the beneficiary states and the FMO, due to the double selection/appraisal system. By the end of Q1 2008, or two years after the fund started committing, the total commitments are EUR 569 million, or about 46 percent of the total EEA/NFM allocation.<sup>22</sup> The remaining 54 percent (about EUR 670 million) rests to be committed by the end of the commitment period on April 30, 2009. In other words, one year remains to commit 1.2 times the amount committed in the two preceding years.

Figure 7: Commitments per quarter in millions of EUR



### 3.2.6 Disbursements

**This section discusses current disbursements** as they relate to commitments and allocations, and in relation to their distribution per country, priority area and type of assistance.

As of the end of Q1 2008, the fund has disbursed 7 percent of all commitments (EUR 37.7 million) and 3 percent of the entire allocation.<sup>23</sup> By October 2011, the remaining 97 percent or EUR 1.2 billion, must be claimed.<sup>24</sup> The Czech Republic, as the country where the

<sup>22</sup> Most countries have committed 40 percent or more of their total allocations. For per country commitment data, go to Annex 6.

<sup>23</sup> This data was provided in the first dataset delivered by the FMO. The second dataset puts disbursements at EUR 70 million, or roughly double the current amount. The latter includes a pre-payment to Poland and as such not disbursed to final beneficiaries. The datasets were not reconciled prior to finalization of this report.

<sup>24</sup> The final date for eligibility is fixed in the grant agreement. It is twenty four months after the scheduled date for project completion, but no later than April 30, 2011. For expenditure to be eligible, acceptable disbursement requests must have been received by the FMO no later than six months after the final date for eligibility.

mechanisms were implemented first, is most advanced with disbursement, it has disbursed 20.7 percent of its total commitments (9 percent of its total allocation). It is followed by Poland and Portugal with respectively 7.8 percent and 5.3 percent of commitments disbursed. All other beneficiaries have disbursements below 5 percent of total commitments including five countries with no disbursements at all: Bulgaria, Cyprus, Greece, Romania and Spain.<sup>25</sup>

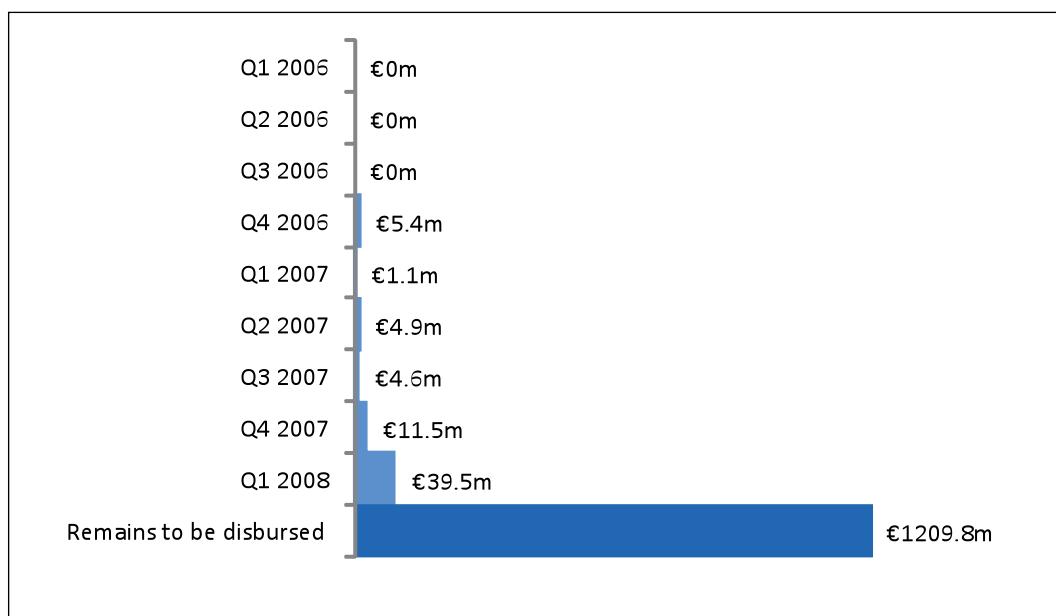
**Disbursements per type of assistance:** *Block Grants*, due to the prepayment structure (i.e. advance payments are made to beneficiaries), disburse most efficiently from the FMO with about 13 percent of total commitments disbursed by end of Q1 2008.<sup>26</sup> *Programmes* and *Individual Projects* follow the reimbursement model (beneficiaries are reimbursed for the incurred costs upon presentation of the progress report and receipts), and have disbursed respectively 3.9 percent and 4.3 percent of their overall commitments.

**Disbursements per priority sector:** The disbursement-commitment ratio seems to confirm the disbursement efficiency of the *Block grants*. The three sectors with the highest disbursement ratios are: Seed Money facility (61.4 percent disbursed), NGO funds (19.5 percent disbursed) and TA for grant management (12.2 percent disbursed) – all three follow the block grant structure as prescribed in the MoUs. All other priority sectors have collectively disbursed 3.8 percent of their total commitments.

**Overall, by October 2011, the fund must disburse EUR 1.2 billion, which is thirty four times the amount that has been disbursed to date since 2004.**

The disbursements can be classified into two categories: balance payments and regular payments (reimbursements). By end of Q1 2008, the fund has made disbursements to 155 projects totaling about EUR 37.8 million, out of which 57 percent (EUR 21.4 million) was advance payments and the remaining 43 percent (EUR 16.4 million) was in reimbursements. In addition, the fund has made a one time 'working capital' payment of EUR 30 million to Poland which was untied to any project and meant to speed up the disbursement process. The sectors which have disbursed the biggest shares of their commitments are Seed Money facility (61.4 percent disbursed), NGO funds (19.5 percent disbursed) and TA for grant management (12.1 percent disbursed). All other priority sectors have disbursements below 10 percent of total commitments.

Figure 8: Disbursements per quarter in million of EUR



<sup>25</sup> For a complete overview of country disbursements, see Annex 6.

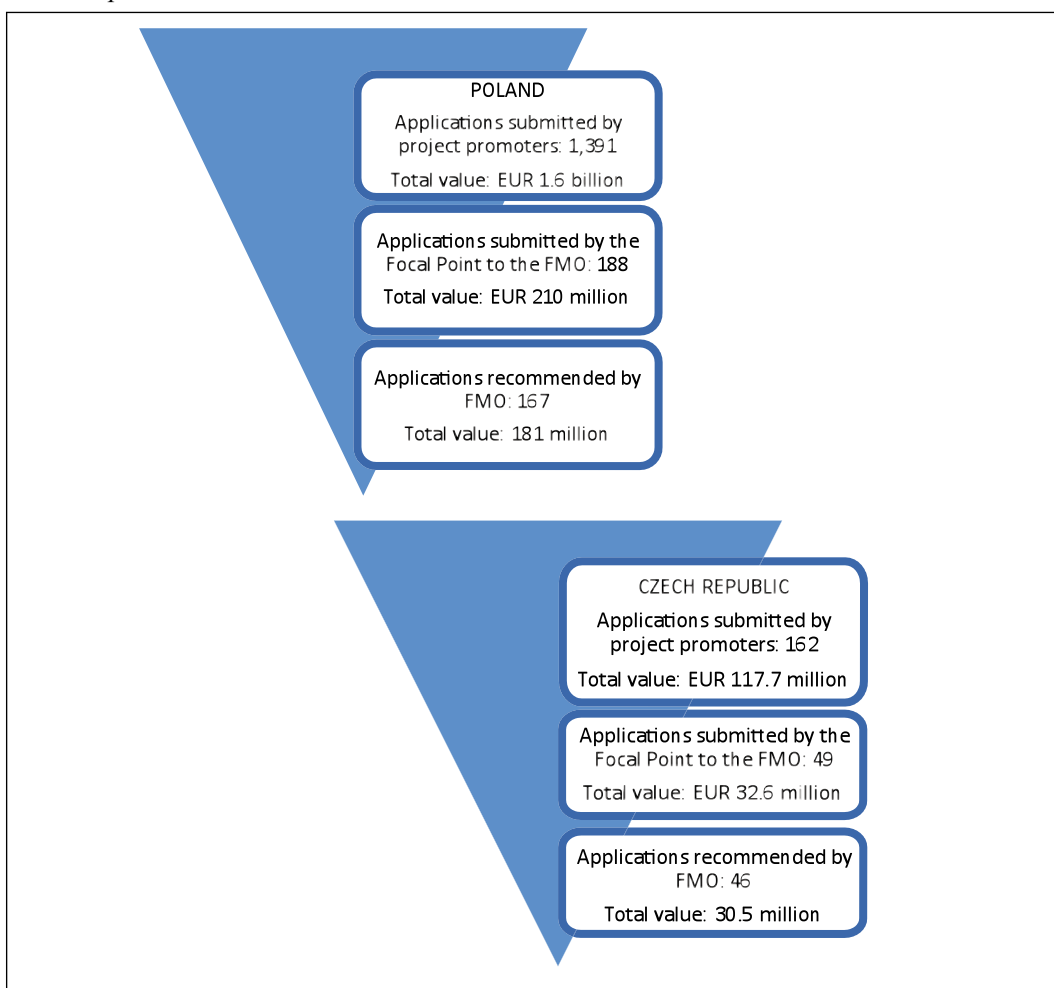
<sup>26</sup> Note that due to the pre-payment structure these funds may not necessarily have reached the ultimate beneficiaries.



### 3.2.7 Selection process flow

This section discusses the nature of the project process flows, including a presentation of the number of proposals, their prioritization and the approval process. Project selection is a vertical, hierarchical process. Following the open calls, project promoters submit funding applications which are reviewed at the national level by the appropriate bodies.<sup>27</sup> National Focal Points forward a prioritized project list to the FMO, which conducts an appraisal of the projects (second review). After the second review, FMO makes a recommendation for MFA/FMC decision. In total by end Q1 2008, €569 million has been committed for 461 projects and about €38 million (in 157 projects) was disbursed. It is expected that the portfolio will include about 800-1000 projects by the end of the commitment period in April 2009. The average size of an individual project is about EUR 1 million.<sup>28</sup> Below are examples of process flow from Poland and the Czech Republic; other reports have found that the flow pattern is similar in other beneficiary states.<sup>29</sup>

Figure 9: Selection process flow diagram, based on the first open calls in Poland and the Czech Republic



27 In most countries, the review is carried out at the National Focal Point level. Countries with large allocations, such as Poland, have delegated the review to the intermediate bodies, i.e. Ministries responsible for the specific priority sectors.

28 The average may be incorrect due to classification issues, e.g. most of the TA for grant management funds are classified as individual projects.

29 Nordic Consulting Group 2008 Review of implementation, Hungary, Latvia and Slovakia.

## 4 Strategic relevance of program

By OECD evaluation standards *Relevance* is defined as “*the extent to which the program is suited to the priorities and policies of the target group, recipient and donor*”. For the purposes of this study, the inception stage review with the client established that these issues were beyond scope. Specifically, the client stated that “*This evaluation criterion should not focus on the rationale behind the decisions manifested in Protocol 38A for the EEA/Norway Grants, as these were negotiated and therefore cannot be altered.*” This report will therefore look at the consistency and linkages between national strategies, priority sectors, focus areas and individual projects.

### 4.1 Relevance of priority sectors, focus areas and individual projects to national strategies and needs

**This study has found that the chosen priority sectors did not take into account the country needs and were too numerous to promote a focused and coherent program.** Priority Sectors were determined during negotiations between EFTA states and the EC, without bilateral involvement. There was little analysis of linkages between the prescribed sectors and the country priorities. The real country demand became apparent through the open calls. Although most priority sectors were oversubscribed, some were significantly more so than others, e.g. in Poland, the value of received applications in the first open call was about 9 times the available funding amount (EUR 1.6 billion and EUR 175.7 million, respectively). However, the value of applications in the ‘Health and childcare’ priority sector in the first open call in Poland was 21.8 times the amount of funding available (EUR 370 million and EUR 17 million, respectively).

**Currently, there is a disconnect between the Priority Sectors and other donor assistance, as indicated by the fact that the funding in some sectors is complementary and in others, supplemental to the existing donor funds.** For instance, the Protection of Environment sector in Poland reports that the received funds were used for projects and areas normally not covered by the EU funds, while the Conservation of European Cultural Heritage sector in Poland states that the funds are fully supplemental to the existing EU funds. Stakeholders at the focal point level in several beneficiary states have indicated that focusing the program on fewer priority sectors and aligning them with areas which demonstrate the biggest needs and financing gaps, would have benefited the relevance and effectiveness of the program.

**Beneficiaries developed focus areas for each priority sector to help overcome the limitations of the programming level framework, and to ensure complementarities with national budgets and other external financing.** ‘Focus areas’ clarified the areas of assistance and created pseudo-objectives.<sup>30</sup> The focus areas have helped in increasing the relevance of the assistance since they constituted areas chosen by the beneficiary states based on their needs and priorities. The exception to this framework is the design of the NGO funds which were negotiated at the country level complete with a detailed operationalization, specific objectives, activities and further framework development by the fund operators.

**Individual projects demonstrate linkages to national strategies or EU directives in project applications.** A few examples illustrate this: LT0034: “The Project contributes to the implementation of Decision No 2119/98/EC of the European parliament and of the Council of 24 September 1998 setting up a network for the epidemiological surveillance and control of communicable diseases in the Community and related decisions by the EC”, LV030: “The Project is in line with the national strategy developed in the Latvia for Children 2005-2015 policy paper, with the National Family Policy 2004-2013 and with the Education

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<sup>30</sup> Focus areas are considered to be objectives by the countries and the donors, however their formulation is often very broad and resembles areas of intervention instead of objectives. Some countries created very detailed focus areas as was the case of the Operational Program in Poland, others were much less elaborate.

Development Concept of the Ministry of Education and Science” CZ0045: “The project...in line with the national policy and strategy of the Czech republic as well as with the EU Inspire Directive in the field of geo-referenced information and policy governing the area of Information Society. The program also fits into the development Programme for the Moravian-Silesian region.”<sup>31</sup>

**There is overlap between the EEA/NFM mechanism, national funds and the EU funds and the operationalization appears inconsistent in its complementarities to other sources of financing.** Much of this overlap is owing to the fact that the design of the EU structural funds for 2007-2013 was not finalized by the time the EEA/NFM mechanisms were conceived. Only one country appears to have developed a fully fledged “Operational Program” with elaborate specificity of objectives, priorities and indicators. This program in Poland was modeled upon EU standard and practices. The complementarity was therefore not introduced at the program level but it occasionally appeared at the national level thanks to harmonization carried at by the MOF or MORD.

#### **4.2 Relevance of the individual projects to focus areas and priority sectors**

**Some of the eligibility and selection criteria on country level stipulated that projects should demonstrate linkages with the objectives of the program, including Priority Sectors, cross-cutting objectives and bilateral collaboration.** Pre-requisites for the criteria were provided through donors’ regulations. It is reported that some of these regulations were developed late which resulted in a lack of clarity about the expectations from the donors towards the beneficiary states.

**There was also a lack of clarity among different beneficiary states and intermediate bodies as to whether the focus areas were the exclusive areas of financing under each priority sector.** The interviews with the FMO indicated that the priority sectors were intentionally designed to be broad, due to anticipation of insufficient demand, and so that all projects broadly fitting into the priority sector could be considered. In practice, some beneficiaries allowed for this while others only considered projects which corresponded to the focus areas. As a result, the relevance of the individual project to the focus areas depends on the interpretation of the responsible selection body.

**There appears to be a breakdown of linkages between the three different levels: overall program, priority sectors and individual projects.** As a result of the objective-impact disconnect at all levels, there are no apparent intentional links between the project objectives and the overall program objective; and although project objectives broadly correspond with the Priority Sectors and focus areas, there is no streamlined effort between the projects to achieve a common goal.

#### **4.3 Cross-cutting Issues**

**It has been particularly difficult to assess the relevance for projects with regards to the so called “cross-cutting issues” as these objectives are only vaguely defined in the MoUs.** It is generally stated in each MoU that the program should seek to support “*good governance, sustainable development and gender equality*”. As such, the relevance of the cross-cutting objectives: good governance, sustainable development and gender equality cannot be easily measured across all 15 beneficiary states.

**For future work it could be useful to increase the relevance of the cross-cutting issues by making them into objectives in the light of the conditions in the EEA new member states.** “Governance” issues are diverse across the member states and could be made more specific and weighted against the objectives of the program. Similarly with Gender Equality. There are several objectives of the fund which supports *sustainable development* and it is not clear how these relate to the crosscutting issues. For the discussion of effectiveness of the cross-cutting issues, please refer to Chapter 5.

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<sup>31</sup> The team has only reviewed a sample of project applications for consistency.

#### **4.4 Findings**

- The priority sectors are too numerous and dispersed and they demonstrate a lack of relevance to country needs and strategy. Real demand became apparent during the open calls.
- There is a disconnect between the Priority Sectors and other donor assistance, as indicated by the fact that the funding in some sectors is complementary and in others, supplemental to the existing donor funds.
- The focus areas selected by the beneficiaries have improved the relevance of the program through focusing on priorities within each sector.
- Individual projects demonstrate linkages with national, regional and EU strategies.
- There was a lack of clarity regarding whether projects needed to demonstrate linkages with certain objectives and focus areas.
- There are no apparent intentional links between the project objectives and the overall program objective.

#### **4.5 Recommendations**

- The priority sectors and objectives should be reduced and better aligned with the country priorities.
- There should be improved coordination with other funding from national or external sources.
- The focus areas should be strengthened and better defined. A better strategic focus could bring about higher efficiency and effectiveness, as well as, stronger strategic results.
- There should be better clarity in terms of the donors' expectations in regards to the linkages between the objectives and the individual projects.

## 5 Effectiveness: will the program reach its objectives?

### 5.1 Introduction

**For the purposes of this review, effectiveness is defined as** “the extent to which the program attains its objectives”. In order to establish effectiveness of a program, one must measure the results against the established objectives.

**The factual effectiveness analysis of this program is premature as the program is at an initial implementation stage, with roughly 45 percent of total allocation committed and only about 3 percent of total funds disbursed.** While, at the project level, there are measurable objectives, indicators and targets; the lack of intentional linkages between the project objectives and the program objective, successfully rule out a proxy analysis.

This chapter will therefore attempt to analyze whether there are mechanisms in place that improve effectiveness with regards to individual objectives.

The analysis has examined the coherence and consistency of the internal logic, program design and strategic linkages between impact objectives, outcomes and activities. As such, the following issues will be explored:

- Are objectives, indicators and benchmarks at all levels defined and clear?
- Will the objective of reducing social and economic disparities in EEA be achieved?
- Will the objective of bilateral partnerships be achieved?
- Will the cross-cutting objectives be achieved?
- Does project-level performance appear robust?
- Is there timely progress of program implementation?

### 5.2 Are objectives, indicators and benchmarks at all levels defined and clear?

**There is a lack of clearly defined objectives, indicators and benchmarks at the level of overall EEA/NFM goal of *decreasing social and economic disparities in EEA*, as well as the level of priority sectors, focus areas and the cross-cutting and bilateral partnerships objectives.** The priority sectors and how they relate to the overall objectives are poorly articulated; there is no assessment of their desired impact on the overall goal. The interviewed country stakeholders struggled with what they perceived as the objectives of the program and the resulting measures of success. Ultimately, success was perceived by stakeholders at all levels as ‘*timely disbursement of all available resources*’.<sup>32</sup> The NGO funds constitute an exception in that at their very outset, they had a precise set of objectives with indicators and targets developed later in the process.

**Indicators and benchmarks appear only at the individual project level, but there is an apparent disconnect between them and the program level objectives due to the latter’s poor definition.** Although individual project objectives, indicators and targets appear conceptually robust, due to the number of projects and the wide scope of priority sectors and the variations between the focus areas, they cannot be aggregated in order to provide any measures of success for the program. In order to be able to measure effectiveness of the program, clearly defined and measurable objectives are needed at an aggregate level. In this particular case there should be such objectives, indicators and targets at the priority sector level in each beneficiary country, as the current framework of focus areas does not fulfill this need.

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<sup>32</sup> The analysis of the effectiveness of the program in relation to achieving its objectives is therefore severely constrained by the fact that the EEA/NFM program did not have, at its outset, clearly defined objectives, indicators and desired results/targets.

**There is a lack of distinction between modalities of support and objectives, and the lack of mutually exclusive definitions of sectors has added to the lack of clarity.** At the design level, some priority sectors appear to be thematic (e.g. Human development, Health and childcare), while others are merely modes of support (NGO grants, seed money facility, academic research). The separation between the EEA and NFM mechanisms has led to some confusion as to whether the NFM priority sectors are subordinate or additional to the EEA sectors.<sup>33</sup> The Norwegian Ministry of Foreign Affairs and FMO are in the process of improving clarity of objectives which may help in reporting and in preparing a new program, but it is too late for being useful in current implementation.

**The lack of well defined objectives of the program may have unintentionally led to a widening of scope, and through this it contributed to the oversubscription and lengthening of the selection process.** These factors may, in turn, lead to poorly targeted interventions and a fragmented portfolio, both of which negatively impact effectiveness of support and create difficulties for follow-up.

### **5.3 Will the objective of reducing social and economic disparities in EEA be achieved?**

**Project selection and prioritization at country level promoted projects which demonstrated links to the overall objective of improving social and economic disparities in EEA; although the provision and application of these rules appear inconsistent.** The inconsistency is apparent at the country level selection where some beneficiaries occasionally promote projects in economically and geographically disadvantaged communities (e.g. protection of environment projects in Poland), while others do not introduce such considerations at all. Some beneficiaries and sectors make support contingent on demonstrated linkages to economic growth, although a number of such projects defined their contribution to growth as “*jobs created during the construction*”, which is not an indicator of sustainable economic development.

**The low application amount, thresholds, and low co-financing requirements had the possibly unintended effect of encouraging projects with limited access to other financing.** This included smaller projects and actors from poorer communities or actors in the non-profit public institutions (such as orphanages, psychiatric hospitals, senior citizens’ homes, etc.) which normally would not be eligible for financing. There is no evidence in the EEA/NFM guidelines and legal framework that this was an intentional outcome and it remains to be seen whether this design will contribute more effectively to reduction of disparities than other interventions.

### **5.4 Will the objective of bilateral partnerships be reached?**

**There has been greatly demonstrated demand in all of the beneficiary states for the EEA/NFM funds.** Most of the priority sectors have been greatly oversubscribed. The promotion campaign has resulted in great visibility of the grants and had a positive impact on bilateral relations. Stakeholders in countries perceive the program as useful and welcome. There has been some donor-facilitated sharing of knowledge and experiences between the implementation actors (e.g. workshops for the focal points and for NGO fund operators). Such exchanges were received very enthusiastically by the beneficiaries and were reported to improve their capacities as well as relationship with the donors. All beneficiaries expressed interest in further knowledge and practices exchanges.

**A separate study on bilateral partnerships has been undertaken in 2008 and its findings are summarized below:**

Many beneficiary states promoted partnerships through awarding additional points in evaluation. By February 2008, about 21.9 percent of applications submitted for appraisal to the FMO had Norwegian partners. The countries with the highest share of partnership projects were Latvia (36 percent), Portugal (29 percent), Poland (26.4 percent), Estonia (25.8 percent) and Slovenia (25 percent). The priority sectors with the highest share of partnership projects were “Academic research” (52.9 percent of projects have partners; translating into 67.7 percent of all funds) and “Regional policy” (50 percent of projects have partners; translating into 51.3 percent of all funds). There were 168 partnerships in the 145 submitted partnership

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<sup>33</sup> The Protection of Environment sector is repeated in the NFM objectives and lacks the suggested complementarity.

projects; 17 projects had more than one Norwegian partner. There were 98 Norwegian institutions which were quoted as partners, 25 of these were partners in more than one project. These 25 institutions accounted for 55.4 percent of all partnerships.<sup>34</sup> The biggest category among the Norwegian partners were 'Private business companies' (21.4 percent of partners), 'Research Institutions' (18.4 percent of partners) and 'Regional and local government' (18.4 percent of partners). For 67.7 percent of project promoters with Norwegian partners, the partnership was a continuation of an existing contact with a Norwegian institution. 87.9 percent of project promoters and 83.3 percent of the Norwegian institutions rated the partnership as successful.

### **5.5 Will the cross-cutting objectives be achieved?**

**The cross-cutting objectives of good governance, sustainable development and gender equality appear not to have been mainstreamed in the program.** Beneficiaries report that they have included the cross-cutting issues in the selection criteria, and have promoted projects with these considerations; however, the objectives themselves have not become the prominent features in the program. The cross-cutting objectives have been clearly operationalized only in the NGO funds; where they were designed to constitute specific components, per agreements in the MoUs. The team did not look in depth at all 461 committed projects. If such analysis was possible, perhaps one would gain insight and the overall conclusion would be different. Within the scope of this analysis there is no possibility for measuring true effectiveness of this objective.

### **5.6 Is there timely progress of program implementation?**

**The compliance with project-level targets (or project level effectiveness) is monitored both at the country and the FMO levels and is reported to be satisfactory.** Based on the considerations from section 5.1 (i.e. lack of strong objectives, indicators and targets at the EEA/NFM program level), the analysis of the overall program effectiveness is severely constrained. While at the project level, there are measurable objectives, indicators and targets; the lack of strong intentional linkages between the project objectives and the program objectives preclude us from opining on the program effectiveness based on individual project's progress.

**Although progress towards overall objectives cannot be measured, one can measure the effectiveness of the fund/program implementation.** The interviews with country stakeholders have indicated that after a considerable delay, the program is successfully implemented on the national level. Beneficiary states have developed their guidelines and procedures and established the program frameworks. A capable management system on the beneficiary state and donor level has been established to implement the EEA/NFM program. Within the framework NGO funds have stood out, in particular, as the most effectively operationalized structures with most progressive programming frameworks, clearly aided by robustness and clarity of their objectives.

**By the end of Q1 2008, about 46 percent of the total allocation has been committed and about 3 percent of the total funds have been disbursed (see Figure 9).** Although, this progress is not impressive taking into consideration that the program is in its fourth year of implementation, it must be noted that both the commitment and disbursement efficiency has been steadily increasing over the past year and a half, thereby increasing the probability of attaining the full disbursement by the end of program in April, 2011 (see figures 7 and 8). It must be noted that the NGO funds have a much higher disbursement ratio than other modalities due to their advance payment system and although it is not an indicator of greater effectiveness, it does increase the chances for a more expeditious disbursement and project completion (the disbursement efficiency discussion is presented in the next chapter).

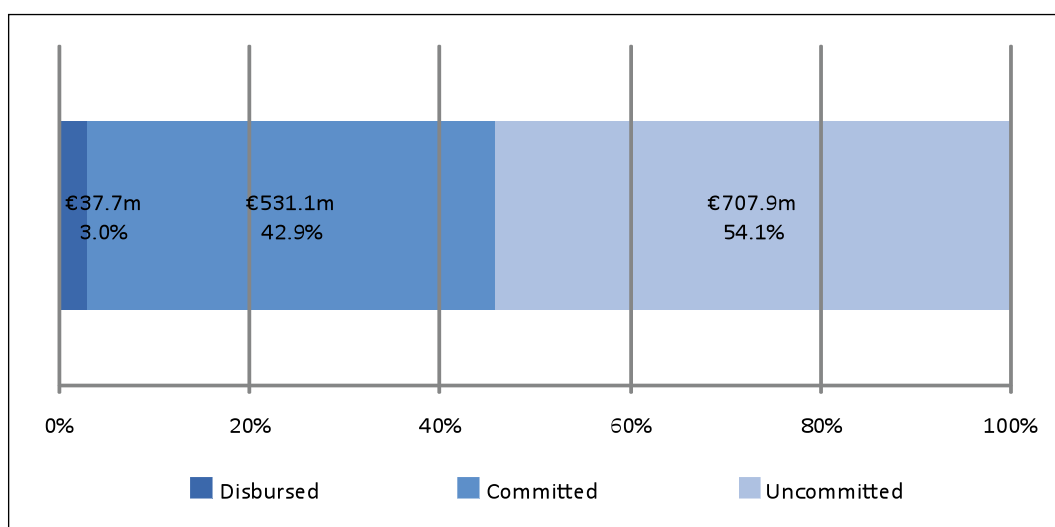
**The delays in the implementation on the level of commitments and disbursements have had a negative impact on program effectiveness.** In particular, the delays in commitments have resulted in significant financial and administrative costs. This included increased costs of projects, changes in co-financing ratios leading to underfunding of projects, delays in project implementation and others (the full discussion of opportunity costs is presented in the following chapter on Efficiency). In some cases, the projects promoters have withdrawn their

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<sup>34</sup> Scanteam 2008: "Norwegian Bilateral Relations in the Implementation of the EEA Financial Mechanisms"

projects from consideration for financing. Due to the delays in selection they were no longer able to implement their activities. As far as effectiveness of program implementation is concerned, this must be considered as one of the failures of the EEA/NFM mechanism and it should be mitigated in any successive mechanisms.

Figure 10: Share of Disbursed, Committed and Uncommitted funds in the overall allocation



## 5.7 Findings

- There is a lack of clearly defined objectives, indicators and benchmarks at the level of overall EEA/NFM goal of *decreasing social and economic disparities in EEA*, as well as the level of priority sectors, focus areas and the cross-cutting and bilateral partnership objectives. Lack of predefined objectives, indicators and targets strongly constrain efficiency and measurement of effectiveness.
- Indicators and benchmarks appear only at the individual project level but there is an apparent disconnect between them and the program level objectives due to the latter's poor definition.
- There is a lack of clarity in regards to how the overall program, priority sectors and individual projects are linked in terms of objectives.
- Project selection and prioritization at country level promoted projects which demonstrated links to the overall objective of improving social and economic disparities in EEA; although the provision and application of these rules appear inconsistent.
- The low application amount thresholds and low co-financing requirements had the possibly unintended impact of encouraging projects with limited access to other financing.
- There has been greatly demonstrated demand in all of the beneficiary states for the EEA/NFM funds. The program has achieved great visibility and has contributed to building bilateral partnerships.
- The cross-cutting objectives of good governance, sustainable development and gender equality appear not to have been mainstreamed in the program, with the exception of the NGO funds which had these objectives operationalized in their design.
- Although the commitments and disbursements are at low levels in the fourth year of implementation (43 percent and 3 percent, respectively), the efficiency of commitment and disbursement has improved steadily over the past year and a half;
- Provided the low disbursement ration there is considerable risk that the program will not be able to disburse the resources required to reach the objectives;
- The delays in the implementation on the level of commitments and disbursements have had a negative impact on program effectiveness. Despite the delays in establishing the mechanism, at present, there is a capable management system in place, to successfully implement the EEA/NFM program.



## **5.8 Recommendations**

- Clearly defined objectives, indicators and benchmarks should be introduced on the priority sector level for each country.
- Stronger and more direct linkages between the overall program, priority sectors and individual projects should be introduced.
- There should be better operationalization and clearer expectations and guidelines from the donors on the overall goal of reducing social and economic disparities in EEA, as well as the cross-cutting objectives.

## 6 Efficiency in implementation of the program

### 6.1 Introduction

**This section assesses the impact of the EEA/NFM institutional arrangements on the cost-effectiveness of the implementation system.** The key focus is to review the cost efficiency of the arrangements and their impact on the results. In addition to assessing what works well in implementation and what does not, consideration will also be given to the *optimization* of the implementation model. The analysis of implementation efficiency will review the following key stages of the project cycle:

- Establishment of implementing system and organization
- Project generation, appraisal and selection
- Financial management and controls
- Monitoring and evaluation

**A fully fledged evaluation would assess whether the interventions chosen are cost-effective, however the TORs define this as out of scope for this study.** However during our analysis we have observed that at the program level there is no mechanism which assures cost-efficiency of interventions, but some consideration to cost-efficiency is given at the project level. It is recommended that strategies to help ensure cost-efficiency of program interventions are developed in future work.

### 6.2 Implementation system

**The establishment of the EEA/NFM financial mechanism system is considered to have been accomplished at the country level.** It took between 12-24 months as measured by the time between signing of bilateral MoUs and the launch of open calls in the beneficiary states. Many beneficiaries have used the approaches developed for the pre-accession programs, transition mechanisms and other bilateral support programs, in implementation of the EEA/NFM mechanism. Some beneficiaries, such as Poland, have a completely integrated planning and coordination framework which includes EEA/NFM, national budgets and the structural funds. The use of existing structures has greatly facilitated the process; however, the operationalization of the funds has still encountered significant delays. There are several factors which have impeded the efficiency of implementation:

**At the outset, procedures and regulations guiding the implementation of the funds were not sufficiently developed.** The beneficiary states had to develop a bulk of these procedures themselves during the implementation and each beneficiary did so separately from one another. There was little guidance, few principles, perceived inconsistent advice from the donors, and few practice exchanges between different beneficiaries that could have added to implementation efficiency. Stakeholders at the beneficiary state level report that the procedures were unclear and it was difficult to obtain clarifications from the donor.

**Previous evaluations concluded that delays in designing the implementation system were due to “cultural differences in bureaucratic systems” (i.e. between the ‘flexible’ Scandinavian system and the more rule-oriented Central and Eastern European systems).** It should be noted, however, that the peculiarities of the beneficiary systems should have been anticipated and the EEA/NFM mechanisms should have been designed accordingly to be effective in the given context. Considerable time was spent to determine specifics of rules and regulations, with beneficiaries consistently reporting lack of clarity with regards to donors’ expectations.

**Regulations and guidelines from EEA/NFM are more prescriptive in terms of implementation details compared to other financing instruments available.** There is less scope for country adaptation of the rules concerning eligibility, award levels and co-financing

requirements. Beneficiary states find the guidelines to be rigid and inflexible in terms of adjusting to country context. The rigidity of regulations may be caused by the political context in establishing the EEA/NFM grants and the resulting need for controls.

**The EEA and NFM have been established as two separate funds, even though they have nearly identical structures and underlying objectives.** The NFM introduced four priority sectors which were supposed to be complementary to EEA objectives. The beneficiaries are obliged to submit a separate report to each fund (the reports are nearly identical). The beneficiaries are however only obliged to submit one joint summary payment request. This duplication of effort in reporting and reimbursement claims has resulted in delays and inefficiencies.

**The donors' needs for visibility and separation from EU supported schemes had an impact on the choice of implementation modalities.** The implementation mechanisms have been established in parallel to EU and other external financing systems, which resulted in significant opportunity costs, higher operational costs and considerable inefficiencies. Stakeholders in beneficiary states express frustration with these inefficiencies. Currently, visibility and recognition for the donors is quite successfully achieved through outreach activities. It could be further improved through streamlining the implementation processes, e.g. through utilizing existing systems in countries for selection and management of programs.

**The communication channels are sometimes complex, too hierarchical and inefficient.** The project promoters report to and communicate with the national focal points (sometimes through the intermediate bodies). The NFPs, in turn communicate with the Paying Authorities and the FMO. The latter is the interface between the NFPs and the donors. This structure is somewhat inefficient, because messages, queries or reports undergo several levels of forwarding before they reach their destination. In addition, beneficiaries report a lack of clarity in regards to donors' expectations, which indicates another communication failure.

### 6.3 Project generation and selection at country level

Countries have conducted project generation through the open calls, as prescribed in the MoUs. They subsequently evaluated and prioritized individual projects in each sector before they forwarded the projects for consideration to the FMO.

**It is reported that many of the necessary guidelines were not fully developed by the time countries launched open calls.** This caused some backtracking and delays in the process. "The review of the first open call in Poland reports problems with the application forms and guidelines, lack of consistency and transparency in procedures, over-formal or rigid requirements, complex bureaucratic procedures, unclear partnership rules, unclear criteria for project selection".<sup>35</sup>

**Broad definition of beneficiary eligibility, essentially comprising all legal entities in the beneficiary states which operate in public interest,<sup>36</sup> has allowed for a wide array of actors, including national and local governments, NGOs, and private and public enterprises, to apply for funding.** The comparatively low required levels of co-financing and low minimum application amounts have promoted small projects, which would normally not have access to other mechanisms. In addition, the funds were launched at the time when the structural funds 2004-2006 cycle was mostly depleted. All these factors have contributed to a very high demand and as a result most priority sectors became significantly oversubscribed; in some cases the applications exceeded the allocation amount more than tenfold.

**While the wide scope of potential beneficiaries has a positive impact on program effectiveness, the additional review time constitutes an opportunity cost in terms of selection efficiency.** The number of applications has overwhelmed the selection on the national level, e.g. in its first open call, Poland received about 1400 applications, only 188 of which were later forwarded for consideration to FMO after the country-level evaluation. The total review time for the first open call in Poland has lasted approximately nine months. By

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<sup>35</sup> Norconsult, 2006. Review of the Polish Implementation of the EEA Grants with focus on the experiences from the first open call for proposals in Poland.

<sup>36</sup> "All public or private sector bodies and non-governmental organizations (NGOs) constituted as legal entities in the Beneficiary States and operating in the public interest - e.g., national, regional and local authorities, education/research institutions, environmental bodies, voluntary and community organizations and Public-Private Partnerships may apply for assistance."

Q1 2008, 461 projects were approved; their average amount being EUR 1 million. Management of such fragmented portfolio is comparatively inefficient at all levels (financial, controlling and monitoring) than management of a portfolio of fewer projects with higher total amounts.

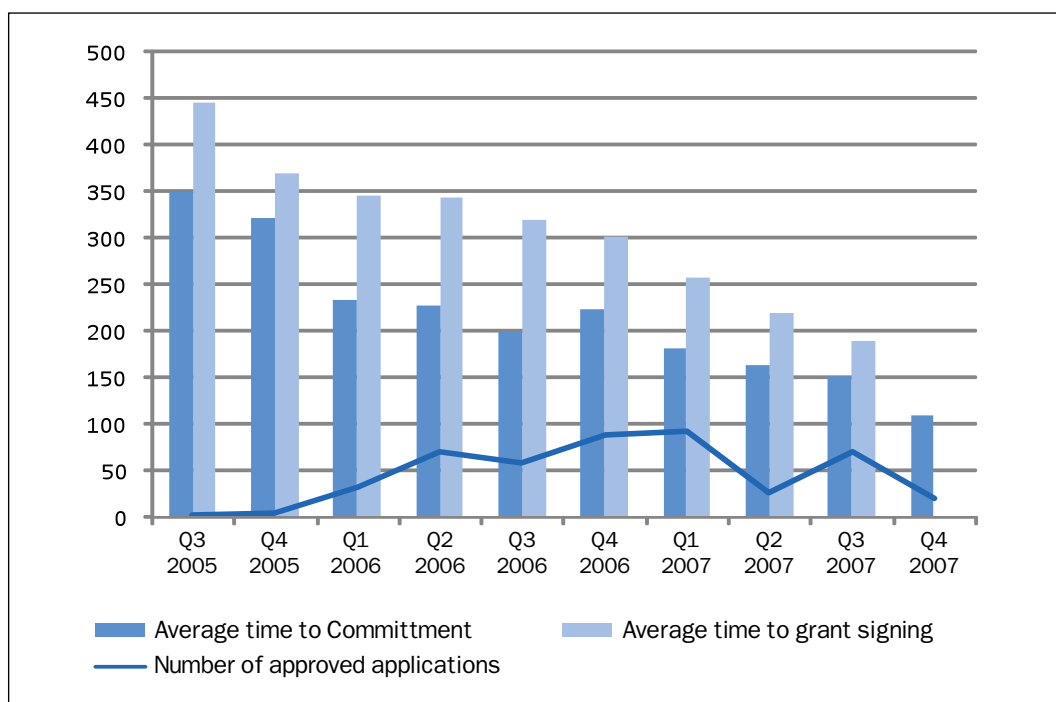
**In contrast to the individual projects, block grants and programs were implemented at a two-tier level, with a pre-selection of the intermediary/operator, followed by an open call system.** The NGO funds were reported by country stakeholders to be very efficient in terms of project selection. For example, one of the funds in Poland has reviewed 1400 applications within three months (as compared to nine month review of comparable number of applications which was split between 6 intermediate bodies dealing with specific sectors).

#### 6.4 Project appraisal and decision by donors

**After the initial selection and prioritization at the country level, the FMO conducts its own in-depth appraisal before a final decision on the projects is made by the NMFA or the FMC.** This two-stage process is lengthy and repetitive, as the assessment on the FMO level apparently often overlaps with what was done at the country level. FMO-sponsored appraisal teams assess applications at site or by desk study and have little communications with national governments in the process. The donor appraisal sometimes results in project conditions, including political conditionalities that are beyond the scope and level of project beneficiaries. The process would be more efficient if there was integration between two levels of review or if one of these levels was eliminated.

**The average review duration at the FMO level has improved over time, but is still quite long.** At the start of the program, average time from receipt of the application by the FMO till commitment was 350 days but currently the review time is 111 days. The average time from receipt of the application by the FMO and the grant signing (which allows for project implementation and disbursement) has also improved, dropping from 446 days in Q1 2005 to 191 days in Q4 2007 (see figure 12). When coupled with the review at the country level, which on average takes between 6 and 9 months, it is not uncommon for project promoters to wait for a decision for over a year.

Figure 11: Average time to commitment and grant signing per quarter



**Project rejection rate is 7.1 percent with some significant variations between countries.** For example, Hungary, Slovenia and Spain have quite high rejection rates, between 17.6 percent and 22.2 percent distributed throughout a small number of reviewed applications, i.e. less than 25 projects each. On the other hand, out of 200 Polish projects that were reviewed,

only 3.5 percent were rejected. This breakdown may indicate the thoroughness with which countries conducted their selection and may possibly indicate the beneficiary states capacity to take responsibility for the appraisal process. The donors should consider delegating the appraisal responsibility to countries which have demonstrated appraisal capacity. It must be noted that the country evaluation and selection processes are of variable quality and would not in all countries substitute for the donor-led appraisal process.

**About half of the overall funds were not committed by the end of Q1 2008, which creates a risk that the full allocation may not be committed by the end of commitment period on April 30, 2009.** According to the FMO *“a very large share of the remaining commitment work is also done through the calls, the ongoing selection process and appraisal work. The donors have committed some 40-50 projects per month in the second quarter of 2008 and this is continuing at high speed. The commitment figure after the second quarter of 2008 will be around EUR 700 million which is 56 percent of the net amounts.”*<sup>37</sup> This leaves nine months to commit about EUR 540 million (on average EUR 180 million should be committed each quarter). Risk remains that funds will not be fully committed.

**The appraisal system seems to have been designed with the goal of strong controls and quality assurance, however there is a trade-off between these two and process efficiency.** It is debatable whether this process, in effect, increases donors' control and whether it increases quality of projects proportionally to the expended resources. Introduction of strong controls at the selection level is not the most efficient; the resources would be better spent for ongoing supervision and monitoring of project. Observations during in-country interviews and the responses from the surveys indicate differences in opinion between the donors and the country representatives regarding whether the donor appraisal adds value to the process. The FMO postulates that *“without FMO's appraisal and the clarifications, as well as project modifications including the project development that takes place during and as a consequence of the appraisal, [project] rejection rates would have been much higher”*.<sup>38</sup> In contrast, the country stakeholders, consistently report, little or no value added from the process. However, it was also reported that the FMO appraisal would add more value, if it had better integration with the country evaluation processes. There is a need to shift the balance between perceived donor control and approval efficiency and this may be possible without sacrificing much value added.

**The dual selection process at the country and FMO level is inefficient and results in an array of financial and non-financial opportunity costs.** Initial project selections lasted up to two years, during which the parameters of projects changed, sometimes dramatically, e.g. local prices increased leading to project underfunding, Euro depreciated vis-à-vis some of the local currencies, effectively changing the purchasing power of awarded grants; co-financing from public budgets was lost or had to be re-budgeted after the end of fiscal year; construction and other permits expired). In some cases, this resulted in beneficiaries' withdrawal from the process, in other cases the beneficiaries had to bear the burden of the additional financial and administrative costs, either through finding additional resources or by limiting the scope of their projects. This, in turn, has caused additional delays, since restructuring of projects must undergo approval from donors. It is possible that beneficiaries may have anticipated delays and as such costed projects assuming inflationary environments or currency risks. See Figure 12.

**Costs of managing the program, including beneficiary government costs, are primarily financed through the mechanism itself.** Although countries are expected to cover some costs, they are eligible for support for additional work caused by operating the mechanism.<sup>39</sup> The fund management costs include: 4 percent of the total size of the mechanism used by the FMO, the technical assistance grant management fund which currently amounts to 3.8 percent of the total commitments, and an additional 2 percent of the net allocation which is made available for country support. Altogether the direct costs of implementing the mechanism is about 10 percent of the total amount available.

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37 Excerpt from FMO's comments on the first draft of this report

38 Excerpt from FMO's comments on the first draft of this report

39 Through the Technical Assistance Grant for Fund Management – total amount committed to all beneficiary states by Q1 2008 was EUR 21.6 million.

Figure 12: Financial and non-quantifiable opportunity costs of lengthy project appraisal process.<sup>40</sup>

Opportunity costs of lengthy project selection and appraisal	
<p><b>Non-Quantifiable Opportunity Costs:</b></p> <ul style="list-style-type: none"> <li>• Delayed impact of project interventions.</li> <li>• If financial costs are not compensated – projects' results will be lower than anticipated.</li> <li>• Increased risk of withdrawn projects.</li> <li>• Co-financing from public entities may be withdrawn as delays exceed budget year spans as this financing is provided for in annual government budgets (often at local level government).</li> <li>• Construction and environmental permits have expiry dates, they are costly and time-consuming to reapply for.</li> </ul>	<p><b>Financial Opportunity Costs:</b> <b>10-30% of project cost annually</b></p> <p>Financial costs stem from high inflation in the fixed exchange rate countries, and from currency appreciation in the floating currency countries. Inflation in the construction sector has been particularly high in both. These costs add up to between 10-30 percent of the project costs annually.</p> <p>The opportunity costs of an average review and approval time is about a year and may total hundreds of millions of Euro.</p>

**After the FMO makes its recommendation, projects are forwarded for approval to the donors. Donor approval of individual projects of this small size (EUR 1 million) is resource-intensive and unusual for comparable multilateral and bilateral programs.** There is also a no-objection from the Commission. So far only one project has been rejected by the commission. That approval process is now conducted in parallel with the FMO process. It seems that a more appropriate solution would be developing larger programs in collaboration with countries – these programs could be appraised and approved by donors – but decisions on individual activity support could best be taken by countries which are closer to the realities of the projects. Donors should take into account country review capacities in deciding on the selection model. In countries like Poland, where country-level appraisals are done very thoroughly and the project rejection rates are negligible, the additional level of appraisal may be unnecessary or simply too costly.

## 6.5 Project start-up delays

**Considerable time commences between grant signing and project start-up indicating challenges in commencing implementation at project level.** Based on the data from the 155 disbursing projects, the average time between grant signing and the first payment is 136 days. There is a significant difference in this average between the advance payment and regular payments. First disbursements which were classified as advance payments were paid out on average 84 days from the grant signing date while the first disbursements which were *regular payments* were paid out on average 233 days after the date of grant signing. It has been beyond scope of this report to analyze that issue in any depth but future work should seek to understand whether there are features of the mechanism itself that contributes to delays – or if support facilities should be established to help get projects started sooner.

## 6.6 Financial management and controls

**EEA/NFM financial management system is applied universally across all 15 beneficiary states, without adaptations or concern for country capacities and risks.** The system is a hybrid design of utilization of country systems and EEA/NFM project management system. National systems are used for certification of expenditures and financial transfers. In addition, project interim reports (PIR) with detailed expenditures are required by the donor from each project beneficiary. All individual projects are financed through reimbursements of incurred costs. The reimbursement is carried out through the national system upon a successful delivery of PIR. While some countries, like Poland, have introduced a system whereby they reimburse beneficiaries from the national budget before being reimbursed by the FMO, others simply forward the FMO reimbursement to project promoters.

<sup>40</sup> The financial opportunity costs have been estimated assuming all costs were calculated in year *n*. Further for year *n+1* the cost increases in local currencies have been estimated assuming inflation, as estimated by a weighted CPI and construction cost index in the countries, and appreciation of the currencies against the Euro. This differs between the countries but most have quite volatile macroeconomic conditions and the net result is a considerable annual cost-increase – by PwC calculations estimated to be between 10-30 percent annually. The lengthy approval process and the further delays in project startup compounds these costs. It is possible that beneficiaries may have anticipated delays and as such cost projects assuming inflationary environments or currency risks. That would reduce the negative impact on project implementation but is nevertheless an opportunity cost.

**The reimbursement model results in delays; to date only about 12 percent of the committed funds have been disbursed which amounts to 3 percent of the entire allocation** (see Figure 9). 97 percent or EUR 1.2 billion remains to be disbursed in the next three years before the program concludes. The disbursement of the Block Grants has proved to be more effective (due to advance payment structure) with average disbursement of 13 percent. While disbursement in itself is not an indicator of project progress, lack of disbursements and a lag between the signing of the grant agreement and the first payment (average of 233 days for regular payments)<sup>41</sup> creates a concern in regards to projects' timely completion and compounds the risk that the Fund will not meet the disbursement deadline. To assure success in disbursing the remaining funds, donors should consider: enhancing the capacity of the financial management system to help ensure delivery under full load, introducing more flexibility, and ensuring that "system procedure-driven" rigidity does not delay disbursements.

**The project management system used by the donors is reportedly too rigid and has caused delays in reporting and disbursement.** The system tracks all individual projects and requires quarterly or less frequent reports in order to provide any reimbursements. The reports are pre-populated with data by the FMO based on the initial estimates. Changes in project circumstances are particularly difficult to capture in the system in an efficient manner. In addition, the imposed reporting periods are reported by country stakeholders to be inflexible. In addition, there are inefficiencies in the beneficiary states' public financial management systems, which transfer into the mechanism. Since the national systems are unlikely to accommodate the EEA/NFM, mostly because of the small size of these grants relative to countries' GDPs and other ODA – it is the mechanism which should adjust its structure to utilize the national systems most efficiently. Currently, the reimbursement seems to be fairly efficient, however the levels of reimbursements are currently very low and there is a risk that the system may not perform under full load in the next three years.

**The existence of a project portfolio management system which monitors each of the individual projects concurrently with the beneficiary states' own public financial management systems, is inefficient and complicated, and shows little attempt to integrate with the latter.** A system which does not require transactions and forms to link project beneficiaries with the donors could be an alternative in this circumstance. Country systems can be used as intermediary systems and the donor system could manage the relations and transactions between the beneficiary country and the donor states. The individual projects should not be managed separately at the donor level. Donors should manage the program as a whole, with project-level management delegated to the beneficiary states.

**The existing model of portfolio management and the overenthusiastic controls were most likely induced as mitigation against possible political backlash in the donor states.** Mechanisms' contested establishment created a higher than normal need for control despite the fact that the institutional and fiduciary risks are significantly lower in the new member states than in higher risk and lower capacity countries which receive most of the Norwegian ODA. The existing setup shows an unrealistic view of what additional controls are provided in addition to the beneficiary states' conducted checks. For example, in Poland, original invoices for all payments under national budgets are reviewed three times at three different entities and any additional donor checks provide very little additionality in terms of reducing fiduciary risk. While it may be argued that the quality and capacity of national systems differs between the beneficiary states, it must be noted that all of them have implemented the acquis and were found to be qualified to manage substantially larger funds from EU programs.

**Beneficiary stakeholders indicate that donors approach to controls provides little additionality and that better controls could be achieved through supporting national control and fiduciary systems.** The approach to programming and fiduciary risk management in other development programs is typically much more systemic and strategic – in accordance with established practices in later generations of EU structural funds and OECD standards for effective aid programs. If the need for control is found to weigh more heavily than concerns about efficiency and lack of additionally - donors could consider a more diversified approach where assessments of country or project specific risks determined

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<sup>41</sup> We have not analyzed the reasons for delays in the first payment, they may be due to delays in the project start-up or indicate inefficiency of the disbursement system.

different financial management and reimbursement arrangements. This is common in other multilateral or bilateral aid programs.

## 6.7 Monitoring and evaluation

**Each project supported under the EEA/NFM mechanism has an ‘overall objective’ and a ‘purpose’ with corresponding indicators and targets which are reported on by the national focal points and monitored by the FMO.** The progress towards results indicators for each single project is reported each quarter or less frequently as it is associated with each claim for reimbursement. The FMO monitoring system is designed to identify projects at risk and report slippage, however it is unclear whether this information is actionable and if there are appropriate mechanisms established to effectively manage risks, especially taking into consideration the high number of projects.

**Both the FMO and the countries conduct project monitoring on site.** According to the mechanisms’ rules and procedures, the beneficiary states have the main responsibility for monitoring. The Project Implementation Plans (PIPs), the Project Interim Reports (PIRs) and the Project Completion Reports (PCRs) are the mandatory parts of monitoring with at least annual reports on indicator progress both on result and purpose level, as well as the cross-cutting objectives’ progress. FMO’s monitoring is carried out on an ad hoc basis, covering about 10 percent of the projects. Monitoring plans of the national authorities and of the FMO are shared at the beginning of each year to ensure there is no double monitoring. Any regular FMO monitoring visits are coordinated directly with the focal points in order to avoid overlaps. The ad hoc monitoring is another donor effort towards improving controls, however it seems that the FMO is not the best placed to conduct supervision and that the task could be fully delegated to beneficiary countries in order to avoid unnecessary costs and delays.

**There is no monitoring of progress towards objectives at overall program level or beneficiary state priority sector level.** This is due to the lack of measurable objectives, indicators and targets at these two levels. Due to the fragmentation of objectives, and the number of funded projects, it will be difficult to present an aggregate and meaningful summary of the results, beyond the disbursement data.

## 6.8 Requirements of Norwegian public financial management regulations and auditor general reviews

**Requirements of the Norwegian Public Financial Management Regulations (NPFM)<sup>42</sup> have an impact on program design and efficiency.** It is beyond the scope of this review to analyze the full extent and depth of adherence to the regulations but it is recommended that these issues are carefully reviewed prior to establishing new mechanisms. The study will not assess all regulatory requirements but point out key areas where there is need for change in order to improve compliance.

**The NPFM regulations are applicable to all aspects of the EEA and NFM grant schemes except for particular requirements of publicity, application procedures and grant award letters.** In addition the Norwegian Office of the Auditor General (OAG) has assessed several other official development schemes and provided further guidance to applicability of the regulations in the context of bilateral and multilateral grant schemes. These assessments have informed this study but a full presentation of the issues is not shown.

### Issues of particular relevance include:

**Definition of Objectives and Measurement of Results:** The NPFM requires establishment of objectives and progress monitoring, which includes determination of precise criteria which will measure success as set out by the Parliament. Work from the OAG has underscored the significance of this requirement and the need to report back to Parliament with relevant information about the application of the resources and the results achieved. There is considerable scope for improvement in the definition of objectives and their measurements at the level of the EEA/NFM program, as well as strengthening the linkages between the program and project objectives. While progress in the individual projects is measured, there is no mechanism to aggregate those indicators so that program level progress can be determined.

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<sup>42</sup> Reglement for økonomistyring i staten. Det relevante er Reglementetets §§15-16, og de utfyllende bestemmelsen i Kapittel 6, “Forvaltning of tilskuddsordninger”. (Chapter 6: Administration of Grants Schemes)



In a large portfolio of projects (estimated between 800-1000 projects at program end) it is of key importance to be able to aggregate information to allow for determination of program level progress.

**Appropriateness of Financial Management, Disbursements and Controls:** The elaborateness of EEA/NFM systems seems to meet the NPFM requirements. Internal controls at country level vary but are generally considered robust enough for management of EU funds. In fact, the EU regulations seem to leave room for more flexibility in financial management of funds, than what is currently implemented by the EEA/NFM (this issue is elaborated on in section 6.4). The OAG has in reviews of other mechanism found a range of different mechanism acceptable.

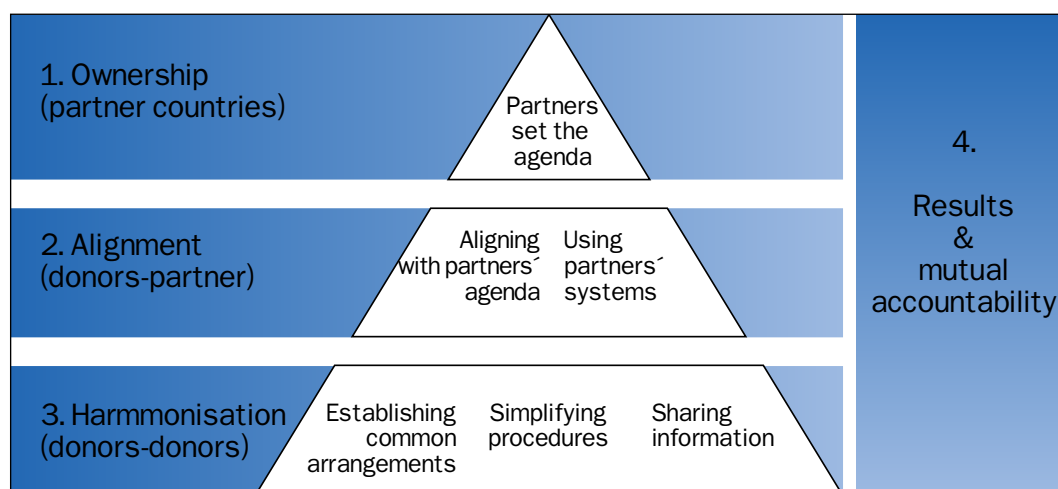
**Importance of conducting risk assessments to establish appropriate parameters for interventions:** Risk management principles are often considered to an underlying principle of the financial management guidelines while not an explicit requirement of the NPFM, risk assessment has been emphasized by the OAG. Risk assessment systems seem mainly absent from the programming and the monitoring phases. Proper risk analysis and developing mitigation measures would necessarily be country or project specific and the result could be greater variation in financial management modalities depending upon country and project circumstance.

## 6.9 Comparative analysis of the model with respect to best practices

**There is much accumulated global experience and knowledge about how to design and organize bilateral and multilateral support programs to help ensure that they reach their targets in a low cost manner.** Much of the global development assistance, including EU funded support schemes for new member states, have been the subject of studies, evaluation and assessments over the years. This section will briefly present an overview of key principles stemming from two such processes:

- (i) EU Regional Policy Programs Funds for 2007-2013, whose implementation principles have been developed over generations of instruments. This is particular relevant as New Member States qualify for these instruments.
- (ii) Paris Declaration on Aid Effectiveness: On 2 March 2005 over one hundred donors and developing countries agreed in Paris to undertake some landmark reforms in the way they do business together. The principles are developed based upon extensive research and analysis of many years of development aid programming and implementation. The figure below summarizes the key principles developed.

Figure 12 Aid Effectiveness Pyramid



Source: OECD/DAC 2006

A detailed comparison of these two best-practice models with the EEA/NFM programs is presented in annex 5. The approaches are compared across the key stages of the project cycle.

**Upon comparison, the EEA/NFM programs differ with these models of best practice on three key issues of design principles:**

**Adherence to principles of additionality and proportionality are key and defining for the design of the other approaches and these principles do not seem to have been of as much importance when developing the EEA/NFM programs.** As such, the EEA/NFM programs have considerable duplicity of functions. Donor involvement in implementation appears extensive with little additionality. There are considerable costs associated with the donor involvement and not enough value added to justify those added costs. It is advised the future financial mechanism more consistently apply principles of additionality and proportionality in the design of implementation frameworks.

**The other two approaches advocate more consistent use of country implementation systems and capacities.** This is usually preceded with risk assessments and programs to support or strengthen the government systems if required. The EEA/NFM systems do use government capacity, but adds a layer of donor specific rules and regulations which are quite detailed and prescriptive – as such they add additional systems on-top of Government procedures although there does not appear to be much value-added. It is advised that the EEA/NFM mechanism base the implementation entirely on country systems to the extent appropriate based upon assessments of risks and capacities of country systems. The donors may consider utilizing existing risk and capacity assessment conducted by other partners.

**Donor specific implementation systems, which require countries to establish parallel systems, are generally seen as inefficient and at odds with recent development within the EU and in aid programs more generally.** Use of national systems and policies is generally thought to not only be more efficient but also improve ownership and sustainability of interventions.

**Integration into national planning frameworks is a defining principle of both the other two mechanisms and this seem to be less rigorously applied in the EEA/NFM mechanism.** It is advised that processes to ensure integration into national development frameworks are given stronger significance in future programming.

## **6.10 Findings**

- Considerable time occurred from signing of multi- and bilateral MoUs until implementation processes were developed by the mechanisms and these delays were partly attributed to differences in administrative cultures.
- The existence of guidelines at nearly all levels of implementation process is in itself rigid and prescriptive as compared to other external financing instruments in the region, which rely more extensively on countries' own systems and procedures.
- Weak operationalization of politically generated objectives, programming frameworks, selection and monitoring mechanisms have contributed to poor rationalization and prioritization.
- Broad eligibility has encouraged untraditional grant recipients and contributed to high demand. Award levels are effective in reaching beneficiaries which would otherwise not have funding. The resulting smaller number of projects is more costly to select, evaluate and monitor - but there is little alternative if such projects and beneficiaries are to be reached.
- The FMO review time has improved overtime but it is, nonetheless, a lengthy process which is repetitive of the process at the country level.
- It is uncertain whether the donor-stage review has value added in terms of controls and quality assurance and whether it is the most cost-effective way of obtaining them.
- The two stage selection-appraisal process, in addition to the donor decision on individual projects seems overly expensive and provides too few benefits to justify the costs.
- Lack of clarity of expectations about beneficiaries' abilities to develop operational programs and to prioritize and adapt the program is warranted. There is reported uncertainty and inconsistency in how this beneficiary responsibility was applied in the process.
- There is a considerable risk that the disbursement system may become overloaded, as 97 percent of the funds remain to be disbursed over the next three years.

### 6.11 Recommendations

- Differences in administrative cultures and systems between donor and beneficiary states are to be expected and should be considered in the initial program design.
- There is a need for a better focus and more strategic consideration in establishing the implementing structure including procedures and rules. Such considerations include: (i) Adopting principles of subsidiarity<sup>43</sup>, (ii) Diversified approaches based on country and project risk assessments; and (iii) Different modalities, e.g. programmatic approach, where a program (comprised of several projects) is appraised ex-ante.
- Better operationalization of objectives, programming frameworks, selection and monitoring mechanisms could contribute to rationalizing and prioritizing some of the apparent breakdowns in design and operational inefficiencies.
- Utilizing more streamlined implementation processes should be considered in order to improve program's visibility and recognition in the beneficiary countries.
- Donors and countries may consider reducing the number of eligible beneficiaries in order to improve the focus and manageability of the program.
- To assure success in disbursing the remaining funds, donors should consider: enhancing the capacity of the Financial Management system to help ensure delivery under full load, introducing more flexibility and ensuring that "system procedure-driven" rigidity does not delay disbursements.
- Development and monitoring of program level objectives should be conducted in the next program.
- Mechanisms to identify, manage and monitor projects at risk should be considered.
- Duplication of monitoring between countries and FMO should be eliminated, possibly through transferring the responsibility to countries.
- The design balance between controls, quality assurance and efficiency should draw from the principles and practices of the global aid programming and EU structural funds.
- Models and best practices to consider for the future would include the Polish Operational Program, and the NGO programs in scaled up versions.

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<sup>43</sup> *Subsidiarity* means that a given system level should be responsible only for those functions that cannot be performed effectively by lower system levels.

## 7 Sustainability: to what extent are the benefits of the program expected to continue after donor funding ceases

By OECD evaluation standards *Sustainability* is defined as “*the extent to which the benefits of an activity are likely to continue after the donor funding has been withdrawn*”. Taking into consideration that the program has disbursed only about 3 percent of the total allocation, as well as the fragmentation of the program, it is difficult to analyze the expected sustainability of the program. The analysis in this chapter will, therefore, cover whether there are sufficient conditions and mechanisms in place to ensure program sustainability.

### 7.1 Mechanisms in place to ensure financial sustainability of projects and the capacity of project promoter

**The financial sustainability of project implementation, or rationale of the budget, as well as the capacity of project promoters in implementing the project, have a big impact on the successful completion of projects and the probability of their sustainability.** These two factors are reportedly evaluated during the country-level selection process. The countries prioritize projects which show sufficient capacities, including human capital and adequate experience. In addition, countries award points for projects which demonstrate that the project will be continued after the funding from EEA/NFM ceases.

### 7.2 Level of financial and conceptual ownership

**Co-financing levels are considered quite low, have encouraged a larger number of applicants and may lead to challenges with sustainability.** Co-financing requirements range between 10-40 percent of total project cost. The 40 percent level has only been required in few of the awarded projects. Most receive about 80-90 percent co-financing with the higher co-financing levels found particularly within the NGO funds. The low co-financing requirements may have encouraged larger number of applicants and this has strained the capacity of the selection process. Low levels of co-financing are generally seen as an indicator of poor absorptive capacity or ownership from project beneficiaries. It is too early to tell whether these effects will be seen in this program, but there is a risk.

**The level of conceptual ownership, i.e. strong rationale for conducting the project is indicative of its sustainability.** An example of this appears in Poland. After most projects in the Protection of European Cultural Heritage became underfunded due to currency fluctuations and inflation, the Ministry of Culture has absorbed these costs and indicated that these projects generally fit into their long-term strategy and framework; therefore they would not become withdrawn or limited in scope. There is however, great variability in the level of conceptual ownership both within and across countries.

### 7.3 Findings

- There is a risk that co-financing requirements are too low to promote sustainability of funded projects. Sustainability and ownership of projects should be monitored closely throughout implementation to enable the donor and countries to assess whether these levels are appropriate.
- The countries prioritize projects which show sufficient capacities, including human capital and adequate experience. In addition, countries award points for projects which demonstrate that the project will be continued after the funding from EEA/NFM ceases.
- There is a risk that co-financing requirements are too low to promote sustainability of funded projects.

- Co-financing levels, considered to be quite low, have encouraged a larger number of applicants and may lead to challenges with sustainability. Co-financing requirements range between 10-40 percent of total project cost.
- The level of conceptual ownership, i.e. strong rationale for conducting the project, is indicative of its sustainability and has appeared on project level.

#### **7.4 Recommendations**

Sustainability and ownership of projects should be monitored closely throughout implementation to enable the donor and countries to assess whether these levels are appropriate.

## 8 Findings and recommendations

### Key findings and recommendations

#### *Key overall findings*

**The program has been welcomed very enthusiastically by the beneficiaries and the demonstrated in-country demand is high.** The modalities of the program have allowed for support to a number of beneficiaries and projects which are traditionally perceived as too small to obtain financing and which have demonstrated financing gaps. Block grant support, which was made available for NGOs, appears to be particularly successful and well received. A capable implementation system, on the managerial and country level, with skilled and experienced staff has been established. There is considerable implementation capacity in the countries, however the fund further contributes to in-country capacity building. The fund has a high visibility in the beneficiary countries, which has encouraged bilateral cooperation with the donor states. The mechanism shows high degree of willingness to learn from experiences and improve the program accordingly, as evidenced by the extent of reviews.<sup>44</sup>

**Despite some successes, there are considerable inefficiencies in implementation, which have led to significant delays.** Direct financial opportunity cost of delays amounts to 10-30 percent of total program cost. Inefficiencies are caused by replication of tasks, especially at appraisal, monitoring and control stages. The donor replication of tasks at the country level adds little value in terms of quality and control. The negligible added value from such replication does not justify associated high costs of replication. There is no systematic approach in determining country capacities and developing implementation modalities that match them.

**Objectives at program level are vaguely defined and are not supported by indicators and targets.** This has negatively impacted prioritization, operationalization, implementation and the ability to monitor performance at program level. Although robust monitoring systems are in existence at project level, they are decoupled from the program level.

**The most successful implementation modality appears to be the block grants and programs.** In contrast to individual projects these are based upon a programmatic approach. Each program includes clear prioritization, objectives and targets and design is further elaborated and implemented by intermediaries.

**Timely accomplishment of disbursement objectives is at risk due to delays in initial implementation.** Delays necessitated change in project parameters with subsequent needs for restructuring. Rigidity in control and reporting systems further compounds this risk. Only three percent of total funds have been disbursed by Q1 2008.

#### *Key Recommendations*

For the remainder of the programming period:

- There is a need to devote resources to ensuring timely commitment of the outstanding amount, and a speedy disbursement of the remaining 97 percent of the allocation.
- There is a need to develop program level indicators to ensure compliance with the reporting requirements of the Norwegian Public Financial Management regulations.
- Some administrative procedures could be simplified and/or merged (e.g. requests for confirming activities and indicators could be merged with requests for updating contacts and project schedules).

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<sup>44</sup> There have been three regional reports and two country specific reports (Poland and Estonia) commissioned by the mechanism.

For future programming:

- There is a need to establish clear objectives, indicators and targets at the program level and ensure sufficient linkages with country programs and with individual projects.
- Future financial mechanism should apply the principles of additionality and proportionality in order to avoid donor replication of country processes when adequate capacity exists at country level. The donors may consider using existing risk and capacity assessment conducted by other partners.
- The donors should consider adopting a programmatic approach where programs and their objectives and targets would be negotiated bilaterally with beneficiary states. The implementation could rely on country systems where sufficient capacity exists, with countries responsible for financial management and monitoring, as is customary in EU regional policy. The beneficiaries would be accountable for results and reporting to donors. Such an approach would realize significant efficiency gains, sacrifice little in terms of quality and control, and contribute to more country-level ownership; and ultimately better promote the objectives of lowering social and economic disparities in EEA.

### **Strategic relevance of the program**

By OECD evaluation standards *Relevance* is defined as “*the extent to which the program is suited to the priorities and policies of the target group, recipient and donor*”.

Per client’s request relevance was not analyzed in depth, however, it is recommended that the following issues be further examined before a new program is designed:

#### *Key findings*

- The priority sectors are too numerous and dispersed and their choice lack an articulated rationale and demonstration of relevance to country needs and strategy. Real demand became apparent during the open calls.
- There is a disconnect between the Priority Sectors and other donor assistance, as indicated by the fact that the funding in some sectors is complementary and in others, supplemental to the existing donor funds.
- The focus areas selected by the beneficiaries have improved the relevance of the program through focusing on priorities within each sector.
- Individual projects demonstrate linkages with national, regional and EU strategies.
- There was a lack of clarity regarding whether projects needed to demonstrate linkages with certain objectives and focus areas.
- There are no apparent intentional links between the project objectives and the overall program objective.

#### *Recommendations*

- The priority sectors and objectives should be reduced and better aligned with the country priorities.
- There should be improved coordination with other funding from national or external sources.
- The focus areas should be strengthened and better defined. A better strategic focus could bring about higher efficiency and effectiveness, as well as stronger strategic results.
- There should be better clarity in terms of the donors’ expectations in regards to the linkages between the objectives and the individual projects.

### **Effectiveness – Will the program reach its objectives?**

By OECD evaluation standards Effectiveness is defined as “*the extent to which an activity attains its objectives*”. For the purposes of this study, attention was also required to issues of clarity in objectives and indicators, as well as on whether there was appropriate operationalization of objectives.

#### *Key findings*

- There is a lack of clearly defined objectives, indicators and benchmarks at the level of overall EEA/NFM goal of *decreasing social and economic disparities in EEA*, as well as the level of priority sectors, focus areas and the cross-cutting and bilateral partnerships

objectives. Lack of predefined objectives, indicators and targets strongly constrain efficiency and measurement of effectiveness.

- Indicators and benchmarks appear only at the individual project level, but there is an apparent disconnect between them and the program level objectives due to the latter's poor definition.
- There is a lack of clarity in regards to how the overall program, priority sectors, and individual projects are linked in terms of objectives.
- Project selection and prioritization at country level promoted projects which demonstrated links to the overall objective of improving social and economic disparities in EEA; although the provision and application of these rules appear inconsistent.
- The low application amount thresholds and low co-financing requirements had the possibly unintended impact of encouraging projects with limited access to other financing.
- There has been greatly demonstrated demand in all of the beneficiary states for the EEA/NFM funds. The program has achieved great visibility and has contributed to building bilateral partnerships.
- The cross-cutting objectives of good governance, sustainable development and gender equality appear not to have been mainstreamed in the program, with the exception of the NGO funds which had these objectives operationalized in their design.
- Although the commitments and disbursements are at low levels in the fourth year of implementation (43 percent and 3 percent, respectively), the efficiency of commitment and disbursement has improved steadily over the past year and a half, but risk remains that resources will not be committed and in particular that they will not be disbursed by program closing.
- Provided the low disbursement ration there is considerable risk that the program will be able to disburse the resources required to reach the objectives.
- The delays in the implementation on the level of commitments and disbursements have had a negative impact on program effectiveness. Despite the delays in establishing the mechanism, at present there is a capable management system in place to successfully implement the EEA/NFM program.

### *Recommendations*

Clearly defined objectives, indicators and benchmarks should be introduced on the priority sector level for each country.

Stronger and more direct linkages between the overall program, priority sectors and individual projects should be introduced.

There should be better operationalization and clearer expectations and guidelines from the donors on the overall goal or reducing social and economic disparities in EEA, as well as the cross-cutting objectives.

### **Efficiency in implementation of the program**

By OECD evaluation standards Efficiency is defined as “*measures of the outputs - qualitative and quantitative – in relation to the inputs. It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted*”. For the purposes of this evaluation efficiency in implementation of the mechanism has been the focus.

### *Key findings*

- Considerable time occurred from signing of multi- and bilateral MoUs until implementation processes were developed by the mechanisms, and these delays were partly attributed to differences in administrative cultures.
- The existence of guidelines at nearly all levels of implementation process is in itself rigid and prescriptive as compared to other external financing instruments in the region, which rely more extensively on countries' own systems and procedures.
- Weak operationalization of politically generated objectives, programming frameworks, selection and monitoring mechanisms have contributed to poor rationalization and prioritization.



- Broad eligibility has encouraged untraditional grant recipients and contributed to high demand. Award levels are effective in reaching beneficiaries which would otherwise not have funding. The resulting smaller number of projects is more costly to select, evaluate and monitor - but there is little alternative if such projects and beneficiaries are to be reached.
- The FMO review time has improved overtime but it is, nonetheless, a lengthy process which is repetitive of the process at the country level.
- It is uncertain whether the donor-stage review has value added in terms of controls and quality assurance and whether it is the most cost-effective way of obtaining them.
- The two stage selection-appraisal process, in addition to the donor decision on individual projects seems overly expensive and provides too few benefits to justify the costs.
- Lack of clarity of expectations about beneficiaries' abilities to develop operational programs and to prioritize and adapt the program is warranted. There is reported uncertainty and inconsistency in how this beneficiary responsibility was applied in the process.
- There is a considerable risk that the disbursement system may become overloaded, as 97 percent of the funds remain to be disbursed over the next three years.

### *Recommendations*

- Differences in administrative cultures and systems between donor and beneficiary states are to be expected and should be considered in the initial program design.
- There is a need for a better focus and more strategic consideration in establishing the implementing structure, including procedures and rules. Such considerations include: (i) Adopting principles of subsidiarity<sup>45</sup>, (ii) Diversified approaches based on country and project risk assessments; and (iii) Different modalities, e.g. programmatic approach, where a program (comprised of several projects) is appraised ex-ante.
- Better operationalization of objectives, programming frameworks, selection and monitoring mechanisms could contribute to rationalizing and prioritizing some of the apparent breakdowns in design and operational inefficiencies.
- Utilizing more streamlined implementation processes should be considered in order to improve program's visibility and recognition in the beneficiary countries.
- Donors and countries may consider reducing the number of eligible beneficiaries in order to improve the focus and manageability of the program.
- To assure success in disbursing the remaining funds, donors should consider: enhancing the capacity of the financial management system to help ensure delivery under full load, introducing more flexibility and ensuring that "system procedure-driven" rigidity does not delay disbursements.
- Development and monitoring of program level objectives should be conducted in the next program.
- Mechanisms to identify, manage and monitor projects at risk should be considered.
- Duplication of monitoring between countries and FMO should be eliminated, possibly through transferring the responsibility to countries.
- The design balance between controls, quality assurance and efficiency should draw from the principles and practices of the global aid programming and EU structural funds.
- Models and best practices to consider for the future would include the Polish Operational Program, and the NGO programs in scaled up versions.

### **Sustainability – extent to which the benefits of the program are expected to continue after the donor funding ceases**

By OECD evaluation standards *Sustainability* is defined as "the extent to which the benefits of an activity are likely to continue after the donor funding has been withdrawn". Taking into consideration that the program has disbursed only about 3 percent of the total allocation, as well as the fragmentation of the program, it is difficult to analyze the expected sustainability of the program. The analysis in chapter 5 will, therefore, cover whether there are sufficient conditions and mechanisms in place to ensure program sustainability.

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<sup>45</sup> *Subsidiarity* means that a given system level should be responsible only for those functions that cannot be performed effectively by lower system levels.

### *Key findings*

- There is a risk that co-financing requirements are too low to promote sustainability of funded projects. Sustainability and ownership of projects should be monitored closely throughout implementation to enable the donor and countries to assess whether these levels are appropriate.
- The countries prioritize projects which show sufficient capacities, including human capital and adequate experience. In addition, countries award points for projects which demonstrate that the project will be continued after the funding from EEA/NFM ceases.
- There is a risk that co-financing requirements are too low to promote sustainability of funded projects.
- Co-financing levels, considered to be quite low, have encouraged a larger number of applicants and may lead to challenges with sustainability. Co-financing requirements range between 10-40 percent of total project cost.
- The level of conceptual ownership, i.e. strong rationale for conducting the project, is indicative of its sustainability. Such rationale has appeared on project level.

### *Recommendations*

- Sustainability and ownership of projects should be monitored closely throughout implementation to enable the donor and countries to assess whether these levels are appropriate.

# Annex 1 – Terms of reference

## 1 Background

The EEA/Norway Grants<sup>46</sup> represent the contribution of the three EEA/EFTA<sup>47</sup> states towards reducing the social and economic disparities in the European Economic Area. Over a five year period (2004-2009) Norway will make a total of €1.27 billion available for grant assistance to 15 beneficiary states in Central and Southern Europe. The grants also aim to strengthen the political, social and economic ties between the donor and the beneficiary states.

The implementation of the EEA/Norway Grants is based on close cooperation between the donor states and the beneficiary states, with the Financial Mechanism Office (FMO) in Brussels acting as a day-to-day secretariat for the donor side. Grants are offered to support projects<sup>48</sup> in the beneficiary states. The FMO is responsible for the appraisal and grant recommendation on behalf of the donor states, which make the grant decisions. The European Commission has a responsibility in screening the applications forwarded by the FMO for their compatibility with Community objectives.

Priority sectors and administrative set up in the specific beneficiary country is defined by a Memorandum of Understanding (MoU)<sup>49</sup>. Examples of priority sectors agreed upon in the MoUs include environment and sustainable development, cultural heritage, health and children, and these may vary across the beneficiary states. Since 2004 the Norwegian Ministry of Foreign Affairs (NMFA) has signed 27 MoUs with 15 countries, being the 12 new member states as well as Greece, Portugal and Spain.<sup>50</sup>

The implementation of the EEA/Norway Grants is now in its fourth year. By the end of 2007, a total of 370 projects had been approved and this number is constantly increasing. It is expected that a total of 1,000-1,200 projects will have been approved by the end of the commitment period, i.e. 30 April 2009.

## 2 Purpose of the Evaluation

The **main purpose** of this evaluation is to provide NMFA and the FMO with information that is relevant for the implementation of the current grants and for future programming of the same. This is primarily a formative evaluation, and it shall contribute to the learning process in NMFA. The evaluation shall contribute to enhancement of the capacity of the Ministry by contributing to rational, coherent decision making in implementation and design of its EEA cooperation programmes in general, and the Financial Mechanisms in particular. The primary users of the evaluation will be NMFA and FMO.

This shall be a comprehensive evaluation of the EEA/Norway Grants, based upon the following **four evaluation criteria**:

- Assess the **relevance** of the EEA/Norway supported projects with respect to priorities stated in the MoUs. Identify the key areas where grants have been made and, where possible, assess to what extent the awarded projects have mainstreamed cross-cutting issues such as gender, good governance and environment.
- An assessment of the **effectiveness** in terms of perceived results with respect to the achievement of the objectives of the EEA/Norway Grants in the foreseeable future. The assessment shall be comparative across actors and forms of support. There are three main actors, namely public sector, private sector and civil society, and three main forms of

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46 The EEA Financial Mechanism (2004-2009) and the Norwegian Financial Mechanism (2004-2009).

47 Iceland, Liechtenstein and Norway

48 The term "project" covers a variety of initiatives ranging from individual projects to programmes and block grants.

49 All MoUs can be downloaded from [www.eeagrants.org](http://www.eeagrants.org).

50 The MoUs include Rumania and Bulgaria, but since the implementation of these has not started yet the two countries will only be covered when looking at relevance as an evaluation criteria.

support (individual projects, programmes and block grants). In particular one should identify the distribution of grants across actors and forms of support. It is important to assess the impact of the grants from both mechanisms on the bilateral relations between Norway and the recipient countries. Both intended and unintended benefits should be identified as far as possible.

- Assess to what extent the financial mechanisms are **efficient**, i.e. to what extent the current organisation model is converting the available resources in a low cost manner into intended results. Assess, where possible, the comparative advantage of the different actors with respect to different forms of support. Discuss any lower-cost options that can achieve similar results while satisfying the necessary requirements as laid down in Norwegian Financial Management Regulations<sup>51</sup>. Addressing these issues requires assessment of the financial mechanism process, organisation management, monitoring systems, as well as the performance and constraints at all levels, i.e. NMFA, FMO, EU, partner country authorities and the main actors involved in the different forms of support.
- Assess the **sustainability** of the grants; in other words the extent to which the grants are likely to create ownership and impacts that will be preserved over time without EEA/Norway Grants. This requires assessment of ownership and participation in design and implementation of the projects, and also an assessment of the capacity of the relevant parties to take full advantage of the benefits of the grants. In cases where capacity is lacking, identify the extent the grant mechanisms can be supplemented by specific provisions for developing and strengthening capacity of the recipients.

Furthermore the evaluation shall identify key lessons that are relevant for current operations and future programming of the financial mechanisms in terms of the above criteria and overall objectives of the financial mechanisms.

### 3 Scope of Work

The evaluation shall cover all 15 countries with which Norway has signed MoUs for the EEA/Norway Grants. However, three countries have been selected for in-depth studies of the implementation of the grant mechanisms, namely Poland, Estonia, and the Czech Republic. Poland represents the largest recipient of the 15 countries, receiving almost half of the funding. Estonia is important given the strong existing relations between Norway and the countries in the three Baltic States. The Czech Republic represents the first country to launch the financial mechanisms and therefore has extensive experience with these grants. The evaluation will focus on the time period from the initiation of the grants (2004) until the end of 2007.

At the moment, two other reviews are being carried out in parallel to this evaluation. One review focuses on internal processes, particularly the selection process and the dialogue between the main parties. The countries selected for this review are Latvia, Slovakia and Hungary, and the report is expected to be finalised by the end of first quarter 2008. The other review looks at the bilateral partnerships between Norway and the beneficiary states. Approximately 15 per cent of the approved projects have some kind of partnership with a Norwegian institution, and this review, which is due about the same time as the first review, will pay special attention to Latvia, Poland and the Czech Republic. In addition, a review of the administration of the grant mechanisms was conducted by Statskonsult in 2007. All these studies cover specific parts of the grant mechanisms. However, the planned evaluation shall be more comprehensive in its scope while drawing upon these other reviews wherever relevant.

### 4 Evaluation Questions

The evaluation shall address a set of **key evaluation questions**. These questions shall give more precise and accessible form to the evaluation criteria outlined above, and articulate the key issues of concern to the stakeholders, thus optimising the focus and utility of evaluation.

The questions (a maximum of 10) shall be proposed by the tenderer in the technical proposal. For each proposed evaluation question, at least one judgement criterion and a suitable quantitative or qualitative indicator will be specified, followed by scope and method for data collection.

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<sup>51</sup> Statens økonomistyringsreglement.

The evaluation questions shall then be further elaborated in the inception phase of this evaluation. The questions will be based upon the reconstruction of the program logic in consultation with the NMFA. The evaluation questions will be discussed with the Evaluation Department (EVAL) and validated by the reference group. The questions shall, in addition to shedding light on the specific issues, also assist evaluators to produce an overall assessment and provide detailed and operational recommendations for future programming.

## 5 Evaluation Team

All members of the evaluation team are expected to have relevant academic qualifications and evaluation experience. In addition, it is desirable that the evaluation team covers the following competencies:

Competence	Team Leader	At least one member
Academic	Higher relevant degree	
Discipline	Relevant discipline	Economics, Public Administration
Evaluation	Leading multi disciplinary evaluations	
Sector	Financial Grants Mechanisms	Environment, Health, Human Resources Development
European Integration	Yes	Yes
Country/region	EU	Central Europe
Other		
Language fluency		
English	Written, Reading, Spoken	
Norwegian		Reading
Other		Case country

The composition of the evaluation team should as far as possible, reflect a balance between international consultants and national consultants from the case countries.

## 6 Budget and Deliverables

- The project is **budgeted** with a maximum input of **22 person weeks**. The **deliverables** in the consultancy consist of the following outputs:
- Work-in-progress reporting **workshops** (maximum 2) in Oslo, arranged by EVAL on need basis.
- **Inception Report** not exceeding 15 pages shall be prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Reports* of this document. It will be discussed with the team and the reference group before approval by EVAL.
- **Draft Final Report** for feedback from the reference group, stakeholders and EVAL. The feedback will include comments on structure, facts, content, and conclusions.
- **Final Evaluation Report** prepared in accordance with EVAL's guidelines given in *Annex A-3 Guidelines for Report* of this document.
- **Seminar for dissemination** of the final report in Oslo or in the case countries, to be arranged by EVAL. Direct travel-cost related to dissemination in the case countries will be covered separately by EVAL on need basis, and are not included in the budget.

All presentations and reports are to be submitted in electronic form in accordance with the deadlines set in the time-schedule specified under *Section 2 Administrative Conditions in Part 1 Tender specification* of this document. EVAL retains the sole rights with respect to **distribution, dissemination and publication** of the deliverables.

## Annex 2 – List of interviewed stakeholders

### **Norwegian Ministry of Foreign Affairs (NMFA), Oslo:**

- Anders Erdal, Director, Department for European Affairs and Trade Policy
- Steinar Hagen, (*Deputy Director General*), Section for Central Europe and EEA Financial Mechanism
- Ingrid Schulerud, (*Senior Advisor*), Section for Central Europe and EEA Financial Mechanism

### **Financial Mechanism Office (FMO), Brussels:**

- Ms. Stine Andresen, Director, FMO
- Mr. Norman Weisz, Head of Priority sector coordination
- Mr. Kurt Haugen, Head of Finance and Controlling
- Mr. Pawel Krzeczunowicz, Head of Country Office Coordination
- Mr. Hjörtur Bragi Sverrisson, Head of Legal Affairs
- Ms. Laura Harjapaa, Secretary to the Financial Mechanism Committee
- Mr. Matus Minarik, Country Portfolio Officer, Poland

### **Poland:**

- Ms. Malgorzata Wierzbicka, Head, National Focal Point
- Ms. Malgorzata Zalewska, Deputy Head, National Focal Point
- Ms. Urszula Demidziuk, Head Operational Unit, National Focal Point
- Ms. Anna Wlodarczyk, Head Appraisal Unit, National Focal Point
- Ms. Justyna Krawczyk, Head of Monitoring/Financial Issues unit, National Focal Point
- Ms. Monika Smolen, Under-secretary of State, Ministry of Culture and National Heritage
- Ms. Karolina Tylus-Sowa, Head of Department, Ministry of Culture and National Heritage
- Mr. Wojciech Kwiatkowski, Ministry of Culture and National Heritage, Head of Economic Unit
- Ms. Grazyna Hadjiraftis, Head of Department, Ministry of Environment
- Ms. Grazyna Sztandera, Head of Unit, Ministry of Environment
- Mr. Jan Swierczynski, Deputy Director, National Fund for Environmental Protection
- Ms. Anna Przenioslo, Head of Unit, National Fund for Environmental Protection
- Ms. Edyta Kuzminska, Selection Specialist, National Fund for Environmental Protection
- Ms. Malgorzata Bilaska, Accounting Specialist, National Fund for Environmental Protection
- Ms. Magdalena Kupczak, Accounting Specialist, National Fund for Environmental Protection
- Mr. Stanislaw Urbala, Director of Controlling, National Fund for Environmental Protection
- Ms. Aneta Oleksiuk, Internal Auditing, National Fund for Environmental Protection
- Ms. Sidsel Bleken, EEA grants councilor, Norway Embassy in Warsaw
- Ms. Karina Gradowska-Karpinska, Assistant (EEA Grants), Norway Embassy in Warsaw
- Mr. Rafal Szakalini, Block Grant Operator, ECORYS
- Mr. Bartosz Mielecki, Director, Cooperation Fund, Block Grant Operator
- Ms. Agnieszka Mazur-Baranska, Deputy Director, Cooperation Fund, Block Grant Operator
- Mr. Wojciech Motelski, Deputy Director, Information Processing Center
- Ms. Monika Zylarska, Lead Specialist, Information Processing Center
- Ms. Monika Kotynia, Lead Specialist, Information Processing Center

**Czech Republic:**

- Ms. Ludmila Lefnerova, Head of Unit, European Union and International Relations Department, Centre for Foreign Assistance, Programming and Coordination Unit, Ministry of Finance, (National Focal Point)
- Ms. Sarka Kovackova, Program Manager, European Union and International Relations Department, Centre for Foreign Assistance, Programming and Coordination Unit, Ministry of Finance
- Ms. Dominika Hertova, Head of Implementation, Monitoring and Evaluation Unit, Centre for Foreign Assistance, Ministry of Finance
- Ms. Martina Becvarova, Programme Manager, Implementation, Monitoring and Evaluation Unit, Centre for Foreign Assistance, Ministry of Finance
- Ms. Jarmila Maresova, National Fund (Paying Authority), Ministry of Finance
- Ms. Jana Nygrinova, National Fund (Paying Authority), Ministry of Finance
- Ms. Monika Toušová, Central Finance and Contracts Unit (Implementing Agency), Ministry of Finance (NFP)
- Ms. Hana Šilhánová, Director, NROS (NGO Fund intermediary)
- Mr. Bojan Suh, program Manager, NROS, (NGO Fund intermediary)
- Mr. Peter Raeder, Ambassador of Norway
- Mr. Alex Winther, Deputy Head of Mission Norwegian Embassy

**Estonia:**

- Mr. Erik Marksoo, Special Advisor, Ministry of Finance
- Ms. Ulle Lobjakas, Head, National Focal Point, Ministry of Finance
- Ms. Katre Eljas-Taal, Former Head of National Focal Point (until 31 January 2008)
- Mr. Harri Tallinn, Head of Department (EU payments Dept.), Ministry of Finance
- Karin Viikmaa, Head of Unit (EU payments Dept.), Ministry of Finance
- Kart Koljalg, Financial Specialist, (EU Payments Dept.), Ministry of Finance
- Maris Jogeva, Program Coordinator, Open Estonia Foundation (NGO Fund Intermediary)

## Annex 3 – Interview guide for the country case studies

<b>Key Evaluation Criteria/Questions</b>
<b>1. Relevance</b>
There is continued consistency between the strategic, country and project objectives.
What are the overall objectives of the EEA/NFM program?
What are some indicators of success or benchmarks for achieving the objectives of the EEA/NFM?
The priority sectors are relevant to the Fund's objectives.
The priority sectors are consistent with the national development framework/national priorities.
The priority sectors are relevant to the countries' needs.
How the funds' distribution is determined between different priority sectors? (what guides the allocation decision?)
The EEA/NFM interventions are linked to and coordinated with other development support.
There are mechanisms in place to monitor and ensure relevance between overall EEA/NFM program objectives and project objectives.
The project identification processes ensure consistency with the priority areas/objectives.
The projects mainstream cross-cutting issues of good governance, sustainable development and gender equity.
<b>2. Effectiveness</b>
The Fund's overall objectives are expected to be achieved.
The individual priority sectors are expected to achieve their objectives.
The desired outcomes on project level are expected to be achieved.
What are the major factors influencing achievement/non-achievement of project objectives on time?
What are the intended/unintended positive and negative [perceived] outcomes of the program?
What is the value added of interventions, beyond providing financial support?
Program's grassroots character has a positive impact on its effectiveness.
<b>3. Efficiency</b>
The selection and implementation processes efficient in terms of time and resources.
Mechanisms are in place to ensure selection of the most cost-efficient projects.
Mechanisms are in place to ensure that individual projects are economically feasible.
FMO level review and appraisal process adds value to the submitted projects.
The disbursement mechanisms are efficient.
The monitoring and evaluation processes on country level are efficient.
FMO level monitoring and evaluation is necessary and effective.
Mechanisms are in place to ensure cost-efficiency of the implementation.
The current organizational structure adequate.
Program's grassroots character has a positive impact on its efficiency.

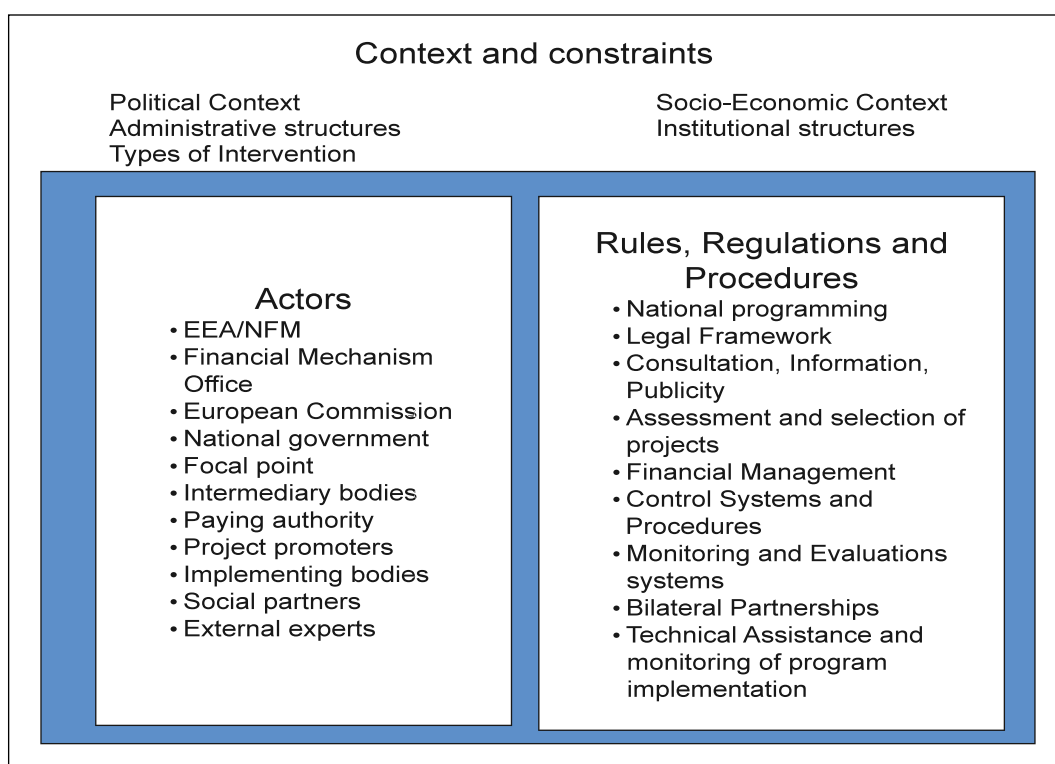


<b>Key Evaluation Criteria/Questions</b>
<b>4. Sustainability</b>
Projects' benefits are expected to have long-lasting impacts.
There is strong local financial ownership of the projects.
There is strong local conceptual ownership of the projects.
Prioritized projects have strong links to larger national development frameworks.
Mechanisms are in place to ensure the capacity of the project promoters.
Mechanisms are in place to ensure the economic sustainability of projects.
The local legal, institutional and organizational frameworks are adequate.
The projects are resilient to changes in circumstances.
Program's grassroots character has a positive impact on its sustainability.

## Annex 4 – Extended survey and the summary of findings

**An extended survey was conducted in all 15 countries and targeting the key stakeholders<sup>52</sup>.** The questionnaire was structured around factors and implementation mechanisms which influence the efficiency and effectiveness of fund's implementation. Based on this structure respondents provided their views on how the implementation systems could be more efficient and effective and what is the optimal organizational structure for this fund. In addition, the respondents provided free-text comments with further suggestions or observations.

**The survey analyzed three macro- factors of implementation: Context, Actors, and Rules and Regulations.** The methodology and questionnaire are adapted from ISFOL (2001), ÖIR (2003), and Worster (2008), however significant adoptions have been made.



*Source:* The methodology and questionnaire are adapted from ISFOL (2001), ÖIR (2003), and Worster (2008), however significant adoptions have been made.

**The survey findings are consistent with the other observations established on the basis of analysis of documents, interviews and statistics.** In addition, the free-text comments by respondents provided useful comments which have been informed the analysis where appropriate. A total of 49 persons responded from 9 countries in addition to representatives of the FMO and NFMA. The findings are presented in the following table without further comments or observations.

<sup>52</sup> The extended survey was distributed electronically and 49 number of subjects responded. The questionnaire and underlying methodology have been adapted from a model originally developed by the European Social Funds evaluation unit in Italy and the further refined and developed versions by OIR, LRDP and IDOM (see References).

Issue	Agreement	Importance	STDEV agr	STDEV imp
The Norwegian Ministry of Foreign Affairs (NMFA) has generally prepared the program in active consultation with Beneficiary State Governments	2.97	3.21	1.01	1.08
The Norwegian Ministry of Foreign affairs is seen as assisting in efficient, account table implementation of projects	2.77	2.79	1.06	1.08
The Norwegian Ministry of Foreign affairs decisions are taken promptly on approval of projects	2.23	2.92	1.33	1.22
The Financial Management Office (FMO) in Brussels is seen as assisting in efficient, account table implementation of projects	2.79	3.36	1.03	0.99
The process in FMO through receipt of application to forwarding for final decision by the FMC and NMFA respectively is handled efficiently	2.23	3.15	1.16	1.20
The appraisal led by the Financial Mechanism Office (FMO) adds value to the project	2.46	2.77	1.25	1.22
European Commission decisions are taken promptly on approval of projects	1.69	2.36	1.08	1.22
There is full integration between Government Policies and EEA/NFM policies	2.77	3.03	0.87	1.01
There is no tension between national institutional and administrative structures and those required to implement EEA/NFM	2.67	3.31	1.03	0.83
EEA/NFM processes and procedures are also used in policy-off situations	2.33	2.33	0.96	0.98
The time taken from receipt of application by the Focal Point to forwarding the prioritized list to the FMO is not excessive	2.08	3.00	1.29	1.34
The work of the Focal Point is seen as contributing to the implementation of a fair and accountable management system for EEA/NFM	3.03	3.41	1.14	0.97
The work of the Intermediate Body (Poland and Latvia only) is seen as contributing to the implementation of a fair and accountable management system for EEA/NFM	1.49	1.46	1.78	1.73
The organizational configuration, internal information flows and decision making structures of the Paying Authority are fully integrated into national systems	2.79	3.26	1.08	0.99
The work of the Paying Authority is seen as contributing to the implementation of a fair and accountable management system for EEA/NFM	3.00	3.38	1.05	0.81
Project Promoters have sufficient information to enable them to participate in EEA/NFM grants	2.92	3.33	1.06	1.11
Intermediate Bodies (e.g. Block grant Intermediaries) have been chosen because of their competence and capacity in the specific sector for which they are responsible	3.56	3.49	0.97	0.94
Implementing Bodies (e.g. Block grant Intermediaries) are capable of managing large and important programs in the context of national planning and development	3.46	3.41	0.94	1.09
Relevant civil society partners are involved in the Programming and Planning process	2.72	2.85	1.17	1.25
Civil society partners have taken ownership of the outcome of the Programming process	2.15	2.46	1.18	1.27
There is a sufficient external Technical Assistance available to provide expertise and knowledge	2.67	2.67	1.32	1.24

<b>Issue</b>	<b>Agreement</b>	<b>Importance</b>	<b>STDEV agr</b>	<b>STDEV imp</b>
There is a sufficient national expertise available to guide implementation	2.90	3.18	1.19	1.17
There is no tension between EEA/NFM policies and priorities associated with Norway and the Beneficiary States respectively	2.90	2.79	1.10	1.10
The political parties in the Beneficiary state/region under consideration understand and support the policies that underpin the EEA/NFM	2.69	2.54	1.20	1.23
The political economy in your country is conducive for more donor-independent management of all aspects of the programming and implementation.	2.46	2.62	1.25	1.27
The implementation of EEA/NFM is flexible enough to take account of changes that take place during the programming period in the economic and social context of the beneficiary state/ region	2.41	3.08	1.09	1.09
The EEA/NFM implementation system is seen as a positive contribution to the development of the administration system of the Beneficiary state	2.67	2.64	1.03	1.20
Institutional Structures for the implementation of EEA/NFM are fully integrated into the institutional structures of the beneficiary state	3.05	2.95	1.05	0.97
Having a large number of small projects is more cost-efficient than combining projects into larger programs	2.05	2.67	1.15	1.13
Small projects are more successful at achieving their objectives than larger programs	2.18	2.51	1.05	1.12
Larger programs are more likely to have a lasting impact	2.67	2.64	1.06	1.06
The MoUs for the financial mechanisms provide sufficient clarity of priorities, objectives and measurable indicators of progress	2.33	2.90	1.06	0.99
There is a programming framework at the national level which clarifies objectives and measurable indicators of progress	2.31	2.90	0.98	0.97
Sufficient and rigorous analytical work/sector work generally informed the design and implementation of the EEA/NFM	2.15	2.64	1.14	1.25
The Programming Process for EEA/NFM is fully integrated into national / regional programming and planning processes	2.51	2.85	1.00	0.96
Rules and Procedures for the implementation of EEA/NFM are necessary	3.56	3.44	0.94	0.97
Rules and Procedures for the implementation of EEA/NFM are seen to work well	2.79	3.38	0.98	0.99
Rules and Procedures for the implementation of EEA/NFM are adaptable to country context	2.85	3.13	0.93	1.00
Rules and Procedures for the implementation of EEA/NFM are fully integrated into National / Regional Management Procedures	2.54	2.97	1.10	1.11
Consultation with civil society is seen as necessary and works well	2.69	3.08	1.15	1.20
Information and publicity about the program is seen as necessary and works well	3.15	3.15	1.16	1.11
Project selection and assessment is perceived as fair and conducted in accordance with clear, widely known pre-determined criteria	3.21	3.56	1.20	1.10

<b>Issue</b>	<b>Agreement</b>	<b>Importance</b>	<b>STDEV agr</b>	<b>STDEV imp</b>
The competencies of the team responsible for project assessment and selection are adequate	3.15	3.49	1.14	1.10
The supported projects/programs are able to respond adequately to the economic and social needs of the country	3.08	3.18	1.16	1.34
The awarded projects have mainstreamed cross-cutting issues such as gender, good governance and environment	2.64	2.69	1.35	1.34
The systems for managing EEA/NFM financial flows in the beneficiary states are fully based upon existing national systems	2.97	2.85	1.01	0.99
There is capacity in the Beneficiary state to handle the financial flows associated with EEA/NFM	3.15	3.38	1.09	0.81
The financial procedures are seen as necessary and work well	2.79	3.41	1.03	0.79
The controls systems and procedures are seen as necessary and work well	3.00	3.44	0.86	0.75
Irregularities and problems discovered are documented and have been managed well	2.56	3.03	1.47	1.39
Monitoring of progress towards the overall objectives of the EEA/NFM is working well	2.59	3.18	1.16	1.12
Monitoring of progress towards the Priority Sectors is working well	2.44	2.92	1.27	1.29
Monitoring of progress towards projects objectives is working well	2.77	3.00	1.33	1.30
Processes and outputs of the monitoring system are documented and used as a basis for future planning and management	2.56	2.77	1.60	1.55
Norway has a comparative advantage in the policy and institutional aspects to achieve satisfactory development outcomes	2.49	2.44	1.39	1.33
Bilateral partnerships are seen as a important for reaching the objectives and works well	2.69	2.64	1.22	1.25

## Annex 5 – Comparison of implementation modalities

EU Regional Policy Program Instruments	Paris Declaration Aid Effectiveness Principles	EEA/NFM Programs
<b>Implementing system and organization</b>		
<p>Key principles are additionality and proportionality. This creates a system where most functions are decentralized to country level unless there is a demonstrable need to perform them centrally. Country institutions are typically integrated into MoF or MoRD. Institutions include:</p> <ul style="list-style-type: none"> <li>• A management authority responsible for the implementation of an operational programme.</li> <li>• A certification authority which draws up and sends to the Commission a certified inventory concerning expenditure and requests for payment. It must also certify the accuracy and the compliance of expenditure in terms of Community and national rules. It takes charge of accounting and assures the recovery of Community credits in the case of irregularities.</li> <li>• An auditing authority which is an operationally independent body designated by the Member State for each operational programme. It takes charge of the audits it carries out on the basis of an appropriate sample, writes up the annual control reports and offers an opinion on the audits carried out.</li> <li>• A follow-up committee, created for each operational programme by the Member State. It is presided over by a representative of the Member State or the management authority and is constituted according to a decision made by the Member State, and includes economic, social and regional partners. It assures the efficiency and the quality of the implementation of the operational programme.</li> </ul>	<p><b>Key principles are to:</b></p> <p>Strengthen capacity by avoiding parallel implementation structures. There are committing global targets developed to measure # of parallel project implementation units (PIUs) per country.</p> <p>Use of common arrangements or procedures is an objectives and target s are measuring the percent of aid provided as programme-based approaches.</p> <p>Shared analysis is also encouraged: measurements developed for percent of (a) field missions and/or (b) country analytic work, including diagnostic Reviews that are joint.</p>	<p>Universal implementation systems, which require countries to establish parallel systems. The core implementation system is still based upon country institutions, but many rules are developed universally, and there is considerable involvement of donor institutions at all stages.</p> <p>Principles of additionality and proportionality do not appear to be generally applied.</p>
<b>Programming and Resource Allocation</b>		
<p>Community strategic guidelines on cohesion policy, suggested by the Commission, adopted by the Council, in accordance with the Parliament's opinion.</p> <p>National strategic reference framework (NSRF), suggested by the Member State, in respecting the principle of partnership, reflecting the Union's priorities; a Commission decision on part of the NSRF.</p> <p>Operational programs (OPs) suggested by the Member State or region, decision by the Commission.</p> <ul style="list-style-type: none"> <li>• an analysis of the eligible area (strengths and weaknesses);</li> <li>• a justification of the priorities retained (in terms of Community strategic guidelines and the National Framework);</li> <li>• the specific objectives of the key priorities;</li> <li>• funding plans;</li> <li>• the implementation of the programs (designating management, auditing and certification authorities; description of evaluation and follow-up systems);</li> <li>• an indicative list of large projects (in other words environment projects which exceed EUR 25 million and other projects which exceed EUR 50 million).</li> </ul>	<p>Basis is countries national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.</p> <p>Partners have operational development strategies supporting these national programs.</p> <p>Aid flows are aligned on national priorities.</p>	<p>Overall programming framework with priorities albeit vague and imprecise agreed with commission and ratified by Norwegian Parliament.</p> <p>Bilateral MoUs established country specific programming frameworks albeit vague and imprecise with lack of clarity concerning linkage with national priorities.</p> <p>Countries operationalized to an extent, but expectations were not sufficiently clear and generally operationalization of national programs are weak.</p>

EU Regional Policy Program Instruments	Paris Declaration Aid Effectiveness Principles	EEA/NFM Programs
<b>Project generation and selection in countries</b>		
Country matter	Country matter	Country matter but elaborate regulations from donors
<b>Project appraisal and decision by donors</b>		
<p>EC no-objection of projects exceeding environment projects which exceed EUR 25 million and other projects which exceed EUR 50 million).</p> <p>Appraisal could describe the assessments the EC does of capacity of various parts of the implementation systems, and the approvals of the OPs (although the term appraisal is not used). If the EC is comfortable – there is no further appraisal unless for projects exceeding the threshold levels.</p>	<p>Joint assessments of capacity of national systems and joint support and monitoring (e.g. PFIAs, CPAs, CPIA etc).</p> <p>If systems are found satisfactory: Budget support is the preferred modality. Budget support is approved ex-post of performance assessment. Investment projects are appraised more traditionally appraised and approved ex-ante but larger programmatic interventions are increasingly the norm.</p>	<p>All individual projects (average size EUR 1 million) all approved and appraised by donor.</p> <p>No appraisal or systematic assessment of capacity of implementation system.</p>
<b>Financial management and controls</b>		
<p>Based upon assessments and “confidence agreements”, confidence is accorded to the Member States’ control systems when they are the main financial contributors to the development programs. If the trustworthiness of the projects is assured from the beginning of the period, audits of the Commission services will only be carried out in exceptional circumstances.</p> <p>The budgetary commitments related to operational programs are delivered by annual installments concerning each fund and each objective. Part of the budget is automatically released by the Commission if it has not been used or no request for payment has been received at the end of the second year following that of the budgetary commitment (n + 2).</p> <p>For Bulgaria, the Czech Republic, Cyprus, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovenia and Slovakia, the delay is fixed for the end of the third year (n + 3) between 2007 and 2010 in respect of their program s.</p> <p>Payments Payments by the Commission are made in three steps:</p> <ul style="list-style-type: none"> <li>• pre-financing</li> <li>• interim payments</li> <li>• payment of the final balance</li> </ul> <p><b>Eligibility of expenditure</b> rules are established at national level.</p>	<p>Based upon country systems if partner countries have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform program in place to achieve these.</p> <p>Use of country public financial management systems, and use of country procurement systems becomes norm.</p> <p>This also applies to investment projects, but generally specific risk assessments precede these. Measures may be introduced to lower risk if national systems are not found satisfactory.</p>	<p>Universal donor system which does rely heavily on country systems. However, there are a number of donor specific rules and procedures.</p> <p>Risk assessments are not carried out.</p> <p>Eligibility of expenditure determined in donor regulations.</p> <p>n+2</p>
<b>Monitoring and Evaluation</b>		
Performance monitoring according to approaches developed in the Operational Programs	Results-oriented frameworks: Countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national Development strategies and (b) sector programs.	Monitoring of project level results and outcomes, but no program level monitoring developed.

## Annex 6 – Extended list of focus areas

<b>BULGARIA</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Supporting biodiversity and nature reserves</li> <li>• Developing sustainable forest management</li> <li>• Protecting ground water, managing waste water, and reducing air pollution, including monitoring systems</li> <li>• Developing sustainable waste water collection and promoting recycling systems</li> <li>• Developing sustainable energy production, incl. renewable energy, geothermal energy, hydropower and energy efficiency</li> </ul>
Conservation of European cultural heritage, including public transport, and urban renewal	<ul style="list-style-type: none"> <li>• Preservation and rehabilitation of cultural and historic heritage</li> <li>• Use of new technologies for improved management of archaeological, historic and religious collections</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local	<ul style="list-style-type: none"> <li>• Increasing the competence and administrative capacity of central, regional and local authorities / municipalities, including the use of information technology</li> <li>• Developing cadastre through the establishment of a system as a basis for the Spatial Data Infrastructure</li> <li>• Promotion of the social dialogue</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Supporting children at risk</li> <li>• Rehabilitating buildings, modernisation of equipment and managerial systems</li> <li>• Implementing preventive measures to reduce drug and alcohol abuse and promote a healthy lifestyle</li> <li>• Preventing and improving treatment of communicable diseases (HIV/ AIDS and TB)</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Academic research targeted at one or more priority sectors</li> </ul>
<b>CYPRUS</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Integrated pollution prevention and control</li> <li>• Reduction of CO2 emissions</li> <li>• Management of selective solid waste and possible recycling, e.g. of electric and electronic equipment waste</li> </ul>
Promotion of sustainable development through improved resource use and management	<ul style="list-style-type: none"> <li>• Promote sustainable natural resources management and efficient use</li> <li>• Sustainable forest management</li> <li>• Implementation of management plans for NATURE 2000 sites</li> </ul>
Conservation of European cultural heritage, including public transport, and urban renewal	<ul style="list-style-type: none"> <li>• Conservation, revitalization, renovation of cultural heritage sites and objects</li> <li>• Restoration of village squares</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local	<ul style="list-style-type: none"> <li>• Improvement of education, training and lifelong education systems within the public sector and local government</li> <li>• Support social inclusion and dialogue</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Reduction of mortality and spread of communicable diseases</li> <li>• Reduction and prevention of lifestyle-related diseases</li> <li>• Improvement of mental health care, focused on youth and children</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Academic research targeted at one or more priority sectors</li> </ul>
Implementation of Schengen Acquis, support of National Schengen Action Plans as well as strengthening the judiciary	<ul style="list-style-type: none"> <li>• Enhancement of infrastructure on the external border of equipment for combating organized crime and illegal immigration</li> <li>• Strengthen migration and asylum infrastructure</li> <li>• Support preventive action to reduce youth criminality</li> <li>• Combating and preventing organized and economic crime</li> </ul>
Regional policy and cross-border activities	<ul style="list-style-type: none"> <li>• Local and regional development promotion programmes</li> </ul>



<b>CZECH REPUBLIC</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Monitoring systems in regions and systems to follow up results of monitoring</li> <li>• Environmental education on all levels of state administration</li> <li>• Waste treatment and management at municipal level</li> <li>• Reduction of greenhouse gases in Czech Republic</li> <li>• Reduce the loss of biodiversity and preserve untouched natural habitats</li> <li>• Support of public transport safety measures</li> </ul>
Promotion of sustainable development through improved resource use and management	<ul style="list-style-type: none"> <li>• Assistance with enforcing and implementation of Strategy on Sustainable Development on local and regional level</li> </ul>
Conservation of European cultural heritage, including public transport, and urban renewal	<ul style="list-style-type: none"> <li>• Protection and renewal of immovable cultural heritage</li> <li>• Improvement of care and protection of movable cultural heritage</li> <li>• Renewal of urban areas and historical parts in regions</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local	<ul style="list-style-type: none"> <li>• Modernisation and equipment crèches, nursery schools, schools, special school – education centres, orphanages</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Systematic and primary prevention of drug abuse</li> <li>• Prevention of communicable diseases</li> <li>• Food safety measures</li> <li>• Programmes to support children with specific problems</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Academic research and development within the above-mentioned areas, in particular environment, health and children's living conditions</li> </ul>
Implementation of Schengen Acquis, support of National Schengen Action Plans as well as strengthening the judiciary	<ul style="list-style-type: none"> <li>• Policing as Public Service</li> <li>• Regional Airports compatible with Schengen acquis</li> <li>• Strengthening education system within the judiciary sector</li> <li>• Programmes to fight corruption, organised crime and trafficking of drugs and humans</li> </ul>
Technical assistance relating to the implementation of acquis communautaire	<ul style="list-style-type: none"> <li>• Strengthening capacities for providing development assistance by the Czech Republic</li> <li>• Co-operation with relevant actors from Norway within transfer of knowledge and exchange of experience with adoption and applications acquis in areas</li> <li>• Exchange of experience and co-operation of the regional and local self-government</li> </ul>
<b>ESTONIA</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Promotion of energy efficiency, including energy auditing in buildings</li> <li>• Development of monitoring systems for ground water and air pollution</li> <li>• Reduction of greenhouse gases in Estonia</li> <li>• Development and implementation of waste assembling and recycling systems</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Enhancement of biodiversity preservation in NATURA areas</li> </ul>
Conservation of European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Preservation and possible utilisation of architectural heritage in Estonia in particular support to the multifunctional use of historical manor buildings (schools)</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local	<ul style="list-style-type: none"> <li>• Increasing the competence and administrative capacity of regional and local authorities, including through the use of information technology</li> <li>• Increasing the competence and administrative capacity of NGOs to enable them to be better involved in national and EU policy-making processes</li> <li>• Supporting social integration</li> </ul>

Health and childcare	<ul style="list-style-type: none"> <li>• Prevention and improved treatment of communicable diseases (HIV/ AIDS and TB), including increasing preparedness for bioterrorism and epidemics</li> <li>• Improvement of the learning and development environment for children with special needs</li> <li>• Development and implementation of new facilities to increase the availability of social activities, including sports, in the less developed regions</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Academic research targeted at one or more priority sectors</li> </ul>
Implementation of Schengen Acquis, support of National Schengen Action Plans as well as strengthening the judiciary	<ul style="list-style-type: none"> <li>• Strengthening of the court and prison system</li> <li>• Development of systems for safekeeping and exchange of confidential and classified information with EU and NATO states and organizations</li> <li>• Strengthening police co-operation and competence transfer in Schengen-related issues between Estonia and Norway</li> <li>• Combating organised crime in the area of trafficking in human beings</li> </ul>
Regional policy and cross-border activities	<ul style="list-style-type: none"> <li>• Strengthening competence and administrative capacity of regional and local authorities to support regional development</li> <li>• Support of bilateral co-operation between Estonian and Norwegian local governments, local government associations, county governments, enterprises (only internships and scholarships) as well as co-operation projects within the priority areas of the agreement</li> <li>• Increasing co-operation between local authorities and development of common services</li> <li>• Supporting small scale projects in the field of local economic development and diversification of employment opportunities</li> <li>• Innovative models for large infrastructure investment projects, including development of public-private partnership (local, regional and national level)</li> <li>• Cross-border co-operation in the outlined priority areas</li> </ul>
<b>GREECE</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Improved water protection and management of the aquatic environment</li> <li>• Improved water supply on islands through desalination units</li> <li>• Development of alternative sources of energy by using renewable resources</li> <li>• Reduction of pollution in degraded urban areas</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Improved management and effective use of natural resources in selected sensitive areas, e.g. in olive oil production</li> <li>• Strengthen citizens' (primarily children) sensitivity to environmental issues and strengthen environmental education through the development of network systems and of a pilot training ecological park in selected urban areas with increased environmental problems</li> <li>• Traffic reduction in specific heavily affected areas through development and promotion of intelligent traffic regulation and control systems</li> </ul>
Conservation of European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Designation and mapping of archaeological, historical, architectural and folkloric heritage in certain areas, through integrated programmes of planning, utilisation and promotion</li> <li>• Development of thematic spaces for the exhibition of archaeological, architectural, historical and religious monuments</li> <li>• Use of new technologies for the upgrading of exhibition practices and management of archaeological, historical and religious collections e.g. catalogue listing, environmental conditions monitoring etc.</li> <li>• Improve the accessibility for disabled persons to archaeological, historical and religious areas e.g. physical access development, design of special exhibits etc.</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Reinforcement of social integration within the framework of priorities established in the national social development program (with special focus on immigrants), including language training</li> <li>• Develop competence and administrative capacity of local public authorities through the use of new technologies</li> <li>• Reduce xenophobia and racism through the promotion of partnership initiatives i.e. between schools and local communities</li> <li>• Traffic behavior training</li> </ul>

Health and childcare	<ul style="list-style-type: none"> <li>• Transfer of best practices in care and nursing standards for vulnerable groups – emphasizing childcare – through the development of networks between different local authorities</li> <li>• Improved childcare through the development of local and national information services, including common standards to be applied by local childcare partnerships, and establishment of a national help line for assistance and information</li> <li>• Research programs and pilot implementation of preventive medicine</li> <li>• Improved care for abused women and children, including victims of trafficking in human beings</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Activities which contribute to the aforementioned subjects</li> </ul>
<b>HUNGARY</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Promoting the involvement of NGOs in the field of environment protection (See also in Annex C)</li> <li>• Environmental-awareness education (See also in Annex C)</li> <li>• Promoting the use of renewable / alternative energy (e.g. geothermal energy and hydropower)</li> <li>• Noise reduction / protection</li> <li>• Promoting the introduction of clean production</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Encouraging organic agriculture; production and breeding of ancient Hungarian domestic plant and animal species</li> <li>• Establishing and further developing of innovation centres</li> <li>• Promoting sustainable economic development</li> </ul>
Conservation of European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Restoration of historical sites and buildings, based on utilisation plans</li> <li>• Conservation of world heritage sites in Hungary</li> <li>• Restoration of museums and establishment of collections for the introduction of certain fields of the European heritage</li> <li>• Public transport development in connection with the conservation of European cultural heritage and environment protection.</li> </ul>
Human resource development, education	<ul style="list-style-type: none"> <li>• Adult training, vocational education and training, life-long learning</li> <li>• Strengthening the relationship between higher education, targeting the manpower needs of the private sector through education and training</li> <li>• Scholarship programs (See also in Annex C)</li> <li>• Scholarship programs, including the promotion of EFA and Hungarian languages (See also Annex C)</li> <li>• Ensuring the accessibility of primary schools and providing of after-school care (See also in Annex C)</li> <li>• Increasing the competence and administrative capacity of central, regional and local authorities / municipalities, including the use of information technology</li> </ul>
Health care (See also in Annex C)	<ul style="list-style-type: none"> <li>• Enhance preventative measures and health promotion activities</li> <li>• Improve mental health care</li> <li>• Fight against addictions</li> <li>• Fight against AIDS, promote the treatment of HIV-positive patients</li> <li>• Capacity building of health care related NGOs</li> </ul>
Children and youth (See also in Annex C)	<ul style="list-style-type: none"> <li>• Integration of multiple disadvantaged youth – including Roma – and of children with special needs</li> <li>• Development and extension of the network of integrated local information and advisory centres for the youth</li> <li>• Improvement of living conditions and promotion of social integration of children in state care</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Joint R&amp;D programmes</li> <li>• Research related to priority areas (See also in Annex C)</li> </ul>
Justice and home affairs	<ul style="list-style-type: none"> <li>• Fight against organised crime including the trafficking of human beings</li> <li>• Promote the co-operation between Norwegian and Hungarian Police</li> <li>• Application of the Schengen acquis in practice</li> </ul>
Regional development and cross-border cooperation	<ul style="list-style-type: none"> <li>• Public transport development in connection with the conservation of European cultural heritage and environment protection.</li> <li>• Strengthen the principles of democracy, partnership and decentralization on EU external borders</li> <li>• Competence building of different levels of regional development (micro-regions, municipalities) (See also the priority sector 'Human resource development, education')</li> </ul>

<b>LATVIA</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Integrated pollution prevention and control</li> <li>• Encouraging the use of renewable energy</li> <li>• Improved monitoring systems of pollution, especially from agricultural activity</li> <li>• Development of electric and electronic equipment waste management system</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Competence building in the field of sustainable development and possible establishment of the Sustainable Development Institute</li> <li>• Encouraging organic agriculture</li> <li>• Increased natural resources management and efficient use</li> </ul>
Conservation of European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Training craftsmen/women in restoration</li> <li>• Restoration of historical centres of Latvian towns</li> <li>• Possible establishment of an Art-Nouveau centre in Riga</li> <li>• Documentation and preservation of Soviet period non-conformist heritage</li> <li>• Restoration of wooden architecture</li> </ul>
Human resources development and education	<ul style="list-style-type: none"> <li>• Improvement of education, training and lifelong education systems</li> <li>• Strengthening of civil society and society integration in accordance with the priorities set out in the national programme for civil society development, including language training</li> <li>• Support to education programmes in multi-media field and environmental protection</li> </ul>
Health	<ul style="list-style-type: none"> <li>• Reduction of mortality and spread of communicable diseases</li> <li>• Reduction and prevention of lifestyle-related diseases</li> <li>• Improvement of mental health care</li> <li>• Improvement of technical and professional capacity of health care institutions</li> </ul>
Children with special needs	<ul style="list-style-type: none"> <li>• Improved access and treatment of children with special needs in the health care system</li> <li>• Integration of children with special needs in the educational system</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Fields of intervention as outlined in the priority areas</li> </ul>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<ul style="list-style-type: none"> <li>• Strengthening police-cooperation in order to prepare for membership of the Schengen information system</li> </ul>
Judiciary	<ul style="list-style-type: none"> <li>• Improved standard of prison buildings and training of personnel</li> <li>• Educational programmes in prisons</li> <li>• Improved health care and health information for prison inmates</li> <li>• Preventive action to reduce youth criminality</li> <li>• Competence building in the courts to enhance EU regulations</li> <li>• Combating and preventing organized crime</li> <li>• Improved competence programmes and physical conditions for asylum seekers and illegal immigrants</li> <li>• Strengthening of the probation system</li> </ul>
Regional policy and development of economic activity	<ul style="list-style-type: none"> <li>• Local and regional development promotion programmes</li> <li>• Development of public-private partnership</li> <li>• Support of sustainable economic development</li> <li>• Institutional strengthening of regional development bodies and institutions, involved in public-private partnership project implementation and promotion</li> <li>• Strengthening research and assessment capacity on regional development</li> <li>• Competence building on financial management and audit in the municipalities</li> <li>• Networking and sharing of experience on local development between regional development bodies</li> </ul>
Technical assistance	<ul style="list-style-type: none"> <li>• Fields of intervention as outlined in priority areas</li> </ul>

<b>LITHUANIA</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Not a focus area for the financial years 2004- 2005. Exceptions are made to the specific forms of assistance referred to in Annex C of the MoU</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Improved sustainable management and surveillance of marine resources, through inter alia introduction of new information technology</li> </ul>
Conservation of the European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Conservation and adaptation for cultural and other public needs of cultural heritage buildings with emphasis of Lithuanian manor houses and castles, including teaching of restorers of cultural heritage objects</li> <li>• Restoration and adaptation for cultural and other needs of Lithuanian wooden architecture (historic villages, churches, etc.), including revitalizing and teaching of Lithuanian traditional handicrafts (thatchery, carpentry, etc.)</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Education and training, including the study of the EEA EFTA countries' languages</li> <li>• Education and training, including the study of the Norwegian language</li> <li>• Strengthening administrative and public service capacities of regional and local authorities and their institutions</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Improvement of prevention, early diagnostics, and adequate treatment of cancer diseases</li> <li>• Improvement of access and quality of paediatric care (early diagnosis and treatment) and assurance of health services quality control</li> <li>• Prevention and treatment of communicable diseases and improvement of epidemiological surveillance system</li> <li>• Improving the juvenile justice system through improvement of living and educational conditions of juveniles in penitentiary institutions as well as through training of relevant staff</li> <li>• Resocialisation of juveniles released from imprisonment</li> <li>• Renovation of foster care homes for children and training of relevant staff</li> <li>• Informal education for children and youths through after-school and summer activities</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Research activities within all the eligible areas of the Financial Mechanism</li> </ul>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<ul style="list-style-type: none"> <li>• Development of judiciary information system</li> <li>• Combating trans-national organised crime, with emphasis on combating trafficking of human beings</li> <li>• Training of officials engaged in crime investigation and prosecution activities related to juvenile crime</li> </ul>
Regional policy and cross-border activities	<ul style="list-style-type: none"> <li>• Transfer of experience and strengthening of cooperation among local, regional and euro-regional partners in Lithuania and Norway</li> </ul>
Technical assistance relating to the implementation of acquis communautaire	<ul style="list-style-type: none"> <li>• Strengthening co-operation between Lithuanian and Norwegian institutions in relation to the implementation of the Acquis</li> </ul>

<b>MALTA</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Integrated pollution prevention and control, fuel reduction</li> <li>• Promotion of renewable energy</li> </ul>
Conservation of European cultural heritage, including public transport, and urban renewal	<ul style="list-style-type: none"> <li>• Revitalisation, conservation, renovation, modernization and adaptation of historical objects, which have European significance</li> <li>• Condition monitoring and preventive maintenance routines for historical objects and complexes; and propose remedies</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Modernisation and equipping crèches, nursery schools, schools, special school-educational centres, orphanages</li> <li>• Scholarship programmes</li> <li>• Promoting gender equality</li> </ul>
Academic research	<ul style="list-style-type: none"> <li>• Fields of intervention as outlined in EEA priority areas.</li> </ul>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<ul style="list-style-type: none"> <li>• Implementation of National Schengen Action Plans</li> <li>• Strengthening police cooperation in order to prepare for membership in the Schengen information system</li> </ul>
Strengthening the judiciary	<ul style="list-style-type: none"> <li>• Improved standard of prison buildings and training of personnel</li> <li>• Educational programmes in prisons</li> <li>• Improved health care and health information for prison inmates</li> <li>• Preventive action to reduce youth criminality</li> <li>• Improved competence programmes and physical conditions for asylum seekers and illegal immigrants</li> </ul>
<b>POLAND</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<p>Priority objectives: Reducing the quantity of hazardous substances in the environment through, among other things, protection of air and surface waters and rational waste management. Eligible projects in construction and modernisation of environmental protection infrastructure:</p> <ul style="list-style-type: none"> <li>• restrictions in usage of individual heating systems in favour of communal/municipal heating networks;</li> <li>• replacement of obsolete heating energy sources by modern, energy-saving and ecological ones;</li> <li>• thermal-insulation work in public utility buildings;</li> <li>• investments in the field of use of renewable energy sources, such as small hydropower plants of up to 5 Mega Watts (MW), use of solar energy and of biomass in individual heating systems;</li> <li>• construction, rebuilding or modernisation of municipal waste water treatment plants and sewage pipeline systems;</li> <li>• organisation of selective solid waste collection and its subsequent reuse through recycling</li> </ul>
Promotion of sustainable development through improved resources use and management	<p>Priority objectives: Promoting and bringing into effect the principles of sustainable development amongst authorities and communities. Eligible projects in Institution strengthening</p> <ul style="list-style-type: none"> <li>• reduction of energy, raw material and water consumption of manufacturing and services activities through improvement of efficiency of productive resources use;</li> <li>• use of alternative energy sources;</li> <li>• support for the creation of a “green workplace” and “green procurement”;</li> <li>• enhancement of environmental education through creation of networks for environmental learning;</li> <li>• activities encouraging protection, improvement and restoration of biodiversity, including marine resources and areas included in the Nature 2000 sites;</li> <li>• activities for supporting forest management</li> </ul>

<p>Conservation of European cultural heritage including public transport and urban renewal</p>	<p>Priority objectives: To preserve and reconstruct the European cultural heritage and its surroundings and to create national cultural tourism products in historical cities (especially Warszawa, Kraków, Wrocław, Poznań, Gdańsk). Projects of a minimum value of 1 million euros in the fields of:</p> <ul style="list-style-type: none"> <li>• revitalisation, conservation, renovation, modernisation and adaptation of historical objects and complexes and their surroundings for cultural purposes, especially those implemented under national strategies for the development of cultural tourism products;</li> <li>• revitalisation of historical urban areas;</li> <li>• revitalisation, conservation, renovation, modernisation and adaptation of fortification complexes and buildings for cultural purposes;</li> <li>• revitalisation of post-industrial objects with a high historical value for cultural purposes, in particular for modernity museums;</li> <li>• renovation, protection and preservation of martyrdom and memory sites;</li> <li>• building and extension of public and non-profit cultural institutions of European meaning;</li> <li>• building, extension, reconstruction and adaptation of cultural infrastructure in places of symbolic importance for Polish culture;</li> <li>• complex conservation programmes of mobile monuments and conservation and digitalisation of history book collections and archives;</li> <li>• creation of protection systems for illegal removal of works of art and protection of mobile and immobile monuments against robbery and destruction</li> </ul>
<p>Human resources development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it</p>	<p>Priority objective: Enhancement of self-governmental administration through broadening of knowledge and enhancement of skills of the representatives of public administration at voivodship, powiat and gmina level. In addition, strengthening of civil society through enhancement of the non-governmental sector, with particular attention to the realisation of equal rights for men and women.</p> <ul style="list-style-type: none"> <li>• promotion of vocational training for the broad group of voivodship, powiat and gmina level employees;</li> <li>• development of training curricula on the basis of identified tasks of self-governmental administration, including issues relating to equal rights for men and women;</li> <li>• elaboration of competence standards in the area of EU integration;</li> <li>• training for employees of voivodship, powiat and gmina administration;</li> <li>• support for constancy and information activities for self-governmental administration and the non-governmental sector;</li> <li>• development of appropriate educational tools and promotion of local partnerships;</li> <li>• modernisation of local and central government services and improvement of efficiency and implementation of best business practices through the use of latest IT software and technology;</li> <li>• support for co-operation between self-government and NGOs</li> </ul>
<p>Health and childcare</p>	<p>Priority objective: Improvement of living standards through, among others, prevention and health promotion programmes, improvement of the quality of services provided by healthcare units and increase of access to and streamlining of primary and specialised healthcare. Projects within this priority sector should focus on small towns and rural areas, where availability of medical services and information is substantially limited. The activities implemented in the field of health and childcare should be consistent with the national or regional healthcare development strategies.</p> <ul style="list-style-type: none"> <li>• prevention and health promotion programmes;</li> <li>• perinatal healthcare improvement programmes;</li> <li>• programmes increasing social awareness on modern family planning methods and mature parenthood standards;</li> <li>• programmes within a scope of therapeutic telemedicine systems and medical Internet-based education and data collection systems;</li> <li>• improvement of access to and quality of healthcare;</li> <li>• programmes aimed at integration of societies menaced by pathology and prevention of juvenile crime (with special emphasis on overcoming social pathologies like drug addiction and alcoholism);</li> <li>• projects aimed at the integration of disabled children with fully abled children;</li> <li>• projects aimed at realisation of open access recreation zones for children</li> </ul>

Grants for academic research	<p>To support implementing bodies through provision of knowledge of best technological practice, which may be used within the EEA Financial Mechanism. This aim will be achieved through the distribution of financial resources for research by scientific institutions and research teams, and support in the exchange of science and technology between Poland and the EEA countries.</p> <p>Research projects from all the disciplines and areas of science realised under the EEA Financial Mechanism</p>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<p>Priority objective: To assure adequate standards of protection of land, sea and air borders, Schengen acquis and increase in national and Schengen Area security.</p> <ul style="list-style-type: none"> <li>• strengthening of border crossing points;</li> <li>• IT infrastructure for access to Schengen information systems, VIS and VISION and IT infrastructure for justice and customs administration;</li> <li>• infrastructure on EU external border and equipment for combating cross –border crime, organised crime and illegal immigration;</li> <li>• infrastructure for customs services;</li> <li>• migration and asylum infrastructure;</li> <li>• information systems to improve the work of justice units,</li> <li>• training for the Ministry of Interior Affairs and Administration and services subordinated by the MIA Schengen principles;</li> <li>• combating transnational organised crime, including terrorism, trafficking, smuggling, money-laundering, fraud and corruption;</li> <li>• strengthening co-operation of the police and border guarding forces, including development of a communications infrastructure;</li> <li>• training in the preventive aspects of policing and border guarding through research and widened co-operation between the police and academic institutions;</li> <li>• competence building within the police force, border guarding force and the judiciary to enhance efficiency and integrity;</li> <li>• competence building related to visa and asylum applications;</li> <li>• competence building related to the prevention of women and children from being trafficked</li> </ul>
Regional policy and cross-border activities	<p>Priority objective: Improvement of communication and cross-border co-operation between the inhabitants and authorities of Poland and with the EEA EFTA countries, the Baltic Sea region countries and Poland's eastern neighbours: Belarus, the Russian Federation (Kaliningrad region) and Ukraine. Promoting development at regional and local level in Poland.</p> <ul style="list-style-type: none"> <li>• creation and implementation programmes of cross-border co-operation aimed at improving self-governmental administration and stimulation of health and social initiatives and enterprise development in the regions;</li> <li>• knowledge transfer from more to less developed regions;</li> <li>• promoting regional and local development in Poland;</li> <li>• ensuring communication and information system development;</li> <li>• cooperation in the field of cross-border ecological tourism in developed regions,</li> <li>• training for governmental and self-governmental administration in EEA countries to gain better qualifications</li> </ul>
Technical assistance relating to the implementation of acquis communautaire	<p>Priority objective: To ensure proper management and efficiency of implementation of the Financial Mechanisms.</p> <ul style="list-style-type: none"> <li>• information on and promotion of EEA measures;</li> <li>• support for implementation preparation;</li> <li>• monitoring, evaluation and control</li> </ul>
Protection of the environment, with particular emphasis on strengthening the administrative capacity to implement acquis relevant to investment projects	<p>Priority objective: Reinforcement of capabilities and potential for action of administration at central and regional government level and other bodies responsible for implementing EU legislation in the area of environmental protection. Eligible Institution building projects:</p> <ul style="list-style-type: none"> <li>• making implementation and enforcement of environmental law more smooth and efficient</li> <li>• support for the development of capacity building in environmental administration</li> <li>• gathering and dissemination of information on for example best available techniques (in line with guidelines of Directive 96/61/EC) as well as “clean production”;</li> <li>• development of environmental management systems</li> </ul>



<b>PORTUGAL</b>	
Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy	<ul style="list-style-type: none"> <li>• Reduction of pollution, mainly in urban public transport</li> <li>• Improvement of water management systems</li> <li>• Coastal management</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Sustainable forest management</li> <li>• Implementation of sustainable public service centres in rural areas</li> <li>• City networks for competition and internationalization</li> </ul>
Conservation of European cultural heritage including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Protection and renewal of immovable cultural heritage</li> <li>• Improvement of care and protection of movable cultural heritage</li> <li>• Renewal of urban areas and historical parts in regions</li> <li>• Renewal of historical and cultural heritage in regions</li> <li>• Small-scale revitalisation of brown fields in towns and municipalities</li> </ul>
Human resource development	<ul style="list-style-type: none"> <li>• Improve and modernise services of public administrations at regional and local levels, including social services</li> <li>• Improve and mainstream gender equality in public services</li> </ul>
Academic research and development	<ul style="list-style-type: none"> <li>• Academic research and development within the above mentioned areas as well as in the health sector</li> </ul>
<b>ROMANIA</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Supporting biodiversity and nature reserves, including sustainable use of water resources;</li> <li>• Monitoring systems for ground water, waste water and air pollution;</li> <li>• Reducing water pollution from mining activities</li> <li>• Developing sustainable waste water collection and promoting recycling systems;</li> <li>• Enhancing flood prevention</li> <li>• Strengthening integrated coastal area management</li> <li>• Developing renewable energy sources, including geothermal energy and hydropower</li> </ul>
Conservation of European cultural heritage, including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Conservation of European cultural heritage</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Enhancing the administrative capacity of central and local public authorities, including for integrated development planning and the use of information technology;</li> <li>• Developing tools and databases for territorial planning</li> <li>• Supporting exchanges and training courses for students and teaching staff from pre-university system and universities between the relevant institutions in Romania and the EEA EFTA States</li> <li>• Strengthening civil society through the establishment of NGO fund;</li> <li>• Promoting the social dialogue;</li> <li>• Enhancing competence building in the justice and home affairs sector</li> <li>• Enhancing attractiveness of, access to and participation in vocational education and training</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Supporting children at risk</li> <li>• Rehabilitating buildings, modernisation of equipment and managerial systems</li> <li>• Implementing preventive measures to promote a healthy lifestyle</li> <li>• Preventing and improving treatment of communicable diseases (HIV/AIDS and TB)</li> </ul>
<b>SLOVAKIA</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Improvement and development of infrastructure for water protection and management</li> <li>• Improvement of air quality and reduction of greenhouse gases in Slovakia</li> <li>• Improvement of waste management at municipality level</li> <li>• Reduction and safe management of old environmental burdens</li> <li>• Reducing the loss of biodiversity and preserving natural habitats</li> </ul>

Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Promotion of renewable energy sources</li> <li>• Improvement of municipal street lighting for energy saving</li> <li>• Reconstruction of heat distributions and central sources of heat operated by public enterprises for energy saving</li> <li>• Promotion of the use of bio fuels and alternative energy resources as secondary source of energy at municipality and regional level</li> <li>• Promotion of food safety</li> <li>• Environmental education and mainstreaming on all levels of public administration including support to environmental information activities</li> <li>• Traffic administration and safety</li> </ul>
Conservation of European cultural heritage, including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Intergrated protection and development of objects of cultural heritage</li> <li>• Protection, presentation and improvement of conditions for movement control of movable cultural heritage objects</li> <li>• Cultural heritage as a basis for local and regional development</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Mobility of students, lecturers, experts and scientists</li> <li>• Development of professional and life-long education</li> <li>• Establishing youth centers for after-school activities including, preventive actions against drug abuse</li> <li>• Integrated education and work for disabled and young people with special needs</li> <li>• Programmes to mainstream gender equality</li> <li>• Improve and modernize public service capacities of regional and local authorities and their institutions through e.g. ICT measures</li> <li>• Support social integration schemes for minority groups</li> <li>• Enabling women and young girls to enter the workforce through job-creating programmes and innovation schemes</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Transformation from institution to foster homes</li> <li>• Programmes to support children with special needs in difficult family situations</li> <li>• Development of social services for family treatment</li> <li>• Improve quality of social and health services in municipalities</li> <li>• Improve healthcare in prisons</li> <li>• Development of National Health Programmes</li> <li>• Education of managers and personnel in the health sector</li> <li>• Support for good quality maternity health care and family planning services</li> <li>• Protection and support for victims of family violence, such as support to shelters</li> </ul>
Academic research and development	<ul style="list-style-type: none"> <li>• Research activities within all the eligible priority areas of the Financial Mechanism</li> </ul>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<ul style="list-style-type: none"> <li>• Implementation of Schengen acquis for security of communication</li> <li>• Improve education in Schengen acquis issues</li> <li>• Improve efficiency of the judiciary through ICT use and development</li> <li>• Implementation of National Schengen Information System (N-SIS/SIS II) and creation of SIRENE office</li> <li>• Development of analytical and co-ordination skills of Presidium Police Forces</li> <li>• Reduction of pollution of water sources related to the fire and rescue services</li> <li>• Reduction of the impact of environmental accidents by implementation of Geographical Information Systems (GIS) in Integrated Rescue System</li> <li>• Programmes to fight corruption, organised crime and trafficking of drugs and in human beings</li> <li>• Competence building related to visa and asylum applications</li> </ul>
Regional policy and cross-border activities	<ul style="list-style-type: none"> <li>• Regional development focused on priorities of particular regional authorities and municipalities, e.g. in the field of: - strengthening competence and capacity at local level; - foster good governance in public administration; - private sector development on local and regional level; - strengthen participation of minority groups in society</li> <li>• Cross-border co-operation within priority areas focused on co-operation with Ukraine on national and regional level</li> </ul>
Technical assistance relating to the implementation of acquis communautaire	<ul style="list-style-type: none"> <li>• Strengthening the capacity building for acquis communautaire on regional level</li> </ul>

<b>SLOVENIA</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Promotion of energy efficiency</li> <li>• Development of monitoring systems for ground water, waste water and air pollution</li> <li>• Development and implementation of waste collection and recycling systems</li> <li>• The assessment of the implementation of the EU legislation on the condition of air, water and land in Slovenia</li> <li>• The regulation of greenhouse gas emissions</li> <li>• Reducing fuel consumption and promoting the use of public transport</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Promote the sustainable management of specific urban and landscape areas</li> <li>• Strengthening education and research in the field of sustainable development</li> <li>• Establish a national GPS network as a basis for the Spatial Data Infrastructure (SDI) needed to support Land Administration/ Cadastre, Environmental information, Physical planning/Land development and public sector management</li> <li>• Implementation of the European Landscape Convention</li> <li>• Protection, improvement and restoration of biodiversity</li> </ul>
Conservation of European cultural heritage, including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Preservation and possible utilization of architectural heritage in Slovenia</li> <li>• Renewal and revitalization of the old city centers</li> <li>• Fostering the cultural cooperation in the border regions</li> <li>• Digitalisation of cultural heritage</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Increasing the competence and administrative capacity of local authorities</li> <li>• Training in nursery schools and special schools (foster replacements, centres for education and care and schools for children with special needs)</li> <li>• Training for the local governments in the field of EU legislation</li> <li>• Support social integration of the disadvantaged groups</li> <li>• Establish programmes to mainstream gender equity</li> </ul>
Health and childcare	<ul style="list-style-type: none"> <li>• Improvement of the learning and development environment for children with special needs</li> <li>• Programmes to support the improvement of the conditions at children's hospitals</li> <li>• Improve standards in nursery schools and special schools (towards foster replacements, centres for education and care and schools for children with special needs)</li> </ul>
Academic research and development	<ul style="list-style-type: none"> <li>• Support the exchange of students, lecturers and experts from educational and research institutions between Slovenia and EEA/EFTA states and Norway in key areas as defined in priority areas</li> </ul>
Implementation of Schengen acquis, support of National Action Plans and strengthening the judiciary	<ul style="list-style-type: none"> <li>• Strengthening the capacity to fight organized crime and economic crime</li> <li>• Strengthening of the court and prison system</li> <li>• Strengthening police co-operation and competence</li> <li>• Transfer in Schengen-related issues between Slovenia and Norway</li> <li>• Strengthening the witness protection system</li> <li>• Co-operation in the field of the Visa information system</li> <li>• Implementation of the National Schengen Information System</li> <li>• Support to SIRENE Office</li> </ul>
Regional policy and cross-border activities	<ul style="list-style-type: none"> <li>• Strengthening the competence and administrative capacity of local authorities to support regional development</li> <li>• Strengthening of the bilateral cooperation between Slovenian and Norwegian local governments. Local government associations, enterprises (only internships and scholarships) as well as co-operation projects with the priority areas of the agreement</li> <li>• Increasing co-operation between local authorities and development of common services</li> </ul>
Technical assistance relating to the implementation of acquis communautaire	<ul style="list-style-type: none"> <li>• Strengthening the capacity for providing official development assistance by the Republic of Slovenia through cooperation with Norwegian development institutions</li> </ul>

<b>SPAIN</b>	
Protection of the environment, including the human environment, through, inter alia, the reduction of pollution and the promotion of renewable energy	<ul style="list-style-type: none"> <li>• Reduced atmospheric and noise pollution</li> <li>• Renewable energy</li> <li>• Development of LICs (Places of EU interest)</li> <li>• Riverbed and seashore cleaning and restoration</li> <li>• Restoration of environmentally impoverished areas (through afforestation, dump sealing)</li> <li>• Improved forest management</li> <li>• Improved sustainable water supply</li> <li>• Improved waste water management</li> </ul>
Promotion of sustainable development through improved resources use and management	<ul style="list-style-type: none"> <li>• Promotion of rural tourism</li> <li>• Geographic information, geodesy, hydrography and geomatics</li> </ul>
Conservation of European cultural heritage, including public transport and urban renewal	<ul style="list-style-type: none"> <li>• Sustainable restoration of buildings and urban areas of cultural heritage value</li> <li>• Construction of cultural infrastructure</li> <li>• Promotion of tourism in areas of cultural heritage value</li> <li>• Urban renewal in areas of cultural heritage value</li> <li>• Improvement of public transportation in areas of cultural heritage value</li> </ul>
Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions and the democratic processes that support it	<ul style="list-style-type: none"> <li>• Establishment of life-long learning centres and training</li> <li>• Social integration</li> <li>• Training courses specific to working areas and for the use of information technology and other new technologies</li> </ul>
Academic research and development	<ul style="list-style-type: none"> <li>• Academic research and development within the priority areas</li> </ul>

## Annex 7 – About data and sources

### Sources used in this analysis included:

- a. Policy documents regarding the establishment of the mechanisms, including publicly available EC and parliamentary documents as well as confidential files of the NMFA.
- b. Legal frameworks, rules, regulations and procedures for the operation of the mechanism and annual reports from all 13 countries. This includes documents at FMO level as well as at country level. These are all publicly available files.
- c. Interviews with key officials at all levels (see Annex 2 - List of interviewed stakeholders).<sup>53</sup> An interview guide for the structured interviews is found in Annex 3.<sup>54</sup>
- d. Extended web survey, developed and distributed to stakeholders in 13 countries. The questionnaire, list of respondents, and detailed response statistics are included in annex 4.
- e. Previous commissioned work, including: (i) Review of the implementation process in Poland, 2006; (ii) (Ongoing) review of internal processes, particularly the selection process and the dialogue between the main parties; (iii) (Ongoing) review of bilateral partnerships between Norway and the beneficiary states; and (iv) Review of the administration of the grant mechanisms conducted in 2007. Three of these documents were developed by external actors which are involved in the implementation of the mechanism.
- f. Program-specific datasets supplied from the FMO databases on April 2 and April 16, 2008. These are assumed to have high reliability.
- g. Country and regional data from Eurostat and IMF public data sources.
- h. World Bank data for assessing sustainability and conducting the comparative analysis of the model with respect to best practices and mainstreamed operations in the region. These sources are not publicly available.
- i. Use of other non-EEA program specific literature is noted in the documents as appropriate.

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<sup>53</sup> Actors at the country level include national focal points, intermediate bodies, and paying authorities. Officials involved in monitoring committees and steering committees were not interviewed given resource constraints and in order to avoid overlap with previous work which interviewed such respondents extensively. The team has not interviewed project promoters, which may reduce the validity of this work with regards to project-level issues.

<sup>54</sup> The interviews have been open-ended at the strategic-management level, and increasingly structured in the case study countries

## Annex 8 – Data and figures

Table 1: Socio-Economic Data

Country	(1) Population (millions) (2007)	(2) GDP/capita in PPS (2007)	(3) Real GDP Growth Rate (2007)	(4) Poverty Rate (2000-2004)	(5) Long-term Unemployment rate (2007)	(6) Inequality of income distribution (2006)	(7) GDI Rank (2007)
Bulgaria	7.7	38.1 (f)	6.2	..	4.0	3.5	53
Cyprus	0.8	91.9 (f)	4.4	..	0.7	4.3	28
Czech Republic	10.3	81.3 (f)	6.5 (f)	4.9 (j)	2.8	3.5	32
Estonia	1.3	71.6 (f)	7.1	12.4	2.3	5.5	44
Greece	11.2 (p)	98.6 (f)	4.0	14.3	4.1	6.1	24
Hungary	10.1	64.5 (f)	1.3	6.7 (j)	3.4	5.5	36
Latvia	2.3	58.1 (f)	10.3	..	1.6	7.9	45
Lithuania	3.4	60.0 (f)	8.8	..	1.4	6.3	43
Malta	0.4	77.4 (f)	3.8	..	2.6	4.2 (p)	34
Poland	38.1	54.6 (f)	6.5	8.6 (j)	4.9	5.6	37
Portugal	10.6 (p)	73.9 (f)	1.9	..	3.8	6.8 (p)	29
Romania	21.6 (p)	40.4 (f)	6.0 (f)	8.1 (j)	3.2	5.3	60
Slovakia	5.4	68.6 (f)	10.4	7.0 (j)	8.3	4.0	42
Slovenia	2.0	90.5 (f)	6.1	8.2 (j)	2.2	3.4	27
Spain	44.5	104.5 (f)	3.8	14.2	1.7	5.3	13
EU-27	495.1	100.0 (f)	2.9	n/a	3.0	4.8 (s)*	n/a
Norway	4.7	185.7 (f)	3.7	6.4	0.5	4.6	2

Sources: (1-3) and (5-6) EUROSTAT; (4) and (7) UNDP Human Development Report 2007/2008

Note: (f) Forecast; (p) Provisional value; (j) values refer to time period 1996-1999; (s) Eurostat estimate, \* EU 25 countries;

(1) The inhabitants of the given area on 1 January of the year in question (or, in some cases, on 31 December of the previous year). The population is based on data from the most recent census adjusted by the components of population change produced since the last census, or based on population registers.

(2) The volume index of GDP/capita in Purchasing Power Standards (PPS) is expressed in relation to the EU-27 average set to equal 100.

(3) Growth of GDP volume is calculated using data at previous year's prices.

(4) Population (percent) living below income poverty line of 50 percent of median income.

(5) Long-term unemployed (12 months and more) persons are those aged at least 15 years not living in collective households who are without work within the next two weeks, are available to start work within the next two weeks and who are seeking work (have actively sought employment at some time during the previous four weeks or are not seeking a job because they have already found a job to start later)

(6) The ratio of total income received by the 20 percent of the population with the highest income (top quintile) to that received by the 20 percent of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.

(7) GDI – Gender-related Development Index is a UN indicator aimed at showing inequalities between men and women in the following areas: long and healthy life, knowledge, and a decent standard of living.

Figure: Commitments/country

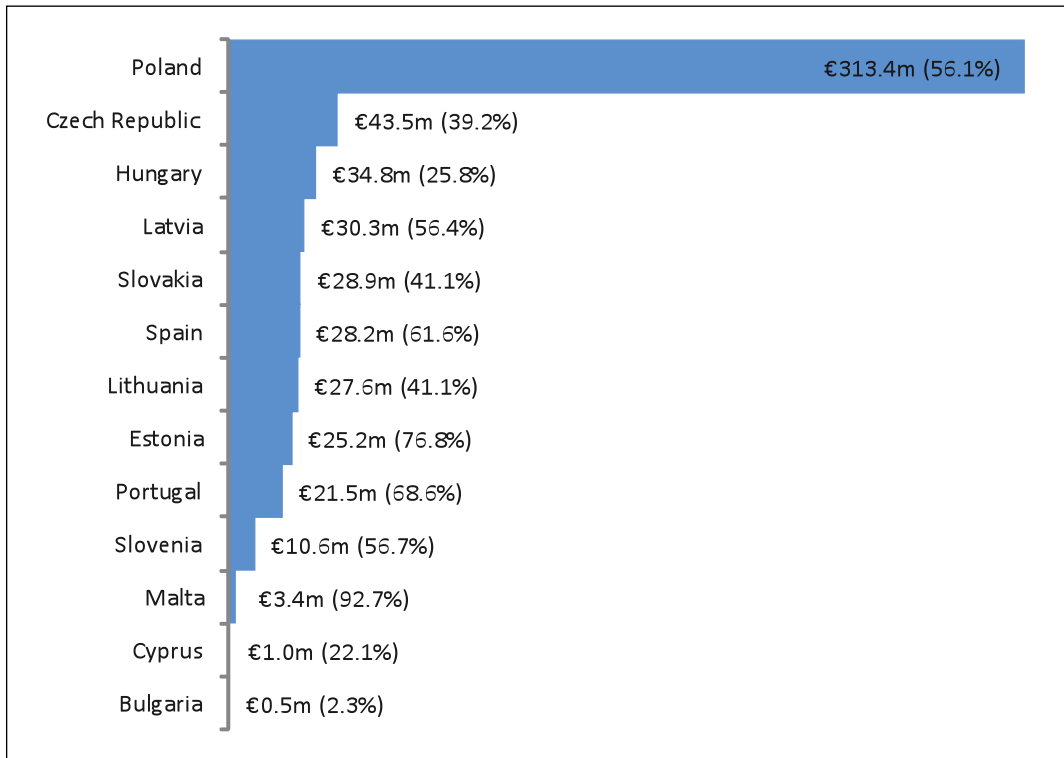


Figure: Disbursements/country

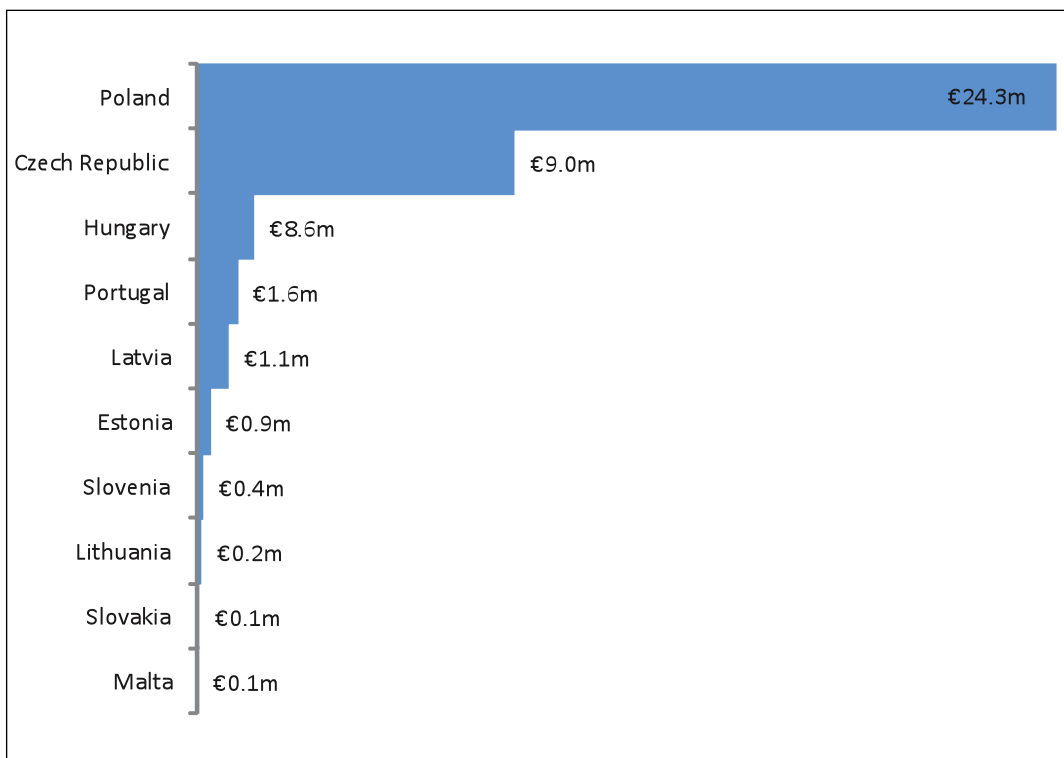


Figure: Share of Disbursements, Commitments and Allocations per country  
 Figure: Commitments/country

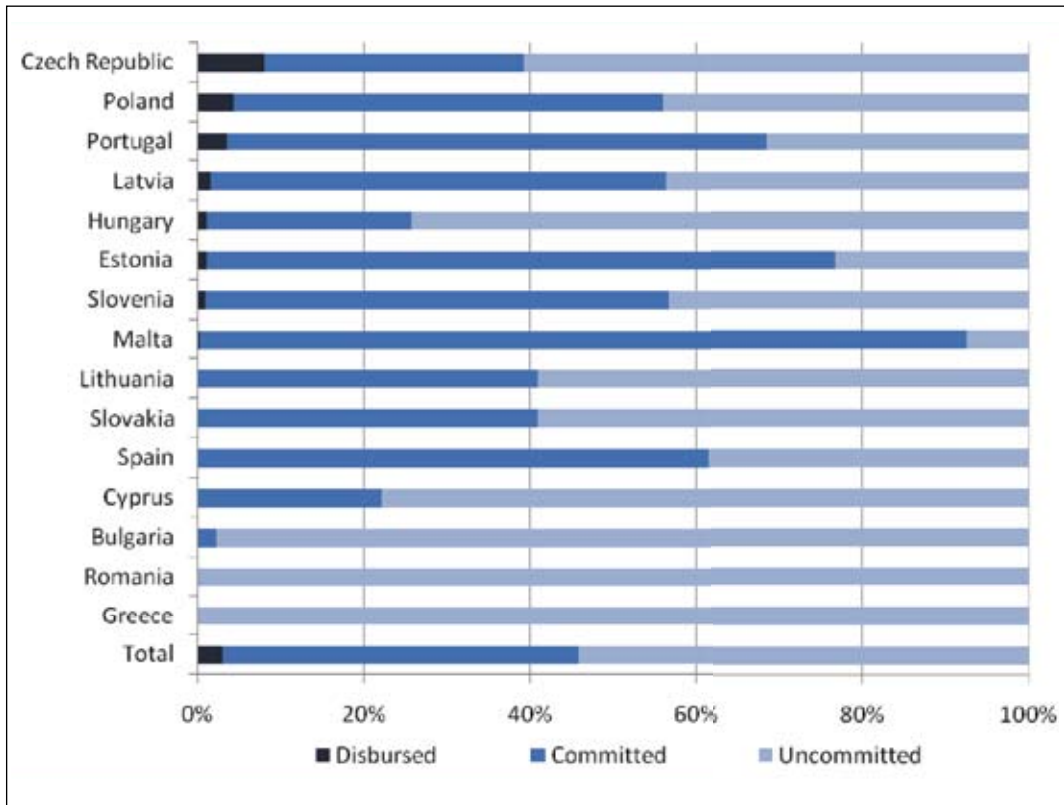


Figure: Aggregate commitments in EUR (million) distributer per actor  
 Figure: Commitments/country

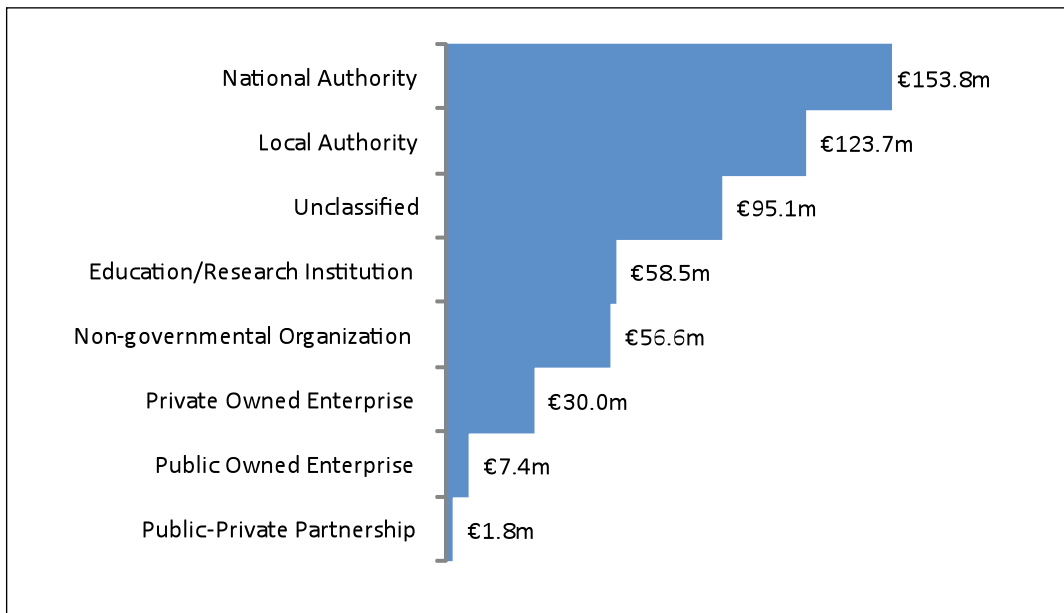
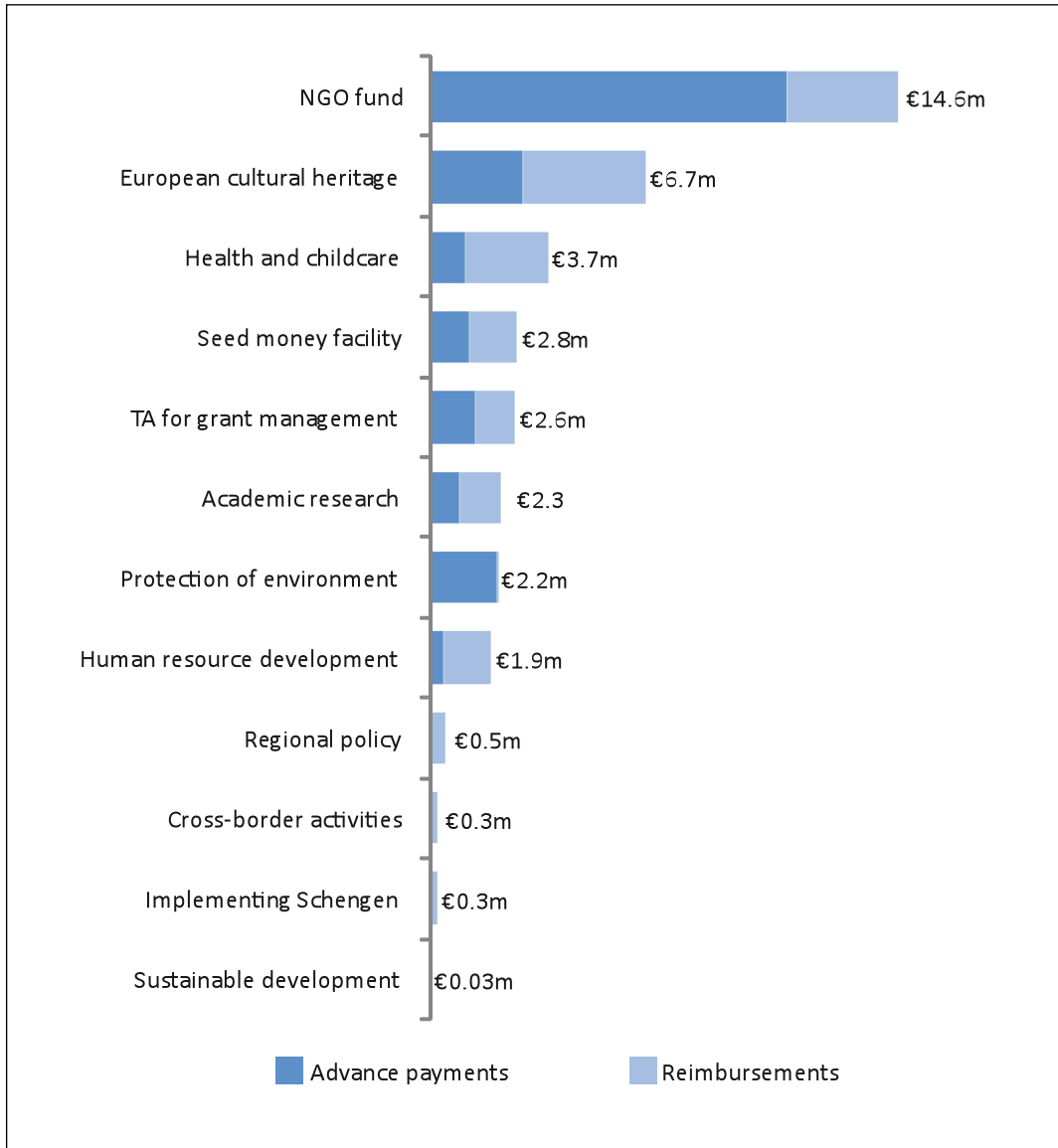




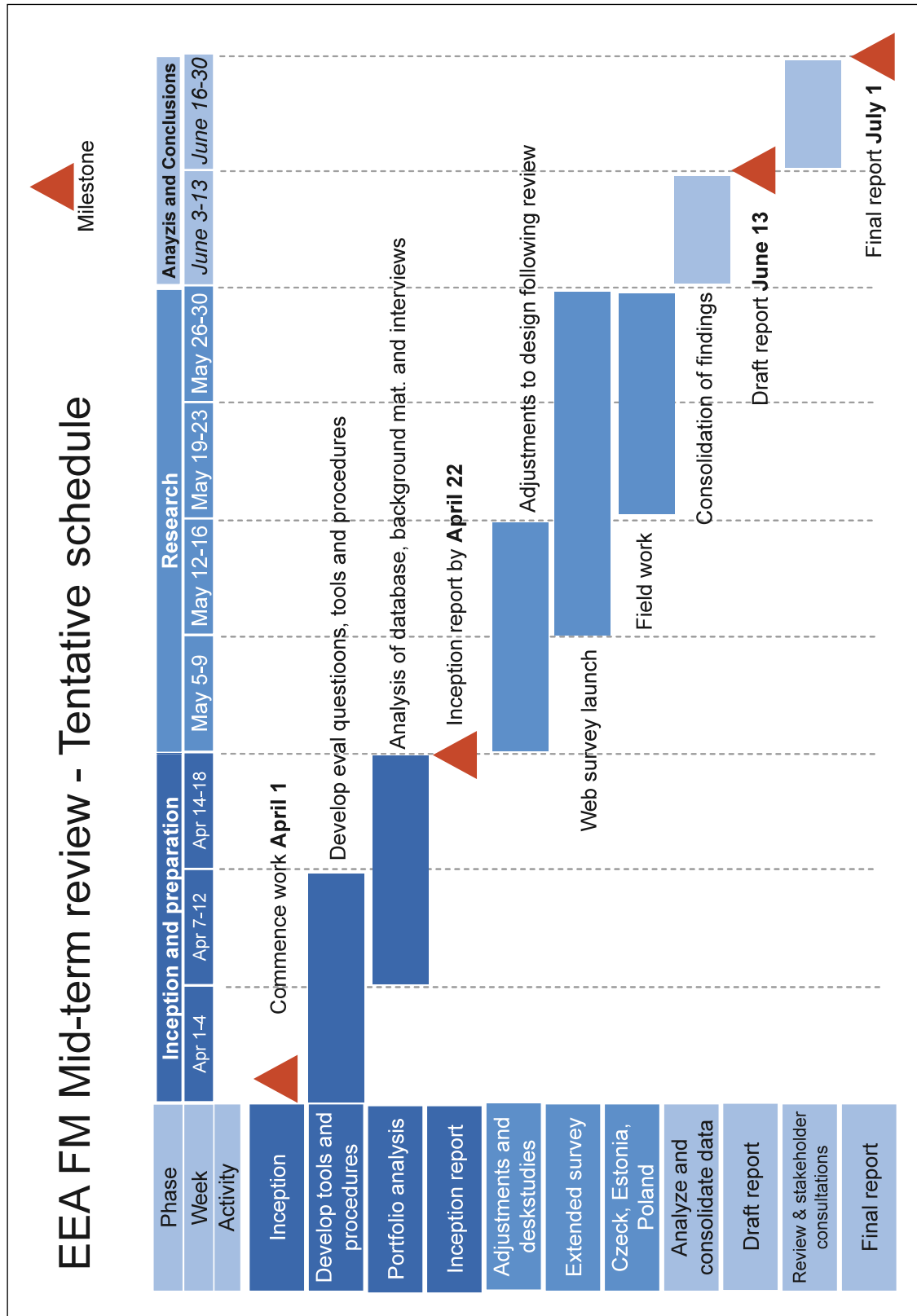
Figure: Distribution of disbursements by type and priority sector  
 Figure: Commitments/country



## Annex 9 – Expanded evaluation questions

Judgment criteria/Indicators	Methodology and scope
<b>Relevance</b>	
Consistency of the Priority Sectors with regards to country priorities and policies	Interviews with key officials and review of strategic documents to assess whether at program inception, adequate consideration was given to linking Priority Sectors to country needs. Case country review of in-country allocation decisions. Case country review of demand based on € value of applications in relation to available resources.
Harmonization of the Priority Sectors with other donor support	Overlap with other donor programs (EU funds) and country priorities which have financing gaps Assessment of National Development Frameworks in three case countries, including the strategic priorities and funds available.
<b>Efficiency</b>	
Existence of appropriate procedures and processes to help ensure that cost-efficient interventions are chosen	Review of strategic documents and conducting interviews with key officials on whether adequate consideration is given to ensuring selection of cost-efficient interventions.
<b>Effectiveness</b>	
Are there clearly defined objectives, indicators and benchmarks as evidence of strategic intent?	Case country studies and stakeholder interviews: Assess perceptions of program's objectives and definitions of success Review of the documentation
Consistency of the Priority Sectors and Individual Projects with regards to the overall objectives of the program	Review strategic documents and interview key officials whether at program inception adequate consideration was given to linking Priority Sectors to objectives of the program Consistency of objectives and indicators in (460) committed projects with overall objectives.
Progress towards program objectives	Analysis of progress toward overall objectives of decreasing social and economic disparities. Analysis of data on progress in results indicators at project level in relation to original targets Analyze data on the implementation of the program, including absorption rate of funds (disbursements at program level over time).
<b>Sustainability</b>	
Mechanisms in place to ensure financial sustainability of project intervention	Assessment of the adequacy of selection and appraisal rules and procedures (e.g. ref 1 percent maintenance rule)
Mechanisms in place to ensure sufficient capacity among project promoters	Assessment of the adequacy of selection and appraisal rules and procedures
Level of financial and ownership	Assessment of the levels of co-financing
Level of conceptual ownership	Assessment of whether the projects fit into a larger strategic framework (local, regional or national program) and whether mechanisms ensuring such consideration exist (for three case countries only – assess whether there are mechanisms ensuring that the projects fit into the larger framework)
Probability of and resilience to change (and risks)	Assessment of strength and robustness of legal frameworks and institutions in the country

## Annex 10 – Schedule



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