

Minutes
from the Annual Meeting within the EEA and Norway Grants 2014-2021 in Croatia
held on the 22 September 2023

Attendees:

National Focal Point (NFP)

Mr Šime Erlić, Minister, Head of NFP
Mr Domagoj Mikulić, State Secretary
Ms Natalija Laštro, Head of Sector
Ms Kristina Tatarović, Head of Service
Ms Maja Jelić Petković, Head of Department
Ms Mara Miljak, Senior Expert Adviser

Ministry of Foreign Affairs of the Kingdom of Norway

Mr Leif Trana, Chair of the Financial
Mechanism Committee
Mr Jon Erik Strømø, Director of Section for
Central Europe and the EEA and Norway
Grants
Mr Åsmund Eriksen, Senior Adviser, Section for
Central Europe and EEA and Norway Grants

Royal Norwegian Embassy in Zagreb

H.E. Mr Arne Sannes Bjørnstad, Ambassador
Mr Helge Klouman Marstrander, Deputy
Ambassador
Ms Maja Dodić, Senior Project Adviser

Financial Mechanism Office (FMO)

Ms Tori Hoven, Director of the Country and
Programmes Department
Ms Dimitra Fellner, Country Officer

Agency for the Audit of European Union
Programmes Implementation System

Mr Neven Šprlje, Director of the Agency
Ms Irena Vrkljan Didić, Head of Service

Opening statements¹

In his opening statement, Mr Erlić expressed his satisfaction and appreciation for the excellent cooperation with the Donors and previous Ambassador Blankenborg and Ms Latif and welcomed the new Norwegian ambassador and his deputy as well as the rest of the Donor's delegation. Minister Erlić pointed out substantial progress in the implementation of the Financial mechanisms in Croatia that has been made since the last Annual meeting.

Minister Erlić expressed his acknowledgement and appreciation of flexibility letters intended to facilitate the absorption of the funds and have shown donors' awareness of the challenges that Programme

¹ Note: It was mutually agreed to slightly change the proposed agenda because Minister Erlić was able to participate until 11 o'clock. Therefore, the main points, statements and conclusions from both sides were presented at the beginning of the meeting.

PowerPoint presentations prepared for the meeting are attached as Annexes to these Minutes.

operators and Project promoters are facing during programmes and projects' implementation and short implementation period thus emphasised that the real effect on the successful absorption rate of the Funds would be the extension of the eligibility period. In respect of that, he gave a short overview of the circumstances that harmed the implementation period² which the Minister considers as solid ground for reconsidering the donors' position relating extension of the eligibility period. He added that Croatia is committed to overcoming challenging implementation however an absorption rate below 95% would be not evaluated as a success from the Croatian side. Therefore, the minister asked to open a dialogue to extend the eligibility period.

Relating the technical aspects of the implementation of the flexibility measures, the Minister said that proposed measures without clear guidance placed an additional burden on the National Focal Point and it would have been more effective if all measures were introduced at the same time and previously agreed with the National Focal Points.

In his opening words, Mr Trana highlighted excellent cooperation with the NFP team and their appreciation of the Minister's support of the Grants. He thanked the NFP team for organising an excellent and inspiring two days in Croatia. The project visits that were held the day before had been well organized, very informative and gave an insight into the projects. Mr Trana highlighted the excellent conference where different projects were presented and where project promoters had the opportunity to talk between themselves and share success stories and lessons learned.

Mr Trana emphasised that the donors are aware of the challenges in the projects' implementation as well as the absorption rate, but that it won't be possible to reach an agreement on the extension of the eligibility period for projects beyond April 2024. For the current mechanism period 2014-2021, donors introduced the extension of the Financial Mechanisms of the EEA and Norway Grants from 5 to 7 years. He said that the donors are more than open to finding ways to help implementation as much as possible.

He informed the NFP about the possibility that the projects with a bilateral component continue with implementation after the deadline in April since the eligibility of the Bilateral fund lasts for one more year, so some funds can be transferred to the bilateral component/activity of the projects. He announced a new letter regarding the reallocations from programmes to the Bilateral Fund with more detailed information. He urged the National Focal Point to prepare a plan for re-allocations of possible savings from the Programmes to the Bilateral Fund to increase absorption and results while strengthening the bilateral cooperation. He also offered to consider allowing reallocations between programmes even though the deadline for this stated in the regulations has passed if there was a concrete need for that.

The NFP thanked for the information on the new letter and proposed a meeting on that matter if needed.

Concerning the next mechanism, Mr Trana informed that the donors' intention is to try to finish the negotiations with the European Commission this fall. After the finalisation of negotiations with the Commission, the donors hope that negotiations with Croatia will be much quicker than the previous one, to have a maximum time for the implementation.

Minister Erlić respects the donors' support and the effort they are making to facilitate the implementation and absorption of the financial mechanisms, however, he finds that the proposed measures are not proportionate to the situation in Croatia and therefore announced the submission of

² Delayed Agreements with EU (end May 2016) which caused delays in negotiations on FMs 2014-2021, long negotiation process as well as preparatory process of programmes and programmes' agreements, the negative impact of COVID and two devastating earthquakes that hit Croatia as well as global market disruptions (Covid and Russian aggression to Ukraine)

Croatia's position letter i.e. request for an extension of the eligibility period. He highlighted the significant impact of the Grants in Croatia although the financial contribution may be seen as modest in comparison to the other available funds. He also said that Croatia is looking forward to the new framework and hoping that the negotiation process with member states on the next financial mechanism will start soon.

Relating the communication and visibility activities within the Financial mechanisms both sides agreed that the next year (2024) is crucial to communicate the programme and project results to the public, using available communication tools. Minister Erlić pointed out his preference for filming the programmes and projects' results (making short videos on the results) and the importance of using communication on social media in the future. Concerning that the NFP said that a significant amount of publicity is planned within the Technical assistance for 2024.

The Annual Strategic Report 2022

Minister Erlić highlighted that the implementation of the projects is at its peak and mentioned that although the current absorption rate of programmes is modest, according to the forecasts, a much higher rate of the incurred costs will be achieved by the end of the year. Therefore, to reach that, it is crucial to ensure sufficient time for project implementation.

He also said that the programme Justice and Home Affairs is more advanced in comparison to the LDPR and Energy programme since the project's implementation started in the summer of 2022. Minister added that in each Programme we have used the possibilities offered by Flexibility letters which enabled project promoters to overcome the price increase-related challenges.

Natalija Laštro, on behalf of the NFP, presented the main points of the draft Strategic Report (submitted to Donors in July 2022) including the updates on the management and control systems processes. The donors formally approved the submitted Annual Strategic Report.

After the formal approval of the Annual strategic report by the donors, the Minister once again thanked the donors for their cooperation, wished all the participants a fruitful continuation of the discussion and left the meeting due to previously assumed business obligations.

Progress of Programmes managed by Croatia

Since the progress in the implementation of the three programmes managed by Croatia was presented in detail at the Conference held the day before, the participants of the meeting agreed that only the information related to the implementation of flexibility measures and the financial perspective of the programmes would be presented and that presentation with all the information on the programmes will be a constitutive part of the minutes.

1. Local Development and Poverty Reduction

Relating the flexibility measures procedure of awarding additional funds to the projects that can yield better results within the defined timeframe is in the final phase. A decision on awarding two PDPs with additional funds has been made. Regarding the financial performance of the programme, it is expected that by the end of the 2023 year 54% of funds to be disbursed to the PPs. More details on the progress of the programme are in the presentation which is a constitutive part of the minutes.

The donors expressed their appreciation for the developments of the programme in the reporting period and commended the Programme Operator for the good management of the programme. They

mentioned that they were pleased to be able to support projects of strategic interest to Croatia, such as the project focussing on seismic risk assessment and the project with OECD on strategic planning at regional and local levels in Croatia. They highlighted that some of the projects, like the one supporting pupils with disabilities, will be likely to achieve higher results than expected and thanked the Croatian side for their efforts. Finally, they expressed appreciation for the projects supporting STEM education and mentioned the interesting projects which they had visited the day before.

2. Energy and Climate Change Programme

Related to the flexibility measures a restricted call for additional funding for the projects selected within two programme calls - "Energy production from the sea" and "Increased geothermal energy production capacity" that were affected by a price increase, is in the evaluation process. Regarding the financial performance of the programme, peak consumption is expected in the 4th quarter of 2023 and the 1st quarter of 2024. Until the end of the year, it is expected that 66% of funds will be disbursed to the PPs. More details on the progress of the programme are in the presentation which is a constitutive part of the minutes.

The donors commended the progress of the programme and highlighted that the increasing use of renewable energy, such as the solar energy projects visited the day before, is and will remain a priority both, of the EEA and Norway Grants as well as on the European agenda. They took note of the uncertainties related to volatile prices and delays in value chains that are continuing to challenge the successful implementation of the projects and appreciated that the Programme Operator had made use of the available flexibility measures to reduce the impact of these external factors.

3. Justice and Home Affairs Programme

Related to the flexibility measures certain funds (0,37 mln EUR) were transferred from PDP2 Strengthening Human Rights Protection and Public Safety through improving the capacities of the Croatian Probation Services to PDP1 Reconstruction of the Municipal Court building in Split and the promotion of e-services to overcome the risk connected with the increase in prices of goods and services and to ensure the completion of the Court building. Implementation of the PDP1, PDP3 and PDP4 last until the end of 2023 while implementation of the PDP 2 is extended until 15 April 2024. Until the end of the year, 91% of funds disbursed to PPs are expected. More details on the progress of the programme are in the presentation which is a constitutive part of the minutes.

The donors appreciated that all initial risks and delays in the programme seemed successfully overcome and that all four projects are expected to finish on time. They were pleased to see that the additional allocation of the reserve money has been absorbed and the programme was also able to implement an additional bilateral initiative with funds from the national-level Bilateral Fund. They positively mentioned the Court building in Split which they had visited before the Annual Meeting.

Progress of the Programmes managed by the FMO

The Programmes managed by the FMO were presented by Ms Tori Hoven (*The Active Citizens Fund Programme, Business Development and Innovation Croatia Programme, Fund for Youth Employment, Fund for Regional Development and Social Dialogue Decent Work Programme*) in the second half of the meeting to the operational level of the National Focal Point³.

³ Please see Note 1

The Donors highlighted the value of the Grants and their support towards Civil society. On NFP's question about how they plan to manage/implement the Active Citizens Fund Programme in the future financial perspective, the donors said that they are considering excluding the program from the allocation of beneficiary countries and still considering the implementation modality (they consider modality as they have for Fund for Youth Employment) so they cannot say anything with certainty yet.

The National Focal Point commended the work of the Fund operators and emphasized the good cooperation between the NFP and the Fund operators. The National Focal Point asked for more information from all programmes managed by the FMO and raised a concern regarding the compliance of the Fund Operator for the Innovation programme, Innovation Norway, with the state aid and de minimis regulation defined by the Regulation of the European Union while granting the funds to the private companies. The Donors expressed their trust that Innovation Norway which is a very experienced fund operator is complying with the legal framework and hoped that the NFP would also support them in pointing out specificities to the Croatian legal framework, if necessary.

Bilateral Cooperation

The National Focal Point highlighted their appreciation of the good working relations with the Royal Norwegian Embassy in Zagreb and noted that the steepest success during the reporting period has been achieved in the Joint Committee for the Bilateral Funds due to a successful bilateral call on Green Transition. The Ambassador proposed to continue the regular meetings with the Minister and State Secretary under his term.

Communication

Donors commended the communication efforts of the National Focal Point, in particular the successful Midterm Conference, held on 21 September 2023 and pointed out the importance of raising awareness of the financial mechanisms. Both sides agreed that future communication activities should be focused on the projects' results and project promoters.

The Donors invited the National Focal Point to participate in trainings and workshops organised by the Financial Mechanism Office, which they find very important and beneficial for all beneficiary countries.

Conclusions and closing remarks⁴

The National Focal Point expressed their hope that negotiations for the next perspective would last less time than the previous one and that the programming process should be simplified. In that regard, the National Focal Point hopes that the negotiation process with Donors will start soon.

The National Focal Point invited Donors to share a rough timeline for the new negotiation process.

The National Focal Point invited the Donors to allow comment on the draft Regulation for the new perspective before it is adopted.

The donors invited NFP to send its position on which implementation conditions should be changed taking into consideration the current Regulation and to make proposals for the improvement.

As a follow-up, the FMO will organise a technical meeting to prepare the implementation of the flexibility measures concerning re-allocation from the programmes to the Bilateral fund.

⁴ On Croatian side, the conclusions were presented by Minister Erlić.

Approved by Minister of the Ministry of
Regional Development and EU Funds, National
Focal Point:


Mr Šime Erlić



Approved by Mr Leif Trana, Chair of the
Financial Mechanism Committee, NMFA:



Mr Leif Trana