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FINAL PROGRAMME REPORT FM14-21

Poland

Business Development and Innovation

Programme short name	PL-INNOVATION
Programme Operator	Polish Agency for Enterprise Development (PARP PL)
Host Programme Area	PA01 Business Development, Innovation and SMEs
Financial Mechanisms	Norway Grants
Programme grant in EUR	€ 84,091,072.00
Programme co-financing in EUR	€ 14,839,600.94
Final incurred amount in EUR	€ 92,459,620.05
Final incurred rate %	93.46 %

PROGRAMME RESULTS

Programme Objective: Increased value creation and sustainable growth

Eligible expenditure: € 98,930,672.94 Amount incurred: € 92,459,620.05

Issues the programme aimed to address

The objective of the Business Development and Innovation programme was to increase value creation and sustainable growth in the Polish private sector. The programme aimed to contribute to increased competitiveness, business innovation, job creation and a lower environmental footprint of small and medium enterprises. Part of the programme specifically targeted female enterprises.

The programme had three focus areas: green industry innovation, blue growth and welfare technologies.

The support in the green industry innovation scheme aimed at increasing the competitiveness of enterprises using green industry innovation solutions, such as better waste management, energy efficiency, lower emissions or more efficient materials management.

The support in the blue growth scheme aimed at increasing the competitiveness of enterprises pursuing activities connected with inland or sea waters, including those implementing pollution reduction measures.

The support in the welfare technologies scheme aimed at increasing enterprises' competitiveness through the development and commercialisation of new or significantly improved products. This included new technologies improving the quality of life of the elderly and other vulnerable groups, such as people with disabilities.

Finally, the programme included a small grants schemes for female enterprises which aimed to improve their competitiveness in one of the above-mentioned focus areas. Projects under this scheme contributed to developing a female entrepreneur's knowledge, skills or competence for maintaining and developing their business.

The programme also pursued an important bilateral objective. The programme aimed to enhance and develop business cooperation between Polish companies and Norwegian partners through projects implemented in bilateral partnerships. Important activities included collaboration on innovation and exchange of knowledge between Polish companies and research entities, and mentoring services aiming at capacity building, growth of knowledge, improved skills and competences of female enterprises allowing for the development of their businesses by enhancing professional self-confidence and business ability.

Programme contribution to overall objectives

The programme exceeded its target values for most indicators in the programme's results framework. The programme enabled small and medium-sized enterprises to develop and implement innovative technologies, processes, solutions, and products. In this way the programme supported businesses to develop their business activities, increase revenues, and introduce innovative and eco-friendly solutions and technologies.

The external programme evaluation reported positive effects such as a significant increase in business market share, profits, and innovations across a range of products and services.

The programme evaluation also reported a significant positive impact on environmental sustainability through greening business activities and processes. This was visible especially in the green industry innovation and the blue growth grant schemes.

In the case of the welfare focus area, the programme improved the quality of life of the elderly and people with disabilities or functional limitations. This was achieved by investments in technologies facilitating everyday living such as telemedicine, smart health monitoring systems and care solutions. The projects enhanced social integration and improved access to education or job market for people with disabilities.

For many of the smaller businesses such as female entrepreneurs benefiting from the small grants schemes, participation in the programme allowed them to realize long-term plans that were previously beyond their financial reach. Most of them improved their managerial and professional skills by taking advantage of the mentoring services.

The programme successfully enhanced the collaboration between beneficiary and donor state entities. Approximately one third of the projects were implemented by Polish companies in the partnerships with Norwegian entities.

A survey of bilateral results confirmed a high level of trust between partners and high level of satisfaction with the partnership. This proves that partners were able to work collaboratively together and that the partnership had significant added value.

Furthermore, nearly 90% of cooperating organizations applied the knowledge acquired from the bilateral partnership, and almost half of cooperating organisations intend to continue relations after the project implementation period.

The project partnerships brought numerous benefits, including the development of innovative products, services, and technologies. Partnership projects were often focused on implementing modern technological solutions, optimizing production processes, and increasing operational efficiency. Norwegian partners provided substantive, technological, and mentoring support, which enabled effective implementation of innovations and enhanced the competitiveness of Polish companies.

During the whole period of programme implementation bilateral cooperation has been stimulated by various measures aiming at encouraging Polish companies and Norwegian entities to establish business contacts, bilateral relations and project partnerships in all focus areas of the programme.

The Programme Operator - PARP and Donor Programme Partner – Innovation Norway organized together bilateral and multilateral events in the form of seminars, b2b meetings, matchmakings, business mixers and study tours. Additionally, some of the event's participants and companies seeking for the project partners were granted support under the travel grants scheme. This encouraged their attendance in these events and establishing business cooperation not only in the form of project

partnerships. These activities created opportunities for hundreds of bilateral business meetings and contacts that could benefit also in the future.

Sustainability

The programme evaluation found that the results are likely to be durable, especially considering the implementation of eco-friendly and innovative business models and the positive employment dynamics. The sustainability is also strengthened by the bilateral cooperation and benefits from mentoring supporting social and technological development.

The surveyed project promoters stated that their projects would result in lasting effects and benefits, such as increased competitiveness, improved product or service quality, financial stabilization and increased operational efficiency.

In many cases the outcomes of projects were in line with the companies' development strategies and even business mission which additionally guarantees their sustainability. Implemented innovations and technologies often became a key elements of the project promoters' business operations helping to acquire new clients. As a result, project durability was not perceived as a challenge or formal requirement, but as one of the conditions for the company's further development.

Moreover, at least some of the projects have significant impact not only on the businesses of project promoters and their clients, but also on the local communities. Some of the implemented innovations contribute to tackling the important societal and civilizational challenges that local communities and governments are facing. This should also provide better durability of the programme results and long-term benefits for various stakeholders.

The above-mentioned strengthened influence applies specially to the welfare technologies projects implemented in the field of medical and social care of target groups with special needs such as elderly and people with disabilities. The high social sustainability of the results of such projects is additionally assured by the growing demand for services and products designed for seniors.

The wider impact and importance have also projects environmentally sustainable which fit into the current environmental trends and development needs of the local economies. The example of this type of investments is the modernization of marinas in tourist region by using environmentally friendly technologies improving waste management, increasing energy efficiency, and reducing atmospheric and water pollution.

An important factor influencing the positive assessment of the sustainability of the pro-ecological investments implemented especially within the green industry innovation and the blue growth focus areas was the impact of the projects on reducing the costs of producing goods or services. Such investments led not only to lower energy or waste disposal costs, but also to reduced labour costs.

Regarding the sustainability of the results of projects implemented in partnerships, the conclusion of the evaluation research confirmed that partnership projects did not fundamentally differ from those implemented without the participation of Norwegian partner. Both kinds of projects implemented with the partner or independently showed significant sustainability of outcomes and long-term benefits such as competitiveness and financial stability.

Outcome 1: Increased competitiveness of enterprises within the focus areas of green industry innovation, blue growth and welfare technology

Amount incurred: € 86,770,961.73

Results

The programme had one outcome, which aimed to increase competitiveness of enterprises within the focus areas of green industry innovation, blue growth, and welfare technology. This outcome addressed challenges of relatively low level of innovation in Polish enterprises, Poland's poor performance in eco-innovation and insufficient female entrepreneurship. The outcome also addressed socio-economic challenges like social exclusion of the elderly, making life easier for people with disabilities, improving access to education and health care, providing better adaptation to labour market needs and structural unemployment. These challenges particularly affected the small and medium-sized enterprises sector, their business environment, and stakeholders.

To address these challenges the Programme Operator launched two rounds of calls for proposals. Firstly, calls for proposals concerned four grant schemes i.e. green industry innovation, blue growth, welfare technologies and small grants schemes for female entrepreneurs, and the next round only the blue growth focus area.

As a result of the calls for proposals, 202 projects were contracted for almost € 115 million from which 167 projects were successfully completed and contributed to the achievement of the programme results. The eligible expenditures incurred in completed projects amounted to nearly € 156 million, including about € 87 million of the support granted to project promoters.

The most important results of the programme were related to business innovations. All the indicators which concern innovations i.e. number of innovative technologies/processes/solutions applied (target value 205, achieved value 283), number of innovative products, services or processes commercialized (target value 55, achieved value 270) and number of innovative technologies/processes/solutions developed (target value 70, achieved value 230) were overachieved. Some projects implemented more than one business innovation.

A good example of such is project PL-INNOVATION-0170 implemented by Krakodlew S.A. which aimed at recovering thermal energy from used molding sand. As a result of the project an innovative process for recovering and storing thermal energy from spent molding sands was developed. The project utilized technological heat energy for central heating and hot water supply. This ensured stability and control of temperature conditions during the casting manufacturing process (molding technology, shakeout, and solidification of castings) through the parameterization and construction of a closed heat recovery system from the sand. The project also significantly improved processes for large-scale plate castings, such as ladle plates and flat weights.

In another project PL-INNOVATION-0005 implemented by WTW Poland Sp. z o.o. two new innovative products were developed and commercialized. These were two separate series of Kaplan water turbines of S and Z type used in inland water dams from 12 to 24 meters high. The new turbines are characterized by the highest hydraulic efficiency, better high-speed characteristics and low cavitation rates and can be used in small hydropower plants.

Under this outcome there were four outputs corresponding to the focus areas – output 1.1 concerning enterprises supported to increase their green innovation potential; output 1.2 concerning enterprises supported to increase their blue growth potential (the environment in marine and inland waters areas); output 1.3 concerning enterprises supported to increase their innovation potential in welfare technologies and output 1.4 concerning female enterprises supported in the programme areas (green industry development, blue growth, welfare technologies).

Under output 1.1, 73 contracted projects contributed to the programme results of three indicators – number of SMEs supported to apply green technologies/processes/solutions (target value 85, achieved value 69), number of SMEs supported to develop new product/technologies in green industry (target value 7, achieved value 30) and number of SMEs supported to commercialize new technologies/processes/solutions in green industry (target value 7, achieved value 53).

For instance, the company of Polska Korporacja Recyklingu Sp. z o.o. implemented the project PL-INNOVATION-0112 (link to the video). The project applied innovative processes and technology to automatic and simultaneous sorting and plastic regranulation. It then commercialized this technology in the form of regranulate from plastic waste.

The achieved values of indicators in the green industry innovation area show that the innovation level of projects was higher than expected during the programming stage. The number of project promoters who developed new products or technologies and managed to commercialize their innovations was higher than planned. The achieved values of these indicators were several times higher than the target values. Only the achieved value of applied innovations was slightly under the target value.

According to the programme evaluation report, the green industry innovation grant scheme was effective and met the needs of entrepreneurs and trends in the green economy. The financial condition of companies benefiting from this scheme improved slightly, but the innovation rating increased from 65% to 91%. Moreover, 89% of respondents considered that the project made their business more profitable, and the benefits outweighed the costs for the company. Many businesses found new customers, hired new employees, and invested in real estate and machinery. 98% of supported businesses reported they had become more environmentally friendly.

In output 1.2, 42 contracted projects contributed to three indicators – number of SMEs supported to apply blue growth technologies/processes/solutions (target value 20, achieved value 25), number of SMEs supported to develop new product/technologies in blue growth (target value 3, achieved value 21) and number of SMEs supported to commercialize new technologies/processes/solutions in blue growth (target value 3, achieved value 37).

For instance, Grupa Amax Sp. z o.o., the company operating in tourism industry at the lakeside, implemented the project PL-INNOVATION-0159. The aim of the project was to apply innovative solutions in the form of diffusers system, PV installation and sewage-collection pumps, and multifunctional travellers service platform with IT system. The service platform was composed of pumps, lavatories, shore power and water pedestals collecting payments automatically. The project implemented also software for management of the berth bookings and innovative solution of forcing water flow in the lake bottom zone through a pressure installation piping system with diffusers.

The target values under output 1.2. were overachieved mainly due to the increase of the initial budget and an additional call for proposals.

According to the programme evaluation report, the blue growth grant scheme met well the needs of entrepreneurs. The scheme proved to be particularly effective in the commercialization of products. Without the program's support, none of the projects funded under the scheme would have been implemented to the same degree, although 35% would have been carried out on a smaller scale. 92% of surveyed project promoters deemed the project implementation worthwhile. The projects benefited local communities and natural environment by reducing fossil fuel consumption and limiting water pollution. The modernization of marinas using environmentally friendly technologies also improved waste management, increased energy efficiency, and reduced atmospheric pollution.

Under the output 1.3, 11 projects contributed to the indicators - number of SMEs supported to apply welfare technologies/processes/solutions (target value 10, achieved value 5), number of SMEs supported to develop new product/technologies in welfare technologies (target value 20, achieved

value 11) and number of SMEs supported to commercialize new technologies/processes/solutions in welfare technologies (target value 20, achieved value 11).

For example MSCG Sp. z o.o. the project promoter of the project PL-INNOVATION-0004 was supported to develop and commercialize innovative technologies and solutions related to the independent living service in the new facility for seniors. The project implemented solutions of smart health and safety supervision, smart living and safe home. The important part of the project was the KOMP system for easy, remote communication with family, friends, caregivers, and staff which was a technology preventing loneliness and seclusion from social life.

Some targets in the welfare technologies grant scheme were not achieved because the 14 projects recommended for support was fewer than planned at the designing stage. Some projects also withdrew or terminated their contracts, and this money was reallocated to the blue growth grant scheme.

According to the external programme evaluation the quality and innovativeness of projects in the welfare technologies output was high. The projects created solutions which are far ahead of the standard offer available on the Polish market and have very positive social impact. They are also considered as profitable.

In the output 1.4 which supported female entrepreneurs 41 projects were contracted. These projects contributed to four indicators – number of female enterprises supported to apply innovative technologies/processes/solutions (new to the enterprise) (target value 75, achieved value 19), number of female enterprises supported to develop new product/technologies/processes/solutions (target value 25, achieved value 39) and number of female enterprises supported to commercialize new technologies/processes/solutions (target value 15, achieved value 35) and the share of selected female enterprises supported by mentoring activities (target value 30%, achieved value 68.29%).

One of the project promoters Recello Sp. z o.o. which implemented the project PL-INNOVATION-0057 (link to the video and the video) was supported to develop and commercialize innovative technological process and new service in the area of circular economy. The aim of the project was to recycle waste from the manufacturing of non-woven textiles through defibration (tearing) to a form close to the original raw material. Moreover, the project was implemented in the partnership with the experienced Norwegian manager and consultant who provided mentoring and advisory support for the project promoter. Due to that the female project leader significantly improved her managerial skills.

The achieved results were higher than expected for most indicators, even though 41 completed projects out of 49 contracted were fewer than planned. It is worth mentioning that most of the project promoters benefited from mentoring services and improved their managerial and professional skills.

According to the external evaluation report, the small grants schemes positively influenced the level of innovation in female enterprises, including in environmentally friendly solutions. Also, the effectiveness of the projects supported under this scheme was assessed as very high, because none of the project promoters participating in it would have completed their project to the same extent without the funding received, and half declared that they would not have undertaken the project at all. The projects primarily helped female entrepreneurs to introduce new products or services, implement new technologies, and finance development work. All entrepreneurs noticed an increase in their competitiveness, and almost all also reported an increase in profits, increased sales, and improvement in the overall condition of the company.

The outcome-level indicators are the most important results level in the programme. Of the ten outcome-level indicators, eight targets were achieved and only two were not achieved.

On average, supported businesses increased their annual growth in turnover by an estimated 41% (target 5%). They also increased their estimated annual growth in net operational profit by 64% (target 5%).

The programme contributed to the creation of 421 new jobs (target 300), which is more than one new job was created per project. As the nature of implemented projects was very diverse, new jobs have been created in various sectors such as manufacturing (steel, wood, plastic or rubber), treatment and disposal of non-hazardous waste, repair of machinery, retail sale, tourism and recreation, water and sports facilities, human health and medical practice, residential care and health care, IT, software and computer programming, specialized designing and development works, education and activities related to improvement of physical conditions.

Businesses registered 31 applications for intellectual property protection (target 15), concerning patents and protection of industrial designs. Examples of inventions for which the applications for protection were registered include: 1) the invention of Granit-Pol s.c. Janusz Kaim, Edward Kaim, Urszula Kaim-Słowik (project PL-INNOVATION-0020) concerning sound wave damping cladding plate, especially cladding plate for metro station walls and plate damping system with Helmholtz resonators, 2) the invention of WKG Sp. z o.o. (project PL-INNOVATION-0163) concerning mineral-lime fertilizer and method of it's production and 3) the invention of AXYZ URSZULA MARKOWICZ-JURECZKO (project PL-INNOVATION-0088) concerning nonwoven material and plaster protecting against skin abrasions. Interesting example of industrial design submitted for registration was developed by Design Team Sp. z o.o. (project PL-INNOVATION-0118) and concerned an innovative electric bags with the integrated app. Designed bags have many functionalities which help to overcome many obstacles such as stairs or uneven roads, make it easier to transport heavy goods, minimize the need to bend over repeatedly while shopping.

The most challenging indicator targets under outcome 1 were for the environmental indicators. The target estimated annual decrease of energy consumption (GWh) (target value 170 GWh, achieved value 174.93 GWh) was achieved. However, another two environmental indicators estimated annual CO2 emissions reductions (tons) (target value 120,000 tons, achieved value 33,446 tons), and estimated annual collection of waste from production and operational processes for re-use or recycling or decrease in waste production (tons) (target value 120,000 tons, achieved value 70,081.57 tons) were not fully achieved. The programme evaluation suggested that the target values of these indicators was very ambitious and probably impossible to achieve by the supported projects.

A good example of the project that contributed significantly to the environmental results of the programme is the project PL-INNOVATION-0123 implemented by EKOMBUD Sp. z o. o. The project aimed for efficient waste management thanks to the implementation of an innovative process of the separation and processing of selectively collected municipal waste. The business reduced its annual CO2 emissions by 5680 tons and annual electricity consumption by 0.05 GWh through PV installation. It reduced annual volume of waste by 12,700.80 tons. Due to plastic waste processing 7 056 tons are annually recycled, and 5 645 tons are recovered as RDF – refuse derived fuel.

Most project promoters reported that they had implemented more environmentally friendly solutions in their companies. Before their projects, half of the entrepreneurs gave positive assessments of the company's situation in terms of using eco-friendly solutions. After completion, 93% entrepreneurs reported their company was using eco-friendly solutions, with over half of respondents giving themselves the highest possible rating. The primary benefit was the elimination or reduction of negative impacts on ecosystems. Another positive impact of implementing environmental protection projects was the reduction of operating costs. The application of new technologies contributed to a significant reduction in the consumption of energy or raw materials used in production. An interesting effect of implementing the projects was the increase in ecological awareness among entrepreneurs, leading in some cases even to changes in the business model and the creation of new ecological products.

The survey conducted as part of the external evaluation showed also other impacts of the programme. According to respondents, the implementation of the supported projects resulted also in positive changes related to finding new local and foreign clients, foreign expansion, implementation of development works, increasing employment and developing the skills of already employed workers, building relationships with foreign partners, strengthening presence in the domestic market, and the possibilities of obtaining consultancy.

In the evaluation, project promoters also pointed to other benefits from participating in the programme, both in business and personal dimensions. For instance, some projects contributed to a change in the company's business model. Some companies expanded or remodelled their offered services or expanded operations from regional to supra-regional or international level. Some project promoters also felt personal satisfaction from implementing projects. The granted support allowed them to implement their own innovative products or solutions and serve as a strong incentive for further activities related to the company development.

Overall, outcome 1 successfully increased competitiveness of enterprises within the focus areas of green industry innovation, blue growth and welfare technology. This is evidenced by the high innovativeness of completed projects, and the increased competitiveness of supported companies. Most of the programme's outcome targets were successfully achieved. Most of the supported businesses have potential to expand their operations in the future and contribute to sustainable economic development. This was confirmed by the external programme evaluation.

Challenges and Lessons Learned

Most negative influences and challenges were related to the economic situation and regulatory conditions caused by the Covid-19 pandemic and Russian invasion of Ukraine.

The Covid-19 restrictions negatively affected the process of projects preparation, such as establishing partnerships and efficient assessment of projects submitted in the call for proposals.

Pandemic conditions caused delays in the programme implementation such as postponement of the deadline for submitting applications in the first call for proposals which resulted in later than planned launching and conclusion of projects assessment.

To minimize the negative effects of delays the Programme Operator decided to implement solutions aiming at speeding up the final decision concerning selection of projects to be recommended for support. The calls for proposals in all four grant schemes were launched simultaneously, but final selection of projects was made independently considering the progress in assessment in the given grant scheme. This allowed for earlier support of a part of projects. Moreover, the assessment process was simplified and rationalized by reduction the number of requests for clarifications and improvements sent to the applicants. These requests were not sent in the case of projects which were not in line with the overall goal of the programme or the grant scheme. Such projects were assessed based on the version of application which was forwarded to the content-related assessment.

However, the most important challenges arose from economic changes and unstable market conditions caused by the global pandemic and war conditions in Ukraine. These challenges concerned delays in projects' implementation and changes of the projects' scopes. Increase in prices, shortage of raw materials and difficulties in finding skilled goods providers and subcontractors caused some project promoters to resign or redesign their projects.

This situation hindered completing all the contracted projects in the programme timeframes and in consequence using the entire programme allocation. In order to improve this situation some mitigating measures were undertaken.

Savings caused by the withdrawals of projects and termination of the project agreements were allocated to the budget of the blue growth grant scheme which allowed launching the second call for proposals. This call was not planned before, because of a quite short time left for the implementation of projects.

Moreover, the over contracting mechanism was introduced to grant support to projects from the reserve list established in the second call for proposals earlier i.e. before generating enough further savings within the programme. Such a mechanism is recommended especially in the case of programmes generating significant savings during implementation and should be applied as soon as possible to projects on the reserve list.

Since unfortunately further significant savings resulting from project settlements and termination of contracts also appeared at a stage when it was too late to announce additional calls for proposals and the projects from the reserve list were no longer available, the addenda to the Programme Agreement have been signed to decrease the budget of the outcome 1.

There were also flexible solutions and mechanisms used while settling project costs, introducing changes to projects and amending the project agreements. This included extending the implementation period of projects beyond the end of the eligibility period for expenditures (30.04.2024), provided that the financed items were delivered by the end of 2024.

This situation showed that it is crucial to allow enough time for the programme implementation and the eligibility period of expenditures. The short implementation period was the main obstacle not only for the Programme Operator having limited possibilities of launching additional calls, but also for the project promoters who faced challenges related to the short eligibility period for expenditures and for completing all project activities, especially investment tasks.

Bilateral Outcome: Enhanced collaboration between beneficiary and donor state entities involved in the programme

Results

Overall, 53 of 167 projects were implemented in partnership with a Norwegian entity. Therefore, the share of projects involving cooperation with a donor project partner was about 32% of the completed projects. The completed partnership projects were implemented in all the grant schemes - 18 in the blue growth, 15 in the green industry innovation, 1 in the welfare technologies and 19 in the small grants schemes for female enterprises.

Projects reported a high level of trust between partners (6.23 out of 7 with the target value of more than 4.5) and high level of satisfaction with the partnership (5,87 out of 7 with the target value of more than 4.5). This proves that partners were able to work collaboratively together and that the partnership had significant added value.

The sustainability of bilateral results was confirmed by the achieved values of the indicators “share of cooperating organizations that apply the knowledge acquired from bilateral partnership” (achieved value of about 89%, target value minimum 50%) and the “share of donor business partnerships which continue after project implementation period” (achieved value of about 47%, target value minimum 50%).

Overall, 3 of 4 bilateral outcome indicators have been overachieved.

A good example of a sustainable partnership is the project PL-INNOVATION-0065 of Sportis S.A. where the Polish project promoter declared continuing the cooperation with the Norwegian partner NORDKAPP BOATS AS. The bilateral cooperation resulted in joint designing, construction, and

commercialization of new models of RIB boats offered in the market by the Norwegian partner. As the cooperation was based on the exchange of experiences and expertise in boat construction, it created solid foundation for the future common projects.

Continued cooperation with the Norwegian partner was also declared by EKOMBUD Sp. z o. o. the promoter of the project PL-INNOVATION-0123 aiming at implementation of automatic sorting technology in municipal facility of processing selective waste. This project was implemented in partnership with Tomra Sorting AS. The project partner contributed significantly to the project results by providing knowledge and innovative technology of sorting systems such as sensor-assisted separators for automatic sorting enabling separation of PET packaging types and other kinds of plastics. As the bilateral cooperation was successful and brought mutual benefits, both partners are planning to continue collaboration within the future projects.

The bilateral cooperation on the project level did not concern only relations between companies, but also collaboration of Polish project promoters with the Norwegian research entities. There are some examples of completed projects with an interesting and fruitful bilateral cooperation in the field of research and development with the prospects for continuation.

For example female entrepreneur AXYZ URSZULA MARKOWICZ-JURECZKO implemented the project PL-INNOVATION-0088 in the partnership with the Centre for Molecular Medicine Norway in the University of Oslo. The aim of the project was to develop an abrasion protection material according to an idea of the project promoter. The bilateral cooperation concerned exchange of knowledge, conducting research and laboratory testing on this innovative product and its protecting properties.

Another project PL-INNOVATION-0163 was implemented by WKG Sp. z o.o. in the partnership with the Norwegian Institute for Bioeconomic Research (NIBIO). The project partner conducted research and development on the effectiveness of the innovative fertilizer in mitigating the adverse phenomenon of eutrophication, particularly for the cold seas of northern Europe. The conducted field tests concerned the impact of this fertilizer in reducing the growth of cyanobacteria and the occurrence of eutrophication in cold waters. It was confirmed that the use of the new calcium fertilizer is of great importance in mitigating the adverse phenomena related to agriculture.

The external programme evaluation confirmed that the bilateral outcome was achieved, and bilateral cooperation was beneficial for both project promoters and partners. Partnership projects were often focused on developing innovative products and services, implementing modern and environmentally friendly technological solutions, optimizing production processes, and increasing operational efficiency.

Norwegian partners provided specialist technological knowledge and innovative solutions that were not available in the Polish market. They conducted analyses and assisted in testing and validating new technologies and products. This enabled effective implementation of innovations and enhanced the competitiveness of Polish companies. Project promoters gained access to new markets and customers which increased the commercialization potential of their products. Due to introducing innovative solutions and advanced technologies they also improved operational efficiency.

Advisory support also was a key element of partnership relations. This allowed Polish companies to acquire new competencies and skills. Norwegian partners supported project promoters in marketing and sales strategies. They assisted in defining client needs, seeking foreign partners, and acquiring external capital. This cooperation often led to establishing relationships extending beyond the scope of the projects and continued after their completion, for example, in further development and commercialization of innovative solutions in international markets.

The Norwegian project partners also identified substantial benefits from the partnerships such as gaining the opportunity to expand their operations outside of Norway, into the Polish market. This opened new business development opportunities for them and the chance for testing their

technologies and developing products in a different cultural and market context. Moreover, they indicated that they gained access to local business networks and opportunities to collaborate also with other enterprises and research institutions in Poland, which could be beneficial for future projects. The Norwegian project partners mentioned also that collaboration with Polish companies was a significant challenge for them which broadened their horizons and contributed to the development of their employees.

During the whole period of programme implementation bilateral cooperation between Polish companies, clusters or business environment institutions and Norwegian entities was stimulated by the Programme Operator and the Donor Programme Partner. Various measures were taken to encourage Polish companies and Norwegian entities to establish business contacts, bilateral relations, and project partnerships in all focus areas of the programme.

Bilateral relations were built also on the institutional level. Especially cooperation between the Programme Operator and the Donor Programme Partner played a significant role in building the bilateral relations under the programme. Both institutions closely and intensively cooperated and exchanged experiences since the start of programme implementation. The abovementioned cooperation was carried out at both formal and working levels. The formal cooperation was conducted under the Cooperation Committee consisting of representatives of both institutions with the participation of observers i.e. representatives of the National Focal Point, Financial Mechanism Office, and Norwegian Ministry of Foreign Affairs.

In conclusion, it should be considered that the collaboration between beneficiary and donor state entities involved in the programme was successfully enhanced.

Challenges and Lessons Learned

The most important challenges concerning achievements in the bilateral outcome were related to obstacles in finding project partner and low interest among Norwegian entities to participate in bilateral events and to become project partners.

Due to the relatively long period of program preparation and the late conclusion of the program agreement, the time to establish partnership relations and sign partnership agreements before submission of applications was very limited. This likely contributed to the incomplete utilization of the potential and possibilities of partnership cooperation at the project level.

Additionally, the Covid-19 travel and meeting restrictions negatively affected the process of searching project partners, but also implementation of bilateral activities planned to be organized onsite. The flexible approach towards organisation of bilateral activities needed to be implemented for smooth and quick revision and change of schedules and types of activities. Instead of onsite events like seminars or business-mixers, online events such as webinars and virtual matchmakings were organised.

Other barriers that hindered the establishment of partnerships were cultural differences between Poland and Norway in conducting business activities. As the Norwegian market is rather small, Norwegian companies are cautious when forming new partnerships and are more selective in choosing business partners. They need more time to make decisions and prefer long-term relationships based on trust.

Moreover, as there were many programmes under the Norway and EEA grants at the same time in various countries, the demand for Norwegian partners was significant which created challenges in attracting suitable Norwegian partners to cooperate with the Polish project promoters.

To overcome these challenges some good practices were recognized during the programme evaluation research.

Establishing an early and direct contact with the potential partner allowing clear presentation of requirements and expectations was considered as a crucial factor in achieving the successful bilateral partnership relation. Moreover, strong relationships should be built by full commitment of both parties to the implementation of tasks. Regular meetings and consultations were helpful as the project partners should have a mutual understanding of the issues that the project aims to solve and the goals it intends to achieve.

The surveyed promoters of the partnership projects pointed out that they used various actions and strategies related to searching for suitable partner. They mentioned that seeking potential partner among companies of the similar size or in the group of companies which had previously participated in the implementation of project within the Norway grants was increasing the chance of establishing the business relation. The initiation of the contact with the potential project partner and establishment of business relation could have been facilitated by the knowledge of Norwegian language or the presence of Polish emigrant employees in the Norwegian company. Project promoters also used external support in finding project partner such as recommendations of the third parties and conducting verification by a business intelligence agency to reduce the business risks.

It was found that particularly beneficial and successful partnerships concerned implementation of advanced technologies that were already developed in Norway. Such technologies required adaptation to local conditions and testing new functionalities or adapting technological solutions to the specific needs of the project. Additionally, fruitful bilateral cooperation also concerned substantive support provided by the Norwegian partners in the form of mentoring services or sharing knowledge and experience. Collaboration with the Norwegian scientific entities were perceived as the factor increasing product credibility.

In conclusion, establishing partnerships and implementing bilateral projects can take quite a long time. Bilateral relations should be stimulated among others by business contacts initiated during the bilateral events and initiatives organized well in advance by the Programme Operator and the Donor Programme Partner. Promotion of opportunities resulting from participation in the programme and implementation of partnership projects should be also helpful.

IRREGULARITIES

No irregularities are reported.

SUMMARY OF PROJECTS

		Number of projects contracted	Number of projects completed	Project grant contracted (Norway Grant + national co-financing)	Project grant incurred (Norway Grant + national co-financing)	Project Eligible Expenditure contracted (Includes project co-financing)	Project Eligible Expenditure incurred (Includes project co-financing)
Outcome 1: Increased competitiveness of enterprises within the focus areas of green industry innovation, blue growth and welfare technology	Pre-defined	0	0	€ 0.00	€ 0.00	€ 0.00	€ 0.00
	Contracted through open calls	153	126	€ 108,616,520.23	€ 81,940,598.19	€ 156,000,741.41	€ 148,554,970.96
	Contracted through small grants scheme	49	41	€ 6,097,988.63	€ 4,830,363.54	€ 7,427,248.75	€ 7,049,221.75
	Total Outcome 1	**202**	**167**	**€ 114,714,508.86**	**€ 86,770,961.73**	**€ 163,427,990.16**	**€ 155,604,192.71**
Total programme costs (Excluding programme management costs)		**202**	**167**	**€ 114,714,508.86**	**€ 86,770,961.73**	**€ 163,427,990.16**	**€ 155,604,192.71**

FINAL BALANCE

Overview of programme expenditure

Programme area (PA)	Budget Heading	Norway Grants	Total grant	Programme eligible expenditure	Norway Grants contribution incurred	Total grant contribution incurred	Programme co-financing incurred	Total eligible expenditure incurred
PA01	Programme management	€ 5,355,000.00	€ 5,355,000.00	€ 6,300,000.00	€ 4,835,359.57	€ 4,835,359.57	€ 853,298.75	€ 5,688,658.32
PA01	Outcome 1: Increased competitiveness of enterprises within the focus areas of green industry innovation, blue growth and welfare technology (Norway Grants)	€ 78,736,072.00	€ 78,736,072.00	€ 92,630,672.94	€ 73,755,317.47	€ 73,755,317.47	€ 13,015,644.26	€ 86,770,961.73
	Total	**€ 84,091,072.00**	**€ 84,091,072.00**	**€ 98,930,672.94**	**€ 78,590,677.04**	**€ 78,590,677.04**	**€ 13,868,943.01**	**€ 92,459,620.05**

Description of budget spending

Programme management

During the whole period of the programme implementation the budget for the management costs amounting to € 6,3 million was used for financing tasks necessary for fulfilling the role of the Programme Operator such as:
- preparation or verification of the documentation necessary for the conclusion of the Programme Agreement, including the concept note;
- preparation and establishment of the management and control system together with the set of implementation procedures;
- development and maintenance of the IT system dedicated to the assessment and the management of projects;
- preparation and announcement of the calls for proposals;
- assessment of projects submitted in the calls for proposals in cooperation with the external experts and selection of projects to be supported;
- verification of documents required for the conclusion of a contract and signing project contracts;
- conducting onsite and from behind the desk monitoring activities in respect of projects implemented based on signed grant contracts;
- verification of payment requests and making payments to the beneficiaries;
- conducting the evaluation research of the programme implementation;
- implementation of promotion and communication activities and organisation of events for entrepreneurs, including the bilateral events for Polish and Norwegian entities and other activities under the Fund for Bilateral Relations such as granting support under the travel grants scheme;

- conducting bilateral cooperation with the Donor Programme Partner – Innovation Norway, including formal collaboration under the Cooperation Committee consisting of representatives of both institutions with the participation of observers i.e. representatives of the National Focal Point, Financial Mechanism Office and Norwegian Embassy; the meetings of the Cooperation Committee were organised at least twice a year;
- amending according to the needs the legal basis of the Programme implementation, including the Programme Agreement.

The total amount of expenditures for the programme management amounted to about € 5,7 million. The majority of the budget about € 3,5 million was spent on salaries of the Programme Operator's employees engaged in the programme implementation. The operational costs related to the maintenance of the Programme Operator's institution, including the purchase of laptops for employees engaged in the programme implementation, amounted to about € 656 thousand. The significant amount of the budget, more than € 700 thousand, was allocated for the promotion and communication activities and events for entrepreneurs. The detailed information on communication activities is described in the Annex 2 to this report. The important part of the eligible expenditures about € 430 thousand were the costs of necessary opinions or expertise concerning programme or project implementation, the cost of external experts who assessed projects, and the costs of business intelligence especially for the purpose of determining legal status and size of applicants and beneficiaries. Moreover, the expenditures concerning conducting the external programme evaluation amounted to about € 52 thousand. The other relatively high costs concerned expenditures for business travels about € 120 thousand, the development and maintenance of the IT system dedicated to the assessment and the management of projects nearly € 83 thousand, and conducting the onsite monitoring activities concerning implemented projects about € 85 thousand. The expenditures for organisation of meetings, primarily including the Cooperation Committee meetings, amounted to about € 45 thousand, and the costs of necessary translations were about € 17 thousand. However, the budget of the management costs was used to a large extend, it was not exhausted. There were some obstacles in spending the allocated budget such as Covid-19 restrictions, exchange rate fluctuations, staff turnover and savings resulting from the decisions of tender procedures in which prize was one of the criteria.

Outcome 1: Increased competitiveness of enterprises within the focus areas of green industry innovation, blue growth and welfare technology (Norway Grants)

There were some changes in the allocation of the outcome 1 during the programme's implementation period. The initial allocation was € 93,700,000, comprising Norway Grants share amounting to € 79,645,000 and national co-financing of € 14,055,000. Due to the large number of applications submitted during the calls, this amount was increased to € 105,464,706. However, during the programme's implementation period due to withdrawals of projects and termination of contracts, savings were generated, and the amount of unused allocation was constantly increasing. In response to this situation the Annex No. 3 to the Program Agreement was signed and reduced the amount of eligible expenditures in the outcome 1 to 97,601,960 EUR by transferring generated savings to the other programme. As the further savings were identified the reallocation process was continued and the Annex No. 4 and No. 5 to the Program Agreement were signed. Due to that the allocation amount was finally set at € 92,630,673.

During the whole implementation period 202 project contracts for an amount of about € 115 million were signed – 90 in the green industry innovation, 50 in the blue growth, 13 in the welfare technology and 49 in the small grants schemes for female enterprises. Until the end of the reporting period 35 grant contracts were terminated which lowered the amount of contracted allocation. Finally 167 projects were successfully completed, final payments were made to the

project promoters and results of projects were achieved, comprising: 73 projects from the green industry innovation for the contracted amount of about € 43,6 million; 42 projects from the blue growth for the contracted amount of about € 34 million, 11 projects from the welfare technologies for the contracted amount of about € 9,2 million and 41 projects from the small grants schemes for female enterprises for the contracted amount of about € 5,5 million. In the case of 27 projects, based on Article 8.13.4 of the Regulations, implementation process after 30th April 2024 was completed with the own funds of the project promoter. The granted support was paid in different forms such as reimbursement, interim and advance payments. Based on payment requests and implementation reports PARP as the Programme Operator made payments to project promoters for the total amount of nearly € 87 million.

A part of the allocation was not spent and became savings which at the later stage of the programme implementation could not be used for the other projects or programmes. The main reasons of generating savings which hindered using the whole allocation, beside the resignations from projects and termination of contracts, were also financial corrections. These corrections were imposed as a result of verification of expenditures declared by the project promoters in their payment requests. Actual expenditures were also lower than planned in the project budgets and thus additionally diminished the grant amounts paid.

Calculation of the final balance

	Norway Grants
Total reported eligible expenditure of the programme	
Total eligible expenditure incurred	€ 92,459,620.05
(-) Total (national) programme co-financing incurred (15.00 % rate)	€ 13,868,943.01
(=) Total grant contribution incurred (85.00 % grant rate)	€ 78,590,677.04
Amounts to be deducted from the total grant contribution[1]	
(-) Total advance and interim payments to the programme from the Donors	€ 77,545,068.20
(-) Any co-financing from sources other than the Donors/national[2]	€ 0.00
(-) Total interest earned reported	€ 0.00
Final balance	
(=) Final balance payable to the Programme Operator	€ 1,045,608.84
(=) Final balance payable to the Donors	€ 0.00

[1] Any funds reimbursed from Project Promoters to the Programme Operator, not paid to other projects or reimbursed to the FMO (ref. Article 9.4.1(b)(iv) of the Regulation should be reported as negative adjustments in the Financial report for the last reporting period (Annex 1). In this case, such funds will be subtracted from the "Total eligible expenditure incurred" of the programme.

[2] For example, financing from EU structural funds or other EU sources, from the Swiss contribution, etc. This row includes only the financing incurred during the programme eligibility period.