



CZECH REPUBLIC

Update to the 3rd  
STRATEGIC REPORT  
EEA and Norway Grants  
2009-2014  
(cut off date 31 August 2014)

**National Focal Point**

## EXECUTIVE SUMMARY

The National Focal Point (NFP) submitted the 3<sup>rd</sup> Strategic Report in compliance with Article 2.2 of the Regulation on the Implementation of the EEA/Norway Grants 2009-2014 at the end of March 2014. This Strategic Report Update is submitted in accordance with Article 2.3 of the Regulation and contains information on relevant developments and progress within EEA and Norway Grants 2009 – 2014 from January to August 2014. The donors comments to the Strategic Report sent to the National Focal Point are also reflected in this Update.

Brief description on financial resources in the sectors highlights insufficient funding for some sectors in the Czech Republic which resulted in enormous interest in submission of applications within the open calls in these sectors. During the year 2014 new legislation in the framework of some programmes came into force and preparation of new strategic documents and new policies are under way. New positive trends have been developed especially in the sectors of gender equality, research and development, combating the corruption, and correctional services. Certain developments and improvements were noticed within the horizontal concerns such as social inclusion for the Roma, combating gender-based violence and combating discrimination and hate speech.

As regards the management and controls systems, the Audit Authority started audits of systems at the national level in June 2014, and also examined the Programme Operator's Manuals and carried out a preliminary assessment of the management and control systems settings. In August 2014, the Audit Authority also initiated extraordinary audits of systems in order to verify the effectiveness of the management and control systems setting. An audit strategy including a tentative audit plan for the year 2014 was prepared and shall be sent to the FMO.

Actual issues (such as change in financial reporting and the change of the fixed exchange rate), potential problems and risks and especially their mitigation as well as the measures to speed up and simplify the verification of the selection process and to make the implementation of projects more flexible (via new IT system) are described in the last chapter.

The updated overview of the status of individual programmes, results of the risk analysis at the national and programme level as well as the overview of the publicity activities in 2014 is attached to this Report.

# 1 ASSESSMENT OF THE EFFECT OF THE GRANTS

## 2.1 Cohesion

### 1.1.1 Development of sectors in the Czech Republic

#### 2.1.1.1. Financial resources in the sectors

Lack of funding within the sectors of programmes CZ03, CZ04, CZ05, CZ06 and CZ13 still remains a problem. The trend of troublesome financing within the above mentioned sectors provokes an enormous interest of potential applicants and increase in their number within the programmes financed by EEA/Norway Grants 2009-2014.

In the area of strengthening civil society development, the current period is marked by an intermezzo between two programming periods of Structural funds. The EU Funds 2014-2020 are not available yet and there might be a potential delay. For NGO projects in particular this means funding interruption. At the same time, the public budget cuts also intended for the NGO projects affected significantly the sector according to the *Analysis of NGO financing from public fund* which was published by Centre for Research of the non-profit sector in 2014.

The area of care for vulnerable children (CZ04) is still struggling with resort fragmentation, which causes an inefficient financing of the system. Despite the material support of substitute family care (mainly foster care), the majority of the means is still spent on the area of the institutional care. There is a significant lack of means for an early intervention, help and support of vulnerable families.

Within the programme area 12 (Local and Regional Initiatives to Reduce National Inequalities and to Promote Social Inclusion) there is an insufficient funding opportunities to support projects seeking emancipation of Roma, empowerment and educational programs to educate minorities in tactics to fight discrimination.

Financing of all the cultural areas (CZ06) is insufficient from the long-term point of view. Public budgets do not and cannot investigate the volume of resources necessary for fulfilment of cultural policy objectives. The long-term effort of the Culture Ministry is to achieve a budget increase of 1 % of the state budget (thus securing the increase of financial resources needed for programmes aimed at the conservation and restoration of cultural monuments, cultural activities, digitization of cultural content, etc.), which the Government of the Czech Republic is committed to, according to the Programme Declaration of the Government - Government Resolution no. 96/2014, signed April 2014.

In the Czech Republic, there are no other significant financial resources except the Norway Grants for the topics of the both programme areas (equal opportunities and domestic and gender-based violence) within the programme CZ12 in 2014. Just few open calls of the Ministries appear, but the financial scope is rather small. There is a promise of EU Structural Funds for this area that plans to support flexible working regimes and child care services. The calls should be open in the middle of 2015 at the earliest (thus the implementation of projects might be expected from spring 2016). However, there is no funding planned for the area of domestic violence within the Structural Funds.

Generally, NGOs and other actors active in the field of gender equality and prevention of gender-based violence (PA 28 and 29) have to face a lack of resources dedicated to this policy area. Under the new

financial period of the European Social Fund, gender equality will be one of the investment priorities under the Operational Programme Employment.

### ***2.1.1.2 New legislation, new policy in the sectors***

New legislation came into force in the framework of programmes CZ03, CZ06, CZ07, CZ12 and CZ14 during the year 2014. Within the sectors of the programmes CZ04, CZ09, CZ10, CZ11, CZ12 and CZ13 preparation of new strategic documents or new policy is under way.

Since January 2014, a new Civil Code for different types of NGOs came into force with fundamental consequences for the whole Czech non-profit sector. The new Civil Code harmonizes the legal forms of NGOs and their activities, and removes the currently non-transparent rules governing civic association. An updated and transparent public register of civic associations was created.

In 2014, new legislation has been adopted in the sector of culture (CZ06) such as Government Regulation no. 94/2014 Coll. amending Government Decree no. 337/2002 Coll., on the declaration and nullification of declaration of certain cultural monuments as national cultural monuments, as amended by Government Regulation no. 422/2005 Sb. which is already effective and Government Regulation no. 106/2014 Coll. on the declaration of certain cultural monuments as national cultural monuments with the effective date of October 1, 2014.

The new Strategy of Education Policy of the Czech Republic 2020 ("Strategy") was approved by the Czech Government on the 9<sup>th</sup> July 2014 which also influences the programme CZ07. The Strategy accommodates demands for revising the policy, upon which the education system is built, and for setting the priorities of the future development of this system by setting new framework of the education policy based upon analysis of the current state.

As regards the programme area 29 (CZ12), the Council of Europe Convention on Preventing and Combating Violence against Women and Girls (Istanbul convention) entered into force on 1 August 2014. So far, there is no progress in signing Istanbul convention by the Czech Republic.

Within the programme CZ14, Resolution of the Czech government no. 198/2014 (April 4, 2014) adopting National Schengen plan 2014-2020 came into force.

### ***2.1.1.3 Trends in the sectors***

New positive trends have been developed especially in the sectors of gender equality (CZ12, CZ13), research and development (CZ09), fighting against the corruption (CZ10) and correctional services (CZ15).

The new Government of the Czech Republic considers gender equality as one of its priorities. Policy statement of the Government of the Czech Republic from February 2014 states that "the Government shall strictly apply the principle of equality between women and men" and "shall focus on the suppression of gender-based violence". Generally, positive trends in visibility and importance of gender equality policy can be traced under the new Government of the Czech Republic. The Gender Equality

Unit (CZ13) also moved from the Ministry of Social and Labour Affairs to the Office of the Government - Human Rights, Equal Opportunities and Legislation Section which could also signify more attention to the programme's topics.

The significance of sector "Research, development and innovation" has been proclaimed by the fact that a function of the Deputy Prime Minister for Research, Development and Innovation has been established in the existing Czech government.

Corruption (CZ10) still poses a problem to a vast range of Czech public and private institutions. For that reason the new government continues to fight against corruption by preparation of the Government policy for combating corruption for the period 2015-2017 and by establishment of the Government Council for coordination of the fight against corruption.

Newly appointed General Director of the Prison Service of the Czech Republic has introduced plans for conceptual changes in the prison system policy in April 2014. The main objective is to reduce the reoffending rate, which now stands at more than 60 percent in the Czech Republic. The Prison Service will contribute to the objective with more effective preparation of the prisoners for successful release into community. The Prison Service has also intensified the cooperation with the Probation and Mediation Service and with NGOs operating in the field of prisoners' re-socialization.

### **1.1.2 Horizontal concerns**

#### ***1.1.2.1 Social inclusion for the Roma***

Improving the situation for the Roma population is an important element in several programmes in the Czech Republic – especially CZ04, CZ05, CZ06, CZ12 and CZ14. Open calls for proposals with focus on problems of integration of disadvantaged groups, social dialogue or better dialogue between the minority and the majority were launched during the year 2014 within programmes CZ12, CZ06 and CZ04 (small grant scheme in particular). Cross-cutting and horizontal issues (such as e.g. gender equality, promotion of cultural expression of minorities or their cultural history, multicultural heritage including Roma cultural heritage) were included among the evaluation criteria used within the application quality evaluation.

The Open Society Fund Prague supported and encouraged Roma organizations (or organizations working with Roma) to apply for the grant from the programme CZ 12 of Norway Grants, by means of the meeting for Roma organisation on January 9, 2014, organized by a non- governmental organisation called Otevřená společnost o.p.s. with the aims to provide the organisations with the every relevant information about the conditions of the programme; consult their project topics and help them with the application form (with the support of gender programme students from the universities). Altogether there were around 10 applications (out of 178 applications in the first term) dealing with Roma inclusion. Three projects were approved by the Programme Operator within the programme area Equal opportunities that include Roma as one of the target groups in June 2014.

On 26 March 2014 the NFP organized the Round table regarding the Roma issue with participation of Programme operators of CZ05, CZ03, CZ04, CZ06, CZ12, CZ14, Roma organizations, experts for social inclusion, representatives of the FMO and Norwegian Ministry of Foreign Affairs. The aim of the meeting was to inform participants about how the CZ05, CZ03, CZ04, CZ06, CZ12, CZ14 deal with the Roma issue

and social inclusion and to discuss how can be maximised the benefits from these programmes in order to support Roma community. Within the round table it was also discussed the links between the programmes and possible synergy effects in this area and participants were informed about the most acute Roma problems and proposals how can be mitigated.

#### **1.1.2.2 Combating gender-based violence**

Preparation of the Action Plan for the Prevention of Domestic and Gender-based Violence for the Years 2015 – 2018 was started in 2014. Norwegian NGO Alternativ til Vold is participating at the preparation within bilateral cooperation at project level within the programme CZ13.

#### **1.1.2.3 Combating discrimination and hate speech**

Small grant scheme within the programme CZ04 in its both outputs supports eligible applicants to combating discrimination through established criteria for the evaluation of quality of the application in the Call announced on 11 July 2014 that sounds: The project impact on antidiscrimination policies is clearly described and is not negative.

During campaign preparation period in programme CZ05 PDP promoter continued to develop, test and evaluate various digital tactics to combat hatespeech, setting up a solid ground for full launch of the campaign being planned for November 2014. One of the positive improvements is the ability and awareness of individuals and initiatives (incl. Roma) on flagging hateful content on social networks and creative response to them as well as and dissemination of counternarratives. PDP Promoter continued to debunk most common myths and hoaxes about minorities which proved to be one of the most requested services by antiracist publics.

## **2.2 Bilateral relations**

Please refer to main report.

## **3 REPORTING ON PROGRAMMES**

### **3.1 Overview of Programme status**

Overview of individual programmes status is enclosed to this Report in Annex 1 – status of the programmes EEA grants/Norway grants.

### **3.2 Individual Programme summaries**

Please see the Annex 1 mentioned in the point 3.1.

## **4 MANAGEMENT AND IMPLEMENTATION**

### **4.1 Management and control systems**

In June 2014, the Audit Authority started audits of systems at national level in accordance with the Annual work plan 2014 for the EEA and Norway grants 2009-2014 auditing the National Focal Point (NFP) and the Certifying Authority (CA). The outcome of these audits of system will be included in the Annual Monitoring Report to be issued in 2015 which will contain results from these audits, performed according to the Article 4.6, section e), of the Regulation, during the previous period from 1<sup>st</sup> July 1 2014 to 30<sup>th</sup> June 2015.

Moreover, the Audit Authority examined the Programme Operator's Manuals and carried out a preliminary assessment of the management and control system's settings. Once these Manuals had been translated into English, the Audit Authority issued a report and an opinion as requested in the Regulation (Article 4.8, sections 2, 3 and 4). In August 2014, the Audit Authority also initiated extraordinary audits of systems in order to verify the effectivity of the management and control system setting. The outcome of these extraordinary audits will be also included in the Annual Monitoring Report.

### **4.2 Compliance with EU legislation, national legislation and the MoU**

CZ08 – Based on the nature of this programme and the experience from the notification of the CZ06 programme (Culture) it was decided that state aid will be evaluated on an individual basis for each of submitted applications. In the case of applications that show characteristics of state aid , the grant level requested by an applicant (or partner) may need to be reduced. The deadline for submission of applications was 16 June 2014. Five applications were submitted. The PO consulted the approach to the state aid issue with the relevant department of the Ministry of Finance. Each project will have to be assessed separately (the issue of state aid is relevant for both the applicants and the project partners). In case the project may constitute the state aid, the relevant measures in line with the General Block Exemption (Commission Regulation nr. 651/2014 of 17 June 2014) or de-minimis rule have to be applied.

### **4.3 Irregularities**

Please refer to main report.

### **4.4 Audit, monitoring, review and evaluation**

During June 2014 the Audit Authority prepared an audit strategy according to which operational audits and audits of systems will be carried out. A tentative audit plan for the year 2014 is included and the audit strategy will be sent to the FMO during September 2014.

On the basis of the closure of the open calls in the programmes the Audit Authority plans to draw up an audit plan. This audit will take into account a sample of approved projects and will be based on information about the implementation start and volume of financial transactions executed in 2014.

Audit Authority finds so far unnecessary to announce a tender for external audit. It is ensured by Audit Authority itself.

#### **4.5 Information and publicity**

Overview of the publicity activities of the NFP and the programme operators and their partners are enclosed to this report in Annex 5 – publicity.

#### **4.6 Work plan**

Updated version of the Action Plan with the table of relevant information to particular programmes is enclosed to this Report in Annex 6 – Action plan.

## 5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

An updated risk analysis has been carried out both at the national and programme levels at the end of August 2014. Each Programme Operator updated the programme risk analysis under the guidance of the NFP. In comparison with the risk analysis made for the main report, the results of the updated analysis at both national and programme levels show visible improvement.

Co-financing from the state budget, implementation set up of EEA and Norway grants 2009-14 at national level and bilateral relations belong to those risk factors at the national level which have positively progressed. As regards co-financing from the state budget, both programmes CZ07 and CZ09 which are co-financed from the state budget have got budgeted funds for the years 2014, 2015 and perspective on the years 2016 and 2017. Probability of the risk factor concerning implementation set up of EEA and Norway grants 2009-14 at national level has been also decreased as all substantial manuals/guidelines at the national level were issued and just updates of those manuals/guidelines are under way. The NFP also perceives lower probability of risk factor concerning bilateral relations as there is quite a good absorption capacity within the rolling open call and a great interest from the applicants. For detailed information please see the Annex 2.

During the second quarter 2014 the NFP initiated so called technical meetings with the FMO and Norwegian Embassy in Prague. The aim of these regular monthly meetings organized by the NFP is to discuss main issues, problems and publicity activities at national and programme levels with the country officer from the FMO and the representatives of the Norwegian Embassy in Prague operatively. In order to monitor the development of the programmes financed from EEA/Norway Grants in the Czech Republic and to adopt further measures, the NFP created an action plan involving all the essential steps within the programmes. The action plan is regularly updated and serves as a monitoring tool also for the technical meetings.

With the view of speeding up of all the administrative procedures and ensuring more flexibility, the NFP is in the process of adjustment of programme modification procedures and set up. This will also be discussed at the next technical meeting held on 10 September 2014.

Overall enhancement of individual risk factors can be also seen by programmes in Annexes 3 and 4 to the report. The risks have been lowered for all programmes except for programmes CZ07 and CZ09. Nevertheless, programmes CZ08, CZ04, CZ06, CZ02 and CZ11 still belong among the main risky programmes. Time risk, programme absorption capacity and specific programme risks such as e.g. failure to fulfil indicators, insufficient projects quality, communication risk or personal changes in key positions are those that most threaten the programmes realization.

In order to minimise the time risk, Programme Operators strive for speeding up all administrative procedures connected with selection of projects including their verification within open calls and verification process within PDPs. The risk of insufficient programme absorption capacity is mitigated by ensuring a proper publicity of the programme especially at the websites of POs and NFP and organizing seminars for potential applicants or match-making seminars. To ensure better quality projects POs organize seminars for potential applicants where all requirements for project applications, procedure of submitting applications and selection criteria are presented. During the open calls for proposals POs assist the applicants with questions relating to their applications.

Programme Operators also strive for more flexible approach within the projects implementation especially in case of problems occurred during the realization and changes within the projects. Implementation of IT systems supporting the selection, monitoring and payment to the projects and realization of other components within the programmes makes the whole process including communication among different stakeholders more effective. To prevent the potential risks in projects realization, the Ministry of Finance as the PO for 10 programmes will carry out initial on-site checks of projects at the beginning of their realization.

It is also necessary to mention two issues which are solved at the level of NFP. First of them is related to the financial reporting. In July 2014 second IFRs for programmes CZ02, CZ04, CZ05, CZ06, CZ08, CZ11, CZ13 and CZ15 where the National Focal Point is the Programme Operator were submitted to the FMO. Based on the control of all the IFRs the FMO returned the above mentioned IFRs to the Programme Operator due to their disagreement with the system of reporting of the actually incurred expenditure for programme management costs. The system of reporting was based on the fact that the expenditure is firstly prefinanced from the state budget and only after it is paid from the EEA and Norway Funds bank account back to the state budget chapter it becomes actually incurred expenditure of the EEA and Norway Funds and at this point the expenditure is included in the IFR. On 4 August 2014 a meeting between the FMO, NFP and the CA was held in Prague in order to clarify the attitude of all parties to the system of reporting of actually incurred expenditure. As a result of the meeting the National Focal Point was requested to revise all IFRs. It was agreed that actually incurred expenditure of all Programme Operators will be reported in the month when it was firstly incurred from any bank account of the Programme Operator. As a consequence, also the transfer of first interim payments for programmes CZ02 and CZ08 from the FMO to the CA source account was postponed.

The other issue which is important to mention is the change of the fixed exchange rate. As a consequence of a sudden and long-lasting depreciation of the Czech crown to the euro due to the Czech National Bank's monetary interventions it was necessary to adjust the exchange rate set by the NFP for the conversion of funds allocated for programmes within Programme Agreements from EUR to CZK. With effect from April 2014 the new rate was set to 26,50 CZK/EUR. As a result, allocations for all programmes in CZK were increased. In case of programmes CZ03 and CZ12 where both Programme Operators were subject to a tender a rather complicated procedure is necessary to be executed in order to increase the management costs budget in CZK. Therefore Programme Operators for CZ03 and CZ12 will start using the new exchange rate later.

## **6 ATTACHMENTS TO THE STRATEGIC REPORT**

- 1) Status of the Programmes – EEA Grants, Norway Grants
- 2) Risk Analysis at national level
- 3) Risk Analysis at programme level - summary
- 4) Risk Analysis at programme level – detailed overview
- 5) Publicity Activities in 2014
- 6) Action plan – September 2014