



# **Annual Programme Report No.1 Norway Grants 2009-2014**

**Programme CZ10 –  
Capacity-building and Institutional Cooperation  
between Beneficiary State and Norwegian Public  
Institutions, Local and Regional Authorities**

**Reporting period: 13.1.2014 – 31.12.2014**

**Programme Operator: Ministry of Finance**

**Programme Partner: N/A**

**Donor Programme Partner: N/A**

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## 1. Executive summary

Corruption still resonates in Czech society and is perceived as serious social problem. NGO as well as government and political representation and other relevant entities try to address this social problem as well as its consequences. Currently, fighting corruption and money laundering belongs to governmental priorities. First steps in effort to combat corruption at governmental level have already been carried out. In 2013 and 2014 the government approved two strategies “From Corruption to Integrity - the Government Anti-Corruption Strategy for the Years 2013 and 2014” and “The Government Concept for Combating Corruption for the years 2015 to 2017” together with document “Action Plan for Combating Corruption in year 2015”. Another priority of the government policy is an effort to increase the transparency of the financing of political parties and election campaigns as well as protection of whistle-blowers. Moreover the government established Governmental Council for Coordinating the Fight against Corruption. On the whole, with respect to Programme CZ10 main goals, we can conclude that so far the Programme CZ10 has been implemented in favourable social and political circumstances.

The Programme CZ10 “Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities” was approved on January 13, 2014 and the Project Agreement was sign on June 24, 2014. On June 26, 2014 the launch conference took place in Prague at PO’s premises. The Programme CZ10 consists of only 1 pre-defined project. The Project Promoter submitted the application for grant for component 1 of the project on July 30, 2014. The project application was verified and the grant for the pre-defined project titled “Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic” was awarded on September 9, 2014 and since then the pre-defined project has been under implementation.

On September 18, 2014 the first Steering Committee meeting took place and two workshops have been realized so far („Risks and threats in the area of corruption and money laundering” and “Proposals for improvement of whistle-blower protection”).

In 2014 the Programme CZ10 faced only one serious risk with high level of importance. The risk relates to time left for the pre-defined project implementation. Due to protracted approval process of the Programme CZ10 and time needed for signature of the Programme Agreement the expected 24 months reserved for the pre-defined project realization were shortened to 20 month. Thus the Project Promoter worries about sufficient time for implementation of the pre-defined project, especially if some bidder appeals to the Office for the Protection of Competition during public procurement procedures (following administrative procedure and decision is usually considerably lengthy). Planned mitigation actions of the Project Promoter are to submit application for second component in time and without any major imperfections incl. miscalculations in the project budget, to have the tender documentation developed in high quality and tender procedure realized in compliance with the Public Procurement Act. The Programme Operator will be a help to the Project Promoter in these procedures.

Publicity activities in 2014 were developed on both, programme and project level. On the programme level publicity activities in 2014 are associated with launch conference of the Programme CZ10 and up-to-date information about the programme development and implementation provided on Programme Operator’s webpages: <http://www.eeagrants.cz/en/programmes/norway-grants-2009-2014/cz10-strengthen-preventing-corruption>. On project level ad hoc webpages for the pre-defined project of the Programme CZ10 were developed: [www.cz10.cz](http://www.cz10.cz).

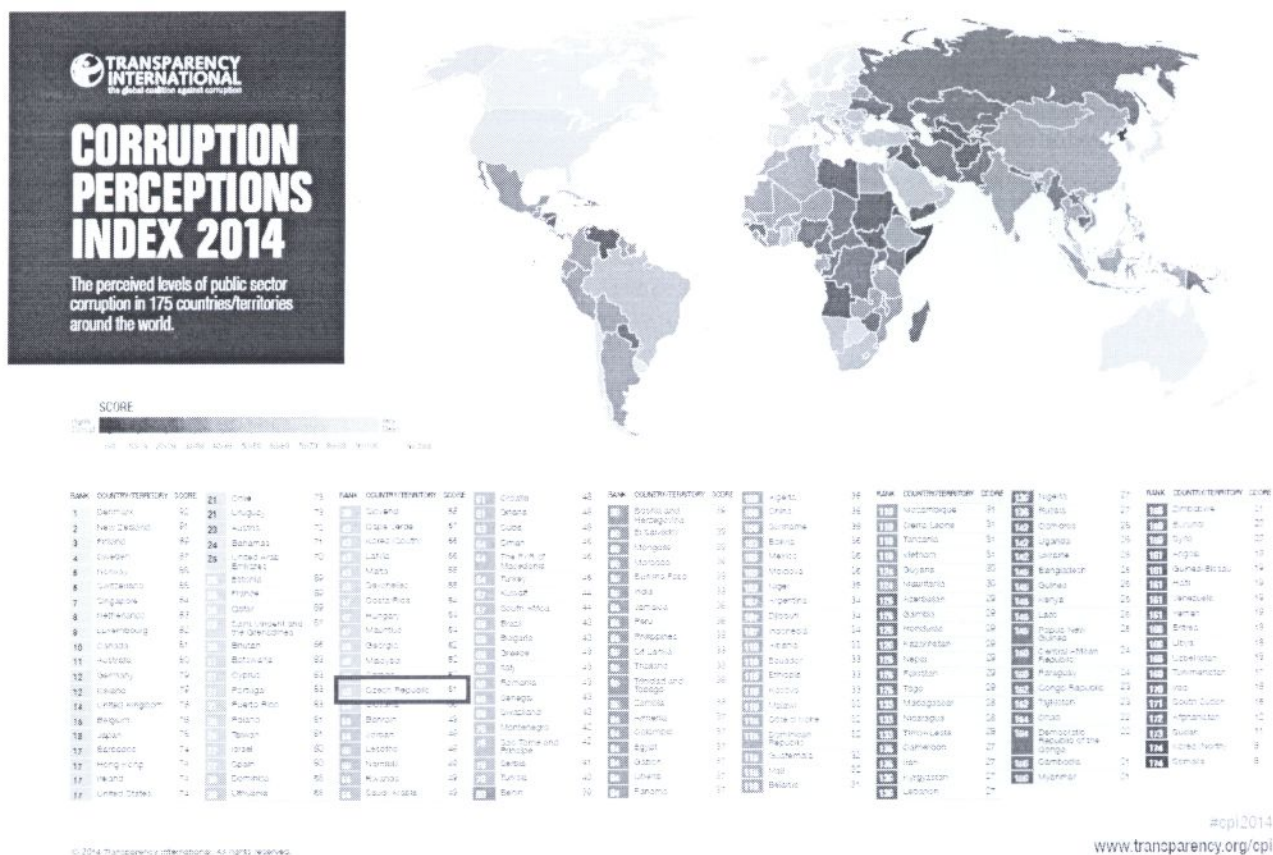
Programme Operator finalized Guidelines for applicants and promoters within Bilateral Fund at Programme Level – measure B, developed wording of the Open Call for Submission of Grant Applications for Initiatives financed from the Fund for Bilateral Relations at Programme Level – measure

„B“ and the Call is going to be announced in January 2015. At the end of year 2014 the Programme Operator also launched an open tender for technical assistance which will assist the Programme Operator with on-the-spot controls. The pre-defined project within the programme is planned to be monitored on-the-spot in the second quarter 2015.

## 2. Programme area specific developments

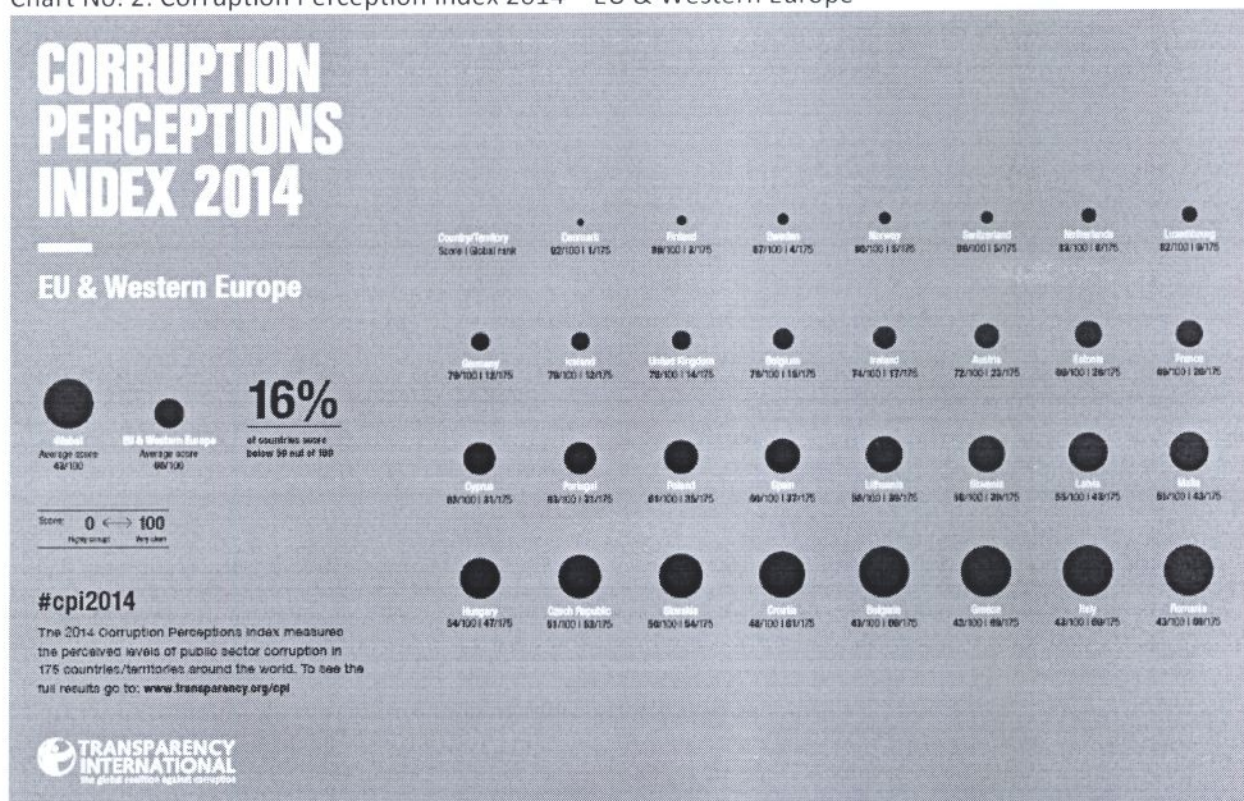
For the Czech Republic corruption still represents a serious social problem that negatively affects functioning of the state and economic growth directly and undermines citizens' trust in the democratic rule of law. Although some partial success has been achieved since 2011, the social atmosphere and the subjective perception of corruption in the country have not been changed. But this partial success is evident at the Corruption Perception Index, where the Czech Republic moved from 59<sup>th</sup> place in 2011 to 53<sup>th</sup> place in 2014 (see <http://www.transparency.org/cpi2014>). On a global scale the Czech Republic remains in a relatively favourable first third of rated countries (see Chart No. 1 – Corruption Perception Index 2014 – World below).

Chart No. 1: Corruption Perception Index 2014 - World



However, compared to the European level, the Czech Republic is situated in the unfavourable last quarter (see Chart No. 2 – Corruption Perception Index 2014 – EU & Western Europe below).

Chart No. 2: Corruption Perception Index 2014 – EU & Western Europe



Fighting corruption takes place in the Czech Republic particularly on a governmental level. Two Government Strategies for Combating Corruption have been released since 2011. The first strategy titled “From Corruption to Integrity - the Government Anti-Corruption Strategy for the Years 2013 and 2014” was approved by the government in January 2013 (and amended in May and November 2013<sup>1</sup>). The second government strategy titled “The Government Concept for Combating Corruption for the years 2015 to 2017” together with strategy document titled “Action Plan for Combating Corruption in year 2015” was approved by the government in December 2014<sup>2</sup>.

<sup>1</sup> The government strategy “From Corruption to Integrity - the Government Anti-Corruption Strategy for the Years 2013 and 2014” is freely available at following link: <http://www.korupce.cz/cz/protikorupcni-strategie-vlady/naleta-2013-2014/strategie-vlady-v-boji-s-korupci-na-obdobi-let-2013-a-2014-104844/>.

<sup>2</sup> The government documents “The Government Concept for Combating Corruption for the years 2015 to 2017” and “Action Plan for Combating Corruption in year 2015” are freely available at following link: <http://www.korupce.cz/cz/protikorupcni-strategie-vlady/naleta-2015-2017/strategie-vlady-v-boji-s-korupci-na-obdobi-let-2015-a-2017-119894/>. However, the documents are available only in Czech version at the moment.

Among the priorities in this government Concept can be found inter alia the development of civil society by enhancing the protection of whistle-blowers. The government aims to adopt legislative solution to protect whistle-blowers and to act preventively in this area. The preventive measures should be mainly relevant training and support activities focused on elementary and secondary education of the public administration employees.

Other important priority of the government Concept is an effort to increase the transparency of the financing of political parties and election campaigns. The government pursues to tighten the system of financing of political parties and election campaigns by introducing expenditure limit for election campaigns and by enacting limit for donations from individuals and legal entities. All revenues and expenditures of election campaigns will have to be transferred via transparent accounts. Both of the above mentioned priorities of the government Concept are included in the programme activities.

The government has also created by its resolution dated July 30, 2014, the Governmental Council for Coordinating the Fight against Corruption to increase effectiveness of the fight against corruption. This Council has 18 members which represent all essential resorts for the fight against corruption in the Czech Republic: selected ministers, representatives of law enforcement authorities, local governments, major institutions, NGOs, academics and professionals.

The extensive governmental strategies should be newly replaced with a key instrument in the government's fight against corruption – annual action plans. These action plans will include selected legislative and non-legislative anti-corruption measures, which will be realized by competent national authorities. Those will be discussed by the above mentioned Governmental Council before the inter-ministerial consultation process will be performed. Action Plan to Combat Corruption in 2015 already stipulates the national priorities in the area of fight against corruption for 2015. Among others the requirement to increase the protection of whistle-blowers and the transparency of financing of political parties are also mentioned. This Plan specifies the obligation of the Ministry of Interior to adopt the amendment to the Act on association in political parties and political movements. Program activities mentioned above should support not only the success of anti-corruption measures but also the adoption of this important amendment.

In the part of non-legislative measures this Action Plan similarly requires the Ministry of Finance in cooperation with the Minister for Human Rights, Equal Opportunities and legislation, to prepare a project to establish the whistle-blowers' centre. This centre should provide legal services and support to whistle-blowers who report suspicious of unlawful conduct in their employment/neighbourhood. The Plan also stipulates the obligation to prepare a publication containing information, experiences and conclusions gained during the implementation of the project drafting. In this section the Plan moreover specifically refers to the Programme CZ 10 and its pre-defined project (PDP) stating:

*“Within the Programme CZ 10 – Capacity building and institutional cooperation with Norwegian public institution and regional authorities – realized by the Financial Analytical Unit of the Ministry of Finance of the Czech Republic in cooperation with the Office of Government, will be created an comprehensive analysis of the possible establishing of the whistle-blowers' centre and will be issued publication summarizing the acquired information and experience gained during the project. In connection with the implementation of the civil service law new mechanism for reporting corruption in administrative/service authorities will be subsequently established. The outcome of the above steps will submit a legislative solution for reporting corruption and protection of whistle-blowers which will be an effective tool for uncovering corruption in state administration”.*

Some of the Programme activities have already been successfully reflected and directly supported by the government.

As regards the actual development in the implementation of GRECO recommendations by the Czech Republic, GRECO adopted Second Interim Compliance Report on the Czech Republic at its meeting in December 2014 focused on the two Evaluation themes "Incriminations (ETS 173 and 191, GPC 2)" and "Transparency of Party Funding". GRECO concludes in this report that the little substantial progress achieved so far is not sufficient to alter the level of implementation of partly or not implemented recommendations recorded in the Third Round Interim Compliance Report. Of the thirteen recommendations issued in the Evaluation Report, only one has been dealt with in a satisfactory manner, three have been partly implemented and nine remain not implemented. Although recommendations i-ix of Theme II (Transparency of Party Funding) remain unimplemented, this report states that: "*As for transparency of political funding, GRECO welcomes the resumption of work on the draft amending the Assembly in Political Party and Movements Act and the prospective development of the so-called "Election Code". These drafts are supposed to address the concerns underlying the recommendations pursuing, respectively, the transparency of party and of election campaign financing. Above all, GRECO is pleased with the authorities' intention to give a green light to the establishment of an independent body to supervise the political financing in the Czech Republic. GRECO expresses its full support for the on-going reforms and calls upon the authorities to swiftly carry them through.*" The expressed support for the upcoming amendment to the Act on association in political parties and political movements by GRECO is therefore further evidence of the relevance of the Programme activities.

Compliance and implementation of the latest European standards in the Programme area are continuously ensured by the active participation of the Council of Europe, as the Donor project partner, in realization of particular project activities.

In view of the above, the actual development in the area of the fight against corruption at national and European level fully corresponds with the overall objective of the Programme CZ10 to ensure strengthened institutional capacity and human resource development in priority sectors. Moreover conditions in the programme area have not been changed, therefore no risks to the achievement of the programme objectives are expected in this respect.

### 3. Reporting on outputs

#### *Launching the Programme CZ10 and its PDP*

The Programme CZ10 "Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities" was approved on January 13, 2014. Due to protracted negotiations related to the design of the Programme Agreement (PA) between the Project Operator (PO) and the Financial Mechanism Office (FMO) the PA was signed only on June 24, 2014.

Having signed the PA the PO called on the Project Promoter (PP) to submit the application for the only pre-defined project (PDP) of the Programme CZ10 via information system developed for EEA/Norway Grants 2009-2014 (IS CEDR). The PP submitted the application for the first component of the PDP on July 30, 2014. Once the appraisal process had been completed the grant for the PDP titled "Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic" was awarded on September 9, 2014. Since then the PDP has been under implementation up to now.

On September 18, 2014 the first Steering Committee (SC) meeting on project level took place. Members of the SC (PP – Financial Analytical Unit, Czech project partners – Police of the CR, the Office of the Government of the CR, Ministry of Interior of the CR, Ministry of Justice of the CR and donor project partner – Council of Europe) approved the Rules of Procedure and Statutes of the SC, discussed Bilateral Fund at the programme level, project implementation schedule and Council of Europe participation on upcoming workshops.

*Summary of the implementation of the PDP and its contribution to the programme outputs*

Regarding expected Outcomes and Indicators for Outputs following fulfilment has been achieved so far:

<b>Output</b>			
Increased effectiveness and efficiency of Czech institutions in combating corruption			
<b>Output indicators</b>	<b>Baseline</b>	<b>Target</b>	<b>Fulfilment</b>
Number of state officials, police officers, judges, state prosecutors, etc trained in preventing and combating corruption, identifying and pursuing corruption-related proceeds	0	350	100
Number of trained staff with strengthened technical capacity	0	30	0
<b>Output</b>			
Increased knowledge of anti-corruption practices			
<b>Output indicator(s)</b>	<b>Baseline</b>	<b>Target</b>	<b>Fulfilment</b>
Number of delivered studies or comparative analyses of legislative environment	0	3	0
<b>Output</b>			
Software programme for data-mining delivered <i>(please note that fulfilment of the output indicators is linked to the component 2 of the PDP)</i>			
<b>Output indicator(s)</b>	<b>Baseline</b>	<b>Target</b>	<b>Fulfilment</b>
Number of software programmes delivered	0	1	0
Percentage of cases with in-depth analysis	30	60	30
The average time (in months) for investigation of a case	3	2	3
<b>Output</b>			



Increased publicity for anti-corruption measures			
Output indicator(s)	Baseline	Target	Fulfilment
Number of publicity measures	0	4	1

As mentioned above the Programme CZ10 consists of only 1 PDP “Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic”. Thus implementation of the Programme CZ10 is inevitably inseparable from the implementation of the PDP.

The PDP “Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic” has two components:

1. Bilateral cooperation with the Council of Europe to ensure improved implementation of the recommendation made by the GRECO. This first component of the PDP has been under implementation since September 9, 2014 (for implemented project activities see below).
2. Improving the ICT capacity of the Financial Analytical Unit, Ministry of Finance and the Unit for uncovering corruption and financial crime, Police of the Czech Republic, including a system for automated mining of unstructured data. The implementation of the second component should start in the first half of the year 2015.

Following project activities of the PDP in relation to the Programme CZ10 were carried out in the monitoring period (i.e. till end of the year 2014):

1. Within the activity “Identification of risks pertaining to corruption and related offences (esp. money laundering)” a workshop was realized on October 2, 2014 in Prague. The workshop was entitled „Risks and threats in the area of corruption and money laundering”. Within this workshop two areas with the highest potential risk of corruption in the Czech Republic were detected with contribution of 25 national experts and 2 experts of the CoE. These are the transparency of beneficial ownership of legal entities and related topic of registers of beneficial owners and also the issue of conflict of interests. Results of this workshop have been the basis for drawing up of two complex studies within those detected risk areas. Both studies should be finalised by the end of the January 2015 and will be presented on separated conference together with recommendations how to improve the situation in the CZ.
2. A workshop within project activity “Proposals for improvement of whistle-blower protection” was carried out on December 8, 2014 in the Liechtenstein Palace in Prague. The workshop was entitled: “Announcement of misconduct and protection of whistle-blowers”. The aim of this workshop was to obtain the information and experiences regarding whistleblowing with participation of national experts and experts of the Council of Europe. This topic was also consulted in the context of drafted concept of the most recent Council of Europe Recommendation on Whistle-blowers. By carrying out of the two above mentioned workshops the output “Increased effectiveness and efficiency of the Czech institutions in combating corruption” was thus partly fulfilled. Regarding output indicator over 100 out of target 350 state officials, police officers, judges, state prosecutors, academics and representatives of NGOs were trained in preventing and combating corruption, identifying and pursuing corruption related proceeds.

3. The website for the Programme ([www.cz10.cz](http://www.cz10.cz)) was created in Czech and English version to fulfil the output “Increased publicity for anti-corruption measures”. Also press releases about all performed activities have continuously been published on this web as well as other relevant information about news in this Programme.

## 4. Reporting on Programme outcome(s)

There is only one expected outcome of the Programme CZ10 termed “Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development”. This outcome has been continuously fulfilled by implementing project activities of the programme’s only PDP called “Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic” (for more details please see chap. 3 – Reporting on Outputs).

As for the main risks that the programme will not achieve its expected outcomes, the time risk related to lack of time necessary to implement the PDP (esp. its second component) is the most serious. Since the Programme CZ10 consists of only 1 PDP its implementation is *sine qua non* for achieving programme’s outcome “Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development”, its outputs and for fulfilling relevant indicators. Further information including risk analysis and mitigation actions is provided in chap. 9 Risk management and Annex 1: Risk assessment of the programme.

### 4.1. Progress on horizontal concerns

If we understand horizontal concerns *stricto sensu* as hate speech, extremism and hate crime, racism and xenophobia, homophobia, anti-Semitism, tolerance and multicultural understanding, Roma, sexual harassment, violence against women and human trafficking the Programme CZ10 does not directly addresses these topics as it consists of only one PDP directly focused on fighting corruption and money laundering.

However, we can approach the horizontal concerns more broadly and take into account isonomy as one of the fundamental rights of citizens. In view of the fact that corruption does break concept of equality before the law the Programme CZ10 and its PDP contributes positively to protection of this fundamental right (value) when combating corruption incl. protection of rights of whistle-blowers. Moreover, all relevant principles of good governance such as lawfulness, non-discrimination, proportionality, absence of abuse of power, impartiality and independence, objectivity, legitimate expectations, consistency and advice and fairness are being continuously adhered during the implementation of the Programme. Thus all citizens incl. Roma and minorities should benefit from the programme outcome equally.

## 5. Project selection

As mentioned above the Programme CZ10 was designed only for 1 PDP (no Call for Proposals or Small Grant Scheme can be found in the programme). Project Promoter submitted the application for the component 1 of the PDP via IS CEDR - information system for EEA/Norway Grants 2009-2014 on July 30, 2014. Once submitted the PDP – component 1 proposal was appraised, verified, finally approved on September 9, 2014 and started its implementation period. The verification process has been realized by the PO in several steps.

Going into more details the following project selection procedure took place in the Programme CZ10:

Prior to verification process representatives of the PDP were officially requested to submit final project application (of the component 1) for verification. The PDP – component 1 was then appraised by the external expert in the field. The expert evaluated whether the project is in compliance with the programme proposal which was previously submitted to the FMO. Compliance with National and EU legislative was also appraised and confirmed. Within this stage of verification the PDP - component 1 was recommended for positive appraisal.

The second stage of the verification contained appraisal of internal evaluation of the PO and external technical assistance. In this phase project formal application, budget and technical documentation were appraised especially the preparedness and consistency. Within this phase of verification project application was commented as not prepared for implementation and therefore the PO sent comments to the PP and request for modification of the application. These changes were mostly based on wrong budget calculation, errors, insufficient information and clarification of certain information. After the project's modification the PO verified the PDP.

As mentioned above the PDP was verified on September 9, 2014. After the verification the PP was informed by the PO in a formal letter about positive appraisal of the project and the date of eligibility of expenditures (since September 9, 2014) for component 1. Later on the Project contract was signed.

Regarding the second component of the PDP the precise date of appraisal of the PDP – component 2 depends on elaboration of a feasibility study that shall test and confirm the findings of the needs assessment already carried out. The PP expects start of PDP – component 2 implementation in the first half of the year 2015. Thus the verification process should be also carried out in the first half of the year 2015 (certain risks relates to this rough time schedule – please see chap. 9 Risk management and Annex 1: Risk assessment of the programme).

## **6. Progress of bilateral relations**

Apart from launch conference in June 2014 where representatives of CoE took part and presented aim and expected outcome of the Programme CZ10 in context of GRECO findings, there has not been any significant progress as for fostering and strengthening of bilateral relations at the programme level so far. However the PO expects certain progress of bilateral relations in programme CZ10 as the Open Call for Submission of Grant Applications for Initiatives financed from the Fund for Bilateral Relations at Programme Level – measure „B“ is going to be announced in January 2015.

Regarding project level it is necessary to highlight the development of bilateral relations with the CoE which is involved in the project implementation as the donor project partner and the PP is in frequent and close contact with CoE representatives. As project partner the CoE supports and contributes to the PDP implementation in form of sharing know-how and experiences in area of fight against corruption and money laundering and supporting transparency, ethic and human rights. CoE's experiences are instrumental in development and updating conceptual and working plan of the project. Moreover it supports project implementation by sharing knowledge in area of functioning and rules of CoE's evaluation mechanisms such as GRECO and Moneyval. Regarding proposals for legislative and institutional reforms the CoE's role is essential in legal and technical assistance. In context of the above mentioned realized workshops the CoE's wide network of advisors and well-known European and world-famous experts was crucial for securing these experts and advisors taking part in the project activities.

Experts' knowledge and experiences will be also essential in drawing up methodologies and training documents.

## **6.1. Complementary action**

No complementary actions (CA) were initiated or implemented in 2014. The budget of the Programme CZ10 reserves €10.000 for CA.

## **7. Monitoring**

Conformity of the PDP implementation with the approved grant application will be monitored and verified frequently via project interim and interim annual reports. Current (first) monitoring period started on September 1, 2014 and terminates on February 28, 2015. The 1<sup>st</sup> Interim Report should be submitted to the PO no later than March 31, 2015.

On December 12, 2014 the Programme Operator launched an open tender for technical assistance which shall assist the PO with on-the-spot controls. The deadline for submitting bids is on January 29, 2015. The tender comprises on-the-spot controls of projects and small grant schemes in all 10 programmes in charge of the Programme Operator. There are two basic types of controls which will be carried out – factual/interim control and financial/final control. Moreover, the factual/interim controls will be ordinary, ad hoc and controls of corrective measures' fulfilment.

The Monitoring Plan for 2015 for the pre-defined project is enclosed to this report.

In 2014 besides official tools for monitoring the PO made use of several ad-hoc meetings with the PP to discuss the PA settings, PDP design, current state of the PDP – component 1 implementation as well as PDP – component 2 preparation status. In addition the PO was present at the project workshop "Announcement of misconduct and protection of whistle-blowers" (for more details of the workshop see chap. 3).

In February 2015 the PO will organize a workshop for all project promoters to familiarize them with basic requirements for proper implementation of the supported projects.

## **8. Need for adjustments**

The change of fixed exchange rate from 24,80 CZK/EUR to 26,50 CZK/EUR was approved by the Programme Operator and confirmed by the FMO on 7 April 2014. Due to this positive change it came to increase in the allocation of the whole programme in CZK. The budget of the PDP was also increased. There were no other changes in the Programme CZ10.

## **9. Risk management**

Referring to Annex 1: Risk assessment of the programme it is evident that the Programme CZ10 faces in fact only one serious risk with high of importance. The risk is termed as "Time risk - delay in commitment and disbursement of funds" and relates to very limited time left for implementing of the PDP composed of two components. During the programme approval process the PP expected the PDP implementation period will not be shorter than 24 months. Unfortunately the approval process of the Programme CZ10 was protracted and ended only on January 13, 2014. On top of that the PA was signed as late as on June 24, 2014. Before signature of the PA the application for grant for the PDP could not be

submitted and appraisal process of the PDP application could not be initiated as well. In this unfavourable situation the PO did his utmost to appraise the PDP application in with all possible haste while being in close contact with the PP in order to secure adequate quality of the PDP proposal (without miscalculation in the budget, incorrectly defined project activities etc.). Even though the appraisal process took roughly only 1 month (30.7.2014 – 9.9.2014), contrary to expectations only 20 month (instead of 24 month) left for PDP implementation.

20 months are still sufficient time for realizing the first component “Bilateral cooperation with the Council of Europe to ensure an improved implementation of the recommendation made by Greco” which consists of only “soft” measures. By contrast the second component “Improving the ICT capacity of the Financial Analytical Unit, Ministry of Finance and the Unit for uncovering corruption and financial crime, Police of the Czech Republic, including a system for automated mining of unstructured data” consist of procurement of equipment for PP and its partners. Moreover the eligibility of costs related to the component 2 is conditional on the elaboration of a feasibility study that shall test and confirm the findings of needs assessment (which has already been carried out).

The public procurement for elaboration of this feasibility study has already been started. However the PP has to comply with the public procurement process under the national Public Procurement Act. The finalisation of this study is thus expected in the end of August 2015. Then component 2 has to be positively appraised by the PO before awarding a public contract for technical equipment by open procedure. This procedure would not be finished before the end of the year 2015; four months thus remain for realisation of the component 2. Moreover if any bidder appeals to the Office for the Protection of Competition in order to make a complaint about the procurement procedure process, the conclusion of the contract will not be finalised earlier than March or April 2016. The planned mitigation action is to submit application for second component in time and without any major imperfections incl. miscalculations in the project budget. The PO is ready to assist the PP during development of the application and consultations between PP and PO should secure high quality of the application and thus shorten the time necessary to appraisal of the second component of the PDP. Another essential mitigation action planned by the PO is to have the tender documentation developed in high quality and tender procedure realized in compliance with the Public Procurement Act so as no bidder will appeal to the Office for the Protection of Competition against the tender procedure.

Remaining risks that were identified with middle or low importance are briefly described together with planned / realized mitigation actions in Annex 1. No new risks have been identified in the monitoring period.

## 10. Information and publicity

On the programme level publicity activities in 2014 are associated with launch conference of the Programme CZ10 which took place in Prague at PO's premises on June 26, 2014. The main purpose of the conference was to introduce the Programme CZ10 to professionals, stake holders and disseminate the information about the Programme CZ10 to public via representatives of media attending the conference. Participants participating in launch conference consisted of representatives of the Ministry of Finance of the Czech Republic (the National Focal Point, the PO, the Financial Analytical Unit as the Project Promoter), the Council of Europe, the Royal Norwegian Embassy, the Police of the Czech Republic, the Office of the Government of the Czech Republic, the Ministry of Interior of the Czech Republic, NGOs and many other stakeholders. In the end of the conference a press conference took place.

Besides the launch conference information and publicity on the programme level are secured via web pages of the PO presenting up-to-date information about the programme development and implementation:

<http://www.eeagrants.cz/en/programmes/norway-grants-2009-2014/cz10-strengthen-preventing-corruption>.

Further information and publicity activities are linked to implementation of the PDP. Ad hoc webpages for the PDP of the Programme CZ10 were developed - [www.cz10.cz](http://www.cz10.cz). The web pages provide both general public and relevant stakeholders with up-to-date information about project, its implementation, outcomes, results and cooperation with the Council of Europe as the project partner. They serve also as registration portal for workshops and conferences organized as project activities. On webpages information is provided in both Czech and English language. Information related to the PDP of the Programme CZ10 is also published in English by the Council of Europe on web pages [http://www.coe.int/t/dghl/cooperation/economiccrime/corruption/Projects/ACAMOL/ACAMOL\\_default\\_en.asp](http://www.coe.int/t/dghl/cooperation/economiccrime/corruption/Projects/ACAMOL/ACAMOL_default_en.asp). The PO also ensures the publication of all relevant information on web pages [www.mfcr.cz](http://www.mfcr.cz).

Press releases about the particular activities have already been published in Czech language on <http://www.vlada.cz/cz/clenove-vlady/pri-uradu-vlady/jiri-dienstbier/aktualne/konference-o-boji-proti-korupci-resila-lepsi-ochranu-whistlebloweru-125212/> and on <http://www.korupce.cz/cz/dokumenty/tiskove-zpravy/konference-o-boji-proti-korupci-resila-lepsi-ochranu-whistlebloweru-125222/>.

## 11. Cross - cutting issues

### *Good governance*

According to the European code, the principles of good governance include lawfulness, non-discrimination, proportionality, absence of abuse of power, impartiality and independence, objectivity, legitimate expectations, consistency and advice and fairness. All these principles are adhered to during the implementation of the Programme. The PDP of the Programme CZ10 is implemented by the Ministry of Finance (The Financial Analytical Unit) of the Czech Republic, which already adheres to the mechanisms of good governance. Standard procedures of good governance are thus transferred into the implementation of the pre-defined project.

### *Environmental considerations*

During the implementation of the Programme CZ10 and its PDP environmental friendly waste sorting is supported and at workplaces of the Implementation Team and in premises designated for training of target groups are created such conditions allowing to sort the municipal waste. The programme as well as the PDP supports behaviour consisting in e.g. economic double-sided copying and printing of documents, the use of recycled paper for internal needs; and electronic communication will be preferred. Attention is given to effective and economic consumption of energy and water so that the principles of sustainable development are complied with.

### *Economic sustainability*

The PDP requires higher investment into the creation of new technological solution. The beneficiary of technical assistance claims that the economic sustainability of the technical solution will be ensured at least five years from the termination of the contractual relationship with the supplier. The costs associated with maintaining the system of licenses and data base will be covered in a way that technical solutions could be used even after the basic warranty from the vendor, which is set to five years.

### *Social sustainability*

N/A

### *Gender equality*

The policy of equal opportunities of women and men is enforced; comply with the measures resulting from Priorities and procedures of the government for implementation of equal opportunities of women and men is secured. Both men and women take part in the Programme CZ10 implementation. Equal opportunities for women and men have been ensured in the PDP as well. The management of the PDP consists of five persons, two women and three men. The experts participating on activities within projects are also partially men and women.

## **12. Attachments to the Annual Programme Report**

**Annex 1: Risk assessment of the programme**

**Annex 2: Monitoring plan 2015**

SIGNATURE:

For Programme Operator

*I certify that I am duly authorised to sign this Annual programme report and that I have thoroughly reviewed the progress of the programme, reporting on outcomes and outputs, risk management provided in this report and the information are correct and accurate.*

				<i>Optional second signature</i>		
<b>Name</b>	Zuzana Kudelová			Martina Bečvářová		
<b>Position</b>	Head of the Department of International Relations			Head of the Monitoring Unit		
<b>Organisation</b>	Ministry of Finance of the Czech Republic			Ministry of Finance of the Czech Republic		
<b>Signature</b>						
<b>Date</b>	Day	Month	Year	Day	Month	Year
	11	02	2015	11	02	2015

For the National Focal Point

*The National Focal Point certifies that the status of reporting of the programme described above is accurate.*

				<i>Optional second signature</i>		
<b>Name</b>	Martin Pros					
<b>Position</b>	Deputy Minister of Finance					
<b>Organisation</b>	Ministry of Finance of the Czech Republic					
<b>Signature</b>	SEE ABOVE					
<b>Date</b>	Day	Month	Year	Day	Month	Year
	13	02	2015			



### Annex 1: Risk assessment of the programme

Type of objective <sup>3</sup>	Risk	Description of risk in the reporting period	Likelihood <sup>4</sup>	Impact <sup>5</sup>	Importance <sup>6</sup>	Mitigation planned/done
Cohesion (Programme) outcomes:	Programme absorption capacity	Programme absorption capacity risk is irrelevant as the Programme CZ10 consists of only 1 PDP	Low	High	Low	N/A
	Legislation changes	The programme and its PDP have to permanently face the risk of modifications of legislation and related regulations in the process of drawing-up and development of comparative analyses of Czech and foreign legislation as one of the outputs of the programme. Stabilized legislative environment would be beneficial to the project implementation. On the other hand the likelihood of the risk is mitigated by government's approval of the strategy, concept and action plan for combating corruption in year 2013 – 2017. Thus background for follow-up legislation has been laid down. Moreover one of the documents directly addresses the Programme CZ10.	Low	Middle	Low	Sufficient flexibility during drawing-up and development of comparative analyses of Czech and foreign legislation will be secured in order to incorporate modified legislation if comes about.
	Time risk - delay in commitment and	Time risk remains the most serious risk related to programme	High	High	High	Adherence to the PDP time schedule of the project

<sup>3</sup> The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

<sup>4</sup> Likelihood is described as Low, Middle or High according to its scoring gained in the risk analysis. (Low: 1-2, Middle:3-4, High:5)

<sup>5</sup> Impact is described as Low, Middle or High according to its scoring gained in the risk analysis. (Low: 1-2, Middle:3-4, High:5)

<sup>6</sup> Importance is counted as Likelihood multiplied by Impact and described as Low, Middle or High according to its scoring gained in the risk analysis (Low: 1-8, Middle: 9-15, High: 16-25).

Type of objective <sup>3</sup>	Risk	Description of risk in the reporting period	Likelihood <sup>4</sup>	Impact <sup>5</sup>	Importance <sup>6</sup>	Mitigation planned/done
	disbursement of funds	<p>CZ10 implementation. The programme was approved in January 2014 and the PA was signed only on June 24, 2014. The only PDP of the programme was appraised and approved in September 2014. Thus only 20 months remains for implementation instead of 24 months planned. The risk is partly mitigated by relatively small number of programme and PDP activities that have to be implemented and amount of financial means allocated for the programme. Nevertheless the high rate of likely hood and impact of the risk is primarily connected to the Public Tender for delivering the Feasibility study as precondition for appraisal and approval of the second component of the PDP. Taking a potential appeal of some of the not-selected bidders to the Office for the Protection of Competition into consideration, the tender process and selection of the contractor could be considerably prolonged.</p>	Low	Middle	Low	<p>activities will be essential. Obstacles in programme/project implementation if occurs needs to be solved in time and efficiently. Regarding the public procurements all tender documents as well as procedures has to properly designed and executed. Reimbursement requests for incurred expenses have to be settled in time.</p>
Specific programme risk (risk identified in PP)		Change of Government anti-corruption Strategy could	Low	Middle	Low	If described risk occurs certain rate of flexibility will be apply

Type of objective <sup>3</sup>	Risk	Description of risk in the reporting period	Likelihood <sup>4</sup>	Impact <sup>5</sup>	Importance <sup>6</sup>	Mitigation planned/done
	relating to PRG outcomes)	endanger programme's outputs and outcome as positive approach of Czech government towards combating corruption and money laundering is essential for the Programme realization. The risk is partly mitigated by addressing these topics by the current government, government's approval of the strategy, concept and action plan for combating corruption in year 2013 – 2017 and no parliamentary election is expected in the implementation period.	Low	Middle		in order to modify outputs of the programme/PDP.
<b>Bilateral outcome(s):</b>	Bilateral relations	The programme CZ 10 faces the risk of relatively low number of institutions and organizations from donor state suitable for cooperation on programme activities and goals. The risk is partly lowered by intensive and fruitful cooperation on project level between the PP and the CoE.	Low	Middle	Low	Draft of the Open Call for Submission of Grant Applications for Initiatives financed from the Fund for Bilateral Relations at Programme Level – measure „B“ was developed by the PO, approved by the SC and the Open Call should be announced in January 2015.
<b>Operational issues:</b>	Management and control structures, programme management	The risk is connected to personnel fault. However the risk likelihood is low as the management as well as control structure is defined and separated, the PO is personally stabilized, and staff is trained and aware of its duties.	Low	High	Middle	Procedure according to the PO Manual, regular check and update of PO Manual. Meetings with the Project Promoter.

Type of objective <sup>3</sup>	Risk	Description of risk in the reporting period	Likelihood <sup>4</sup>	Impact <sup>5</sup>	Importance <sup>6</sup>	Mitigation planned/done
		The Manual of the Programme Operator was issued on 13 March 2014.				
	Programme implementation set up	All the manuals and guidelines are developed and regularly checked and updated. Guidelines for the Project Promoters were issued in March 2014.	Middle	Middle	Middle	Check and update of manuals and guidelines.
	Reports and irregularities within programme	No irregularities were reported/indicated in the reporting period.	Low	Middle	Low	Regular verification of monitoring reports and on-the-spot visits.
	Programme audits/controls	Extraordinary audit of the PO's system was carried out in August 2014 by the Audit Authority. No findings were identified.	Middle	Middle	Middle	Regular monitoring, on-the-spot visits and audits.
	Information system	An information system for implementation of Norway/EEA Grants was termed IS CEDR was developed, the system is in service, however certain adjustments were needed.	Middle	Middle	Middle	Necessary adjustments of the IS CEDR are carried out by provider. The desired functioning is regularly tested. Ascertained imperfections are reported to provider and overcome. Intensive cooperation with provider is needed in order to overcome IS failures and breakdowns.
	Corruption risk	NFP's and PO's system of control and tender procedures is set up. All project managers were trained in anti-corruption conduct.	Low	Middle	Low	Thorough verification of procedures, evaluation, etc.

## Annex 2: Monitoring plan

Project no.	Name of the project	Planned date of on-site monitoring visit /review	Note
NF-CZ10-PDP-1-001-2014	Project to strengthen anti-corruption and anti-money laundering systems in the Czech Republic	2.Q. 2015	PO plans to monitor the project on-the-spot during the second quarter of 2015. The control will be mainly focused on factual status of the implementation. After the project completion there will be a final financial control on-the-spot in 2016.