

STRATEGIC REPORT

FM14-21

Czech Republic

Reporting period:

01 September 2022 - 31 August 2023

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1. EXECUTIVE SUMMARY

The National Focal Point (NFP) submits its sixth Strategic Report of the EEA and Norway Grants 2014-2021 in the Czech Republic to the Financial Mechanism Committee and to the Norwegian Ministry of Foreign Affairs, in accordance with Article 2.6 of the Regulations on the implementation of the EEA and Norwegian Financial Mechanisms 2014-2021.

During the reporting period, all programmes reached the advanced implementation phase. All calls (except the 4th Open Call under CZ-BF) were successfully closed and projects selected. The commitment rate across the programmes (excluding CZ-BF and CZ-TA) has achieved **99 %** of the total allocation for the EEA and Norway Grants 2014-2021. The NFP is actively engaging in negotiations with the Programme Operators to maximise the utilization of uncommitted funds as well as savings within the projects. In total, **541 projects** were supported under the programmes, out of which more than one third (202 projects) have already been completed.

The amount disbursed across all programmes (incl. CZ-BF and CZ-TA) by 30 June 2023 and certified by the Certifying Authority by 15 September 2023 equals 105.97 million EUR (approx. 58.66 % of the total allocation including programme co-financing). The amount of incurred expenditures aligns proportionally with the status of the implementation of EEA and Norway Grants in the Czech Republic, considering that majority of projects are scheduled for completion by April 2024.

The programmes have been running smoothly without any significant problems. Despite certain project activities experiencing delays, especially those with bilateral components due to Covid-19 restrictions, these projects have managed to readjust, and their timelines are back on track again. The Russian aggression to Ukraine led to the significant increase in energy costs, which has significantly contributed to the exceptionally high inflation rate in the Czech Republic. This, coupled with the appreciation of the Czech crown, has a notably adverse impact on the budgets across all projects and programmes. Project Promoters are forced to secure additional resources to be able to finance planned activities or, in cooperation with the Programme Operators, to identify potential savings in another parts of projects to cover the increased costs. Projects that may be at risk are under close monitoring of the NFP as well.

The overall aim of the Grants to reduce social and economic disparities and to strengthen bilateral relations with Donor State entities cannot be properly measured yet as most of the projects are still in the implementation phase.

Within the Fund for bilateral relations, the 4th Open Call is still open, using the increased allocation sourced from savings generated by completed initiatives or through reallocations from other programmes. The interest in the call is still very high.

The Joint Committee for the Bilateral Funds (JCBF) works smoothly using a written procedure, enhancing the efficiency of its decision-making processes.

With regard to the publicity and promotion, the NFP focuses on increasing awareness of general public on the EEA and Norway Grants. This effort primarily involves utilizing on-line forms of communication, with a particular emphasis on storytelling, to spread information about approved projects from across all programmes.

There are no key issues raised for the discussion at the Annual Meeting.

2. COUNTRY DEVELOPMENTS AND EFFECTS OF THE GRANTS

The Czech economy slightly declined at the end of 2022 and continued in the soft recession in the first half of 2023. High inflation (more than 10 %) slows economic growth and lowers living standards. Not only food, electricity and natural gas, but also other categories of goods and services are contributing significantly to the exceptionally strong rise in consumer prices. The only positive development is expected on a labour market where the unemployment rate is on 2,8 % and the similar rate will last also in 2024.

The preventive restrictions related to the Covid-19 pandemic were cancelled in the spring 2023 in the Czech Republic. The Russian invasion to Ukraine caused another political, economic and social challenges in the Czech Republic. From the beginning of the invasion more than 0,5 million Ukrainian migrants were registered for temporary protection in the Czech Republic. The main part of the Ukrainian migrants are women and children.

As concerns the implementation of EEA and Norway Grants 2014-2021 in the Czech Republic, the Covid-19 pandemic restrictions in the period from spring 2020 through 2022/2023, in general, caused some delays in calls and project implementation across all programmes. As a result, certain project activities and bilateral initiatives were postponed, leading to time extensions for these projects. As a positive effect, all stakeholders are already used to on-line forms of meetings and are able to switch most of their activities to on-line environment without any negative effects on the content or outputs.

In stark contrast, the situation takes a different turn considering the high inflation rate, which has a notably adverse impact on the budgets across projects due to rising energy costs, wages, and prices of goods and services. As the projects are in the implementation phase, the additional costs due to these rising prices are being covered by Project Promoters from their own financial resources. The projects with investment components are challenged by unstable construction market, which is marked by a shortage of Ukrainian workers and rising material costs. These challenges lead to the need for repetition of tender procedures for construction works and subsequently delay the project implementation. The NFP closely monitors projects at risk that will be completed beyond the deadline 30 April 2024.

The appreciation of the Czech crown also cause exchange rate differences at the level of programmes. The Programme Operators initially calculated the exchange rate when launching of calls between 2020 and 2022, with an average rate of 25 or 26 CZK/EUR. However, in 2023 the exchange rate skipped to 23.80 CZK/EUR. This shift in 2023 has led to an exchange rate difference exceeding 100 million CZK (ca 4 MEUR), that Programme Operators will need to cover from national sources.

The overall aim of the Grants to reduce social and economic disparities and to strengthen bilateral relations with Donor State entities was accented both in the call texts as well as in PDPs. As the majority of the projects are in the implementation phase, the contribution of the results is hardly measurable yet.

The progress towards strengthening bilateral relations is being monitored in all bilateral projects (the amount of bilateral activities are back to normal after the Covid-19 pandemic times) and also within Fund for bilateral relations. Because of the travel restriction during the Covid-19 pandemic times and limited capacity of the donor partners in 2023, the bilateral activities are delayed in the

projects or initiatives (within Fund for bilateral relations) in comparison with the plans in grant applications.

2.1 Horizontal Concerns

Horizontal concerns related to the inclusion and empowerment of Roma were supported in the Czech Republic especially within the CZ-HUMAN RIGHTS programme. Furthermore, in the Czech Republic there are Roma specific concerns addressed in the CZ-EDUCATION, CZ-CULTURE, and CZ-HEALTH programmes.

The horizontal concerns are covered also by the evaluation process of the Roma inclusion. The evaluation contained all relevant programmes mentioned above. On 31 August 2023, draft of the Evaluation report was received, where several findings might be promising and useful for the next programming period.

CZ-HUMAN RIGHTS

Roma inclusion is one of the important focus of the programme as there have been implemented overall 22 projects (2 pre-defined projects, 20 open call projects) under the Programme Area "Roma Inclusion and Empowerment". These projects are implemented across most of the regions of the Czech Republic, nevertheless mostly in regions which challenge Roma issues on a daily basis.

As was reported in the previous Strategic Report, the biggest investment project encountered construction delays in the establishment of the new Roma and Sinti Centre in Prague. Completing the amount of construction works in defined time will be the biggest challenge for the Project Promoter, who is at the same time completing the newly built Memorial in Lety (under CZ-CULTURE programme).

In November 2022, the Programme Operator organised a multilateral meeting for Project Promoters of projects focusing on Roma inclusion. This meeting served as a platform for exchange knowledge and experience, networking and discussion with the Programme Operator and other stakeholders representing NGOs, municipalities and other interested subjects. The event was evaluated very positively as it was a unique opportunity to discuss all relevant issues among various actors with different point of views.

CZ-EDUCATION

The programme deals with the priority topic Roma inclusion within Outcome 4. All three rounds of the Calls were closed, 6 projects were contracted and in implementation (1 of them completed in 2022). Up to now, 64 teachers were trained in inclusive education (the project "How to reduce challenging behaviour at schools in the context of child trauma experience", ref. no. CZ-EDUCATION-0019). According to the survey, more than 2 000 pupils, including Roma pupils, will benefit from the improved skills of their trained teachers. The very current message from the Programme Operator is that due to Ukraine crisis some Czech primary schools announce that the Roma inclusion is currently slightly set aside in favour of Ukrainian children.

Based on the draft evaluation report the reporting and data gathering on Roma inclusion are rather difficult because of ethical principles that follow binding regulations of Ministry of Education, Youth and Sports regarding prevention and avoiding segregation of Roma pupils. Quantitative indicators are therefore based on qualified estimates.

CZ-CULTURE

As to open calls within the programme, the Roma inclusion concerns were addressed through prioritization of projects that involve the cultural heritage of minorities, e.g. German, Jewish, Roma and other, and of projects which contribute to equality and integration of disadvantaged groups, especially the Roma. There are 37 (36 + 1 PDP) projects within the programme dealing to some extent with the Roma inclusion concerns. Seven of them are entirely focused on Roma.

The main contribution to Roma inclusion in the programme is the PDP “Building of a memorial to the victims of the Roma holocaust in Lety”. Although it is delayed from the very beginning and still risky, most of threats were mitigated or eliminated under improved cooperation of all stakeholders. The building permit was obtained in March 2022, the demolition of the former pig farm, representing the first part of establishing the Memorial (not yet part of the PDP project and covered from national sources) finished in January 2023. Significant financial savings from the demolition could be used for the planned third phase – further infrastructure and surroundings park landscaping (not part of the PDP, again). The building works of the PDP itself started in March 2023. The building of the Memorial including internal and external expositions shall be ready by the end of 2023, the opening will take place in January 2024.

Within the draft evaluation report, experts appreciated that about half of the total means of 553 mil. CZK granted to projects dealing with the Roma inclusion were streamed to the CZ-CULTURE programme (37 projects in total) and brought effects. The new benefit consisted in the support of innovative approaches and activities among which the Roma participants are abundantly represented and provide an integral part of the process of bringing Roma culture closer to the majority population (rather than direct interventions for inclusion of the segregated Roma community).

CZ-HEALTH

As reported previously, there are two projects dedicated to Roma inclusion, both in the Open Call 2: (1) “Improvement of targeted prevention and early diagnostics in specific communicable and non-communicable diseases in selected socially excluded localities with Romani communities” delivered by Motol University Hospital in Prague and (2) “Saste Roma - Improving Health in Excluded Localities” delivered by St. Anne’s University Hospital in Brno. Both projects are still under implementation, their results are not yet finalized. However, based on information from the ongoing monitoring, controls and even evaluation by an independent expert, status of projects is fully in compliance with applications and can be assessed positively. A very user-friendly web page was created within “Saste Roma” project (see: <https://www.sasteroma.com/>) providing clear information about the project, important overview about the main health problems in excluded localities and contacts to experts who are ready to help. This in line with the mail goal: to improve health-literacy, to achieve better health of population in excluded localities and to facilitate information about prevention and symptoms of serious illnesses.

3. STATUS OF PROGRAMMES

GENERAL

Within the reporting period, all programmes were in the advanced implementation phase. All calls are closed and projects selected (in total 541 projects). In total 339 projects are in the implementation phase and 202 projects were completed. The programmes have faced delays after

the Covid-19 pandemic and the consequences of the war in Ukraine that increase the costs within the projects and caused projects delay.

The Bilateral ambitions of the programmes were realized based on the cooperation with the DPPs and more than half of the planned budgets are spent.

Within all programmes the special concerns or conditions from the Programme Agreements are fulfilled or are being fulfilled continuously, part of them cannot be fulfilled with proper justification.

CZ-RESEARCH Research

In 2022/23, the CZ-RESEARCH programme (KAPPA programme) exceeded half of its implementation period, all 25 projects supported in the single call were in implementation, except of one project – Metamorph, the implementation of which was forced to end by 31 May 2023 due to a serious irregularity (suspicion of financial fraud). About $\frac{3}{4}$ of the re-granting allocation has been spent (32.5 MEUR contracted, ca 26.2 MEUR disbursed). The annual advance payments 2023 were sent to all Project Promoters in time except the one terminated project (Metamorph).

The management activities of the Programme Operator focused mainly on proper disbursement and monitoring, on the support of Project Promoters and project partners via preventive measures such as consultations, advice and general guidance on relevant topics. The newly established role of the KAPPA consultant was evaluated as beneficial in order to maintain closer cooperation with Project Promoters. Currently, the Management and Control System of the CZ-RESEARCH programme is being modified upon recommendation of the Audit Authority (AA) in order to unify the adjustments in praxis with the formal description in the Management and Control System. Regular monitoring of projects is duly provided by the Programme Operator through checks of submitted interim reports on annual basis and projects modifications (most of the projects prolonged their implementation period till the very end, i.e. 4/2024). The Programme Operator carried out 25 monitoring visits and 13 financial controls on the spot. Generally, no substantial findings nor irregularities were identified.

The PO had to cope with several challenges in 2022/23 on project as well as on programme levels. The current economic threats, i.e. inflation development, does not influence the projects strongly as the projects do not include investments, however, the rising price of fuel and energy can affect the budgets. Regarding absorption and utilization of funds, the Programme Operator undertook several steps to improve the capacity and commitment. The 7th Programme Committee meeting decided to address running projects with the offer of additional funds (28 MCZK), if they are interested. The amount of 22 MCZK was successfully distributed via an addressed call for additional activities among 12 running projects in the summer 2023.

Surprisingly, the Programme Operator faced in 2022 a serious problem with the Metamorph project. The main Project Promoter InoCure (SME) did not distribute the annual advance to project partners and the work from partners remained unpaid. Despite undertaking numerous attempts to contact the Project Promoter, who ceased communication, the financial irregularity still remains without explanation, giving rise to suspicion of financial fraud. Upon recommendation of the Programme Committee, the Programme Operator decided to force termination of Metamorph (by 31 May 2023), the unspent funds from the project were set at disposal and included into the additional call.

In the MoUs, the special concerns include the cooperation of SMEs with research institutions in applied research and that the programme CZ-RESEARCH shall be implemented in conjunction with both EEA and Norway Grants. These special concerns were fulfilled automatically thanks to the design of the KAPPA programme. The MoUs also address the support of projects focused on carbon capture and storage in the share of approximately 30 % of the total eligible expenditures of the Norway Grants. The condition was fulfilled – two funded projects were focused on carbon capture and storage, in total 27 % from the Norway Grants. However, the terminated project Metamorph was unfortunately one of them, so the final share allocated to CCS will be lower.

The cooperation with the DPP (Research Council of Norway, RCN) is based on regular meetings and discussing any important matters ad hoc if necessary. The DPP was also closely involved in consultations regarding current challenges (i.e. the additional call, termination of Metamorph project etc.). The Bilateral ambitions fund shall be utilized for organizing the international conference SOILCON in Prague on 18 September 2023, for participation of Programme Operator staff at other international events organized by the FMO/other Programme Operators (Poland, Portugal) and for the bilateral closing event within the final conference in 2024.

CZ-ENVIRONMENT Environment, Ecosystem and Climate Change

During the reporting period, the CZ-ENVIRONMENT programme has approached its final stage of implementation. Overall, 10 open calls were announced (2 planned calls were merged into 1 call) out of which 166 projects were selected and started their implementation. By 31 August 2023, 65 of the total amount of selected projects completed their implementation phase. The fulfilment of the programme outcomes has continued; in several programme indicators target values reached even higher numbers than were originally planned. Exceeding these values is highly influenced by the width where the projects direct their activities – they mostly cover much wider area than was expected during the programme preparation phase.

As in other programmes, the CZ-ENVIRONMENT programme has faced the consequences of the war in Ukraine too, mostly in form of an energy crisis, which directly affected the supply of some materials, prolonged delivery times and in its consequences lead to price increases. The PO decided to approve requests for project modifications in form of slight project activities adjustments that did not have an impact on the planed achievement of project outcomes.

The most relevant risks monitored under the programme is the time risk caused by delays in launching the last open calls. Such delays led to postponed start of implementation process of selected projects under the last two calls (SGS2 and 4B) which could have a negative effect on fulfilling programme outcomes in concrete indicators. The Programme Operator is aware of this difficulties and is ready to give support to the Project Promoters in matter of providing additional time to continue the project activities beyond 30 April 2024 in line with the FMO conditions.

Referring the reallocation of financial sources, the Programme Operator has been in active contact with the NFP to discuss possible usage of uncommitted financial sources under the Fund for bilateral relations or spent for initiatives under the Bilateral ambitions of the programme. The amount reach up to 600 000 EUR. Reallocations have been discussed at Cooperation Committee meeting with the DPP and FMO and preliminarily approved. Nevertheless negotiations among the Programme Operator and the NFP are still ongoing; results should be made at the next Cooperation Committee meeting in October 2023 at the latest, as the remaining time for realization of Bilateral ambitions activities or initiatives under the Fund for bilateral relations shortens.

Under the Bilateral ambitions of the programme, overall 10 initiatives were implemented; remaining final reports were approved in the reporting period. Disbursement has reached to 57 % of the overall allocation of the Bilateral ambitions.

The programme has been implemented in cooperation with the Donor programme partner which was very active during the open calls preparation phase and following selection process. The DPP cooperated in scope of consultations over the preparation of calls. During the implementation phase, the DPP supports the Programme Operator as an advisory body during the Cooperation Committee meetings. The participation of the DPP within the programme is found effective.

Special conditions set out in the Programme Agreement related to ownership, insurance and maintenance of buildings were fulfilled continuously within projects approval and setting conditions for grant acceptance and within changes approval.

CZ-HUMANRIGHTS Human Rights, Roma Inclusion and Domestic and Gender-based Violence

The CZ-HUMAN RIGHTS programme faced two major challenges in the respective monitoring period. One year before all programme outcomes and outputs shall be reached, the progress of the programme was affected by the Russian aggression and war in Ukraine. This caused a huge migration wave of refugees, in which the Czech Republic became one of the receiving countries and municipalities were challenged to smoothly adapt Ukrainian refugees into the Czech society. The second challenge was energy and economic crisis causing rising costs of oil, gas and energy and following high inflation. Therefore the Project Promoters had to deal with a very negative impact on project budgets as well as with unavailability of construction workers (mostly from Ukraine).

Despite the difficulties described above, implementation of the programme continues without any major discrepancies which could negatively affect reaching the planned target outcome values. Timeline of projects have followed the set plans; only one pre-defined project (Roma and Sinti Centre implemented by the Museum of Romani Culture) has dealt with difficulties due to construction works, primarily related to public procurement procedures, which had to be repeated three times, due to higher construction prices and additional modifications in project documentation. This led to significant delays in planned time schedule. The contract with the supplier for building up the new Centre for Roma and Sinti shall be signed at the beginning of September 2023. Nevertheless, the postponed planned building works means, the deadline for completion of construction works will be concluded until early November 2024 at the latest (however the deadline for disbursement of all costs remains 30 April 2024). The soft activities (exhibitions and educational activities) are being realized outside the Centre and are being fulfilled in line with the project.

Within the programme, total of 61 projects are being implemented, out of them 53 were selected under open calls and 8 were pre-defined – all projects are in the realization phase. One project has finished its implementation phase. The programme is making a significant progress towards its objective, outcomes and outputs; some outcome and output indicators have even been exceeded by now.

All implemented projects are being monitored from the perspective of risk management. The most relevant risk was mentioned above – delay in construction works under the PDP Roma and Sinti Centre which highly threatens the completion of the project. Projects from open calls 1A (focused

on small reconstructions of apartments serving as community centres), 3 (establishment of centres for victims of domestic violence – purchase of flats, reconstruction of flats) has had to deal with increase in the prices of real estate and building materials too. The Programme Operator has discussed with Project Promoters possible project modifications as well as design of project documentation.

The Programme Operator has approved already 10 bilateral initiatives under the Bilateral ambitions of the programme, which leads the overall used financial resources up to 65 % of the planned Bilateral ambitions allocation. The Cooperation Committee, which is responsible for making a decisions of Bilateral ambitions usage, has discussed the possible 11th bilateral initiative. The decision shall be taken in 3Q/4Q 2023 on the fact whether there is interest among the potential participants. It might be possible, that expression of interest for increasing the Bilateral ambitions allocation would need to be submitted for financing such initiative.

All conditions set in the Programme Agreement have been continuously addressed and some conditions were already fulfilled. There have been no obstacles when fulfilling the conditions so far.

Roma inclusion and their empowerment are emphasized topics of two pre-defined projects as well as of 20 projects that are implemented under the Programme Area “Roma Inclusion and Empowerment”. The detailed description of fulfilling the conditions regarding the Roma inclusion topic, is provided in chapter 2 of this Strategic Report.

CZ-JUSTICE Justice

After a major delay at the beginning of CZ-JUSTICE programme implementation period, which was referred in previous Strategic Reports, progress in fulfilling the programme outcomes was made. Organisation of bilateral activities in several projects speeded up, so the project timelines came back to normal. The programme has therefore continued in its implementation without any discrepancies. Even the new challenge posed by the Russian aggression and war in Ukraine has not considerably threatened successful implementation so far. Therefore all 8 approved projects (3 PDPs, 4 Small Grant Scheme projects and 1 project from open call) are in the final stage of implementation with deadline for fulfilling the project outcomes by the last April 2024.

As major savings were identified in several pre-defined projects, modification requests for extension of implementation period were submitted with the aim to spend these financial resources for relevant additional activities. Such extensions will increase the efficiency of usage of these unspent funds. In projects realized under the Small Grant Scheme and the open call, modifications requests are administered continuously by the Programme Operator, when submitted.

Based on the positive progress of the programme during the monitoring period, there are only risks with low level of likelihood to be monitored. Time delays and bilateral relations risk, which were negatively influenced by Covid-19 pandemic, were successfully eliminated. Therefore the programme is heading to its successful completion.

The bilateral scope of the programme is reached via bilateral initiatives realized under the Bilateral ambitions of the programme, cooperation between the Programme Operator and its DPP/IPO or cooperation among Project Promoters and their bilateral Norwegian partners (6 projects are

implemented in partnerships with Norwegian institutions, whose joint activities have been evaluated positively). Cooperation at the programme level, namely with the Directorate of Norwegian Correctional Services in the role of the DPP, is rated as valuable and fruitful by both stakeholders. The Cooperation Committee meets regularly twice a year to discuss current state of the programme.

Overall 11 initiatives have been implemented under the Bilateral ambitions so far, which increased the disbursement up to 66 % out of the planned allocation. As Project Promoters or the DPP are very active with bilateral proposals, new initiatives have been discussed; therefore the expression of interest for increasing the allocation for 30 000 EUR is expected to be submitted for the JCBF approval.

Regarding the conditions set in the Programme Agreement, no changes have been reported as these are continuously monitored during the further implementation process.

CZ-HOMEAFFAIRS Home Affairs

Implementation of the CZ-HOME AFFAIRS programme was seriously affected by the Covid-19 pandemic as large number of planned training/educational activities for the Czech Police could not be realized online and had to be postponed. Even the only one investment project (PDP2 – Modernization of Police Training Centre) was severely affected and not only by the pandemic but also by the war in Ukraine (which caused outflow of contractual workers) and inflation causing unexpectedly high growth of prices of building materials, etc.

However, there was a noticeable development made within all projects in the actual monitoring period. Huge progress in construction works within Training Centre in Kutná Hora was made and further construction works are to be finalized in 4Q/2023. Number of training activities from other PDPs was delivered in last months and the remaining part is planned for 3Q-4Q/2023 or 1Q/2024. As such, the pandemic/war/inflation caused serious logistical and technical problems but should not have negative impact on the outputs/outcomes of the programme. Projects are not implemented in time pressure and their finalisation is not endangered. Unfortunately, as reported previously (on many occasions) not all indicators will be fully achieved.

The fourth Programme Agreement amendment was approved in June 2023, resulting in the update of one indicator within PDP4 – Cooperation between national Police, international entities and territorial self-government. The original indicator “Annual number of public order and security offences reported to the police in pilot municipalities” was not correct and had to be reformulated to “Annual number of public order and security offences reported by the police to the public administration entities in the Czech Republic”. However, the baseline as well as the target value remained the same as the FMO decided not to update values in current advanced stage of implementation. Therefore, the indicator description and its values are now not in compliance. The new baseline and the new final value of the new indicator will be reported and the expected differences from what is stated in the logframe will be commented on.

Calculation of the baseline value of the former indicator was one of the special conditions from the Programme Agreement, which will not be fulfilled as it is no more valid. Other preconditions stipulated by the Programme Agreement have been or will be fulfilled.

Another repeatedly presented information is the overestimation of the “Number of municipalities piloting the model of information exchange and cooperation with the national Police” within PDP4. There is 110 involved municipalities and it is considered sufficient.

Project PDP2 – Modernisation of Police Training Centre was subject to at least four external factors that made its timely finalisation impossible: Covid-19, outflow of contracted Ukrainian workers, increase of prices (a lot has to be co-financed from the state budget) and last but not least bankruptcy of one of the suppliers responsible for reconstruction of the complex. All these issues were previously reported. By the cut-off date of this Strategic Report, building with a large conference hall, landscape inside the complex, tribune and the training polygon were finished, with building approval received. Utility networks and wiring is prepared. Training activities were launched in the conference hall. The second building (accommodation/training rooms) is in the final stage of construction works and the third building with accommodation facilities is still under construction even though a part of works has already been delivered. The project is under close supervision by the NFP. The NFP together with an independent building expert will examine the place on the spot in October 2023 to make sure that timely finalisation of the reconstruction is possible. The NFP will also ask for assurance by the Police that there are sufficient financial resources to finish all works within deadlines. Even if the Police Training Centre is completed in time, related indicator of achievement “Capacity usage of the new training centre during the first year of operation” (in the requested level of 66 %) will not be fully delivered. The risk of non-achievement of the indicator was reported as critically high but the real situation shows that the risk cannot be avoided and fulfilment of the indicator may be less than half. Still, taking all the external negative effects into account, the overall result of the project shall be considered good.

Other two pre-defined projects and all four SGS projects are progressing well. The PDP1 – Enhanced Police competence in preventing and combating crime, strengthening communication skills with public and awareness of human rights will generate savings that will need to be further discussed.

Both Bilateral ambitions (1) "Sharing good practice in state police cooperation with local authorities" and (2) "Development of knowledge in the field of forensic expertise and new methods of investigation" were completed and disbursed in 2022. As both Bilateral ambitions generated savings (approx. 20 000 EUR in total), representatives of the Czech and Norwegian Police, have been discussing another mutual initiative dedicated to “Hate crime” that would be paid from these savings. Should mutual agreement be found, the new Bilateral ambition could be realized by the end of 2023.

CZ-EDUCATION Education

The CZ-EDUCATION programme is running smoothly and at the turn of years 2022/23 it entered into its final phase. All four rounds of open Calls were closed and all selected projects were contracted. In total, 107 projects (19 + 38 + 37 + 13), each with partners from Donor States, were supported. About 75 % of the projects were completed (mainly under the Outcomes 2 and 3), and the vast majority of the outputs indicators was achieved already by the end of 2022. Thanks to the second amendment to the Programme Agreement (mid 2022), the reallocation of project savings from Outcome 2 into Outcome 1 was enabled. Three additional projects waiting on the reserve list from the last Call (Outcome 1 – Institutional Cooperation projects) were supported. The overall contracting rate has thus reached 100 % of the total budget, the disbursement to projects is approx 70-90 % according to Outcomes and the Programme Operator has to deal with exchange rate losses. The years 2022 and 2023 brought further consolidation of consequences of the pandemic

situation. Some delayed activities / mobilities could be completed, the others prolonged. However, some obstacles remained (decrease of absorption capacity, overloaded participants, concerns from threats related to the war against Ukraine etc.). The specific issue of 2022/23 is the increase of prices and unfavourable development of exchange rate CZK/EUR/NOK. The travel costs, accommodation and subsistence as well as personal costs are significantly higher than presumed.

Despite the above mentioned, the overall risk of the programme has decreased to level 1, because more than a half of the projects have been successfully completed.

As to special concerns addressed in the MoU, democracy and citizenship education as well as inclusive education (esp. Roma inclusion) were prioritized topics receiving extra points in the selection process. Projects addressing democracy and citizenship education are mainly in the Outcome 1 (notably primary school projects pay a lot of attention to these topics). It is in particular through the Outcome 4 that the programme includes concrete measures directly targeting Roma inclusion. The 2nd Call for proposals for the Outcome 4 was open only to projects covering Roma inclusion. Six projects were supported and all of them deal with the Roma inclusion.

With support of the Bilateral ambitions, the Programme Operator organised a two-day study trip for representatives of the Czech regional authorities to Liechtenstein in the autumn 2022 which helped them learn about the Liechtenstein system of dual vocational education and training.

The Programme Operator efficiently cooperated with the DPPs at the Cooperation Committees. Mainly bilateral activities and modifications were discussed and agreed. The Liechtenstein partner AIBA provided key support to the above mentioned visit to Liechtenstein. In cooperation with the Norwegian partner HK-Dir, a joint session named "How can we further strengthen the synergies between higher education and research at the different levels of policies, programmes and practice?" was prepared and held at the CZEDUCON 2022 conference for higher education (November 2022) organised on the occasion of the Czech Presidency of the Council of the European Union. In June 2023 the Programme Operator participated on the PO/DPP/FMO meeting in Wroclaw (Poland) where also a dialogue meeting with DPPs took place on the Bilateral ambitions allocation.

CZ-HEALTH Health

Three PDPs, projects from two Open Calls and three Small Grant Schemes (SGS) are under implementation within the CZ-HEALTH programme (in total 42 projects). The Covid-19 will not have any negative impact on outputs/outcomes of the programme. It caused interim delays which gradually phased out. Extensions of implementation deadlines occur but in general all projects are implemented in line with time schedules without time pressure and should be delivered duly at least by the implementation deadline (30/4/2024).

PDP1 ("Triple P" programme) is progressing well, net of providers of the Triple P method in the Czech Republic seems stable. Monitoring and disbursement within PDP1 is rather slow due to administrative obstacles and number of requests for changes raised by the Project Promoter. PDP2 (AMR prevention) is a good practice example thanks to the successful and very visible campaign on the "antibiotic resistance". Savings generated by PDP2 will be used for further support of this campaign. PDP3 (The Patient Hub) is finishing. Sustainability of HUB services is under discussion. Premises of the HUB are not utilized physically as much as planned, hybrid activities are much

preferred. This is highly probably the result of changes in the society in connection with the Covid-19 but also specificities of patient organization's clients.

All projects supported within Open Calls are under implementation and are progressing well. Two projects are dedicated to Roma minority and falls under the specific condition set by the Programme Agreement stipulating that "at least 10% of the total programme allocation shall address improved access to health for vulnerable groups/people and deprived areas". The final ratio of disbursed financial resources will be available only in the Final Programme Report, but taking allocation of the two projects into consideration, this precondition is likely not to be fulfilled. This fact, however, cannot be influenced by the Programme Operator or the NFP responsible for implementation. Other specific conditions stipulated in the Programme Agreement are fulfilled.

As far as SGSs are concerned, all projects are progressing well, implementation of one project has already been finalized (by 31/8/2023). No risks concerning successful implementation of SGSs or Open Calls projects were identified.

A very successful (positive feedback received) "Meeting of beneficiaries of projects dedicated to mental health of children" took place in Prague in May 2023. There were Project Promoters of 18 projects from the Open Call 1 and SGS 1 (both dedicated to mental health of children) and representatives of the Ministry of Health implementing PDP 1 (Triple P). The meeting was organized by the Programme Operator.

All Bilateral ambitions initiatives were closed, the last initiative "2nd Network Meeting of the Health Programme: Prevention in the Field of Child and Adolescent Mental Health" was realized in Prague in September 2022. Still, there are significant savings (approx. 35 000 EUR). Part of the remaining amount will be used for payment of participation of Czech experts at the international conference on mental health of children and young people in Lithuania in autumn 2023 and in Romania in winter 2024. A larger part of the funds will be probably used to organize "Conference on patient organizations - sharing of good practice and cooperation with Norwegian partners" in 2024 (relevant for PDP3 and SGS 3 projects).

CZ-CULTURE Culture

The years 2022/23 cover the advanced stage of the implementation of the CZ-CULTURE programme. With 115 projects (from 7 Calls and 1 pre-defined project) in implementation, the programme provides commitment of 35 MEUR (one supported project withdraw from implementation). Main part of the projects from first round of calls (except from investment projects) were successfully finished while the projects from the second round are still in the implementation. The expected results show the planned programme target values of outcomes and outputs will be achieved and some even exceeded.

The pre-defined project "Building of a memorial to the victims of the Roma holocaust in Lety" entered also into the advanced stage. The activities started with delay in February 2022. The demolition of the former pig farm representing the first part of the project (covered from national sources) was completed in January 2023, the public procurement for supplier of building works (the Memorial and expositions) finished with contracting the winner in January 2023 and the works for establishing the memorial and visitor centre started in March 2023. In parallel, the public procurement for the supplier of both expositions (the internal as well as the external) led to the contract in April 2023. The building works and expositions shall be ready for visitors by the end of

2023 and the opening ceremony shall take place in January 2024. Regardless of the delays and several obstacles the deadline of project implementation April 2024 will be met.

The overall risk of the programme has not changed much compared to the previous period. Some partial risks were successfully mitigated or even fully eliminated (for example PDP “Memorial in Lety” – insufficient political will overcome, dependence on preparatory works (demolition) resolved, etc.). As for the Covid-19 issue, the problems were mostly solved, the epidemic situation has improved and the Project Promoters learned how to cope with restrictions and delays associated with the safe mode. On the contrary, the new risk of increased prices and energy crisis that arose in 2021 has deepened with start of the war in Ukraine in February 2022 and further in 2022/23 due to deep inflation and provides now a very negative financial impact on projects in both Outcomes. Since 2022, the Programme Operator organizes regular on-the-spot controls on projects – there were more than 50 interim and final financial controls so far resulted to about 15 findings of administrative nature only.

As to bilateral cooperation, approximately 80 % of all projects (89 projects) are implemented in cooperation with Norwegian and Icelandic partners (unfortunately, no Liechtenstein partners) which means that the bilateral indicator on number of projects with a partner (target value 63) has been overachieved. The partners are taking active part and participating in project activities. In general the bilateral partnerships are considered as fruitful and functional but some difficulties occurred - in 6 projects the change of partner was necessary due to disputes between the project partner and Project Promoter. The problems were resolved in close cooperation of the Programme Operator with the DPPs. Thanks to the intervention, all affected projects were able to continue in their implementation.

The cooperation with DPPs runs smoothly. The 10th Cooperation Committee meeting took place in Prague (24 November 2022). The key points of discussions addressed significant risks to projects such escalation in construction material prices, energies and high inflation. The 11th Cooperation Committee meeting took place on 3 May 2023 on Iceland, hosted by the Icelandic partner RANNIS. The running pre-defined bilateral initiative “Adaptation models in Culture” is financed from Bilateral ambitions.

Among special concerns mentioned in the MoU the Roma inclusion was addressed through prioritization of projects in open calls that involve the cultural heritage of minorities, e.g. German, Jewish, Roma and other, and of projects which contribute to equality and integration of disadvantaged groups, especially the Roma. There are 37 projects dealing to some extent with the Roma inclusion concerns, 7 of them focused solely on Roma. Within the CZ-CULTURE programme, the support of innovative approaches and activities are represented with the aim to bring Roma culture closer to the majority population. The main contribution to Roma inclusion in the programme is the pre-defined project “Memorial in Lety”.

CZ-GOVERNANCE Good Governance

The Covid-19 didn't have negative impact on outputs/outcomes of the CZ-GOVERNANCE programme. All five PDPs are progressing well, PDP3 (Strengthening public financial management and control) was successfully finished by 30/6/2023. All key activities of the PDP3 were delivered. The draft Act on Financial Control was submitted for comments to the internal consultation procedure. The Programme Agreement, however, includes indicator “Number of civil servants taking part in public consultation procedure on the initial draft Act on Financial Control” where civil

servants represent institutions that will be impacted by the new Act if adopted. The draft law will be submitted to the external consultation procedure only on 8 September 2023, i.e. the indicator will be fulfilled but only after the implementation period of the project (before implementation deadline of the programme). Explanation will be provided in the Final Project Report.

Remaining PDPs are under implementation and their time schedules and indicators are adhered to. PDP1, 2 and 4 will be implemented by the end of the programme's implementation deadline (30/4/2023).

Delayed start of PDP2 (Evaluation of the public administration performance in the Czech Republic and recommendations for the further strategic development) was well balanced. The Public Governance Review was elaborated and officially introduced to professional public. Programme to support implementation of OECD recommendations was launched. Trust survey (a study to better identify the most important factors influencing trust of citizens in public administrative institutions) was added to the project – a change was approved by the Programme Operator.

Even PDP5 (Strengthening the Fight against Corruption by Increasing General Awareness of the Public Sector Focusing on Judges, Prosecutors and Public Administration) made significant progress over the last six months and that is why the risk of not fulfilling the planned activities by 31/12/2023 has been minimized. Still, the continued resistance of judges to some project's activities and potentially unrealized workshops on the topic of the codes of conduct for judges and public prosecutors may result in the reduced fulfilment of respective indicators. An international conference on protection of whistleblowers, conflict of interest and code of conduct under the title "moral dilemmas of judges and prosecutors" was organized. Workshops on whistleblower protection and code of conduct will continue until October 2023. The campaign for the protection of whistleblowers (linked to the new law) is very interesting. The Whistleblower Protection Act is effective since 1 August 2023.

All 4 projects supported within SGS are progressing well, activities (round tables, public meetings, exchange of experience, involvement of various target groups), are taking place according to plans or with minor modifications only. Positive feedback on cooperation with foreign project partners (as well as with Czech partners) is reported within all projects.

Proposals to utilize savings within Bilateral ambitions were not submitted, therefore all free funds (46 000 EUR from the original budget of 50 000 EUR) were reallocated to bilateral initiatives within the Fund for bilateral relations.

Special conditions from the Programme Agreement are fulfilled or are being fulfilled continuously - the FMO and the Royal Norwegian Embassy in Prague are duly informed about all important occasions.

4. STATUS OF BILATERAL FUNDS

The JCBF works regularly via written procedure and all members agreed that there is currently no need to organise the 5th JCBF meeting in 2023. All decisions of the JCBF and the revisions of the Work Plan were reached through the consensus of all members using a written procedure. The committee works smoothly. The NFP, as a secretary of the Committee, provides all the necessary information for the decision-making. The written procedure is effective and there is no need for in-person or online meetings.

The Work Plan was updated several times during the reporting period. The first modification was adopted on 7 September 2022. The JCBF agreed on the first increase of the allocation of the 4th Open Call from the Bilateral Fund. The allocation was increased by 100 000 EUR in September 2022. Despite the increased allocation, the acceptance of grant applications had to be temporarily suspended due to the high demand from the applicants and insufficient funds. As reported by the NFP in the 5th Strategic Report, the JCBF searched for the additional available funds to meet the demand. In addition to the remaining BF allocation, unspent BA allocation from the CZ-GOVERNANCE (46 000 EUR) along with savings from previous BF calls were utilised. The JCBF agreed to increase the allocation by 200 000 EUR on 1 December 2022. The 4th Open Call was re-opened on 12 December 2022. At the end of January 2023, it became evident that the allocation would be depleted again, leading the NFP to decide on suspending the receipt of the grant applications on 31 January 2023. Due to the continuous closure of initiatives from the previous calls and the savings generated from these initiatives, along with significant savings in PDI 7, the NFP proposed an additional allocation increase of the 4th Open Call for the summer of 2023. On 25 July 2023, the JCBF agreed on the last increase of the Call allocation by 277 187 EUR. The Call was re-opened on 1 August 2023.

The assessment of applications is ongoing. By the end of August 2023, 58 applications had been submitted, and 36 initiatives approved in the total amount of almost 600 000 EUR. The assessment of 11 grant applications submitted in August 2023 is still pending. Besides the newly approved initiatives in the respective period, overall 16 initiatives completed their implementation phase and reached their expected results.

As for the pre-defined initiatives (PDIs), two new PDIs were adopted by the JCBF during the monitoring period. The Cultural Heritage and Climate Change Symposium was adopted as PDI 8 in February 2023. The My Father's Story in the Krkonoše Museum followed as the PDI 9 in August 2023. The Czech-Liechtenstein school exchange continued with the approved initiative On the Traces 2023 in July 2023.

No new PDIs are indicated and no open calls planned to be announced in the upcoming 12 months.

Regarding the implementation process of the approved initiatives, the monitoring carried out by the NFP has continued without any discrepancies. In the respective period, the consequences of the Russian war on Ukraine have been visible among newly approved initiatives, as some of the initiatives were focusing on supporting Ukrainian teachers and students in the Czech Republic (PDI 7) or helping refugees to adapt to a new life. The war in Ukraine has also initiated two research projects. The above-mentioned initiative focused on Czech language education of Ukrainian refugees and their inclusion into the Czech society was the initiative with the highest allocation (17 million CZK/700 000 EUR).

The NFP, in close cooperation with other Programme Operators, has discussed possible final reallocations of unspent funds from programmes to the Bilateral Fund at national level. As applicants are very active in submitting grant applications, such reallocation showed as a reasonable step for the effective use of financial resources within the EEA and Norway Grants. By the end of the reporting period, potential reallocations of unspent funds from the programmes CZ-ENVIRONMENT and CZ-RESEARCH have been discussed. These financial resources for bilateral initiatives are planned to be used both at the national level through the Bilateral Fund as well as at the programme level through the Bilateral ambitions of the programme CZ-EDUCATION that has

submitted the expression of interest, and the programmes CZ-JUSTICE and CZ-CULTURE that plan to submit their expressions of interest.

The text of this chapter was consulted and agreed on by the JCBF via written procedure.

5. MANAGEMENT AND IMPLEMENTATION

a. Management and control systems (MCS)

As of 1 January 2023, the reorganisation within the Ministry of Finance took place that affected the organisational structure of the EEA and Norway Grants in the Czech Republic. The Certifying Authority has been moved to the same section in which the NFP/Programme Operator Ministry of Finance were already placed. Within this change, the separation of functions between the CA and the NFP/Programme Operator is still secured at the level of individual departments headed by different directors. The reorganisation also included formal adjustments in the form of name changes of some sections and/or departments, but there were no changes in the activities/tasks of respective departments or the hierarchy of approvals/signatures.

This reorganization was consulted with the FMO and resulted in the first amendment of the Management and Control System at the national level. The new version of the Management and Control System was issued in June 2023.

As concerns staffing of the National Focal Point, it was generally stable in the reporting period. The Head of Centre for Foreign Assistance – Preparation and Coordination Unit left at the end of February 2023 for maternity leave, but will return on 1 October 2023.

The staffing of the Certifying Authority is generally stable. During the given period there was one vacancy filled by an experienced person returning from the maternity leave in October 2022.

As concerns staffing of the Audit Authority, one new employee joined the AA in October 2022 and one experienced employee hired for half-time job left in March 2023. The administrative capacity of the AA has consistently been insufficient, but for now, the execution of ongoing audit tasks is not critically threatened.

During spring 2023, the changes of the Annexes A and Annexes B of the Memoranda of Understanding on the implementation of the EEA Financial Mechanism 2014-2021 and the Norwegian Financial Mechanism 2014-2021 were approved by both the Donors and the NFP. The changes in Annexes A followed the change of the organizational structure within the Ministry of Finance as of 1 January 2023 (described above in this chapter). The changes in Annexes B were related to the reduction of the allocation of the Bilateral ambitions of the CZ-GOVERNANCE programme and included also corrections of the names and abbreviations of particular DPPs as well as some technical changes. The exchanges of letters were completed on 26 June 2023.

Deloitte Advisory, Ltd., the external assistance contracted for the whole implementation period of EEA and Norway Grants 2014-2021, has conducted annual supervision of the NFP activities, responsibilities and ensured verification of compliance with the set Methodology and conditions.

The regular 4th supervision covered the period 5/2022 – 4/2023, using the approved methodology of investigations and interviews. The NFP staff was duly examined, as well as the POs of chosen programmes – CZ-GOVERNANCE (managed by the Programme Operator Ministry of Finance) and

CZ-RESEARCH (managed by an external Programme Operator - TAČR). The 4th report was completed in June 2023, no findings were identified nor recommendations formulated.

b. Complaints

The complaint mechanism for the EEA and Norway Grants 2014-2021 is established and procedures how to submit complaints are visible on the NFP website www.eeagrants.cz and www.norwaygrants.cz.

In the reporting period, one new complaint was submitted to the NFP. It was related to the CZ-RESEARCH programme and in cooperation with the Programme Operator it was evaluated as non-relevant.

Three complaints that had been initiated during the previous reporting period were successfully resolved and closed in this reporting period:

- Two complaints were related to the CZ-ENVIRONMENT programme (2 different projects) and both were after thorough investigation finally declared as non-relevant, the suspensions of irregularities were not confirmed in either case.
- One complaint was related to the CZ-HEALTH programme, and after conducting the on-site visit, it was evaluated as non-relevant as well.

In all cases, the NFP consulted the respective Programme Operators and maintained active cooperation with them during the investigation. The complainers were properly informed about the results of the investigations.

c. Irregularities

The irregularities till now were discovered in programmes:

- CZ-BF (**IR-4**: closed/error in payment claim/amount reported in irregularity report - 24.70 EUR - only Grant part; **IR-3**: closed/error in payment claim/219.13 EUR - only Grant part; **IR-22**: closed/error in payment claim/125.94 EUR - only Grant part),
- CZ-HEALTH (**IR-7**: closed/error in payment claim/533.41 EUR - including PRG co-financing; **IR-117**: closed/error in financial report/213.25 EUR - including PRG co-financing),
- CZ-CULTURE (**IR-5**: closed/error in payment claim/131.06 EUR - including PRG co-financing; **IR-6**: closed/error in payment claim/81.58 EUR - including PRG co-financing; **IR-60**: closed/error in payment claim/38.14 EUR - including PRG co-financing; **IR-118**: closed/error in financial report/319.82 EUR - including PRG co-financing; **IR-232**: ongoing/error in payment claim/87.49 EUR - including PRG co-financing; **IR-233 - suspected**: ongoing/error in payment claim/2 437.95 EUR - including PRG co-financing; **IR-234 – suspected**: ongoing/deviation from public procurement rules/principles/4 157.44 EUR - including PRG co-financing),
- CZ-JUSTICE (**IR-8**: closed/error in payment claim/20.86 EUR - including PRG co-financing; **IR-120**: closed/error in financial report/1 217.07 EUR - including PRG co-financing; **IR-229**: ongoing/error in payment claim/0.28 EUR - including PRG co-financing),
- CZ-RESEARCH (**IR-59**: closed/error in payment claim/1 EUR - including PRG co-financing; **IR-197**: ongoing/deviation from project contract/11 918.41 EUR - including PRG co-financing; **IR-228**: ongoing/error in payment claim/41.00 EUR - including PRG co-financing; **IR-236 –**

- suspected/immediate irregularity:** ongoing/fraud/corruption/467 213.00 EUR - including PRG co-financing),
- CZ-ENVIRONMENT (**IR-61:** closed/error in payment claim/4.62 EUR - including PRG co-financing, **IR-78:** closed/error in financial report/616.42 EUR - including PRG co-financing, **IR-122:** closed/error in financial report/131.47 EUR - including PRG co-financing, **IR-230:** ongoing/error in payment claim/312.00 EUR - including PRG co-financing, **IR-231:** ongoing/error in payment claim/4 264.40 EUR - including PRG co-financing, **IR-261:** ongoing/error in financial report/0.80 EUR - including PRG co-financing, **IR-262:** ongoing/error in financial report/17 363.00 EUR - including PRG co-financing, **IR-263 - suspected:** ongoing/deviation from public procurement rules/principles/22 550.00 EUR - including PRG co-financing, **IR-264 – suspected:** ongoing/ deviation from public procurement rules/principles/40 679.00 EUR - including PRG co-financing),
 - CZ-HUMAN RIGHTS (**IR-79:** closed/error in financial report/75.36 EUR - including PRG co-financing, **IR-119:** closed/error in financial report/1 903.27 EUR - including PRG co-financing, **IR-173 - suspected:** ongoing/deviation from public procurement rules/principles/158 954.00 EUR - including PRG co-financing, **IR-196 – suspected:** ongoing/deviation from public procurement rules/principles/86.93 EUR - including PRG co-financing),
 - CZ-EDUCATION (**IR-123:** closed/error in financial report/1 179.46 EUR - including PRG co-financing, **IR-265:** ongoing/error in financial report/0.08 EUR - including PRG co-financing),
 - CZ-GOVERNANCE (**IR-124:** closed/error in financial report/5 763.49 EUR - including PRG co-financing, **IR-260:** ongoing/error in financial report/5 578.00 EUR - including PRG co-financing),
 - CZ-HOME AFFAIRS (**IR-121:** ongoing/error in financial report/484.70 EUR - including PRG co-financing).

Most of the irregularities that have been discovered and reported to the FMO so far (in total 37 including 7 suspected), have been discovered during the CA verification of the Programme Operator's and Project Promoter's management cost. Programme Operator (or Project Promoter) mostly claimed expenses that are considered ineligible from the Guideline of NFP for eligible expenditures under EEA/Norwegian FM 2014-2021 or Regulation point of view (e.g. expenses not accounted under FM, incorrectly calculated or demanded wage cost or travel expenses). The Programme Operator was notified of these irregularities so the similar expenditures (mainly of the management costs) should not appear in the future. As the implementation of the programmes and the projects proceeds more of the irregularities is detected within the re-granting.

d. Audit

In accordance with the audit strategy, 5 system audits were carried out and completed in 2022/2023:

- the system audit (aimed at verification of all key requirements) of the programme CZ-RESEARCH at the Programme Operator TAČR (FM3/2022/S/001) with 5 findings with a low importance and no financial impact identified,
- the system audit (aimed at verification of all key requirements) of the programme CZ-HOME AFFAIRS at the Programme Operator Ministry of Interior (FM3/2022/S/002) with no findings identified,
- the system audit (aimed at verification of the key requirement No. 4 – Adequate management verifications) of the programme CZ-EDUCATION at the Programme Operator Czech National

Agency for International Education and Research (FM3/2022/S/003) with 2 findings with a low importance and no financial impact identified,

- the system audit (aimed at verification of the key requirement No. 4 – Adequate management verifications) of the programmes CZ-HEALTH, CZ-CULTURE, CZ-GOVERNANCE, CZ-HUMAN RIGHTS and CZ-JUSTICE at the Programme Operator Ministry of Finance (FM3/2022/S/004) with 1 finding with medium importance and no financial impact identified and
- the system audit (aimed at verification of the key requirement No. 4 – Adequate management verifications) of the programme CZ-ENVIRONMENT at the Programme Operator State Environmental Fund (FM3/2022/S/005) with no findings identified.

The scope of these audits and their results were described in the Annual audit report 2022.

Furthermore, 3 follow-up audits to verify the implementation of the actions taken by the auditee for findings identified within the system audit was carried out in 2022/2023 for following system audits:

- follow-up audit for the system audit aimed at verifying the functionality of the management and control system of the Fund for bilateral relations (FM3/2020/S/002) with the conclusion that remedy action was implemented,
- follow-up audit for the system audit aimed at verifying the functionality of the management and control system of the programme CZ-ENVIRONMENT (FM3/2021/S/003) with the conclusion that remedy action was implemented and
- follow-up audit for the system audit aimed at verification of the key requirement No. 4 – Adequate management verifications of the programme CZ-EDUCATION (FM3/2022/S/003) with the conclusion that remedy action was implemented.

In 2023, the AA has updated the Audit strategy. The update consisted in system audits plan and risk assessment updates, in changes of organizational structure of the Ministry of Finance and in minor updates of appropriate describing text according to the new version of the Financial Guidance and current audit period. The updated audit strategy has been provided to the FMO in April 2023.

By the end of the audit period 2023, the AA will carry out 3 system audits: the system audit aimed at verification of the key requirement No. 4 – Adequate management verifications of the programme

CZ-RESEARCH at the Programme Operator TAČR (FM3/2023/S/001), the system audit aimed at verification of all relevant key requirements for the system of financing of the Technical assistance at the NFP (FM3/2023/S/002) and the system audit aimed at verification of activities in responsibility of CA and Irregularities Authority according to the Regulation as well as the audit of specific activities in responsibility of the CA ensuring the functioning of Management and Control System for all programmes in the scope of all relevant key requirements (FM3/2023/S/003).

Furthermore, 2 follow-up audits to verify the implementation of the actions taken by the auditee for findings identified within the previous system audits were planned.

A sample of expenditure for audits of operations performed in 2023 has been selected for the audit reference period covering period from 1 July 2021 to 30 June 2022. From the selected sample of expenditure, the AA has compiled an audit plan to ensure auditing of actual expenditures declared

within the given reference period, which contains – with regard to the implementation phase – expenditure for projects implemented within the programmes CZ-EDUCATION, CZ-HEALTH, CZ-CULTURE, CZ-GOVERNANCE, CZ-ENVIRONMENT, CZ-HUMAN RIGHTS, CZ-JUSTICE and expenditure for bilateral initiatives, programmes' management and Technical assistance.

The scope and results of the system audits, follow-up audits and audits of operations will be described in the Annual audit report 2023.

6. MONITORING AND EVALUATION

a. Monitoring

The NFP duly used their regular monitoring tools i.e. Steering Committee meetings. After consolidation from Covid-19 most of them are organized in person again. Usually the meetings are organized semi-annually or whenever needed. The NFP staff keeps participation also at meetings of Cooperation Committees and the Programme Committee in relevant programmes as an observer. As usually, the NFP checked the APRs and IFRs (indicators) of the programmes prior submitting to the FMO. Moreover, the NFP monitors the Bilateral ambitions in programmes via regular semi-annual monitoring reports submitted by the Programme Operators in relation to preparation of the Bilateral Fund IFR. The representatives of the NFP take part as an observer at Programme Operators' public administrative controls of projects in all programmes (up to now, about 20 control visits were attended).

The NFP continued also the on-the-spot verification of programmes, including samples of projects with help of the contracted service Deloitte Advisory, Ltd. In this reporting period four programmes were checked on the spot – the CZ-JUSTICE and CZ-HOME AFFAIRS in the 2nd half of 2022 and CZ-GOVERNANCE and CZ-HUMAN RIGHTS in the 1st half of 2023. There were no negative findings up to now, only recommendations were formulated, especially on project level. Till the end of 2023 the programme CZ-ENVIRONMENT shall be checked on the spot with two project samples.

b. Evaluation

An independent evaluation of programmes for the NFP is considered as one of the conditions of successful use of EEA and Norway Grants 2014-2021 in the Czech Republic. The NFP is responsible for tender (in close cooperation with the Legal Department of the Ministry of Finance), management and administration of the evaluation. Winner of the public tender (launched in 2022) is Naviga Advisory and Evaluation (<https://www.navigae.cz/>). The contract between Naviga and the Ministry of Finance in the role of the NFP is in force since 21 December 2022.

Nine standard evaluation reports (programme or horizontally oriented) shall be delivered by the end of 2024 and one country summary evaluation report (final evaluation report) will be delivered at the beginning of 2025. Thus, all evaluations will be mainly interim and will not include evaluation of the "impact". Other evaluation criteria will be decided in every individual evaluation (as not all the criteria need to be applied).

The first evaluation of CZ-CULTURE programme was launched in 1Q/2023 and took longer time than expected as there was a personal change in the evaluation team. The final report was agreed in 3Q/2023 after several rounds of comments. It identified three procedural (system/processes oriented) recommendations that could be worked on in order to achieve greater effectiveness of the CZ-CULTURE programme or of similar future programme. No thematic recommendations were provided. Conclusions and recommendations had not been debriefed by the cut-off date of this

Strategic Report, the debriefing meeting will be realized in October 2023. The report will be published immediately after the debriefing meeting. Recommendations are addressed to the Programme Operator, NFP and FMO. The debriefed results including response of all addressees will be noted and followed to reach their best possible utilisation. No doubt, these procedural recommendations could be further elaborated and supported by a more detailed analysis in the final summary report, which should be more focused on the implementation system. Meeting of the contractor and the NFP concerning experience, exchange of views and assessment of quality of results of the first evaluation was held to avoid any potential misunderstandings in the future.

The second evaluation was horizontal and concerned Roma inclusion projects within programmes CZ-CULTURE, CZ-EDUCATION, CZ-HUMAN RIGHTS and CZ-HEALTH. The evaluation was launched in 2Q/2023 and the first draft report was submitted only on 31 August 2023. The first comments by the NFP were submitted slightly after cut-off date of this Strategic Report and the remaining stakeholders will receive the report for comments at the end of September 2023. The draft report provides 13 mainly topic oriented recommendations to even better support Roma inclusion, culture and tradition within forthcoming EEA/Norway Grants but also other funds.

Forthcoming (third) evaluation on CZ-EDUCATION programme will be launched in September 2023 (slightly after cut-off date) and the fourth evaluation on CZ-ENVIRONMENT programme is under preparation and will be launched still in 2023.

Before every evaluation, the NFP in cooperation with evaluators prepares “kick-off papers” to briefly outline what is going to be evaluated, which evaluation criteria will be used, what are the suggested specific evaluation questions, what methods will be used, etc. This document is subsequently distributed to key relevant stakeholders for comments. All comments are always carefully examined and considered before the evaluation is launched.

ANNEXES

A. Risk assessment and management plan

B. Evaluation plan

C. Cooperation with Donor Programme Partners and/or International Partner Organisations

D. Technical assistance report

E. Communication summary