



# **Annual Programme Report No.2 Norway Grants 2009-2014**

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

**Reporting period: 1.1.2015 – 31.12.2015**

**Programme Operator: Ministry of Finance**

**Programme Partner: N/A**

**Donor Programme Partner: N/A**

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## 1. Executive summary

Since 2011, the Czech Republic has been undertaking significant efforts in relation to adoption and enforcement of measures preventing and combatting corruption. The Government committed itself to fight against corruption in the mid-term strategy for the years 2013 – 2017. The adoption of the Civil Service Act and the Act on Agreement Registers and proactive approach of the law enforcement authorities to undercover and investigate complex corruption cases on high-political level are considered to be the most important milestones in 2015. These key achievements brought the Czech Republic 16 positions higher ranking in the Corruption Perception Index (CPI) in 2015 compared to 2014. Programme CZ10 forms an integral part of the Government strategy on the fight against corruption.

Overall, Programme CZ10 performed very well in 2015 and managed to catch-up for the initial delay at the programme approval and start-up phase. Efforts made in 2015 are reflected in the numbers of trained professionals and delivered training and methodological documents, which form a solid basis for further HR development in the sector and legislative process in the Czech Republic.

The majority of training activities was focused on improvement of the legislation and proceeds in the fight against the corruption and money laundering. Almost 200 officials and representatives of academic and non-governmental sector were involved in workshops, training events and study visits in 2015. Expert studies covering priority areas of the Programme, which is also embedded in Government “Action Plan on Fight Against Corruption in 2015”, were prepared in cooperation with the Council of Europe. More specifically, three studies on (a) transparency of beneficial ownership in connection with establishment of register of beneficial owners, (b) specific measures in prevention, detection and punishment of the conflict of interest and (c) establishment of the whistleblowers centre in the Czech Republic were used in discussing and drafting amended legislation<sup>1</sup>.

Thanks to intensified efforts to meet recommendations from the last GRECO evaluation in the Czech Republic, which pointed out the lack of transparency in funding election campaigns, the draft Act on financing of political parties was in advanced stage of preparation in 2015 and thus, PDP had to be modified to avoid duplicity with activities already undertaken by the national authorities. The PDP modification was approved by the PO in April 2015.

Despite very positive development in the “soft” activities in Component 1 of the Pre-Defined Project (PDP), the achievement of the CZ10 overall objectives may be compromised by further delays in procurement and delivery of the Feasibility Study for SW for mining of unstructured data and related equipment for the Financial and Analytical Unit of the Ministry of Finance (FAU). Risk mitigation measures were taken and the timeschedule of the PDP was reviewed so as to ensure its feasibility within significantly reduced implementation period. Finally, it was decided to extend the PDP, Component 1, till June 31, 2016. The Project Promoter, the PO set-up revised time plan for CZ10 implementation as such, as the delivery of FS is a key precondition for follow-up activities in CZ10 and achievement of its objectives.

Programme CZ10 has a firm and solid position in the national framework for the fight against corruption and is delivering desired outputs. Should the risk mitigation measures related to the time constraints be

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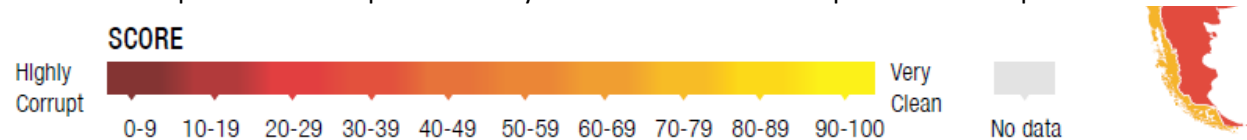
<sup>1</sup> Amendment of the Act no 159/2006 Coll., on Conflict of Interest, Amendment of the Act no. 253/2008, on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism, preparations of the Act on Whistleblowers Protection

adhered to and no further major delays are experienced, it has potential to achieve its outcome and objectives.

## 2. Programme area specific developments

Corruption is a highlighted topic in the Czech Republic in the last years and it takes its stable position in government activities. Wide scope of state authorities in the Czech Republic has to increase their activity in the field of fight against corruption not only due to the interest of international organizations but mostly due to the public interest.

The efforts the Czech Republic made in last years are overall clearly visible on CPI. According to CPI, the Czech Republic is currently on the 37<sup>th</sup> place out of 168 countries covered by this evaluation. This rank is substantial improvement compared to the year 2014 as the Czech Republic held 53<sup>rd</sup> position.



RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE
1	Denmark	91	23	Chile	70	44	Rwanda	54
2	Finland	90	23	Estonia	70	45	Jordan	53
3	Sweden	89	23	France	70	45	Mauritius	53
4	New Zealand	88	23	United Arab Emirates	70	45	Namibia	53
5	Netherlands	87	27	Bhutan	65	48	Georgia	52
5	Norway	87	28	Botswana	63	48	Saudi Arabia	52
7	Switzerland	86	28	Portugal	63	50	Bahrain	51
8	Singapore	85	30	Poland	62	50	Croatia	51
9	Canada	83	30	Taiwan	62	50	Hungary	51
10	Germany	81	32	Cyprus	61	50	Slovakia	51
10	Luxembourg	81	32	Israel	61	54	Malaysia	50
10	United Kingdom	81	32	Lithuania	61	55	Kuwait	49
13	Australia	79	35	Slovenia	60	56	Cuba	47
13	Iceland	79	36	Spain	58	56	Ghana	47
15	Belgium	77	37	Czech Republic	56	58	Greece	46
16	Austria	76	37	Korea (South)	56	58	Romania	46
16	United States	76	37	Malta	56	60	Oman	45
18	Hong Kong	75	40	Cape Verde	55	61	Italy	44
18	Ireland	75	40	Costa Rica	55	61	Lesotho	44
18	Japan	75	40	Latvia	55	61	Montenegro	44
21	Uruguay	74	40	Seychelles	55	61	Senegal	44
22	Qatar	71				61	South Africa	44
			66	Sao Tome and Principe	42			
			66	The FYR of Macedonia	42			
			66	Turkey	42			
			69	Bulgaria	41			
			69	Jamaica	41			
			71	Serbia	40			
			72	El Salvador	39			
			72	Mongolia	39			
			72	Panama	39			
			72	Trinidad and Tobago	39			
			76	Bosnia and Herzegovina	38			
			76	Brazil	38			
			76	Burkina Faso	38			
			76	India	38			
			76	Thailand	38			
			76	Tunisia	38			
			76	Zambia	38			
			83	Benin	37			
			83	China	37			

The improvement within the EU countries is also evident; however there is still a lot to be done to reach the average of the European states. The Czech Republic is currently rated as the 22<sup>nd</sup> which is slightly better compared to the 25<sup>th</sup> place in the year 2014.

The improvement reflects the impact of activities started in the year 2011 that have been followed by intensified efforts of the current government. The biggest changes that influenced the evaluation could

be seen in adoption of the Civil Service Act and Act on Agreement Register. Another point is the proactive approach of law enforcement authorities to reveal and investigate the more complex and better organized corruption cases as well. On 15<sup>th</sup> December 2014 “The Concept for Combating Corruption for the years 2015 to 2017” was adopted by the government. This new concept is divided into 3 separate action plans and it is targeted more on state administration and on the prevention of corruption. There are several different topics highlighted and all outcomes of the Programme CZ10 cover one of them. The Programme CZ 10 has also become an important part of “The Action plan on fight against corruption in 2015” mainly because of the activities related to the **protection of whistleblowers**.

The concept stipulates also other areas with high potential risk of corruption that have to be improved. **Nowadays there is a strong need of amendment of the Act of conflict of interest in the Czech Republic.** The government pursues to apply an obligation to submit a declaration in the moment of entering the public function and also to implement stricter sanctions into the amendment. The best channel for submitting the declarations proposed by the government is via electronic system and those declarations should consist not only of the part declaring activities but also of the part declaring assets. The public functionaries should submit these declarations not only when entering the functions but also for each year of performing these public functions. Within the Programme CZ10 study named: „The legal and institutional framework regulating conflict of interest in the Czech Republic” was published and it recommends several ways how to reach these goals.

Another issue that is covered in the governmental concept is **the transparency of funding election campaigns**. This topic is divided into two acts – the Act on the right of association in political parties and political movements and new Election Codex. This area was one of the most problematic according to the last evaluation of GRECO in the Czech Republic and the authorities invest a lot of efforts to prepare appropriate legislation that will meet all international requirements and will reflect also the specific Czech issues. That is why the expert group within Programme CZ10 decided to use the opportunity provided in this Programme and compare our new prepared legislation with the Estonia whose last GRECO evaluation went in this field really well.

All funds coming from the corruption activities have to go through financial system to serve the offender for the purpose they have been obtained. That is why it is important to mention newly adopted *Directive (2015/849) on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing*<sup>2</sup>, (hereinafter 4<sup>th</sup> AMLD). The 4<sup>th</sup> AMLD reflects not only current trends in the rapidly developing field of money laundering and terrorist financing but it also reflects needs of responsible authorities combating legalization of those assets origin in illicit activities. There are several topics that were escalated during the discussions on the 4<sup>th</sup> AMLD and those should help to each member state after its implementation in national legislations support the success and extend the scope of anti-corruption measures as well.

One of these topics covered by 4<sup>th</sup> AMLD – the **beneficial ownership information** has been defined as one of the highest potential risk area also in the Programme CZ10. The currently prepared amendment of the *Act on selected measures against legitimisation of proceeds of crime and financing of terrorism* suggests creating of register of beneficial owners available for anyone who declares reasonable interest and suggests also an obligation for all legal persons not only to know their beneficial owners but also provide this information into the register. This meets recommendations stated in the study

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<sup>2</sup> Directive (2015/849) On the prevention of the use of the financial system for the purpose of money laundering or terrorist financing<sup>2</sup>, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

“Transparency of Beneficial Ownership Information for Corporate Entities and Trusts in the Czech Republic” published within Programme CZ10. As a follow-up, the Communication Strategy which provides the FAU with a guidance on how to introduce changes within amended Act to oblige entities and wider public was drafted within CZ10 in December 2015. These changes reflect provisions of the 4<sup>th</sup> AMLD and will influence day to day activities of obliged entities that are responsible for the application of the law, but also activities of FAU and of other authorities involved in the fight against money-laundering and terrorist financing.

In view of the above, the actual development in the area of the fight against corruption at national and European level still fully corresponds with the overall objectives of the Programme to ensure strengthened institutional capacity and human resource development in priority sectors. All activities that have been performed within this Programme serve not only their purpose but have also supported different other efforts expended in the stipulated fields.

### 3. Reporting on outputs

<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	283
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	3
<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			
<b>Output indicator(s)</b>	<b>Baseline</b>	<b>Target</b>	<b>Fulfilment</b>
Number of publicity measures	0	4	3

In 2015, significant progress was made in the field of “soft” component of the Programme targeted on increased effectiveness and efficiency in combatting corruption and increased knowledge of anti-corruption practices in the Czech Republic. The respective output indicators have progressively been fulfilled via transfer of know-how and training activities. These were carefully designed and planned in cooperation with the Council of Europe experts so that the critical areas lagging behind international standards are covered and GRECO recommendations in respective areas are reflected. The timeschedule was set in order to comply with proposed timelines for preparation and adoption of legislative changes and of other commitments declared in national strategies on combatting corruption and organised crime.

As to the output indicator, almost **300 stakeholders were trained so far** (out of this more than 200 in 2015). It has to be pointed out that they comprise not only professionals from public institutions directly dealing with pursuit and identification of corruption-related proceeds (typically Police, Public Prosecutor’s Offices, Courts, Ministry of Interior, Ministry of Justice and Ministry of Finance) but also from the academic sphere, private sector and NGOs providing either watch dog or preventive activities. Some of the outputs are available for wide public online on the programme web site ([www.CZ10.cz](http://www.CZ10.cz)).

Most of the training events and study visits were targeted on the area of ***improvement of the legislation and proceeds in the fight against the corruption and money laundering***. Three study visits of the FAU and the Unit for Combating Corruption and Financial Crime representatives (15 in total) to the Netherlands, United Kingdom and France took place in 2015 and enabled exchange of know-how and practical experience in recovery regimes of unlawfully acquired assets with relevant foreign counterparts.

Two workshops (criminal liability of legal entities - 81 participants, new methods and standards in money laundering and seizure of proceeds of crime – 60 participants) served also as a platform for discussion of relevant legislation and the scope and content of the Training Handbook for Czech law enforcement agencies dealing with the practical issues of application of the Act on the Criminal Liability of Legal Entities<sup>3</sup>. Thanks to the participation and active contribution the CoE experts from a number of European countries, it was possible not only to analyse and compare the legislation, but also its enforcement in practice.

During the third workshop held in 2015 (58 participants) linked to the area of ***identification of the corruption risks, two studies/technical reports on (a) transparency of beneficial ownership and (b) conflict of interest*** were presented. These two topics were identified to be the most risky areas as to the corruption potential in the Czech Republic. The studies (originally there should have been only one complex study, however it was decided to deal with each topic separately) were elaborated by the

<sup>3</sup> Act No. 418/2011 Coll., Act on the Criminal Liability of Legal Entities and Prosecution against them

Council of Europe experts assisted by the national expert and provided recommendations on (a) creation of a register of beneficial owners and (b) specific measures in prevention, detection and punishment of the conflict of interest. These already have been or shall be reflected in respective amended legislation related to the fight against corruption and money laundering<sup>4</sup>.

Within the area of ***whistleblowers protection***, the **analysis related to the establishment of the Whistleblowers Centre** was drafted by the CoE and Transparency International experts in close cooperation with the Government Office of the Czech Republic. Not only does it evaluate whistleblowers protection in the Czech Republic, but it also provides insight to the practice in other EU member states and puts forward recommendations applicable in the Czech Republic. The study is being further utilised by the Government Office to support the debate on legal instruments of whistleblowers protection in the Czech Republic.

Even though the target value of the indicator related to the number of studies and/or comparative analyses is reported to be achieved (please see the information above on the split of a complex analysis related to corruption risks), there are two more analyses to be delivered within the Programme. Both were planned in the PDP original application, however, the last one, was not, by mistake, calculated to target values. Thus, the total target value of analyses to be drafted within the PDP is 5.

**Comparative analysis of the Czech legislation governing *financing of election campaigns and campaigns of independent candidates*** with Estonian, French, Irish, Polish and British legislation is being carried out. The scope as well as the countries subject to the analysis were decided on the initiation workshop held in June 2015 (experts from the relevant ministries, Government office and NGOs). The analysis shall serve as a basis for possible further adjustments of newly proposed legislation in the field which shall comply with the GRECO and international standards.

Drafting of ***assets recovery regime analysis*** started as well and shall be delivered in early 2016.

#### **4. Reporting on Programme outcome(s)**

There is a single, but complex outcome defined for CZ10 - ***Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development.***

Institutional capacity of the public institutions (Ministry of Finance, Ministry of Justice, Ministry of Interior, Government Office) is continuously being enhanced by the activities within Component 1 of the Programme, i.e. the Project to Strengthen Anti-corruption and Anti-money Laundering Systems in the Czech Republic.

Training sessions and seminars are well attended, even by the decision-makers with executive powers in respective public authorities so that the commitment of the authorities to implement agreed recommendations to the procedural and legislative framework is high. The methodological guidance to the public officials is being continuously provided as well in form of manuals, studies and handouts.

Interests and insight of the non-governmental organisations working in the field of fight against corruption and fraud are taken into consideration either by participation of NGO representatives in the working/expert groups or directly within the project activities as experts.

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<sup>4</sup> Amendment of the Act no 159/2006 Coll., on Conflict of Interest, Amendment of the Act no. 253/2008 Coll., on selected measures against legitimisation of proceeds of crime and financing of terrorism



Studies and analyses produced within the programme so far are being utilised or have potential to be further utilised mainly for the legislative purposes as they are based on the results of GRECO evaluations and lead to incorporation of international standards to the Czech legislative frameworks related to the fight against corruption, money laundering and fraud. This, together with the continuous commitment of the Czech Government, shall ultimately lead to enhanced capacity and quality of services provided by the public authorities in this field in the Czech Republic.

Despite significant progress made towards achievement of the Programme outcome in 2015, the achievement of the CZ10 overall objectives may be compromised the delay in delivery of the Feasibility Study for SW for mining of unstructured data and related equipment for the FAU. The success of this last but not least activity within Component 1 of the PDP is a key precondition for follow-up activities in CZ10 and achievement of its objectives. PDP timeschedule was reviewed and the extension by 4 months was approved by the PO so as to ensure sufficient time to finalise PDP, Component 1. For details see Section 8 and 9.

#### **4.1. Progress on horizontal concerns**

Strictly speaking, the Programme CZ10 does not directly addresses horizontal concerns *such as* hate speech, extremism and hate crime, racism and xenophobia, homophobia, anti-Semitism, Roma exclusion, sexual harassment or violence against women and human trafficking.

However, in broader sense, the Programme contributes to protection of fundamental human rights, which is include, amongst other, the equality before law. By strengthening the institutional capacity for the fight against corruption, which, by its nature, disrupts this concept, the Programme has positive impact. More specifically, legislative changes are being proposed to avoid the conflict of interest or to ensure protection of whistleblowers. Further, all 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 to during the implementation of the Programme.

### **5. Project selection**

The Programme consists of a single Pre-Defined Project comprising of two Components. Component 1 was positively appraised by the PO in September 2014.

The time plan for appraisal of Component 2 was discussed within the PO. Given the tight implementation schedule of the PDP caused by the protractions in procurement of the Feasibility Study (please refer to Section 8 and 9 for more details), key milestones and requirements for appraisal of Component 2 were set so as to ensure reasonable time for procurement and delivery of Component 2. The PO appraisal shall comprise the expert and formal appraisal, that shall be based on the PDP, Component 2 application. The drafting phase of the application shall, for time reasons, coincide with the finalisation of the Feasibility Study which is envisaged in June/July 2016. The appraisal is planned for July/August 2016.

## 6. Progress of bilateral relations

Open Call for Proposals within the Fund for Bilateral Relations at the Programme Level was announced at the beginning of 2015 and is open till the end of 2016. The Call is open for the Project Promoter within CZ10 Programme and its partners and involves a wide range of possible bilateral activities. Unfortunately, no application was submitted so far.

The backlog in the Fund for Bilateral Relation lays primarily in the initial delay of CZ10. As it consists of one PDP only, the target group is relatively limited and a majority activities within the PDP has been accumulated to 2015. Thus, the Project Promoter had to coordinate and organise a lot of activities originally planned within the PDP itself in 2015 and there was a limited absorption capacity for further activities beyond the PDP. Nevertheless, for 2016, several possibilities for utilisation of the Fund for Bilateral Relations were already discussed and consulted with the CoE. The Promoter envisages a possible activity for summer 2016.

On the contrary, the partnership activities on the project level are very frequent and appreciated by both, the FAU and other Czech stakeholders as well as the Council of Europe, the project partner. Overall the CoE participation is essential in securing adherence to and implementation of the latest European standards in all project activities and outputs. The pool of CoE experts covers wide range of highly specialised issues. The added-value of such partnership lies not only in the knowledge of the CoE evaluation mechanisms and procedures, but also in the possibility of comparison of actual anti-corruption law enforcement in different European countries. In fact, the PDP is continuously being consulted with the CoE experts as to the concept, scope and content and the majority of project activities is also directly supported by the CoE experts. They contribute mainly via provision of technical and legal assistance during the legislation process, sharing best practice and know-how in the training events and provision of methodological guidance in drafting manuals and methodologies. Their country-specific experience is beneficial when planning and drafting comparative analyses and study visits.

### 6.1. Complementary action

No complementary actions (CA) were initiated or implemented in 2015. The budget of the Programme CZ10 reserves €10.000 for CA.

## 7. Monitoring

Programme Operator regularly monitors the progress of the PDP within the Programme. Project Promoter sends four-month monitoring reports together with requests for payments in line with the Guidelines for Project Promoters.

In line with the internal manual, the Programme Operator performs interim on-the-spot controls of all the running projects and final/financial on-the-spot controls at the projects' closure. There are three types of such controls - regular, ad hoc and follow-up controls of corrective actions.

On 10 January 2015, following the Open Tender, the Programme Operator signed a contract for the technical assistance on On-the-spot controls with the company AQE advisors, a.s.. The control of the PDP took place on October, 23 2015. The control examined all aspects of the PDP (activities, indicators, public procurement, management, financial issue incl. check of the sample of financial documentation, risk identification and mitigation measures, publicity). No misconducts or irregularities were identified. The project was found to be implemented in line with the Decision on the Award of the Grant and was

well on track to achieve the majority of its indicators. Nevertheless, new risk related the SW for data mining and related indicator and follow-up activities in Component 2 of the Programme was identified.

Final control at the PDP, Component 1 closure is planned in July 2016.

## **8. Need for adjustments**

No need for adjustments of the Programme as such arose in 2015, however, two modifications of the PDP had to be undertaken.

The first one was approved in April 2015 so as to reflect the developments in the legislative process related to financing of political parties.

Given the protracted preparatory and approval phase of the Programme and in order to avoid duplicity with activities than have already been, by this time, undertaken by the Czech stakeholders outside the Programme (i.e. comparative analysis of financing of political parties and advanced stage of drafting of the Act on political parties financing), the Programme Operator approved the change in activity “Transparency of financing of political parties and electoral campaigns”. It consisted in narrowing its scope to financing of electoral campaigns and targeting on a specific issue of the candidacy of independent candidates. These have not been sufficiently addressed within the drafted general comparative analysis and during the preparation of amendments of existing legislation and further debate is therefore vital. The expert group was set up to select suitable country for the comparative analysis and a follow-up study tour (for details please see Section 3).

The need for the second modification arose in October 2015, following the unsuccessful tender for the Feasibility Study for Component 2 of the PDP (i.e. SW for mining of unstructured data and related equipment for the FAU). According to the original time-schedule, already quite tight, the study had to be finalised in August 2015. As the factual delivery of SW was conditional not only upon the results of the feasibility study, but also positive appraisal of the Component 2 by the Programme Operator and subsequent tender procedure, ca 4 months were reserved for the SW implementation and delivery of equipment. The Project Promoter adhered to these timelines and the tender was launched in early March 2015 and the winning bid was announced on June, 18 2015. However, following the appeal made by one of unsuccessful bidders and subsequent hand-over to the Office for Protection of Economic Competition which issued a Decision on preliminary measure that prevented the FAU from conclusion of the contract, the tender was cancelled end of October 2015. This measure was taken to eliminate further time constraints and minimise time-related uncertainty and eliminate further time constraints as there is no deadline set for the Office to issue the final decision.

The FAU immediately presented updated time-schedule which indicated the need for PDP, Component 1 extension by 4 months, i.e. till the end of July 2016. This modification was approved the Programme Operator in November 2015.

## **9. Risk management**

The Risk Analysis was updated by the PO in January 2016.

The time constraints remain the most important risky factor – its likelihood and impact were scored high. The reason behind this rating lies mainly in the failed tender for the Feasibility Study (FS), that shall be delivered not later than in July 2016, so as to ensure sufficient time for follow-up activities in Component 2 of CZ10 (for details see Section 8). According to the Programme Agreement, Component 2 as such needs to be appraised after the elaboration of the Feasibility Study (FS). Thus, timeschedule is very tight and the Project Promoter as well as the PO have to make every effort to stick to it. Key

milestones in the procurement process have been identified and the PO is ready to assist the Project Promoter with the tender preparation. As none of offers submitted in the cancelled FS procurement exceeded financial limits for the Open Tender, it would be possible to re-launch it as Public Small Scale Tender, which is less complex as to the procedure and less time-consuming.

The FS is a precondition for Component 2 of the PDP and is thus a precondition for the achievement of the CZ10 overall objective. The process of preparation of Component 2 application, its appraisal and approval was agreed.

The current time plan for FS tender, drafting, hand-over and subsequent preparation, approval and implementation of Component 2 is still realistic, however, further protraction, especially in procurement of HW and SW within Component 2, would seriously endanger Component 2 implementation and achievement of one of CZ10 outputs (creation of SW for automated data mining).

Other risks identified for CZ10 have either low or middle rating of importance and are consistently managed by the PO and the Project Promoter of the PDP (for details see Annex 1).

## 10. Information and publicity

Information and publicity on the programme level is secured mainly 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>.

On the project level, all information either for wide public or relevant stakeholders is available on project website [www.cz10.cz](http://www.cz10.cz) in Czech and English mutation. Thus, information on the PDP, calendar of events, news and project outputs delivered so far are available online. Web serves also as the registration portal for workshops and conferences organised within the project.

Press releases about the particular activities have already been published in Czech media (whistleblowers protection and information on anti-corruption measures at the Ministry of Finance).

## 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 Programme.

### *Environmental considerations*

During the implementation of the Programme CZ10 and its PDP environmental considerations are taken into account to the limits of the nature of the Programme.

### *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, resp. PDP implementation and activities.

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

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

**Annex 2: Monitoring plan 2016**

**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.*

				<b>Optional second signature</b>		
<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
	09	02	2016	09	12	2016

**For the National Focal Point**

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

				<b>Optional second signature</b>		
<b>Name</b>	Lenka Jurošková					
<b>Position</b>	Deputy Minister of Finance					
<b>Organisation</b>	Ministry of Finance of the Czech Republic					
<b>Signature</b>						
<b>Date</b>	Day	Month	Year	Day	Month	Year
	12	02	2016			

## Annex 1: Risk assessment of the programme

Type of objective <sup>5</sup>	Description of risk	Likelihood <sup>6</sup>	Consequence <sup>7</sup>	Mitigation planned/done
Cohesion (Programme) outcomes: Enhanced capacity and quality of the services provide by the public institutions...	Legislation changes. Due to intensified efforts to meet international standards in the area, CZ10 and the PDP are permanently facing the risk of changed legislative and regulatory framework.	3	3	CZ10 activities were designed in compliance with the Government strategy, concept and action plan for combating corruption in year 2013 – 2017, which provides a road map in the area (one of the documents directly refers to CZ10). CZ10 and PDP management follows the legislative process and takes timely and flexible decisions if necessary (i.e. PDP modifications - see Section 8).
	<p>Time risk – achievement of CZ10 output. Although initial CZ10 and PDP delay was made up for in the training and methodological component of the PDP, the Feasibility Study (FS) took up further delays due to failed tender (unsuccessful bidder made complaints to contracting authority and later on, also to the Office for Protection of Competition). The FS is a precondition for Component 2 of the PDP (extended till July, 31 2016).</p> <p>The current time plan for FS tender, drafting, hand-over and subsequent approval of Component 2 is still realistic, however, further protraction would seriously endanger Component 2.</p> <p>Procurement procedures in Component 2</p>	3	4	<p>Risk of further time-related uncertainties was mitigated by the decision to cancel the tender (the Office for protection of Competition has no legal deadline to decide). The PDP, Component 1, was extended by June, 31, 2017.</p> <p>Adherence to the approved adjusted PDP and CZ 10 time schedule is crucial.</p> <p>All milestones in the procurement process and delivery of the FS contract shall be closely monitored by the PO.</p> <p>The PO shall speed-up the process of Component 2 appraisal and approval, approval procedure has already been established.</p> <p>Repeated procurement for FS may be (based on price offers within the failed tender) organised as a Public</p>

<sup>5</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>6</sup> Each risk should be described as to whether it poses a risk to the cohesion outcomes (programme outcomes), the bilateral outcome or crucial operational issues 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%)

<sup>7</sup> Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; n/a = not relevant or insignificant.

	(acquisition of HW and SW) are also time-risky, protraction in tenders may endanger one of CZ10 outputs (creation of SW for automated data-mining).			Small-Scale Tender which is less complex and shorter than the Open Tender. Procurement of HW and SW in Component 2 shall be carefully planned and prepared; the PO will assist with procedural matters. Should any delay occur, immediate measures have to be taken.
	Change of Government anti-corruption Strategy could endanger programme's outputs and outcome as positive approach of Czech government towards combating corruption and money laundering is essential for CZ10 implementation.	1	3	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. No parliamentary election is expected in the implementation period.
Operational issues	Management and control structures, programme management	1	4	All roles and responsibilities are attributed and rules and procedures of implementation are adhered to. PO Manual is observed, regular check and update of PO Manual is done. Check and discussion of the Interim Reports, Steering Committee, Meetings with the Project Promoter.
	Programme implementation set up	1	3	All roles and responsibilities are clearly defined and attributed. Manuals and guidelines are regularly checked and updated.
	Irregularities within programme	3	3	No irregularities were reported/indicated in the reporting period. Regular verification of monitoring reports and on-the-spot visits, audits and control. Mechanism of timely reporting of irregularities in place.
	Findings from Programme audits/controls	3	3	On-the spot control of the PDP was carried out by the PO in October 2015, no findings were identified. Regular monitoring, on-the-spot visits and audits.
	Information system backlogs	3	3	Information system for implementation of Norway/EEA Grants - IS CEDR is functioning. Necessary adjustments, regular maintenance and



			updates are provided. Desired functioning is regularly tested. Users 'support is provided by the contractor if need be.
Corruption risk in Programme implementation and tenders	1	4	NFP's and PO's system of control and tender procedures is set up. All project managers were trained in anti-corruption conduct.

## 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	July 2016	