



# **Annual Programme Report No.3 Norway Grants 2009-2014**

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

**Reporting period: 1.1.2016 – 31.12.2016**

**Programme Operator: Ministry of Finance**

**Programme Partner: N/A**

**Donor Programme Partner: N/A**

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## 1. Executive summary

In 2016, the Czech Republic continued in its efforts targeted to the fight against corruption that were declared in the mid-term Strategy for the fight against corruption for the years 2013 – 2017. The determination of the Government to proceed in the implementation of anti-corruption measures was confirmed in the Action plan against corruption for 2016.

The Czech Republic managed to successfully implement the EU Directive 2015/849 into the anti-money laundering Czech law through the amendment of the *Act no. 253/2008 Coll. on selected measures against legitimisation of proceeds of crime and financing terrorism*. Besides that, the *Act no. 300/2016 Coll. on Central Registry of Bank Accounts* shall become effective from the beginning of 2017.

Legislative initiatives reflecting GRECO recommendations particularly in the field of funding political parties and election campaigns shall be pointed out as well. The *Office for supervision on funding of political parties and their election campaigns* was established as of 1 January 2017. The amendment of the *Act on conflict of interest* was also prepared and approved by the Government, however has not become effective until the beginning of 2017.

In 2016, with the Component 1 of the Programme coming to an end in July, training activities were intensified so as to fit to the plan of legislative and non-legislative initiatives for fight against corruption and track the developments in this area. The indicator related to the number of staff trained within the Programme was exceeded by more than 100%. This can be attributed to the organisation of additional workshop related to implementation of the *Act on selected measures against legitimisation of proceeds of crime and financing of terrorism* but mainly to constantly high demand of and interest in the seminars, workshops and conferences with topical and attractive agenda and reputable speakers.

Three conferences wrapping-up key achievements in the area of the criminal liability of legal persons, the recovery of assets and funding of election campaigns took place the first quarter of 2016 with the participation of leading national experts and experts from the Council of Europe.

Two studies that were supposed to assist as background materials for legislative and non-legislative papers were finalised and published. They concerned funding of election campaigns and independent candidates and asset recovery regimes.

Overall, Component 1 of the Programme, which was terminated in July 2016, may be rated as highly satisfactory in terms of achievement of its objectives and effectiveness. The Feasibility Study, critical pre-condition for the approval of Component 2 that should have been delivered within Component 1 was finally also procured and delivered. However, even if the initial phase of Component 2, which was time-lined so as to minimise delays that may have occurred in either programming or approval phase, proceeded well, the delay in procurement process related to acquisition of HW and especially SW for automated datamining may compromise the outputs of the whole Programme.

The time schedule of Component 2 is in its critical path and provided that the tender for SW is not launched by mid-February 2017 and further pre-conditions as to requested SW are not met, it is highly probable that provision of Art. 7.14.6 of the Regulation shall be mobilised. In such case, the PO shall set realistic deadline for the finalisation of Component 2 so as to achieve its expected outputs even after the final eligibility deadline of the Programme on the costs of national budget.



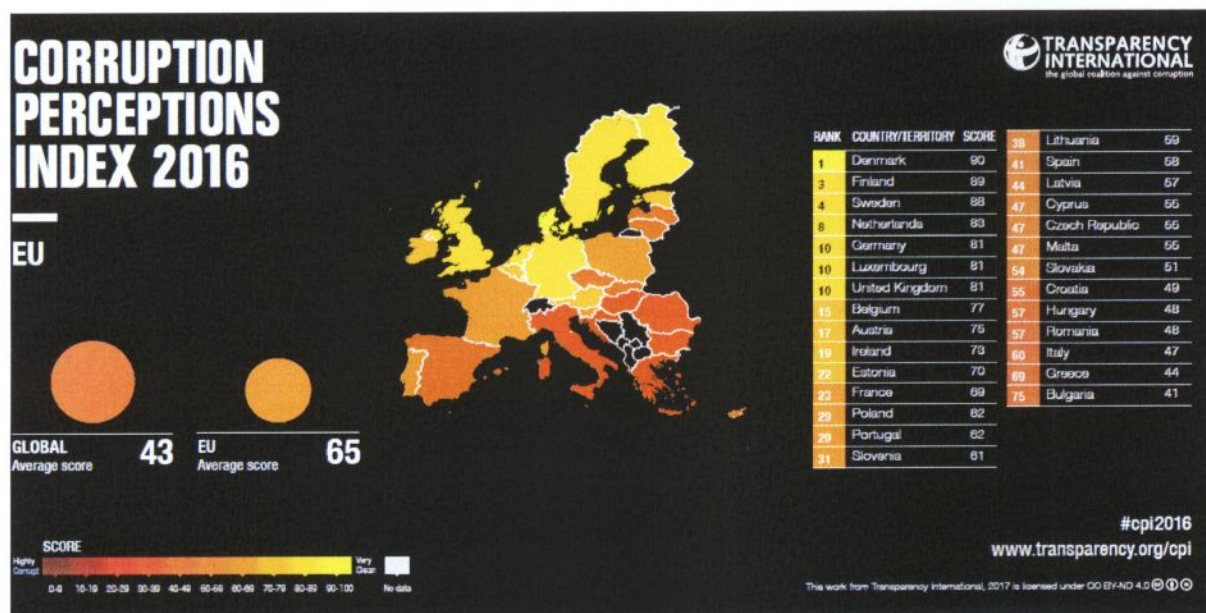
## 2. Programme area specific developments

In 2016 the Czech Republic has continued in the efforts initiated in 2011 in the field of fight against corruption. The commission on fight against corruption composed of experts from public sector, NGOs and representatives of trade unions and professional chambers organized by the Office of the Government adopted a new Action plan against corruption for the year 2016 (<http://www.korupce.cz/cz/protikorupcni-dokumenty-vlady/na-leta-2015-2017/2016/akcni-plan-boje-s-korupci-na-rok-2016-139024/>) at the beginning of the year.

This plan included particular activities (legislative and non-legislative) which should have been implemented in 2016 in order to reduce the corruption and improve public opinion on the corruption in the Czech Republic.

Public perception of the corruption is crucial in preparation of one of the essential evaluations of the corruption status in a given country – the Corruption perceptions index (hereinafter CPI). In 2015, the Czech Republic made a significant progress, when it moved from 53<sup>rd</sup> position to 37<sup>th</sup> in the world after having received 56 points out of 100. This meant an improvement also within the EU, however not so significant (the Czech Republic was rated 22<sup>nd</sup>). Even though the Czech Republic received almost the same scoring (55 points) in 2016, it dropped to 47<sup>th</sup> position in the world (i.e. 10 positions worse ranking compared to 2015).

Despite this fact, the upward trend within the CPI list for the EU has continued in 2016, while the Czech Republic was rated 19<sup>th</sup> as compared to 22<sup>nd</sup> position in 2015.



This might be attributed to the overall assessment of the situation within the EU, which was termed “stagnation”. As to the country-specific evaluation, the rating reflects several corruption affairs disclosed in the Czech Republic in 2016 on the one hand and efforts to adopt sensitive anti-fraud and anti-corruption legislative proposals on the other.

The key achievement in the anti-corruption area in the Czech Republic was the implementation of the EU Directive 2015/849 into the AML Czech law. The amendment of the *Act no. 253/2008 Coll. on selected measures against legitimisation of proceeds of crime and financing terrorism* incorporates



crucial instruments for more successful fight against corruption such as beneficial ownership register and obligation for legal entities to know their beneficial owner. As the amendment presents a number of important changes in the AML/CFT regulations, it was recommended that it is presented to the professional public as soon as it is adopted, ideally before it becomes effective. That is why additional workshop for the so called "obliged entities" within this law was approved for financing within Component 1.

The above-mentioned Act also comprises the legal background for the change of administrative position of the Financial Analytical Unit of the Ministry of Finance as of 1 January 2017 when it shall become independent administrative office.

Another piece of legislation that shall make the fight against corruption, financing terrorism or tax fraud more efficient is the Act on Central Registry of Bank Accounts. The Act no. 300/2016 Coll. is effective from the beginning of 2017. The Central Registry kept by the Czech National Bank shall provide instant information on the owners of all bank accounts and their managing clerks and thus enable swift reaction when it comes to disclosure of the proceeds of crime and corruption. At the same time, the risk of information leakage in sensitive cases shall be minimised and bank secrecy kept.

Legislative initiatives reflecting GRECO recommendations particularly in the field of funding political parties and election campaigns shall be pointed out as well. The Czech Republic managed to approve an act establishing a specialized Office for supervision on funding of political parties and their election campaigns as of 1 January 2017. The amendment of the Act on conflict of interest was also prepared and approved by the Government, however has not become effective until the beginning of 2017. Besides introduction of stricter supervision over submission of financial disclosures by the members of the Government, it also imposes additional limitations to the conduct of their business. Last but not least, protection of whistle-blowers has been further reinforced. The Government Office filed a proposal of an amendment and new legal approach to the protection of whistleblowers. This legislative initiative will be discussed in the Government in 2017.

As already mentioned, the activities envisaged within the Action Plan are not only legislative but also soft mechanisms which have impact on the fight against corruption. These mechanisms often support legislative proposals and determine or influence the direction of their development. Most of activities within Programme CZ10 had exactly this effect.

*The study on funding of election campaigns and independent candidates* which was published during the international conference and made available to the Ministry of Interior that was participating on its preparation was a complement to the *Act on supervision on the funding of political parties*. The studies' recommendations are valuable background for future work of the newly established Office for supervision of funding of political parties and their election campaigns.

Nearly the same situation could be described in connection with the *Study on asset recovery regime*. The Czech Ministry of Justice is currently preparing an amendment of the legislation which should make this institute in the Czech Republic more effective. Opportunity to compare the measures applied in other jurisdictions described in the study helped experts from the Ministry of Justice to better assess possibilities, best practice, advantages and disadvantages of each approach.

As far as the enforcement of the fight against corruption and organized crime is concerned, it is necessary to mention substantial reorganization of the Police units active in the fight against the most serious crimes on the national level.

In 2016, the Police President initiated establishment of the National Centre against Organized Crime which is dedicated to detection of corruption and financial crime, including tax crime, criminal offences

committed in connection with legalisation of proceeds of crime, fight against organized crime, terrorism, extremism and cybercrime. This reorganization aims to ensure better cooperation and more effective work on the national level. Both former national units were engaged in all activities of CZ 10 programme focused on criminal liability of legal entities and asset recovery regime. The knowledge and information gained can be shared within the same institution and the approach in these areas will be unified.

### 3. Reporting on outputs

<b>Output</b>			
Increased effectiveness and efficiency of Czech institutions in combating corruption			
<b>Output indicator(s)</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	763
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	5
<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	7



In 2016, activities related to the implementation 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, culminated. With Component 1 coming to an end in July 2016, programme activities related to training of staff and delivery of studies were intensive.

The indicator related to **the number of staff trained** was exceeded by more than 100%. In total, 763 public officials (out of this almost 500 in 2016) were trained. This is partially due to the organisation of additional workshop related to implementation of the *Act on selected measures against legitimisation of proceeds of crime and financing of terrorism* which was approved as additional activity financed from project savings in Component 1. The workshop enabled discussion of state officials with representatives of the so called “obliged entities” which are key prerequisite for efficient application and enforcement of the Act. The organisation of the workshop was recommended in the Communication Strategy that proposed means and methods of the presentation of the Act to the professional and general public. The workshop was held in June 2016 and was attended by 136 participants from banks, insurance companies, professional chambers, Czech National Bank, real estate agencies etc.. The second fact justifying the exceeded indicator is constantly high demand of and interest in the seminars, workshops and conferences with topical and attractive agenda and reputable speakers.

The final conference related to the **criminal liability of legal person** took place in January 2016. It wrapped-up conclusions from workshops and study visits organised in 2015 and presented 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 published in late 2015.

The final international conference related to the **recovery of assets** took place in March 2016. The CoE expert and the national expert from the Ministry of Justice presented the **study on the assets recovery regime**. The conference discussed various options of the authorities in recovery and administration of recovered assets in the UK, Belgium, and the Netherlands. Moreover, the Ministry of Interior introduced a new concept of specialised agency for administration of recovered assets for the Czech Republic. A papers summing-up the conference was prepared as well.

**Comparative analysis of the Czech legislation governing financing of election campaigns and campaigns of independent candidates** with Estonian, French, Irish, Polish and British legislation was finalized and presented on international conference which took place in April 2016. The conference discussed corruption risk in financing of political parties and their election campaigns. Within this area, a study visit was planned so as to gain practical experience from one of states that were subject to the comparative analysis. Unfortunately, despite the efforts made by the promoter and also the CoE, none of addressed institutions could host even a short study visits due to various reasons (for details see section 9 – Risk management).

Within the area of **whistleblowers protection**, the collection summing-up the main conclusions of the **analysis related to the establishment of the Whistleblowers Centre** drafted in 2015 and consecutive workshop was prepared by the NGO representative (Oživení, o.s.).

**The output indicators related to the software programme for data-mining were not fulfilled in 2016.**

The Feasibility Study, which was a critical pre-condition for submission of the application for Component 2 was delivered in time and in good quality and formed a solid basis for the tender dossier for HW and especially SW for data mining to be procured.

The tender for HW was launched in 4Q 2016, bids received, however evaluation of their technical parameters was not finalized by the end of 2016.



The preparation of the tender dossier for the SW was delayed and thus not finalised by the end of 2016. For details, please refer to section 9 - Risk management.

#### 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**. The indicator was defined as a total of number of institutions assisted by the programme, i.e. The Ministry of Finance (FAU), the Government Office and the Ministry of Justice.

As was the case in previous years, it was mainly Component 1 of the PDP which contributed to achievement of the outlined indicator in 2016.

The institutions were assisted in 4 areas that were pre-defined within the Programme.

The first area of assistance targeted the **conflict of interest and beneficial ownership**, two elements defined as most vulnerable for corruption and related offences in the Czech Republic. In both areas, expert studies were prepared in cooperation with international experts from the CoE. They were published and discussed in workshop with representatives of related public and private services and NGOs. The study on conflict of interest was forwarded to the Ministry of Interior which is responsible for revision of laws related to this topic. The study on transparency of beneficial ownership was used as a core background document for preparation of the amendment of Act No. 253/2008 Coll. on selected measures against legitimisation of proceeds of crime and financing terrorism.

Within the area of **improvement of criminal legislation in the area of anti-corruption measures and asset recovery**, mainly representatives of the Ministry of Interior, Ministry of Justice, the Police, public prosecutor's offices and courts benefitted from the Programme. The criminal liability of legal persons is quite recent phenomenon in the Czech Republic and it proved to be useful to discuss the practical issues with the experts from other jurisdictions. Expert knowledge and discussions on its application in domestic legal context resulted in publication of the Training Handbook for Czech law enforcement agencies describing selected cases and their solutions.

Experts from public sector and NGOs cooperated within the third topic: **funding of election campaign and independent candidates**. This area was originally defined more broadly to funding of political parties, but because of potential overlap with activities financed from national resources, its narrowing to financing of electoral campaigns and targeting on a specific issue of the candidacy of independent candidates was approved. The comparative study drafted by the French expert and the Czech expert from Transparency International was used by the Ministry of Interior when preparing the *Act on supervision on the funding of political parties*. The studies' recommendations form valuable basis for future work of the newly established office for supervision of funding of political parties and their election campaigns.

As far as the **whistleblowers protection** is concerned, the promoter in cooperation with the Government Office prepared fruitful expert workshop where legal measures on whistleblowing from the UK, Spain, Slovakia and the Czech Republic were compared. Not only public sector representatives were asked for their opinion, but also private sector practices and academic perspective were discussed. Conclusion of the workshop were reflected in the analysis on potential creation of whistleblowers centre in the Czech Republic which was drafted and used as background document for new legislation on the protection of whistleblowers. This piece of legislation is currently in the Parliament.



As to the programme outcomes, it must be concluded that Component 1 exceeded original expectations. Published papers, manuals and studies have very good feedback. Over 750 participants representing not only three originally planned institutions, but also other key stakeholders from the public, private and non-profit sector attended workshops, conferences, seminars and expert meetings. This approach enabled incorporation of all key elements and involvement of all relevant stakeholders for efficient practice and enforcement of newly proposed legislation or had positive leverage effect as far as determination of future efforts in the area of the fight against corruption, fraud and organised crime is concerned.

#### **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 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 application for Component 2 was submitted by the FAU on 26 August 2016. The PO ensured its assessment as regards the compliance with the formal and eligibility criteria. External technical experts were hired so as to ensure the technical assessment of the application and its feasibility. Further to their comments, the application was amended and finalised. The PO issued its decision on positive appraisal in accordance with paragraph 3 of Article 5.5 of the Regulation on 11 October 2016. The project contract was issued on 18 October 2016.

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

The Programme CZ10 was divided into two components, while different project partner was defined for each one. The Council of Europe was a partner for the Component 1 and the cooperation was frequent and highly appreciated. This cooperation and established relationship between the Council of Europe and the project promoter was also a topic for donors' assessment and led to following summarizing article (<http://eeagrants.org/News/2016/Together-against-corruption>).

Within the Fund for Bilateral Relationship at the Programme Level an international workshop attended by high-ranking officials of most of the European financial intelligence units, police or public prosecutor's offices was organised on 20<sup>th</sup> – 21<sup>st</sup> September 2016. The workshop dealt with new challenges in combating terrorist financing in reaction to the European Commission Action Plan from February 2016 which was drafted in reaction to terrorist attacks in Europe. This event was planned again in close and highly appreciated cooperation with the Council of Europe and it was also visited by

the chairman of the Committee of the Experts on the Evaluation of the Anti-Money Laundering Measures and the Financing of Terrorism (MONEVAL) and the European Commission.

The cooperation with the Council of Europe lied in preparation of events (content, agenda, choosing experts, etc.) and supervising the drafting of studies, analysis and manuals. In each activity the Council of Europe helped to understand and include the international perspective and legislation and also helped to outline the future development in given area. This cooperation established strong professional ties and relationships between connected persons which will be further explored in the future.

The project partner for Component 2 is the Police Presidium, which has a long history of partnership and cooperation on day-to-day basis with the FAU from the past. That is why the setup of the cooperation was smooth and the relationship and personal contacts have just been deepened.

## **6.1. Complementary action**

Not relevant. The budget reserved for Complementary Action was re-allocated to the Bilateral Fund on Programme level in July 2016 (for details see section 8).

## **7. Monitoring**

Programme Operator regularly monitored 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 its internal manual, the Programme Operator performed final financial control of Component 1 on 19 October 2016. One finding related to administrative error in the payment claim related to the wage of project manager for 10/2015 was identified. The promoter claimed 60 750 CZK instead of 54 000 CZK which was a correct amount on the submitted documentation. Thus, irregularity amounting to 6 750 CZK (ca 250 EUR) was identified and is being treated by the Programme Operator.

Review of the programme shall be carried out in October 2017 by the external company that shall be contracted in January 2017. The programme shall be evaluated based on the five evaluation criteria (relevance, efficiency, effectiveness, impact, sustainability) with respect to its outcomes and outputs as specified in the Programme Agreement.

Each criterion will be scored using the five-grade grid. The score will be awarded based on objective and impartial expert opinion substantiated by verifiable and well-founded data, facts and evidence.

The theory of change shall be developed for the programme, Outcome Harvesting shall be used as one of the methods for data collection, so as to exploit all effects of the programme, including unintended or unexpected ones. Achievement of bilateral indicators will be examined as well.

The review report will be subject to consultation process and debriefing with all relevant stakeholders prior to its publication in Czech and English.

## **8. Need for adjustments**

In 2016, two programme modifications were proposed and approved. Both of them were undertaken in order to efficiently exploit the funding available to the programme.

The first one concerned the reallocation of funds from Complementary Action amounting to 10 000 EUR to the Fund for bilateral relations. Both instruments within the PA were open for applications, however, none was submitted. The reason was twofold: a) limited number of eligible applicants within the CZ10



Programme and b) the basic concept of the Programme which was originally designed to be implemented in partnership with the CoE. Given the initial delay in programme start-up phase, all major activities were cumulated to 2015 and early 2016. Thus, there was not sufficed absorption capacity for further initiatives beyond the scope of Component 1.

Modification of Annex II to the PA no. 2 was approved on 1 July 2016 and enabled organisation of the two-day international workshop "*Facing the challenges in combating terrorist financing*".

Modification of Annex II to the PA no. 3 was approved on 19 September 2016. It consisted in the transfer of unutilised funds (saving from the contract with the CoE amounting to 19 064, 87 EUR including co-financing) from Component 1 to Component 2 so as to include additional HW components (five to six pieces of Hard Drives 400 GB SAS MLC SFF SDD for specified disk field). As a result, users' comfort while working with data analytical sets in the process of investigation of suspected transactions shall be increased.

## 9. Risk management

The programme ranks among most risky programmes implemented in the Czech Republic, mainly due to the risk of non-timely completion of tender procedures or further protraction caused by appeals to the tender results.

As far as Component 1 is concerned, the critical milestones related to the procurement and delivery of the Feasibility Study were overcome due to the efforts of the promoter to stick to the deadlines set by the PO in order to submit and approve the application for Component 2. The tender for the Feasibility Study for HW and SW tools for datamining (FS) was re-launched as small scale public tender and the contract for the FS was signed on 10 March 2016.

The study was delivered in a good quality on 4 July 2016. After all steps related to the feasibility study and its opponent's reviews were finalized, the project promoter filed the grant application Component 2 in August 2016. Following incorporation of all comments of the PO and external technical expert, the application was approved on 1 October 2016. Both, project promoter and the PO cooperated very closely on the real time schedule and preparation of all documents connected with grant application so as to be able to reach all expected outputs of the Component 2 by the end of April 2017.

To minimize further administrative and time protraction the Partnership agreement clearly determining rights and duties was drafted in parallel with the grant application.

Preparation of the public procurement documentation on HW and SW was launched as well. The public procurement on HW was published on 18<sup>th</sup> November 2016 and all applicants had to file their offers until 6<sup>th</sup> December. The evaluation of offers has not been finalized by the end of 2016, it is expected that the contract is signed in early 2017.

The public procurement on SW will be published at the beginning of 2017 in accordance with the new Act on Public Procurement. The tender documentation was re-drafted several times and has still not been finalised. Thus, the tender shall be launched in early 2017. The timeframe for successful completion of the tender and delivery of the SW by the end of April 2017 is still realistic, however, under two pre-conditions:

- a) The tender is launched by mid-February at the latest;
- b) The analytic SW tool that is subject to the tender must be asked in ready-made version, available on the market so it does not require any customization. At the same time, it must be open for potential upgrades after the end of Component 1 so as to ensure its flexibility and sustainability



Another factor that can cause some difficulties with the administration of Component 2 is the change of administrative position of the project promoter which stems from the amendment of the Act on selected measures against legitimisation of proceeds of crime and financing of terrorism implementing 4th AML directive. The Financial Analytic Unit, which had been until the end of the year 2016 a department No. 24 of the Ministry of Finance, became independent state administrative office as of 1 January 2017. Administrative, budgetary and personnel issues are still to be finally settled.

Component 1 was successfully finalized in July 2016 and the only risk factor faced was the inability to find other suitable foreign partner for hosting the study visit related to *financing election campaigns and independent candidates*. This study visit was originally planned for 10 representatives of the Ministry of Interior, NGOs and the Police. The study visit was planned to Estonia, Poland or United Kingdom but unfortunately it was not possible to ensure the cooperation of counterparty I project duration from various reasons (the counterparty stated inability because of heavy workflow, unstable politic situation or results of referendum). Despite the active approach of the project promoter and project partner the study visit could not be organized because it was impossible to address and start the cooperation with other partner country in limited time left for project implementation. Thus, one study visit and one workshop that should have summarised the conclusions of the visit was not implemented.

## 10. Information and publicity

The year 2016 was rich for publicity activities related to the Programme CZ10. Most of the activities concentrated on Component 1. As mentioned in the previous APRs website [www.cz10.cz](http://www.cz10.cz) both in Czech and in English were set up and regularly updated. Links to all published articles about events organized under Component 1 and also other articles related to the project or its activities are available.

Not only press releases had been realized in the year 2016 but also press conferences. Because Component 1 was terminated on 31<sup>st</sup> July 2016, the Final conference was held on 13<sup>th</sup> April 2016 (on the occasion of the last visits of the CoE representatives within the project in Prague) with attendance of the representatives of the Royal Norwegian Embassy, the Council of Europe, the NFP, project promoter, representatives of relevant state authorities and involved NGOs and media.

On 26<sup>th</sup> July 2016 the Final programme conference was held in Prague with participation of representatives of the Royal Norwegian Embassy, the NFP, programme promoters and representatives of relevant authorities and NGOs. Both of these conferences were followed by press releases.

Several piece of news about activities undertaken within Component 1 were published also on the websites of the project partner – the Council of Europe.

Since launching Component 2 in the second half of 2016, press release regarding partnership agreement between the FAU and the Police Presidium and information about ongoing public procurement were published on [www.cz10.cz](http://www.cz10.cz).

The publicity of the whole programme is ensured by the <https://eeagrants.org>. The most important article about the Programme CZ10 was published on 28<sup>th</sup> July 2016 and was related to the assessment of the cooperation with the Council of Europe within this Programme.

## 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**

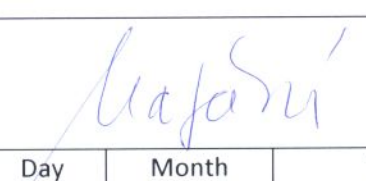
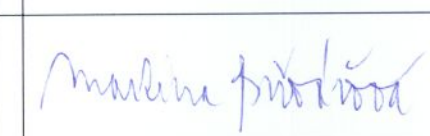
**Annex 1: Risk assessment of the programme**

**Annex 2: Monitoring plan 2017**

**Annex 3: List of projects for communication purposes or as examples of best practices**


**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 Matyášová			Martina Bečvářová		
<b>Position</b>	Director of the International Relations Department			Head of the Implementation, Monitoring and Evaluation 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
	8	2	2017	08	02	2017

**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 Dupáková					
<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
	10	02	2017			



## Annex 1: Risk assessment of the programme

Type of objective <sup>1</sup>	Description of risk	Likelihood <sup>2</sup>	Consequence <sup>3</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.	1	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). Programme/project activities are scheduled so as to fit to the plan of legislative and non-legislative initiatives for fight against corruption These are annually updated and confirmed within the Action plan against corruption issued by the Government. Additional project activity (i.e. workshop for obliged entities within the Act no. 253/2008 Coll. financed from the savings was scheduled to the period when the amendment was adopted however has not become effective yet. Likelihood was scored as 1 as all relevant activities facing the risk of legislative changes within Component 1 were finished in mid-2016.
	Time risk – achievement of CZ10 output.  Timely finalisation of the tender for HW and contract signature – the bids submitted within the tender for HW were under evaluation process in the end of 2016. Procurement process as such is also time-risky, possible appeals against the tender results may cause further protraction and ultimately lead to	4	4	The evaluation process of HW bids shall be finalised in shortest time possible, however rigorously and strictly in line with the procurement rules and legislation so as to avoid any mistakes that may lead to appeals against the tender results.  The current time plan for the launch of the tender and

<sup>1</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>2</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>3</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.

<p>non-achievement of CZ10 outputs related to the creation of SW for automated data-mining.</p> <p>Timely launch of the tender for SW, its finalisation, contract signature and delivery of SW by the end of April 2017.</p>		<p>delivery of SW is still realistic, however, conditional upon two risk mitigation factor as described in the risk mitigation plan.</p> <p>The tender shall be launched in mid-February 2017 at the latest.</p> <p>The analytic SW tool must be requested in ready-made version, available on the market so it does not require any customization. At the same time, it must be open for potential upgrades after the end of Component 2 so as to ensure its flexibility and sustainability.</p> <p>Provided that it would not be possible to finalise some of the tenders in timely manner and ensure the delivery of HW or SW by the end of April 2017, Art. 7.14.6 of the Regulation shall be utilised. The costs incurred after the eligibility deadline will be covered by the Project Promoter. In such case, the PO shall set realistic deadline for the finalisation of Component 2 so as to achieve its expected outputs and ask the promoter to guarantee necessary funding from its own resources.</p>
<p>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.</p>	<p>1</p>	<p>Even in 2016 the Government stuck to the adopted Concept and action plan for combating corruption in year 2013 – 2017, while confirmed its strategy within the Action Plan for the fight against corruption for 2016.</p>
<p>Management and control structures, programme management</p>	<p>1</p>	<p>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.</p> <p>Check and discussion of the Interim Reports, Steering</p>



	<p>Programme implementation set up – change of the administrative status of the promoter as of 1 January 2017, the FAU became independent of the Ministry of Finance. The organisational, budgetary and personnel issues need to be finally settled.</p>	4	3	<p>Committee, Meetings with the Project Promoter. Division of the roles and responsibilities is clearly defined. Manuals and guidelines are regularly checked and updated.</p> <p>New contract between the FAU and the PO needs to be signed so that rights and duties of both parties are legally binding. The FAU shall provide information on its administrative capacity and budgetary means for the accomplishment of Component 2 and for ensuring the sustainability of the whole Programme.</p>
	<p>Irregularities within programme</p>	4	3	<p>One irregularity amounting to ca 250 EUR due to administrative error in the payment claim was identified within the final financial control of Component 1. This was handed over for further proceeding to the responsible irregularities officer of the PO. No further major or systemic deficiencies were identified.</p>
	<p>Findings from Programme audits/controls</p>	4	3	<p>Final financial control of Component 1 carried out by the PO in October 2016 with one finding (see above). Regular on-the-spot check of Component 2 planned for March 2017.</p>
	<p>Information system backlogs</p>	3	3	<p>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.</p>
	<p>Corruption risk in Programme implementation and tenders</p>	1	4	<p>NFP's and PO's system of control and tender procedures is set up. All project managers were trained in anti-corruption conduct.</p>

**Annex 2: Monitoring plan**

<b>Project no.</b>	<b>Name of the project</b>	<b>Planned date of on-site monitoring visit /review</b>	<b>Note</b>
NF-CZ10-PDP-2-005-2016	Improving the ICT capacity of the Financial Analytical Unit of the Ministry of Finance CZ and the Department of ICT, National Center against Organized Crime of the CZ Police	1 March 2017	Regular on-the-spot check
NF-CZ10-PDP-2-005-2016	Improving the ICT capacity of the Financial Analytical Unit of the Ministry of Finance CZ and the Department of ICT, National Center against Organized Crime of the CZ Police	June 2017	Final financial control



**Annex 3: List of projects for communication purposes or as examples of best practices**

<b>Project no.</b>	<b>Name of the project</b>	<b>Note</b>
NF-CZ10-PDP-1-001-2014	Project to strengthen anti-corruption and anti-money laundering systems in the Czech Republic	