

ANNUAL REPORT 2020 ON CLOSED FRAUD AND OTHER IRREGULARITY CASES IN THE EEA AND NORWAY GRANTS (FINANCIAL MECHANISM 2014-21)

Prepared by the Financial Mechanism Office

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Executive Summary

This 2020 Annual report concerns data on closed fraud and other irregularity cases affecting the EEA¹ and Norway Grants. This is the 1st Annual Report of the EEA and Norway Grants funding period 2014-2021.

The EEA and Norway Grants represent the public financial contribution of Iceland, Liechtenstein and Norway (the Donors) made available to 15 beneficiary states in Europe through grant funding. The total funding for the current programming period 2014-2021² is EUR 2.8 billion. The Grants have two objectives – to contribute to a more equal Europe, both socially and economically – and to strengthen the relations between the Donors and the 15 beneficiary states. The Donors continuously ensure that taxpayers' money is protected by requiring the reimbursement of all wrongfully spent money.

With large volumes of grant-making and numerous organisations involved, the Grants carry an inherent risk of fraud. However, the Donors insist on applying a zero-tolerance policy towards corruption, fraud and any other misuse of funds, in order to ensure the protection of the financial contributions and the integrity of the mechanism, and, thus, to protect the very objectives of the Grants.

While ultimate responsibility for the management of the EEA and Norway Grants rests with the Donors, the beneficiary states' authorities have the first line of responsibility to prevent the occurrence of fraud, to detect it, to report it to the Donors and to correct it.

The zero tolerance principle is rooted in the EEA and Norway Grants' [risk management strategy](#). This strategy ensures that the management of risks including monitoring and control mechanisms as well as risk handling are an integral part of the work of the public institutions in the donors and beneficiary states. The strategy applies directly to the Donors and their Brussels based Secretariat – the Financial Mechanism Office (FMO) while it also relies on risk assessment and mitigation by the beneficiary states' institutions. Risk management is on the agenda of the annual meeting between the Donors and each beneficiary state and a constant dialogue with the relevant entities in the beneficiary states to identify good risk mitigation is in place.

The EEA and Norway Grants' legal framework, risk management strategy and related mechanisms have thus far experienced positive results. In 2020, as shown in figure 2, the Grants were not affected by fraud. The Donors are however dedicated to pursuing ongoing efforts to make the execution of the strategy even better.

The Grants operate under a [legal framework](#), including notably the EEA and Norway Grants 2014-2021 [Regulations](#) which provide the definitions to be used for the purpose of this report.

“Irregularity” is defined in the EEA and Norway Grants Regulations, as an infringement of:

- The legal framework of the EEA and Norway Grants 2014-2021,
- any provision of European Union law, or
- any provision of the national law of the Beneficiary State,

¹ European Economic Area

² With a final date of eligibility set to 30 April 2024

which affects or prejudices any stage of the implementation of the Grants in the beneficiary state, in particular, but not limited to, the implementation and/or the budget of any programme, project or other activities financed by the Grants.

This entails that the nature of the irregularities varies significantly. They can take the form of conflict of interest, deviation from programme agreement, deviation from project contract, deviation from public procurement procedures or error in payment claims.

Fraud is, however, an irregularity entailing an intentional deception for the purpose of making an unjust gain.

The beneficiary states and the Donors can apply financial corrections to remedy an actual irregularity case, in addition to the remedies already applied by the beneficiary states or in the absence thereof. Financial corrections consist in cancelling all or part of the financial contribution of the Grants.

This report presents statistics on closed cases. A closed case is a case where all checks are completed, and appropriate remedies have been applied.

Further information about the EEA and Norway Grants 2014-2021, the legal framework and available funding can be found on eeagrants.org.

Figure 1 Grants allocation per beneficiary state for the 2014-2021 funding period

The EEA and Norway Grants

The EEA and Norway Grants represent the contribution of Iceland, Liechtenstein and Norway to strengthen economic and social cohesion in the European Economic Area. The current funding period totals €2.8 billion and builds on the successes of previous funding periods.

3 Donor States

2.8 billion in funding (2014-2021)

15 Beneficiary States

1.5B EEA Grants

2 Overall objectives

Reducing disparities and strengthening cooperation

1.3B Norway Grants

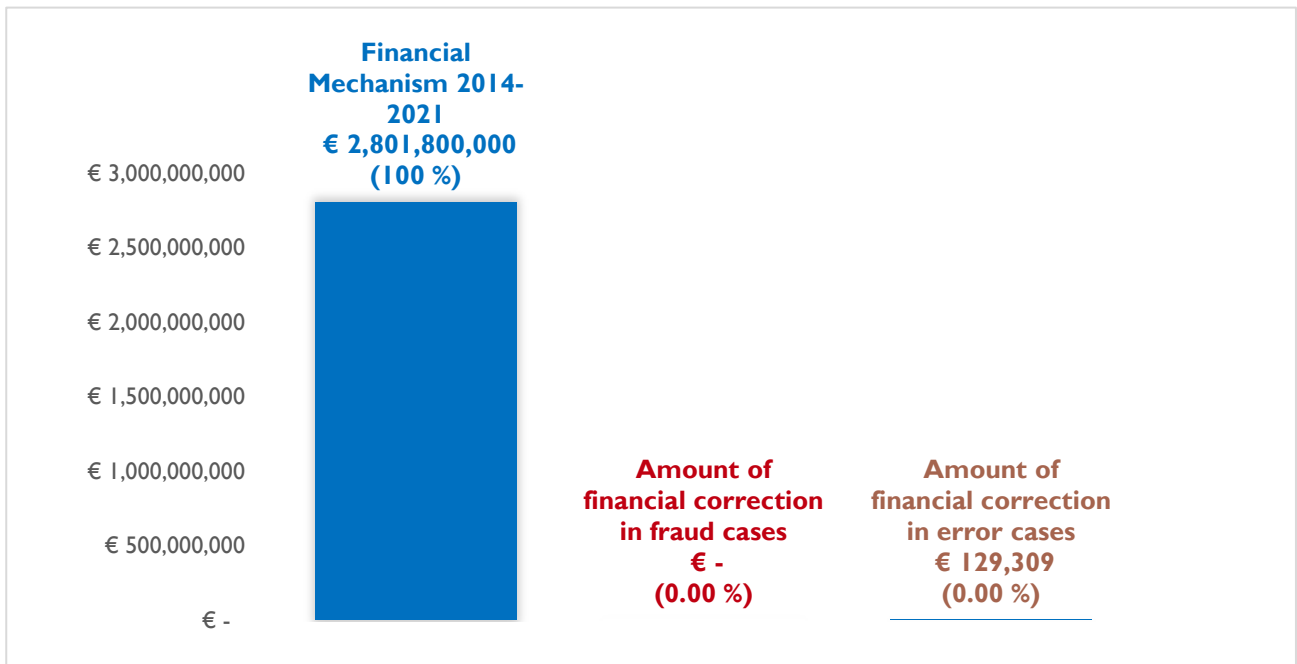
Country	EEA Grants	Norway Grants	Total
Bulgaria	115.0	95.1	201.1
Croatia	56.8	46.6	103.4
Cyprus	6.4	5.1	11.5
Czech Republic	95.5	89.0	184.5
Estonia	32.3	35.7	68.0
Greece	116.7	—	116.7
Hungary	108.9	105.7	214.7
Latvia	50.2	51.9	102.1
Lithuania	56.2	61.4	117.6
Malta	4.4	3.6	8.0
Poland	397.8	411.5	809.3
Portugal	102.7	—	102.7
Romania	275.2	227.3	502.5
Slovakia	54.9	58.2	113.1
Slovenia	19.9	17.8	37.7
Funds ²	55.2	44.8	100.0
Total	1 548.1*	1 253.7	2 801.8

All figures are in million €.

² Fund for Youth Employment and Fund for Regional Cooperation.

* The EEA Grants are jointly financed by all three Donor States, where contributions are based on their GDP.

Figure 2 Cumulative proportion of fraud and other irregularities out of the total grant allocation



Up until 2020, there are no closed cases involving fraud within the Grants. Other irregularities amounted to EUR 129,309 out of the total gross allocation of EUR 2.8 billion (or 0.00% of the total grant allocation) for the 2014-2021 funding period.

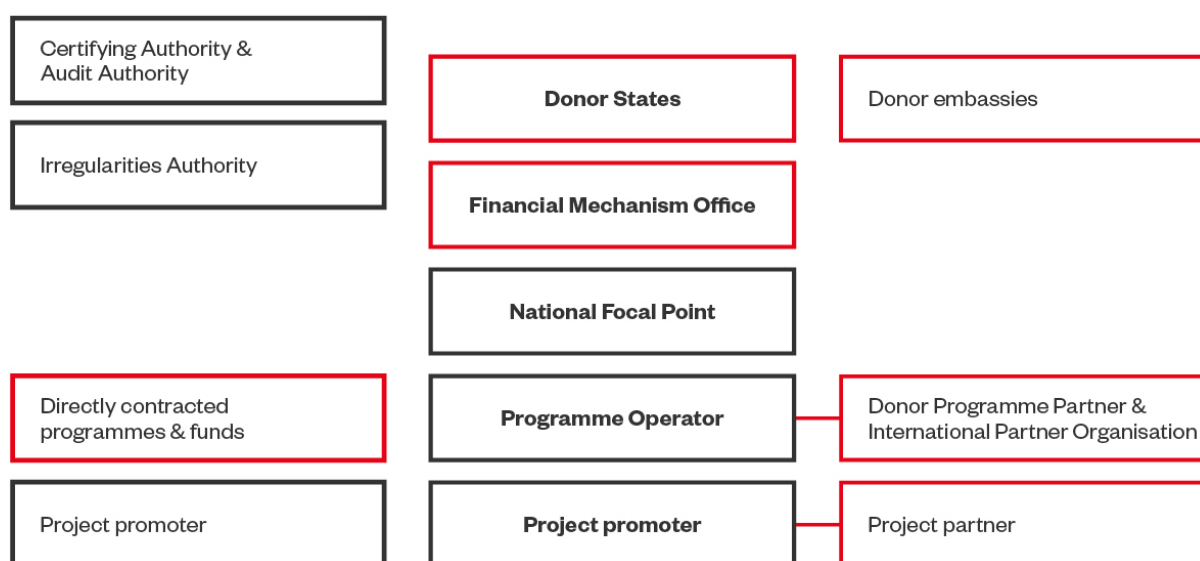
1. Introduction: policy and practice

The beneficiary states manage the greatest share of the Grants. Most programmes are managed by Programme Operators in the beneficiary states. However, the Financial Mechanism Office (FMO), also operates some programmes. In such cases the implementation of the programme is normally performed by a Fund Operator.

1.1. The roles of the respective actors of the Grants in the fight against fraud

As shown in Figure 3, the EEA and Norway Grants structure is designed in a way that all actors in the management of the Grants contribute to the fight against fraud.

Figure 3 Grants organisational overview



The roles of the respective actors in the beneficiary states

The beneficiary states and their national authorities have the primary responsibility for control and monitoring.

The National Focal Point has the overall responsibility for the implementation of the EEA and Norway Grants. It reimburses the Donors in cases of corruption, fraud or other irregularities in the beneficiary state which have not been corrected in the first place. It establishes reporting and monitoring procedures for irregularities including that of reporting grave irregularities to the police and establishes an alert system for suspected corruption.

In addition to the **National Focal Point**, the beneficiary states designate a **Certifying Authority**, which is charged with submitting financial reports to the donors; an **Audit Authority**, charged with carrying out audits to ensure the effective functioning of the management and control systems designed by the beneficiary states; and an **Irregularity Authority** responsible for the reporting of fraud and other irregularity cases to the Donors.

The Programme Operators are entities responsible for preparing and implementing the programme. They take all necessary and appropriate measures to prevent, detect and rectify fraud and other irregularities.

The Project Promoters are the entities initiating, preparing and implementing a project. They must respect applicable legislation in the implementation of the projects and inform the national authorities of any suspected or actual cases of fraud and other irregularities.

The role of the Donor States

The Donor States develop and adopt regulations and the governance structure of the Grants, conduct and follow up risk assessments and take corrective measures (including reimbursement of funds) towards beneficiary states for violations of the regulations. They conduct annual meetings with all beneficiary states and carry out on-site inspections of projects (also Norwegian embassies).

The role of the Financial Mechanism Office (FMO) – the Brussels-based secretariat of the Grants

The FMO serves as a contact point between the donor and beneficiary states. The Donors have delegated technical implementation and daily management of the Grants to the FMO. The FMO's responsibilities related to management and control as pertaining to fraud, include:

- Monitoring that the implementation of the EEA and Norway Grants is in line with the legal framework
- Reviewing reports from beneficiary states such as irregularity reports, audit reports, the strategic report, annual programme reports, interim financial reports, the final programme report
- Conducting audits (including on the management and control system of the beneficiary state), monitoring, on-the-spot verification of projects
- Managing external evaluations of ongoing or completed EEA & Norway Grants programmes, funds, themes, strategies, policies, or processes, and of their design, implementation, and results
- Receiving and following up complaints and alerts on suspicions of fraud
- Reviewing all fraud and irregularity cases reported by the Irregularity Authority: Requiring a clear description of each irregularity, accuracy of amounts affected and the level of financial corrections applied at national level with regard to applicable guidance
- Checking appropriate follow up at national level before closing the irregularity
- Updating and publishing fraud and other irregularities reports quarterly and annually
- Providing training, workshops and entering into dialogue on fraud and other irregularities with all concerned actors in the beneficiary states.

1.2. Mechanisms to detect fraud

The main ways by which the different actors of the Grants discover cases of suspected or actual fraud cases are:

- Audits, monitoring and verification visits and on the spot checks of funded projects
- Notifications by project promoters and project partners
- Checks of payment claims, financial reports, activity progress reports
- Media and information provided by the general public
- Complaints and alert mechanisms

1.3. Mechanisms to correct fraud

If any resources are unduly paid or lost due to fraud or any other irregularities, the beneficiary state is responsible for reclaiming them from the Programme Operator or project promoter, depending on who committed the irregularity.

In addition to this or failing the action of the beneficiary state, the Donors can apply financial corrections. The aim of a financial correction is to restore a situation where all expenditure financed is in line with the applicable rules. The amount unduly spent must thus be identified.

An amount corrected on a cancelled project may be reused under the programme for projects other than those that were the subject of a financial correction. The project grant amount is thus reduced in case of financial corrections. However, when a financial correction is made for systemic irregularities, the financial contribution may not be reused for that programme. This means that the programme grant amount is reduced.

In cases of fraud or corruption, the entire project would be closed down, and any amounts already reimbursed to the Project Promoter would have to be paid back.

2. Annual overview

Table 1 Total amount of closed fraud and other irregularities

	Other irregularities			Fraud		
	Number of cases	Amounts	%*	Number of cases	Amounts	%*
EEA funded programmes	2	€ 129,309	0.00%	0	€ 0	0.00%
Norway funded programmes	1	€ 0	0.00%	0	€ 0	0.00%
Jointly funded programmes	6	€ 0	0.00%	0	€ 0	0.00%
Total	9	€ 129,309	0.00%	0	€ 0	0.00%

*The percentage % represents the value of annual cases out of the total grant allocation

Figure 4 Proportion of closed fraud and other irregularity cases



During 2020, there were no closed cases involving fraud within the Grants while 9 cases of other irregularities were closed³, representing EUR 129,309 (0.00% out of the total gross allocation as

³ Out of the total number of 43 irregularities reported thus far to the Donors across all 15 beneficiary states for the 2014-2021 funding period.

shown in Figure 2). A breakdown of categories of other irregularities closed in 2020, is presented in Annex 2.

A breakdown of closed cases in 2020 by beneficiary states is also shown in table 2.

Table 2 Number of fraud and other irregularity cases closed in 2020 and financial correction per beneficiary state

Country	FRAUD		OTHER IRREGULARITIES		TOTAL	
	Number	Amount	Number	Amount	Number	Amount
Bulgaria	0	€ 0	1	€ 0	1	€ 0
Croatia	0	€ 0	0	€ 0	0	€ 0
Cyprus	0	€ 0	0	€ 0	0	€ 0
Czech Republic	0	€ 0	4	€ 0	4	€ 0
Estonia	0	€ 0	1	€ 0	1	€ 0
Greece	0	€ 0	0	€ 0	0	€ 0
Hungary	0	€ 0	0	€ 0	0	€ 0
Latvia	0	€ 0	0	€ 0	0	€ 0
Lithuania	0	€ 0	0	€ 0	0	€ 0
Malta	0	€ 0	0	€ 0	0	€ 0
Poland	0	€ 0	0	€ 0	0	€ 0
Portugal	0	€ 0	0	€ 0	0	€ 0
Romania	0	€ 0	1	€ 129,309	1	€ 129,309
Slovakia	0	€ 0	0	€ 0	0	€ 0
Slovenia	0	€ 0	0	€ 0	0	€ 0
Regional Fund-Fund for Youth Employment ⁴	0	€ 0	2	€ 0	2	€ 0
Regional Fund-Fund for Regional Cooperation ⁵	0	€ 0	0	€ 0	0	€ 0
Total	0	€ 0	9	€ 129,309	9	€ 129,309

There are differences in the number of irregularity cases reported by each beneficiary state. This depends to a great extent on the implementation stage of the various programmes, but also on the efficiency of the management and control systems in place. There is not always a direct correlation between the number of cases reported and the actual presence of fraud in a beneficiary state. It may be that some beneficiary states report more than others because they have stronger control system in place. It may also be, in some instances, that fraud remains undetected.

⁴ Fund for Youth Employment [Fund for Youth Employment | EEA Grants](#)

⁵ Fund for Regional Cooperation [Fund for Regional Cooperation | EEA Grants](#)

3. Further information on fraud cases

Table 3 Total amount of closed fraud cases

	Fraud		
	Number of cases	Amounts	%*
EEA funded programmes	0	€ 0	0.00%
Norway funded programmes	0	€ 0	0.00%
Jointly funded programmes	0	€ 0	0.00%
Total	0	€ 0	0.00%

*The percentage % represents the value of annual cases out of the total grant allocation

During 2020, no fraud cases were closed.

4. Other irregularity cases

Table 4 Distribution of other closed irregularity cases by category

Categories of other irregularities	Number of cases	Amount
Conflict of interest	0	€ 0
Deviation from programme agreement	2	€ 0
Deviation from project contract	2	€ 129,309
Deviation from public procurement rules/principles	1	€ 0
Error in financial report	4	€ 0
Total	9	€ 129,309

During 2020, 9 cases of other irregularities have been closed. The split between the different categories of other irregularities is shown in table 4 above and listed in Annex 2 to the present report.

5. Conclusion

Publicity and deterrence

Ensuring openness and transparency is essential for the implementation of the Grants and to keep the public informed on the achievements of the funding. The overview of all closed fraud and other irregularity cases (reported by the beneficiary states or detected by the FMO during the exercise of its control functions) included in the present report is part of the efforts to prevent fraud in the financial mechanisms.

The Donors publish, on the EEA and Norway Grants website, annual and quarterly reports on closed fraud and other irregularity cases.

Reporting on suspected fraud or other irregularities

For each project financed by the Grants, the principles of good governance, transparency, equality, accountability, efficiency and zero tolerance towards corruption shall be applied.

In the application of the zero-tolerance policy towards corruption under the EEA and Norway Grants, Iceland, Liechtenstein and Norway strongly encourage all suspected mismanagement of the funding to be reported. All suspected fraud and other irregularities can be submitted directly to any of the agencies responsible for the management of the Grants or to the Financial Mechanism Office.

See [the section on how to report fraud and other irregularities for more details](#).

6. Annexes

Annex 1: Summary of closed fraud cases in 2020

Annex 2: Summary of other closed irregularity cases in 2020

Annex 1:

Summary of all closed fraud cases in 2020

FRAUD

During 2020, there were no closed cases involving fraud within the Grants.

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
Total						

Annex 2:

Definitions of other irregularities identified under the Grants

Summary of all other closed irregularities in 2020

CONFLICT OF INTEREST	A conflict of interest situation is deemed to be present when a person involved in the selection process of the grants has direct or indirect interests that are or appear to be incompatible with the impartial and/or objective exercise of the functions related to the selection process. Such interests may be related to economic interests, political or national affinities, family or emotional ties, other shared interests with the grant applicant or its partner, or any other interests liable to influence the impartial and objective performance of the person involved in the selection of the grants projects. During the project evaluation and the award of grants, a conflict of interest situation must be prevented from occurring or remedied.
DEVIATION FROM PROGRAMME AGREEMENT	For each programme financed by the Grants, a programme agreement is concluded between the donors and the National Focal Point or, in the case of programmes operated by the FMO, the Fund Operator. Errors under this category are often of a formal or procedural rather than financial nature and may therefore often be remedied without any financial corrections. Deviation from the programme agreement could include inter alia non-compliance with agreed procedures for the selection, monitoring or follow-up of projects.
DEVIATION FROM PROJECT CONTRACT	For each project financed under a programme, a project contract is concluded between the Programme Operator or, in the case of programmes operated by the FMO, the Fund Operator and the project promoter. A deviation from the project contract refers to non-compliance with the contractual terms, for example as regards reporting, planned progress of the project, any specific conditions set out in the contract (environmental conditions, building permissions), etc.
DEVIATION FROM PUBLIC PROCUREMENT PROCEDURES	A deviation from public procurement procedures could imply the inadequate assessment of bids, absence of tendering or inappropriate use of tendering procedures. If a breach/deviation is detected, national authorities are required to apply financial corrections as appropriate, including flat rate corrections set as a percentage of the value of the contract in question.
ERROR IN FINANCIAL REPORTS	Errors affecting payment claims could include cases where there are for example mistakes in the calculation of depreciation to be charged to the project, mistakes in the use of the applicable exchange rate, inclusion of ineligible costs etc.

1.1 CONFLICT OF INTEREST

During 2020, there were no closed cases involving conflict of interest within the Grants.

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
Total						

1.2 DEVIATION FROM PROGRAMME AGREEMENT

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
IR-28	Estonia	EEA & Norway Grants	22.05.2020	12.06.2020	Irregularity remedied. No further action needed.	€ 0
IR-9	Bulgaria	EEA Grants	19.02.2020	16.10.2020	Irregularity remedied. No further action needed.	€ 0
Total						€ 0

1.3 DEVIATION FROM PROJECT CONTRACT

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
IR-1	Romania	EEA Grants	11.02.2020	07.05.2020	Project cancelled. Entire project grant withdrawn.	€ 129,309
IR-20	Regional Fund ⁶⁶	EEA & Norway Grants	10.03.2020	29.07.2020	The reported suspicion of irregularity was not confirmed.	€ 0
Total						€ 129,309

⁶⁶ Fund for Youth Employment [Fund for Youth Employment | EEA Grants](#)

1.4 DEVIATION FROM PUBLIC PROCUREMENT PROCEDURES

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
IR-21	Regional Fund ⁷	EEA & Norway Grants	10.03.2020	26.08.2020	Irregularity remedied. No further action needed.	€ 0
Total						€ 0

⁷ Fund for Youth Employment [Fund for Youth Employment | EEA Grants](#)

1.5 ERROR IN FINANCIAL REPORT

Case ID number	Beneficiary state	Source of funding	Case opened	Case closed	Decision	Amount corrected
IR-4	Czech Republic	EEA & Norway Grants	18.02.2020	20.02.2020	Irregularity remedied. No further action needed.	€ 0
IR-22	Czech Republic	EEA & Norway Grants	31.03.2020	23.11.2020	Irregularity remedied. No further action needed.	€ 0
IR-8	Czech Republic	Norway Grants	18.02.2020	23.11.2020	Irregularity remedied. No further action needed.	€ 0
IR-3	Czech Republic	EEA & Norway Grants	18.02.2020	23.11.2020	Irregularity remedied. No further action needed.	€ 0
Total						€ 0