

Combined Strategic & Annual Programme Report¹ 2014

EEA and Norwegian Financial Mechanisms 2009-2014

1 EXECUTIVE SUMMARY

Croatia became the 28th EU member country on July 1st, 2013.

Following Croatia's accession to the European Union, the negotiations on joining the EEA began in early 2013, after Croatia had submitted an application to join the EEA in September 2012. After the negotiations had been closed, the Agreement on Croatia's Accession to the European Economic Area was signed on April 11th, 2014 in Brussels. Pending its entry into force, the above mentioned Agreement will be applied on a provisional basis as of April 12th, 2014 in accordance with an exchange of letters also signed on April 11th, 2014 between Norway, Iceland and Liechtenstein and the European Union that provide for such provisional application.

Croatia has been allocated €9.6M in support from Iceland, Liechtenstein and Norway, out of which €5M from EEA grants and €4.6M from Norway Grants. The allocation has been agreed for the remained of the 2009-2014 funding period of the EEA and Norway Grants. Projects may be implemented until April 2017.

Subsequently, both the Memorandum of Understanding on the implementation of the EEA financial mechanism 2009-2014 between the Republic of Croatia and the Kingdom of Norway, Iceland and the Principality of Liechtenstein, as well as the Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2009-2014 between the Republic of Croatia and the Kingdom of Norway were signed on April 29th, 2014 in Zagreb, and entered into force on April 30th, 2014.

Both programme proposals for EEA Financial mechanism 2009-2014 and for Norwegian Financial Mechanism 2009-2014 were signed on March 28th, 2014.

EEA Financial Mechanism Programme 2009-2014

During the negotiation process, the Parties agreed that with respect to the small size of allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway Financial Mechanism, the support will be provided through two programmes: The EEA Financial Mechanism Programme and NGO Programme.

Within the EEA Financial Mechanism Programme in Programme Area 12: Local and Regional Initiatives to Reduce National Inequalities and to Promote Social inclusion, two pre-defined projects are being implemented:

- 1) iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation - the project shall develop research and study activities, business development and bilateral cooperation within the iNavis centre.
- 2) Integrated Schools Project, Vukovar and Knin - the aim of the project is social recovery of the post conflict and multi-ethnic communities.

¹ Due to timing of the Annual Meeting and following agreement with the FMC, this template applies to Cyprus, Malta, Slovenia and Croatia

The Programme Operator is Sector for EU Programmes in the Ministry of Regional Development and EU Funds, which in the same time acts as the National Focal Point.

Norwegian Financial Mechanism Programme 2009-2014

During the negotiation process, the Parties agreed that with respect to the small size of allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway Financial Mechanism, the support will be provided through three programmes:

Within the Norwegian Financial Mechanism Programme in Programme Area 31: Judicial Capacity-building and Cooperation, one predefined project will be implemented via two sub-projects:

- 1) The Renovation and reconstruction of the Karlovac courthouse to support the efficiency of the Judiciary by improving working conditions - the implementation of the activities did not start yet due to the fact that it took more time than initially planned for revision of the tender documentation and the bill of quantities.
- 2) Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ Project – in implementation as of September 1st, 2014.

The Programme Operator is Sector for EU Programmes in the Ministry of Regional Development and EU Funds, which in the same time acts as the National Focal Point.

Within the Programme Area 22 Decent Work and Tripartite Dialogue one pre-defined project is in implementation in cooperation with the Union of Autonomous Trade unions of Croatia (UATUC). The project aims to strengthen the tripartite social dialogue in Croatia at national and regional level. In line with the Article 1.8 (e) of the Regulation, the Programme Decent Work and Tripartite Dialogue is operated by the Innovation Norway and Project Promoter is Croatian Ministry of Labour and Pension System

The NGO Programme, with objective to strengthen civil society development and enhance contribution to social justice, democracy and sustainable development, is being jointly implemented within the allocation to Funds for Non-Governmental Organisations under the EEA Financial Mechanism and the Norway Financial Mechanism. The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation. According to the agreement of both Parties, the amount of € 100,000 of the allocation for this Programme shall be used for a project targeting the improvement of the situation of the Roma population.

Bilateral relations between Norway and Croatia shall be strengthened with the aim of stimulating long-term cooperation, including through partnership at project level in all programme areas supported. The Fund for Bilateral relations at national level shall be implemented jointly with the funds for bilateral relations at programme level referred to in Article 3.6 of the Regulation. The total allocation to the two funds is 515,625 €. The draft work plan for the Fund for Bilateral Relations has been prepared during 2014 by the FMO and consultations with the National Focal Point have been conducted via e-mail and at the meetings in Zagreb on October 13th, 2014 and in Brussels on November 19th, 2014. It is expected to be finalized at the beginning of the 2015.

Having in mind that Croatia is the new country within the EEA and Norway Financial Mechanism and that its system for EEA and Norwegian Financial Mechanism is still being established, certain minor delays are expected, that shall not have an effect on the overall implementation of the programmes.

The Combined Strategic & Annual Programme Report 2014 is the first document presented by the National Focal Point for EEA/Norwegian Financial mechanisms 2009-2014 for the Republic of Croatia

2 ASSESSMENT OF THE EFFECT OF THE GRANTS

Since the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 and the Memorandum of Understanding on the Implementation of the EEA Financial mechanism 2009-2014 were signed in 2014, and the implementation of the approved projects is in its early phase, currently it is too early to assess the effect of the grants.

However, it is expected that the selected projects contribute to fulfilling the objectives set within the two aforementioned mechanisms.

The overall objectives of the EEA and Norwegian Financial mechanisms 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States/Norway and the Beneficiary States (in this case the Republic of Croatia) through financial contributions in the priority sectors set within each of the mechanisms.

EEA Financial Mechanism Programme

The overall objectives of the EEA Financial Mechanism Programme are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States and the Beneficiary States through financial contributions in the following priority sectors:

- (a) Environmental protection and management;
- (b) Climate change and renewable energy;
- (c) Civil society;
- (d) Human and social development;
- (e) Protecting cultural heritage.

During the negotiation process, the Parties agreed that with respect to the small size of allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway Financial Mechanism, the support will be provided through two programmes: The EEA Financial Mechanism Programme and NGO Programme.

Within the EEA Financial Mechanism Programme in Programme Area 12: Local and Regional Initiatives to Reduce National Inequalities and to Promote Social inclusion, two pre-defined project will be implemented:

1) iNavis, for which the City of Šibenik is the project promoter, seeks to contribute to strengthening social and economic cohesion at national, regional and local levels through the development of the iNavis centre in Šibenik. This is in line with the EEA Mechanism's objectives, aiming at human and social development and environmental protection and management. A project management team set up by the City of Šibenik as project promoter coordinates all project activities and take measures to mitigate risks, if necessary. City of Šibenik is local authority body responsible for the planning and implementation of activities related to urbanization, economic and entrepreneurial development, utilities, social welfare, childcare, education, traffic, civil protection, etc. The project management team consists of the project manager, a financial manager, a project administrator, and a communications manager designated by the Department for Economy, Entrepreneurship and Development of the City of Šibenik, and a procurement expert delegated by the Department of Finances of the City of Šibenik. This core project management team is going to be complemented by experts who will oversee the activities related to the research, education, and technology transfer and business facilitation pillars, respectively, and who will be selected after the results of the feasibility study are evaluated. There are two project partners: the University of

Zagreb and Institute Ruđer Bošković. The University of Zagreb is acting as a project partner in developing university course curricula, in facilitating the establishment of bilateral cooperation between iNavis Centre of Research and Innovation and Norwegian higher education institutions, and in implementing university level educational programmes. The University of Zagreb has established inter-university cooperation with the Norwegian University of Science and Technology and created faculty mobility between the two educational institutions. The Institute Ruđer Bošković is acting as a project partner in developing research projects, in facilitating the establishment of bilateral cooperation between iNavis Centre of Research and Innovation and Norwegian research institutions, and in determining the technical requirements for the equipment needed for the implementation of the educational and training programmes in the field of aquaculture and environmental protection. The Norwegian University of Science and Technology in Trondheim could become an official project partner after the feasibility study establishes the areas of cooperation in research and education.

2) The Integrated Schools Project, Vukovar and Knin is aimed at social recovery of the post conflict and multi-ethnic communities and a higher level of understanding, respect and cooperation between minority groups and the majority. It is also in line with the objective for the EEA Mechanism in the context of contributing to the human and social development. The overall responsibility for the implementation and monitoring of the project lies with the Ministry of Science, Education and Sports who is acting as a Project Promoter. Ministry of Science, Education and Sports is in charge of administrative and other activities relating to the preschool education, elementary school and secondary education in the country and abroad; curriculum; textbooks, educational standards; development of the educational system; professional education and permanent education of kindergarten and school teachers; student standard; inspection and professional and pedagogic control; establishment of educational institutions and control of their compliance with the laws; securing financial and material conditions for work in education; qualifying the children, youth and adults for acquiring technical knowledge and skills, and activities of various associations in its domain. The Ministry also performs administrative and other activities relating to: system and design of curricula for higher education in the country and abroad, securing financial and material conditions for work, professional education and permanent education of teachers, accommodation, food and other issues relating to student standard, and inspection in higher education.

The project partners - Education and Teachers Training Agency and Nansen Dialogue Centre are assisting the Project Promoter in the implementation. In addition, in September 2013 the Ministry of Science, Education and Sports has formed a Task Force, consisting of representatives of the following institutions: the Education and Teachers Training Agency, the Joint Council of Municipalities, Serbian National Council and Nansen Dialogue Centre in, order to jointly work on the development of an integrative program. In addition, the Council of the National Minorities of the Republic of Croatia has been invited to take active role in the work of this group. Representatives of the Cities of Vukovar and Knin may be invited as observers, as well as representatives of the Norwegian Embassy in Croatia and National Focal Point (MRDEUF).

Having in mind a successful implementation of the project activities, the Project Promoter has established three Working Groups (WG) that are working on:

- 1) defining the concept of the preschool/school preparatory activities (WG 1);
- 2) development of an integrative intercultural curricula (WG 2);
- 3) working on the administrative/technical and legal aspects of implementation of preschool/school (WG 3).

Given the overall objective of the EEA Financial Mechanism Programme as well as the special priority sectors of the civil society and human and social development it can be assessed that the two pre-defined projects fit very well in the proposed targets of the Programme Area 12.

Norwegian Financial Mechanism Programme

The overall objectives of the Norwegian Financial Mechanism 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between Norway and Croatia through financial contributions in the following priority areas:

- (a) Carbon capture and storage;
- (b) Green industry innovation;
- (c) Research and Scholarship;
- (d) Human and social development;
- (e) Justice and home affairs;
- (f) Promotion of decent work and tripartite dialogue.

During the negotiation process, the Parties agreed that with respect to the small size of the allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway financial mechanism, the support will be provided through three programmes: Norwegian Financial Mechanism Programme, Decent Work and Tripartite Dialogue and NGO Programme.

Within the Norwegian FM Programme, Programme Area 31: Judicial Capacity-building and Cooperation, one pre-defined project 'Improving the quality and efficiency of the Judicial system through infrastructure development and better management' started with implementation via two sub-projects:

- (1) Renovation and reconstruction of the Karlovac courthouse to support the efficiency of the judiciary by improving working conditions (component I.)
- (2) Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ Project (component II.);

The overall responsibility for the implementation and monitoring of the project is on Croatian Ministry of Justice, as the Project Promoter. The Secretariat general within the Ministry of Justice is responsible for the first component of the project, and the Directorate for the Organization of Judiciary is responsible for the implementation of the second component.

The project partner is the Council of Europe. Its core objective is to preserve and promote human rights, democracy and the rule of law across the European continent. Council of Europe action revolves around the complete cycle of standard settings, monitoring and co-operation activities and also has significant experience in managing and implementing technical assistance and capacity-building activities.

The pre-defined project is in accordance with the objectives set by the Norwegian Mechanism in the context of seeking to contribute to the development of justice and home affairs. Namely, this project promotes cooperation of the Croatian judicial system with the Council of Europe in the framework of strengthening the efficiency and quality of the Croatian judicial system; also, within this project the support to the efficiency of the judiciary by improving working conditions through renovation of the Karlovac courthouse is envisaged.

Implementation of the Component II started on September 1st, 2014 and is going according to the implementation schedule. With regards to the Component I., certain delays were experienced, as explained further in the text, especially within 3.2.1. Overall progress as regards implementation of the Programmes and their sub-projects.

Within the Programme Area 22 Decent Work and Tripartite Dialogue, one pre-defined project is in implementation in cooperation with the Union of Autonomous Trade unions of Croatia (UATUC). The project aims to strengthen the tripartite social dialogue in Croatia at national and regional level. In line with the Article 1.8 (e) of the Regulation, the Programme Decent Work and Tripartite Dialogue is being operated by the Innovation Norway and Project Promoter is Croatian Ministry of Labour and Pension System.

The NGO Programme, with objective to strengthen civil society development and enhance contribution to social justice, democracy and sustainable development, is jointly implemented within the allocation to Funds for Non-Governmental Organisations under the EEA Financial Mechanism and the Norway Financial Mechanism. The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation. The programme was originally to consist of 3 open calls (focusing on solidarity economy actions, human rights, and children and youth) and 2 pre-defined projects, but the pre-defined project that was aimed at developing capacities of a newly established independent human rights foundation was not approved and therefore cancelled. FMO subsequently recommended to use the allocated funding to organise an additional open call supporting human rights organisations. The content of the call is currently being discussed with the Fund Operator and NGO stakeholders in Croatia. The other pre-defined project, which is focused on Roma inclusion, has been directly contracted to UNDP.

2.1 Cohesion

The aggregated effect of the Programmes supported by the financial mechanisms as concerns reducing economic and social disparities is not yet due for assessment, since the programme implementation is in an early phase. However, considering the set objectives of the aforementioned projects, it is expected that the projects contribute to the reduction of economic and social disparities.

MACRO INDICATOR	INDICATOR OWNER	SOURCE
State of social and economic affairs		
Human Development Index	United Nations	http://hdr.undp.org/en/media
Life expectancy	United Nations	http://hdr.undp.org/en/data
GDP growth	Eurostat	http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115
GDP per capita (pps)	Eurostat	http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114
Gini-coefficient	Eurostat	http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/dataset?p_product_code=TESSI190
At-risk-of-poverty	Eurostat	http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/People_at_risk_of_poverty_or_social_exclusion#Further_Eurostat_information
Unemployment rate	Eurostat	http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en
Youth unemployment	Eurostat	http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en
Gender inequality index	United Nations	http://hdr.undp.org/en/content/gender-inequality-index
Population growth	World Bank	http://data.worldbank.org/indicator/SP.POP.GROW
State of governance		
TI corruption perception index	Transparency International	http://transparency.org
Freedom house	Freedom House	http://www.freedomhouse.org/sites/default/files/NIT2014%20booklet_WEBSITE.pdf
European Participation Index	European Trade Union Institute	http://www.worker-participation.eu/About-WP/European-Participation-Index-EPI

- Indicators shall be gender disaggregated where possible.

2.2 Bilateral relations

As stipulated in the MoUs, the objective of the Bilateral fund is to strengthen Bilateral Relations between the Donor States and the Beneficiary State by stimulating long-lasting cooperation between institutions and organizations through the implementation of activities with partners from the Donor States, including through partnership at project level in all programme areas supported. The Donor States and Croatia would like to see a clear impact and long-term effects of the cooperation taking place under the Bilateral Fund, which should provide a platform for increased political, cultural, professional and academic relations. Therefore, entities from the Donor States and relevant national stakeholders in the Beneficiary State shall be able to access and benefit from the Fund in order to prepare and implement specific activities for this purpose.

This also includes funding to support networking and foster project partnerships. €100 000 has already been allocated to promote cooperation in geothermal energy between Iceland and Croatia.

With respect to the small size of the allocation and late accession of the Republic of Croatia to the EEA, it was agreed that the Programme Operator will focus exclusively on the promotion of measures facilitating networking and exchange of experience.

Subsequently, the Council of Europe is involved as a partner under the HR04 – ‘Improving the quality and efficiency of the judicial system through infrastructure development and better management’, sharing its considerable expertise on issues of human rights and the rule of law with special focus on strengthening the efficiency and quality of the Croatian judicial system.

The project will build on the existing close ties between Croatia and the European Commission for the Efficiency of Justice (CEPEJ), using as a foundation the continuous co-operation through the CEPEJ evaluation process.

Project Promoter expressed interest to expand the cooperation with the Council of Europe and to organize a conference with the Council of Europe in 2015, as well as to finance it through the Bilateral Fund. Project Promoter's representatives are currently working on market analysis and cost estimation for the conference.

3 REPORTING ON PROGRAMMES

3.1 Overview of Programme status

EEA Financial Mechanism Programme 2009-2014

With respect to the small size of allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway Financial Mechanism, the Parties agreed that the support will be provided through two programmes: The EEA Financial Mechanism Programme and NGO Programme. Within the Programme Area 12 Local and Regional Initiatives to Reduce National Inequalities and to Promote Social inclusion, two pre-defined project has been implemented:

- 1) Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation - the project shall develop research and study activities, business development and bilateral cooperation within the iNavis centre. Project Promoter is the City of Šibenik (CoŠ)

- 2) Pre-defined project II: Integrated Schools Project, Vukovar and Knin - the aim of the project is social recovery of the post conflict and multi-ethnic communities. Project Promoter is the Ministry of Science, Education and Sports (MoSES)

The Programme Operator is Sector for EU Programmes in the Ministry of Regional Development and EU Funds, which in the same time acts as the National Focal Point.

Within this financial perspective no calls are foreseen.

Norwegian Financial Mechanism 2009-2014

During the negotiation process, the Parties agreed that with respect to the small size of allocation, short deadlines and due to the fact that Croatia is the new country within the EEA and Norway Financial Mechanism, the support is being provided through three programmes:

Within the Norwegian Financial Mechanism 2009-2014, Programme Area 31: Judicial Capacity-building and Cooperation, one predefined project is being implemented via two sub-projects:

- 1) Renovation and reconstruction of the Karlovac courthouse to support the efficiency of the judiciary by improving working conditions.
- 2) Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ Project.

The Programme Operator is Sector for EU Programmes in the Ministry of Regional Development and EU Funds, which in the same time acts as the National Focal Point.

Implementation started on September 1st, 2014 and in Component 2. is going according to the implementation schedule. With regards to the Component I., certain delays were experienced, in connection to the lifting of the pre-eligibility criteria, linked to the delivery of a complete, precise and coherent description of the project's activities, as explained further in the text, under 3.2.1. Overall progress as regards implementation of the Programmes and their sub-projects.

Within the Programme Area 22 Decent Work and Tripartite Dialogue, one pre-defined project is in implementation in cooperation with the Union of Autonomous Trade unions of Croatia (UATUC). The project aims to strengthen the tripartite social dialogue in Croatia at national and regional level. In line with the Article 1.8 (e) of the Regulation, the Programme Decent Work and Tripartite Dialogue is operated by the Innovation Norway and Project Promoter is Croatian Ministry of Labour and Pension System.

The NGO Programme, with objective to strengthen civil society development and enhance contribution to social justice, democracy and sustainable development, is being jointly implemented within the allocation to Funds for Non-Governmental Organisations under the EEA Financial Mechanism and the Norway Financial Mechanism. The Financial Mechanism Office is entrusted with operating the programme in line with Article 5.13 of the Regulation. The programme was originally to consist of 3 open calls (focusing on solidarity economy actions, human rights, and children and youth) and 2 pre-defined projects, but the pre-defined project that was aimed at developing capacities of a newly established independent human rights foundation was not approved and therefore cancelled. FMO subsequently recommended to use the allocated funding to organise an additional open call supporting human rights organisations. The content of the call is currently being discussed with the Fund Operator and NGO stakeholders in Croatia. The other pre-defined project, which is focused on Roma inclusion, has been directly contracted to UNDP.

Within this financial perspective no calls are foreseen.

With regards to the establishment of the Bilateral Relations Fund, the draft work plan has been prepared during 2014 by the FMO and consultations with the National Focal Point have been conducted via e-mail and at the meetings in Zagreb and in Bruxelles.

Following the meeting in Bruxelles, due to experiences and lessons learned in other beneficiary countries of EEA and Norway grants, FMO decided to reassess the approach to the Fund for Bilateral Relations. Currently, a new draft of the work plan is being prepared by FMO and it is expected to be shared with the NPF in January 2015.

Currently, there are no other activities planned under any of the programmes, other than the defined projects.

Information on the progress in respect of the agreed Programmes regarding:

a) progress in establishing agreed Programmes, including calls undertaken

HR02, EEA NGO Programme

Programme Operator is the FMO.

Fund Operator is National Foundation for Civil Society Development. The total grant for the programme is €1,300,000.

The programme was originally to consist of 3 open calls (focusing on solidarity economy actions, human rights, and children and youth) and 2 pre-defined projects, but the pre-defined project that was aimed at developing capacities of a newly established independent human rights foundation was not approved and therefore cancelled. FMO subsequently recommended to use the allocated funding to organise an additional open call supporting human rights organisations. The content of the call is currently being discussed with the Fund Operator and NGO stakeholders in Croatia. The other pre-defined project, which is focused on Roma inclusion, has been directly contracted to UNDP, and the process of clarifications of legal and financial issues between FMO and UNDP is currently underway.

In terms of absorption rates and subscription to the calls, the programme is in good shape: the call on solidarity that was launched in November was significantly oversubscribed, with 76 application received and only around 10 to be selected at the Selection Committee on 20 February.

For more details about HR02, please consult Annex I.

HR03, EEA Financial Mechanism Programme

Within the Programme Area 12 Local and Regional Initiatives to Reduce National Inequalities and to Promote Social Inclusion, with an objective *Strengthened social and economic cohesion at national, regional and local levels*, are two pre-defined projects:

Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation.

Project Promoter is the City of Šibenik (CoŠ)

Project Grant is 1,719,513 EUR

Specific concerns: The aim of the project is to develop the iNavis centre in Šibenik. The project should be related to develop research and study activities, business development and bilateral cooperation within the iNavis centre.

Pre-defined project II: Integrated Schools Project, Vukovar and Knin

Project Promoter is the Ministry of Science, Education and Sports (MoSES)

Project Grant is 1,300,000 EUR

Specific concerns: The aim of the project is social recovery of the post conflict and multi-ethnic communities and a higher level of understanding, respect and cooperation between minority groups and the majority.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

Within the Norwegian FM Programme, Programme Area 31: Judicial Capacity-building and Cooperation, with an objective *A fairer and more efficient judicial system*, the one pre-defined project to be implemented via two pre-defined sub-projects:

Component I - Renovation and Reconstruction of Courthouse at Karlovac, with an aim to renovate and reconstruct the large courthouse in Karlovac in order to increase office space, improve conditions for judges and court users and make the facility accessible to people with limited mobility.

Component II - Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ project.

Project Promoter is Ministry of Justice of the Republic of Croatia.

Project partner is the Council of Europe.

The Programme Operator is Sector for EU Programmes in the Ministry of Regional Development and EU Funds (MRDEUF), which at the same time acts as the National Focal Point.

Project Grant is 3,229,846 EUR.

PA22 Fund for Decent Work and Tripartite Dialogue

The total grant for the fund is €100,000.

The project promoter is the Ministry of Labour and Pension System, while the Union of Autonomous Trade Unions of Croatia, the Croatian Employers' Association, the Norwegian Confederation of Trade Unions and the Confederation of Norwegian Enterprise are project partners.

The specific objective of the project is to increase the capacities of the Croatian social partners and public authorities and improve their effective interaction for genuine and constructive social dialogue at the tripartite level. The strengthened dialogue will enable the social partners to be better equipped to deliver on the objective of the decent work agenda, and thus to the overarching objective of a more sustainable social and economic development.

For more details about PA22, please see Annex I.

b) commitments and disbursements made by the Programme

The first and only Interim Financial Report was submitted in 2014 covering incurred expenditure between April and August 2014 declared 10,699 EUR in eligible expenditure incurred under the HR 01 (TA and bilateral relations), 6,276 EUR in eligible expenditure under the **HR 03 (EEA financial mechanism)** and 11,321 EUR under the **HR04 (Norwegian financial mechanism)**. Costs relating to HR03 and HR04 are mostly Programme Management costs as the projects have only started implementation later in 2014. The reported eligible expenditure also does not include staff costs as the system of reimbursement and accounting of staff salaries has not been set up before the submission deadline for IFR1.

c) problems related to absorption and/or disbursements, with suggested solutions

HR03, EEA Financial Mechanism Programme

Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation

First phase of the project, namely preparation of the Feasibility study hasn't started yet.

Pre-defined project II: Integrated Schools Project, Vukovar and Knin

Project activities should be accelerated, since the project started three months after the planned date.

HR04 - Improving the quality and efficiency of the judicial system through infrastructure development and better management

Component I - Renovation and Reconstruction of Courthouse at Karlovac

Project activities should be accelerated, since lifting of the pre-eligibility condition, linked to the delivery of a complete, precise and coherent description of the project's activities, did not occur yet, which is causing delays in tender launch.

Component II - Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ project.

The implementation started and for the time being is going according to the plan.

3.2 Individual Programme reporting

3.2.1 Overall progress as regards implementation of the Programmes and their sub-projects;

HR03, EEA Financial Mechanism Programme

The Programme Agreement for the EEA Financial mechanism 2009-2014 was signed on August 18th, 2014.

Concerning the implementation of iNavis project, the Partnership Agreement between the Programme Promoter (CoŠ) and the Partner 1 (University in Zagreb) was signed on July 11th, 2014 and the Contract between the Programme Operator (MRRDEUF) and the Programme Promoter (CoŠ) was signed on July 16th, 2014.

Concerning the implementation of Integrated Schools Project, Vukovar and Knin, the Partnership Agreement between the Programme Promoter (MoSES) and the Partner 1 (Agency for Upbringing and Education) was signed on October 10th, 2014 and the Contract between the Programme Operator (MRRDEUF) and the Programme Promoter (MoSES) was signed on October 31st, 2014.

Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation

It should be noted that during this monitoring period the project has faced delays, given the fact that a prerequisite for the further activities - the Feasibility study - hasn't been prepared yet, moreover the Terms of Reference for hiring of expert who will write the Feasibility study hasn't been approved yet. Feasibility study should identify the core areas of development in the fields of research, education, technological transfer and business cooperation, as well as to explore the most promising synergies across them, and to establish bilateral relationships in these areas.

Once the feasibility study is accepted and evaluated, priority areas will be clarified for the project implementation phase.

Although the project is currently delayed, it is estimated that once it start with the implementation activities based on the Feasibility study recommendations, it will contribute the overall objective of the programme - strengthening social and economic cohesion at national, regional, and local levels. In line with this objective, the project aims to strengthen bilateral relations in research, university level education, technological transfer and business cooperation between Croatia and Norway in various fields of green innovation and green industry: aquaculture, environmental protection, and sustainable energy technologies.

Pre-defined project II: Integrated Schools Project, Vukovar and Knin

During the reporting period, project has started with delays; however two activities have been partially achieved:

- Establishment of the working groups: three out of four WG has been established and started with their activities (WG 2a, WG 2b and WG 3); and
- Identification of building for pre-school and school in Vukovar: All the members The Task Force together with MoSES has officially confirmed the final decision and selected the most prospective location. There is no opponent to that choice.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

The Programme Agreement for the Norwegian Financial Mechanism 2009-2014 was signed on August 18th, 2014.

Partnership Agreement between the Project Promoter and the Council of Europe concerning the implementation of the project "Improving the quality and efficiency of the judicial system through infrastructure development and better management": Component II - "Improvement of the way cases are handled by the judicial system by applying tried and tested methodologies developed by the Council of Europe's CEPEJ project" was signed on August 19th, 2014. Following the signature of the Partnership Agreement, the Contract between the Programme Operator and the Project Promoter was signed, on August 29th, 2014 and the implementation of the project started.

Following the signature of the Contract between the Programme Operator and the Project Promoter, sub-project II Improvement of the time management of court cases and the quality of the delivery of justice - cooperation with the Council of Europe began on September 1st, 2014, when the first meeting between representatives of the Ministry of Justice of the Republic of Croatia and the Council of Europe was held.

With regards to the Component I certain there are certain delays. As stated within the Contract, for this sub-project there is a pre-eligibility condition, linked to the delivery of a complete, precise and coherent description of the project's activities, which still needs to be lifted. Namely, use of grants for this sub-project will be enabled after the Ministry of Foreign Affairs of the Kingdom of Norway approves the amended Annex 1 – Project description and Appendix 2 – The budget of the project. The Project Promoter worked on revision and finalization of the bill of quantities and the budget, together with the revision of the whole tender documentation until the first half of December, when it was finalised. The Project Promoter and the Programme Operator finalized the updated project proposal at the end of 2014, and currently it is being informally consulted with FMO. At the same time the Project Promoter agreed on modalities of moving out employees who work within the building during the reconstruction. All employees will be moved out during the works.

3.2.1.1 Progress on horizontal concerns/ Cross-cutting issues

The HR03, EEA FM Programme activities are very much focused on tackling following horizontal and cross-cutting issues:

The project II will deliver curriculum that would be better adapted to the needs of multi-ethnic and post-conflict communities and that would prevent segregation and/or assimilation processes of children from different ethnic backgrounds. Continuous outreach activities focusing on the promotion of intercultural values on local and national level should also contribute to the social sustainability.

Good governance is mainstreamed in the both projects concept as the project results will contribute to providing new educational models for local citizens. Good governance will also be fostered through the introduction of monitoring and control for the projects implementation.

Equal participation of women and men has been mainstreamed in the design and implementation by providing opportunities to both genders of target groups to participate in both project activities.

The purpose and main objective of the project II is to positively contribute towards minority inclusion and is essentially committed to promote tolerance, multicultural understanding, respect for the rights of minorities including combatting hate speech, extremism, racism, and other types of xenophobia.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management' - Cross-cutting issues

The renovation of Karlovac will be conducted in accordance with government legislation and policy. The new building will be much more accessible to persons with limited mobility (good governance).

Also, the renovation will be undertaken according to the national environmental obligations in terms of recycling and disposal, and the new building will be more efficient in relation to energy use (environmental considerations).

The specific impact of the introduction of CEPEJ tools should be to increase case flow, thereby making the courts more efficient in economic terms (economic sustainability).

The piloting of satisfaction surveys will enable the Ministry of Justice to identify priorities for further reform efforts (social sustainability).

Based on the fundamental principles of promoting equality and combating discrimination, participation in the project will be guaranteed on the basis of equal access regardless of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation (gender equality).

3.2.2 Progress towards expected outcomes;

The HR03, EEA FM Programme

Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation

Expected outcome of the predefined project i-Navis is that the regional development index is increased as a result of the project outputs, which will be measured by an increase in the HDI. More precisely, if all the project outputs, such as establishment of the iNavis Centre, development and launching of curricula and university programmes, new patent applications, joint Croatian–Norwegian research programmes as well as established Croatian–Norwegian business cooperation took place, it is estimated that the targeted value of regional human development index which is 83 should be achieved (baseline is 80.9 HDI).

Pre-defined project II: Integrated Schools Project, Vukovar and Knin

In order to achieve an overall objective of the project which is higher level of understanding, respect and cooperation between minority groups and the majority, the project foresees several outcomes that has to be meet , such as:

- An integrative and intercultural preschool and primary school curricula developed in Vukovar.
- Common preschool institution and primary school building in Vukovar fully renovated, equipped and registered.
- Informed and empowered parents who have enlisted their children to the integrated and intercultural preschool institution and primary school in Vukovar.
- Capacity of preschool educators and teachers and professional staff who will provide education following the newly developed integrative / intercultural curriculum strengthened.
- All mechanisms and instruments required for performing the tasks of supervising/evaluating/supporting the implementation of educational process in Vukovar established.
- Feasibility study for evaluation of existing curricula and survey of educational needs in Knin in order to determine correspondence of existing curricula with integrated model and educational needs of pupils, parents and teachers as a basis for developing an integrative and intercultural approach to education.
- Sociolinguistic baseline study conducted which will create a basis for further development of linguistic educational model in multi-identity communities (Vukovar and Knin).

More precisely, children of different ethnic background, especially children who are members of minority groups in cities of Vukovar and Knin, have been exposed to the unsolved issues related to the war and history heritage, war trauma passed on them by their parents and family members, prejudices, hate speech and feelings of guilt for the events that took place before they were born but that still play an important role in their daily lives. Schools, besides family, represent a key element in children's upbringing, socialisation and adoption of values towards 'others'.

Within this project the integrative preschool and primary school concept will be developed and implemented in the City of Vukovar and the feasibility study, evaluation of existing curricula and survey of educational needs in Knin will be conducted. The feasibility study will determine correspondence of the existing curricula with the integrated model and establish the educational needs of pupils, parents and teachers in Knin. In addition, sociolinguistic baseline study will be carried out that will provide data regarding linguistic attitude, linguistic competence and communicative interactions among the respective identity communities which will create a basis for the development of linguistic educational model in multi-identity communities (Vukovar and Knin). The survey will be conducted in Knin and Vukovar, but bearing in mind the situation in the whole country.

It has been estimated that this project will address the above mentioned issues by developing the integrative school concept, to be implemented as a pilot project in the City of Vukovar as of September 2015.

During the reporting period, project has started with delays; however two activities have been partially achieved:

- Establishment of the working groups: three out of four WG has been established and started with their activities (WG 2a, WG 2b and WG 3); and
- Identification of building for pre-school and school in Vukovar: All the members The Task Force together with MoSES has officially confirmed the final decision and selected the most prospective location. There is no opponent to that choice.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

The expected outcome of this programme is improved efficiency of the court systems, including the development of systems for case handling.

It will be measured through number of court officials benefiting from improved working conditions (after the renovation and refurbishment of the large courthouse in Karlovac, the working conditions of 200 court officials will significantly improve) and through number of courts with enhanced capacity in time management of court cases and with improved quality of the delivery of justice following a pilot phase.

Namely, the judicial system in the Republic of Croatia encompasses a wide range of institutions, under the overall direction of the Ministry of Justice.

Rationalization of the court network, which started in 2008, has significantly reduced the number of courts in Croatia from 255 in 2008 to 158 at the end of 2012. The aim of the reform is that a smaller number of larger courts will improve efficiency, increase the time spent by judges in court and enable necessary specialisation.

The new wave of rationalization and reorganisation process is currently under way, in order to improve shortcomings of the current system, such as the excessive length of court proceedings, an insufficient utilization of existing resources within the court system etc. In October 2014 the new Law on the areas and the seats of the courts was adopted in the Croatian Parliament, which is to be applied as of April 1st, 2015 on municipal and county courts, and as of July 1st, 2015 on misdemeanour courts. According to the Law, Croatian Area is divided into 15 judicial areas, in a way that establishes 15 district courts, 24 municipal courts and 22 misdemeanour courts, which makes 43 municipal courts and 39 misdemeanour courts less. In parallel, it was also necessary to align the network of municipal and county state attorney's offices. Therefore, the Parliament also adopted the new Law on areas and seats of state attorney's offices. Subsequently, as of April 1st, 2015 22 district attorney's offices and 15 state attorney's offices will be established to act in criminal and civil court proceedings.

In order to complement above mentioned organisational restructuring, attention has been given both to improving the court infrastructure and to improving the judicial processes, in particular clearing the backlog of cases and shortening the length of proceedings. This project will contribute greatly to both dimensions by creating an updated facility at the important complex at Karlovac and by applying the CEPEJ tools for judicial time management and court user satisfaction.

3.2.3 Outputs achieved;

The HR03, EEA FM Programme

Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation

There are 6 major outputs foreseen by the project:

1. Establishment of the iNavis Centre for Research and Innovation
2. Number of new patent applications increased
3. Joint Croatian–Norwegian research programmes launched
4. Development of curricula and university programmes
5. University programmes launched
6. Joint Croatian–Norwegian business cooperation established.

Due to the fact that the version of the draft Terms of Reference for the Feasibility study submitted to the FMO in September FMO evaluated as incomplete and that their comments to the draft were substantial, first phase of the project, namely preparation of the Feasibility study hasn't started yet.

The parties agreed that the draft ToR will have to be substantially re-written to be able to achieve a feasibility study of such a quality that it could be approved by the Donors, in accordance with the Programme Agreement. In that sense, the FMO undertook an exceptional task of commenting the ToR, since that is a responsibility for the Programme Operator.

The parties discussed different options on how to provide support to the ToR work, but PO decided to perform this task by its own means, meaning to support the PP while revising the ToR according to the FMO comments. Such a decision PO has made mainly due to the time span of several weeks which is foreseen under the current internal procurement rules in the ministry.

Currently, the PO has officially submitted ToR to the FMO and is waiting for the FMO to confirm the receipt.

Pre-defined project II: Integrated Schools Project, Vukovar and Knin

Partnership Agreement between Ministry of Science, Education and Sports and the Education and Teacher Training Agency has been signed on 10 October 2014. Grant Contract between MoSES (PP) and the MRDEUF (PO) has been signed on 31 October 2014. Since the delayed signing of the Partnership Agreement as well as Grant Contract, implementation of the project activities could start only with delay.

Apart from the late start, the project had been burdened with the continuous lack of communication between Task Force members, which has been very poor. Moreover, until the beginning of November Task Force haven't been able to reach joint decisions. Until then, Task Force had acted as a forum for distribution of the individual interests which had weak or non-relation to the progress of the project. After requests from MoSES (PP) for additional support from the donor and PO, PP was finally enabled to facilitate the group in a manner that decisions could be reached while respecting the leading role of MoSES and its overall and fiscal responsibility of achieving the project objectives.

Furthermore, for a longer time a risk was also having no consensus among the peers neither on the type of the building and type of the works that has to be done nor on the placement of the building. After establishment of the working group for the administrative/technical and legal aspects of implementation of preschool/school (WG 3), and the consultation with Task Force members, final decision on the location and of the type of works has been reached.

During the reporting period, project has started with significant delays; however two activities have been partially achieved: one concerning the establishment of the working groups, and the other one concerning the identification of building for pre-school and school in Vukovar.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

Following the signature of the Contract between the Programme Operator and the Project Promoter, sub-project 2 Improvement of the time management of court cases and the quality of the delivery of justice - cooperation with the Council of Europe began on September 1st, 2014, when the first meeting between representatives of the Project Promoter and the Council of Europe was held. The Project Promoter has sent on September, 15th 2014 all statistical data from Karlovac Court to the Council of Europe experts. Following that, the Council of Europe has sent a first Performance study, along with the first recommendations on SATURN guidelines. The Beneficiary expressed interest to expand cooperation with

the Council of Europe and to organize a conference with the Council of Europe in 2015, as well as to finance it through the Bilateral Fund. On January 13-14th, 2015 new mission of the Council of Europe to Karlovac is expected, in order to discuss the recommendations presented in the first report and start the drafting of an Action Plan, with concrete measures with immediate application.

For the sub-project 1 Renovation and reconstruction of Karlovac courthouse there is a pre-eligibility condition, linked to the delivery of a complete, precise and coherent description of the project's activities, which still need to be lifted.

Accordingly, the bill of quantities for construction works, as well as the budget is revised and finalized. Updated technical documentation is delivered to the Ministry of Justice and the Ministry of Regional Development and EU Funds. The Ministry of Justice agreed on modalities of moving out of employees, who work in the court house, during renovation works and the negotiation process on lease for alternative buildings in on-going.

The Project Promoter and the Programme Operator finalized the updated project proposal, and to the revised version was sent to the FMO for consultations. Tender launch for procurement of contractors for works and supervision of works is planned to take place in February 2015, if the pre-eligibility condition is lifted.

3.2.4 Potential risks that may threaten the achievement of the objectives set out in the Programmes;

The HR03, EEA FM Programme

Risks to the programme are following:

- Delayed signing of the Partnership Agreement;
- Communication between Task Force members in some point was very poor, and moreover in various occasions, Task Force acted as a forum for distribution of the individual interests which had week or no relation to the progress of the project;
- Identification of the location and/ or building that needs to be restored, converted and equipped for the future preschool and primary school (for a longer period of time there was no consensus among the peers neither on the type of the building and type of the works that has to be done nor on the placement of the building)
- Tight timeframe for the works (the beginning of school year 2015/2016)

The Norwegian Financial Mechanism 2009-2014

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

Risks to the programme are following:

- Lack of value in tender offers and/ or the event of appeals that may delay project implementation;
- The extension of implementation of works due to the delays caused by the subcontractor;
- Judges reluctant to participate in the time management initiatives;
- Slippage of time tables due to the fact that implementation of the activities under Component I has not started yet

3.2.5 The need for adjustments of plans, including actions for risk mitigation;

HR03 - The EEA Financial Mechanism Programme 2009-2014

Under the pre-defined project Integrated Schools Project, Vukovar and Knin several mitigation actions were taken, e.g. holding numerous meetings of the peers, such as Task Force meetings, meetings of the working groups or meetings and consultations between PO and PP depending on the exact needs.

Both pre-defined projects took mitigation measures such as:

- Established good and frequent cooperation between beneficiary country and donor
- Established good and frequent cooperation between Task Force members
- Established good cooperation between PO and PP.
- Involvement of the high officials (decision makers) that could put a pressure among the peers.

The Norwegian Financial Mechanism Programme 2009-2014

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

With regards to the risk related to the slippage of time tables due to the fact that implementation of activities under Component I has not started yet, the action plan/ Time table is revised and new deadlines are set up.

Revised version of the project proposal, that is currently being informally consulted with FMO, also anticipates this schedule re-adjustments, and accordingly tender launch for procurement of contractors is rescheduled for the end of February 2015 (instead of December 2014, as initially planned and agreed). Accordingly, all other activities were re-adjusted, within the given time-frame.

Taking into account that period planned for implementation is reduced, the full commitment of all parties involved in project implementation will be needed in order to finish the project on stipulated deadline.

3.2.6 The use of funds for bilateral relations;

According to the respective Memorandum of Understanding (MoU) signed between the Republic of Croatia (the Beneficiary State) and Iceland, Liechtenstein and Norway (the Donor States) for the implementation of the EEA and Norway Financial Mechanism 2009-2014 in Croatia the fund for bilateral relations at national level referred to in Article 3.5 of the Regulation shall be implemented jointly with the funds for bilateral relations at programme level referred to in Article 3.6 of the Regulation. The total allocation to the two funds shall amount to €515,625. The aim of the aforementioned Fund is to strengthen political, professional, social and economic ties and lay foundations for wider relations between the two parties.

The objective of the Bilateral Fund as stipulated in the MoUs is to strengthen Bilateral Relations between the Donor States and the Beneficiary State by stimulating long-lasting cooperation between institutions and organizations through the implementation of activities with partners from the Donor States, including through partnership at project level in all programme areas supported. The Donor States and Croatia would like to see a clear impact and long-term effects of the cooperation taking place under the Bilateral Fund, which should provide a platform for increased political, cultural, professional and academic relations. Therefore, entities from the Donor States and relevant national stakeholders in the Beneficiary

State shall be able to access and benefit from the Fund in order to prepare and implement specific activities for this purpose.

The draft work plan for the Fund for Bilateral Relations has been prepared during 2014 by the FMO and consultations with the NFP have been conducted via email and at meetings held in Zagreb on 13 October 2014 and in Bruxelles on 19 November 2014. The draft work plan presents the strategy that will be followed by Croatian Authorities and particularly by the NFP. The draft work plan provides a brief overview of the proposed activities under the Fund and a brief description of the system to be put in place for the implementation of the Fund.

Following the second meeting regarding the Fund for Bilateral Relations held in Brussels on 19 November 2014, due to the experiences and lessons learned in other beneficiary countries of EEA and Norway grants, FMO decided to reassess the approach to the Fund for Bilateral Relations. Currently, a new draft of the work plan for the Fund for Bilateral Relations is being prepared by the FMO and it is expected to be shared with the NFP in January 2015.

4 MANAGEMENT AND IMPLEMENTATION

4.1. Management and control systems

There have been no changes to the management and control system since submission of the Description of Management and Control Systems (DMCS). All the elements in the DMCS are in place and the system functioned as planned during the reporting period.

The Sector for EU Programmes, within the Directorate for Strategic Planning, at the Ministry of Regional Development and EU Funds acts as the National Focal Point. The Sector for EU Programmes reports directly to the Deputy Minister who acts as the Head of the National Focal Point.

However, the Assistant Minister, Head of Directorate for Strategic Planning, a person who fulfils tasks related to the actual implementation of the Programme in cases where the National Focal Point acts as the Programme Operator and ensures the separation of functions between NFP and PO resigned in September 2014.

There has been a change of two task managers for the programmes due to maternity leave. The former task managers have been quickly replaced at no risk to the programmes.

The National Focal Point and Programme Operator have proposed an implementation system for the Bilateral Fund and it will be set up upon approval of the Action Plan.

Additionally, there is a need to highlight the announcement of the future MRRDEUF's reorganisation, that is supposed to take place in Q1 2015. The announced reorganisation will have an effect on the management and control system, therefore it is necessary to ensure enough of administrative capacities and support for effective functioning of EEA and Norway Grants in Croatia.

4.2 Compliance with EU legislation, national legislation and the MoU

There have been no problems encountered with regards to the regulatory environment of the financial mechanisms.

Public procurement in Croatia is governed by the Law on Public Procurement (Official Gazette NN 90/11, 83/13, 143/13, 13/14). All the Project promoters are obliged to follow this Legislation which is in line with the EU regulation.

State aid is governed by the Law on State Aid (Official Gazette 47/14). None of the financed projects will have an undesirable impact on the common market as defined in the Law on State Aid and the Commission Regulation on State Aid. Two of the three projects do not have activity which could be considered as economic activity by the above mentioned State Aid Regulation. The project “iNavis” will transfer any possible aid in the form of de-minimis aid to end user via a de-minimis aid scheme which will be developed according to the final project proposal and budget.

Project Promoters have been made aware of their obligations with regard to public procurement, state aid, the environment and promoting equality of opportunity for all people irrespective of gender, age, race or disability as part of their grant contract as well as Grant Implementation Manual which the NFP/PO has developed.

4.3 Irregularities

Within the reporting period, SCIF drafted procedures for managing irregularities and fraud in the context of EEA and Norwegian financial mechanism 2009-2014 which are integrated within Manual of procedure of the Programme Operator. The procedure describes the methodology for comprehensive irregularity management, which includes activities related to prevention, detection, verification, reporting of irregularities and monitoring of actions to be taken upon reported irregularities.

Regarding reporting of the irregularities in the reporting period, there has been no irregularity cases reported to the SCIF.

In order to strengthen the administrative capacities, SCIF employees participated on “DoRIS training” that was organized in Zagreb, 20 February 2014 and also on “Workshop on irregularities” that was organized at the FMO’s premises in Brussels, 18 March 2014.

4.4 Audit, monitoring, review and evaluation

The monitoring manager in the National focal Point is in charge of preparing and organizing monitoring committee and annual meeting, performing the administrative activities for appointing members of the monitoring committee, as well as coordinating the preparation of the combined strategic and annual report. In 2014 preparatory activities were undertaken by the monitoring manager in terms of communication with the Donors on organisational issues and setting the date for relevant monitoring committee and annual meeting.

In 2015 monitoring activities will continue in accordance with the relevant regulation.

As this is the first year of the implementation of the Programme, the NFP has not yet implemented any monitoring activities. The on-the spot checks are planned in February 2015. After the first year of implementation (April 2015) the NFP will commission an external evaluation of the implementation of financial mechanisms in order to review the implementation procedures and practices and make suggestions to make it more effective.

The Audit Authority has implemented an initial audit (compliance assessment) in April 2014 and the next audit aiming to review MCS on PO level is scheduled for April 2015.

The PO has had 2 bi-monthly monitoring meetings for each of the 3 projects in implementation. Even though at least one monitoring visit was envisaged per project, due to the delay in signing the grant contracts, only one monitoring visit was implemented, to the City of Šibenik.

Despite this, the PO is actively involved in “unofficial” monitoring of all of the projects, such as attending working group and task force meetings for the project “Integrated School in Vukovar and Knin”. In the next reporting period, the PO and NFP will hold bi-monthly monitoring meetings with the PPs (6 meetings for each project – 18 meetings). Also, the monitoring officer and task manager will implement bi-monthly (and if needed monthly) monitoring visits to projects (6 visits for each project – 18 visits)

4.5 Information and publicity

The National Focal Point and Programme Operator have submitted a Communication Strategy in October 2014 and have received an approval with additional comments in December 2014 from the FMO. The final version on the Communication Strategy including the FMO comments will be distributed by January 15th 2015.

A summary of the information and publicity activities undertaken, including:

- a) the status of implementation of the Communication Strategy for the financial mechanism, including examples of information and publicity measures:

A dedicated web site has been launched for the Norwegian and EEA Financial Mechanism. In accordance with Annex 4 of the Regulation, it will be accessible from two domains www.eeagrants.hr and www.norwaygrants.hr. All information on the web site will be available in Croatian and in English. The web site is constructed in line with the Design and Communication Manual.

At the beginning of the Programme, the Programme Operator and National Focal Point have prepared promotional materials with important information on the Financial Mechanisms, conveying the key communication message of the mechanisms.

These are as follows:

- information brochures on financial mechanisms
- promotional document maps
- promotional posters
- promotional roll-ups

The posters, promotional documents maps and roll-ups will be used in every appropriate occasion to promote the Financial Mechanisms.

The information brochure will be printed with new information before each of the major events. Before the launching event a brochure is printed with the basic information on Financial Mechanisms and the objectives and planned activities of the pre-defined projects. For the mid-term event, a brochure will be published to contain progress on the projects and the programme. For the closing event, a brochure will be published to emphasise the results of the programme.

The promotional materials will be available to a wide group of stakeholders, at all times, in the premises of the Ministry of Regional Development and EU Funds and at the premises of the Royal Norwegian Embassy in Zagreb.

Two visibility events have been held so far. The first event was the MoU signature ceremony, held on March 31st in Zagreb. It was an event open to the press and it has received significant media coverage, from the printed media, TV news and digital media. Approximately 10 journalists and 20 of the most relevant stakeholders attended the event.

The second event was the official Launching event for the Programme, held in Zagreb on June 16th 2014. This event was attended by 54 people and approximately 5 journalists. Despite the relatively close schedule of the two events and similar messages on both, the presentation of projects and programmes at the launching event has also received some media coverage, albeit less than the MoU signature ceremony.

- b) an assessment of the results of the information and publicity measures in terms of visibility and awareness of the financial mechanism and its objectives, and of the role played by the Donor State(s), as provided for in subparagraph (f) of Article 2.2 of the Information and Publicity Requirements (Annex 4);

Activity	Target	Assessment as of 31/12/2014
Major events	<ul style="list-style-type: none"> 5 articles in the media on the event/on the Financial Mechanism support 	Fulfilled for MoU signing ceremony and launching event
	<ul style="list-style-type: none"> 50 participants to events 	Fulfilled. 20 participants to the MoU signing ceremony and 54 to the Launching event
Web site	<ul style="list-style-type: none"> News on web site published/web site updated at least once a month 	Fulfilled. Web site set up and all the information on the events held so far has been published.
Promotional materials	<ul style="list-style-type: none"> 1000 brochures printed/disseminated 30 posters printed/presented 5 roll-ups presented 	<p>Fulfilled.</p> <ul style="list-style-type: none"> -500 brochures • 3 Roll-up s • 20 posters • -business cards for 4 people in the PO/NFP • -200 Promotional document maps
Other activities	<ul style="list-style-type: none"> Promotion/presentation of Financial Mechanism support on at least 2 events per year 1 annual press conference organised 	2 events held so far with press attendance

- c) an assessment of the need to update the Communication Strategy and the content of any such significant amendment; and

The Communication Strategy will be updated in accordance with FMO comments. No other modifications are necessary at this stage.

- d) an assessment of the information and publicity activities implemented by the Programme Operators, including the arrangements referred to in paragraph 2 Article 4.7 of the Regulation and the websites where such information may be found.

4.6 Work plan

The first monitoring committee and annual meeting for 2014 are planned for January/February 2015. The following monitoring committee and the annual meeting will be held in early 2016.

The monitoring manager shall attend bimonthly meetings for each project and perform on the spot checks once a year for each project of which the programme operator is the National Focal Point.

A work plan contains monitoring/audit activities:

- On-the-spot visits to all projects (1 per project – 3 visits) February 2015
- Monthly or bi-monthly monitoring visits (6 per project – 18 visits)
- Bi-monthly monitoring meetings for each project (6 meetings per project – 18 meetings)
- Annual external evaluation (April 2015)
- Audit by the Audit Authority on the DMCS on PO level scheduled for April 2015

HR03 - the finalisation of the ToR has been a moving target, since all the planned deadlines for that activity had been broken. Due to the delayed start of the work on the Feasibility study, it has been foreseen to shorten the time envisaged for the preparing of the Feasibility study as much as possible. In that respect it has been foreseen that Feasibility study should be prepared in 4 months' time, in order not to lose any more of the precious time needed for the activities that will follow. The newly proposed timeline is going to be set in the final version of ToR.

HR04 – court rationalization process/ reorganisation is on-going long term reform, that began in 2008, and it will continue.

Related to the tender and the launch date, in accordance with revised and up-dated project proposal, it will happen till the end of February 2015, if the pre-eligibility condition is lifted. The undertaking and completion of the works and the supervision of works on Karlovac court building is scheduled for May 2015.

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

The National Focal Point produced a Grant Implementation Manual for Project Promoters and annexes to serve as guidance for Project Promoters during implementation. This document and its annexes are accessible on our webpage.

The National Focal Point/Programme Operator is pleased with the excellent working relationship among all stakeholders. Regular contact, follow up and availability have proven beneficial to all parties concerned.

The National Focal Point/Programme Operator is grateful for the support provided by the Financial Mechanism Office and looks forward to further collaboration over the next year in order to ensure smooth and successful programme implementation.

The HR03, EEA FM Programme

Once the Terms of Reference for the Feasibility study under the Pre-defined project iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation will be approved preparation of the Feasibility study could finally start. The PO and PP do not anticipate any substantial delays that may occur during the following phase of the preparation of the Feasibility study, but nevertheless close cooperation between the peers was agreed in the month of September and both parties should respect that agreement also in the future.

The PP for the pre-defined project Integrated Schools Project, Vukovar and Knin should continue with the implementation of the mitigation actions such as frequent meetings and consultations among the peers,

in order to minimise all the risks to the lowest level. If the need arises again, the PO and PP should without any hesitation involve their high officials (decision makers) that could put a pressure among the peers.

HR04 - 'Improving the quality and efficiency of the judicial system through infrastructure development and better management'

The Project Promoter agreed on modalities of moving out employees that work in the court house during the renovation works. The revised project proposal is in the process of informal consultation with FMO, and once formally approved, the tender will be launched.

The Project Promoter and the Programme Operator finalized the updated project proposal, and sent it to the FMO for informal consultations, in order for pre-eligibility condition to be lifted as soon as possible and in order for tender launch for procurement of contractors for works and supervision of works to take place in February. The updated project proposal should also anticipate these updates in the schedule of activities, but in a way that enables project implementation on time.

4 ATTACHMENTS TO THE STRATEGIC REPORT

The Strategic Report shall also include a number of attachments. DoRIS reports are available for extraction to be used for attachments 1-5. The reports can be accessed from the folder called: *Strategic Report Attachments* which is located under the *Country report* folder. Please follow the following link in the reports section of DoRIS (<https://doris.eeagrants.org/MapReports/>).

1. For each Programme, a table [DoRIS report to be extracted] showing the breakdown in respect of applications received and projects selected / contracted, as well as the types of intervention supported.
2. For each Programme, a table providing information in respect of donor partnership projects (names of Donor State entities, number and proportion of partnership projects). [DoRIS report to be extracted]
3. A summary table on Donor partnership projects on the Beneficiary State level. [DoRIS report to be extracted]
4. A list of irregularities detected at the Beneficiary State level and at Programme level during the reporting period and financial corrections made. Provide an update on previously reported irregularities. [DoRIS report to be extracted]
5. For each Programme, a list of irregularities detected at project level during the reporting period and financial corrections made. Provide an update on previously reported irregularities. [DoRIS report to be extracted]
6. A plan setting out the monitoring and audit activities in the Beneficiary State for the coming reporting period. (This is a non-public attachment)
7. A risk assessment at the national and programme levels (This is a non-public attachment. See suggested structure in Annex).

Attachments for each Programme

1. Monitoring Plan, see section 7.3 in the Programme Operators' Manual
2. Risk assessment of the programme.

Monitoring Plan

As noted in Section 1.12 of Programme Proposal, the monitoring plan is based on a mixed system of progress reports prepared by the PPs, on-the-spot verifications and bimonthly meetings between the PPs and representatives of the Sector for EU Programmes at the NFP and PO level.

An indicative plan for year 2015 is presented below:

1. PROGRESS REPORTS

The submission of progress reports by the PPs will follow the reporting periods of the Interim Financial Reports i.e. they will be submitted three times per year for the following period of 4 months, one month after the end of the reporting period:

- January (covering 1 September - 31 December)
- May (covering 1 January - 30 April)
- September (covering 1 May - 31 August)

2. BIMONTHLY MEETINGS

Bimonthly meetings will be held with each individual PP in order to examine project progress and specific issues (e.g. late contracting, tight implementation schedules etc.) that could present problems for the successful project implementation, so that necessary corrective actions could be agreed on. Minutes of the meetings as well as a follow up table will be addressed by the PO to the parties concerned.

Bimonthly meetings will be organized 6 times in 2015 according to this schedule:

- February
- April
- June
- August
- October
- December

3. ON-THE-SPOT VERIFICATIONS

In addition to the Progress reports and bimonthly meetings, the PO will ensure the quality of the implementation of programme and projects' progress towards expected outcomes by conducting on-the-spot verifications.

Due to the fact that only 2 projects will be implemented within EEA FM Programme on-the-spot verifications shall be conducted for both projects each year.

On-the-spot verifications will be conducted at least once a year depending on the projects' progress.

Annex: Risk assessment at the national level

The risk assessment at the national level regards risks to the two overall objectives and overall operations of the Grants.

Type of objective ²	Description of risk	Likelihood ³	Consequence ⁴	Mitigation planned/done
Cohesion objective: To contribute to the reduction of economic and social disparities in the EEA and to strengthening of bilateral relations between Norway and the Beneficiary States through financial contributions in the priority sectors listed in the MoU	Delay in implementation due to the slower progress on lifting the pre-eligibility criteria	Medium	High	The PO will concentrate resources on assisting and guiding the PMs in order to fulfil the pre-eligibility criteria
Bilateral objective:	Inadequate number of mature actions will exist to efficiently absorb funds under the bilateral objective	Low	High	The NFP will inform all the relevant stakeholders of the possibilities under the bilateral objective in a timely manner
Operational issues:	Organizational changes (reorganization of the internal structure) of the MRRFEU may have an effect on the management and control systems established for the PO and NFP	Medium	Medium	The NFP and PO has know for this reorganization for quite some time and necessary measures will be put in place to ensure continuity of the implementation and monitoring process. The NFP and PO will make sure that, in the event of personnel changes, the tasks are properly handed over. If necessary, additional (internal or external) staff will be engaged to ensure the smooth management of the financial mechanisms

² 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.

³ Each risk should be described as to whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue, where 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%)

⁴ 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.

Annex: Risk assessment of the programme

Programme #	Type of objective ⁵	Description of risk	Likelihood ⁶	Consequence ⁷	Mitigation planned/done
The HR03, EEA FM Programme Pre-defined project I: iNavis, Croatian national resource centre for energy, environmental, marine and maritime research and business innovation	Cohesion (Programme) outcomes:	1. Delay of the start of the project activities, namely of the preparation of the Feasibility study	High Medium Medium Low	Medium Medium Medium High	1. PO involve high officials to push pressure to the PP and partner 2. MoSES (PP) repeatedly asked for support of the donor or PO to facilitate the group in a manner that decisions could be reached while respecting the leading role of MoSES and its overall and fiscal responsibility of achieving the project objectives. 3. Designated working group planed through the project will tackle this issue. 4. Good cooperation of all members of the operational group and willingness to successfully implement project which, in accordance with the project idea, has a mandate for making all decisions related to the implementation. By doing so, the WG in short period of time succeeds to find the location / building; to start with design of the reconstruction / conversion of the building; and to start with obtaining building and other permits.
Pre-defined project II: Integrated Schools Project, Vukovar and Knin		1. Delayed signing of the Partnership Agreement 2. Communication between Task Force members is very poor, and moreover in various occasions, Task Force acted as a forum for		Pre-defined project II: Integrated Schools Project, Vukovar and Knin	

⁵ 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.

⁶ 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%)

⁷ 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>distribution of the individual interests which had weak or non relation to the progress of the project.</p> <p>3. Identification of the location and/or building that needs to be restored, converted and equipped for the future preschool and primary school (there is no consensus among the peers neither on the type of the building and type of the works that has to be done nor on the placement of the building)</p> <p>4. Tight timeframe for the works (the beginning of school year 2015/2016).</p>			
HR04	Cohesion (Programme Outcomes):	Lack of value in tender offers and/or the event of appeals that may delay project implementation	Medium	High	Ensure that adjudication committee members are resourced and available at the appropriate time, and that they are well briefed on the procedures adopted in tender adjudication. The PP will be obliged to include information on procurement procedures in the progress report that will be submitted 3 times per year.
	Improved efficiency of the court systems, including the development of systems for case handling	The extension of implementation of works due to the delays caused by the subcontractor	Medium	Low	Works contract will be drafted in a way that timely reaction on any types of delays will be predicted.
		Judges reluctant to participate in the time management initiatives	Low	High	Early consultation with and involvement of judges, including the Judicial Academy.
		Slippage of Time Table due to the fact that implementation of the activities under Component I has not started yet	High	Medium	<p>High quality project management skills will be applied at Council of Europe and Ministry of Justice. ON GOING.</p> <p>The Project Promoter should agree on modalities regarding moving out of employees who work in the courthouse. DONE.</p> <p>The Project Promoter and the Programme Operator should finalize project proposal and request regarding lifting of the pre-eligibility condition linked to the delivery of a complete, precise and coherent description of the project's activities by the end of 2014. DONE.</p> <p>The up-dated project proposal should anticipate this re-adjustments within the schedule of activities. DONE</p> <p>To launch tender for procurement of contractors for works and supervision of works till the end of February 2015. TO BE DONE, after formal approval of the project proposal by the FMO.</p>

	Bilateral outcome(s):				
	Operational issues:				