



**REPUBLIC OF CYPRUS**  
**Directorate General for European**  
**Programmes, Coordination and**  
**Development**



**COMBINED**  
**STRATEGIC AND ANNUAL PROGRAMME REPORT**  
**2014**

for the

**EUROPEAN ECONOMIC AREA (EEA)**  
**FINANCIAL MECHANISM**

**2009 – 2014**

**REPUBLIC OF CYPRUS**

**January 2015**

Compiled by:  
Directorate General for European Programmes,  
Coordination and Development  
National Focal Point  
29, Vyronos Avenue  
1409 Nicosia  
Cyprus

---

Tel: + 357 22 602878

Fax: + 357 22 666810

Web: <http://www.dgepcd.gov.cy>

**CONTENTS**

	GLOSSARY OF ACRONYMS	3
1.	EXECUTIVE SUMMARY	4
2.	ASSESSMENT OF THE EFFECT OF THE GRANTS	6
2. 1.	Cohesion	6
2. 2.	Bilateral Relations	8
3.	REPORTING ON PROGRAMMES	10
3. 1.	Overview of Programme Status	10
3. 2.	Individual Programme Reporting	11
4.	MANAGEMENT AND IMPLEMENTATION	18
4. 1.	Management and Control Systems	18
4. 2.	Compliance with EU legislation, national legislation and the MoU	20
4. 3.	Irregularities	20
4. 4.	Audit, monitoring, review and evaluation	20
4. 5.	Information and publicity	21
4. 6.	Work plan	24
5.	SUMMARY LIST OF ISSUES AND RECOMMENDATIONS	25
6.	ATTACHMENTS TO THE STRATEGIC REPORT	27

**GLOSSARY OF ACRONYMS**

AA	Audit Authority (Internal Audit Service)
BS	Beneficiary State
CA	Certifying Authority (Treasury)
CVAR	Centre of Visual Arts and Research
DGEPCD	Directorate General for European Programmes, Coordination and Development
DoRIS	Documentation, Reporting and Information System
DS	Donor States
EC	European Commission
EEA	European Economic Area
EU	European Union
FM	Financial Mechanism
FMC	Financial Mechanism Committee
FMO	Financial Mechanism Office
MC	Monitoring Committee
MoU	Memorandum of Understanding
NFP	National Focal Point
NGOs	Non Governmental Organisations
PA	Programme Agreement
PO	Programme Operator
PP	Project Promoter
PPD	Public Procurement Directorate, Treasury
PPR	Project Progress Report
WP	Work Plan

## 1. EXECUTIVE SUMMARY

The present combined Strategic and Annual Report is prepared by the Directorate General for European Programmes, Coordination and Development (DGEPCD) acting as the National Focal Point (NFP) for the implementation of the European Economic Area (EEA) Financial Mechanism (FM) 2009-2014 according to Article 2.2.1 of the Regulation on the implementation of the EEA FM as well as paragraph 6 of Annex A of the Memorandum of Understanding (MoU) signed between the Republic of Cyprus and the three Donor States on the implementation of the above Mechanism.

The purpose of the Report is to give comprehensive information on the implementation of the EEA FM during the period January – December 2014 and to inform the members of the Monitoring Committee Meeting on the progress made in the period under review, as well as to form the basis for discussions at the Annual Meeting in February 2015.

The Report contains information on the progress made towards the implementation of the two Cross sectoral Programmes, operated by the DGEPCD, consisting of three predefined projects and the Fund for Non-Governmental Organisations, operated by PWC Ltd. Furthermore, the Report reflects on publicity issues, bilateral relations and proposals for future activities.

During the period under review all programmes and projects were in their implementation phase and with one project (CVAR) being completed. No particular problems were encountered.

The table below shows an analysis of the two Programmes, indicating the Programmes and the projects implemented, the Project Promoters, the individual grant allocation, the amount disbursed to the PPs/PO and their grant balance.

<b>Project</b>	<b>Project Promoter/ Programme Operator</b>	<b>Net Grant Allocation (€)</b>	<b>Amount* Disbursed to the PP/PO (€)</b>	<b>Grant Amount Balance (€)</b>
		A	B	C (A - B)
<b>1. Programme CY02</b>				
(i) Biodiversity conservation in restoration and management of the Amiantos Asbestos Mine in Troodos National Forest Park	Department of Forest	1.138.167	777.956	360.211
(ii) Transformation of Nea Eleousa to a Day Care Centre for Children and Youth With Multiple Disabilities	Social Welfare Services	385.000	0	385.000
(iii) Centre for visual arts and research	Costas and Rita Severis Foundation	613.655	445.183	168.472
<b>2. Programme CY03</b>				
Funds for NGOs	PO: PWC Ltd PPs: 20 NGOs	1.320.750	556.972	763.778
<b>SUBTOTAL</b>		<b>3.457.572</b>	<b>1.780.111</b>	<b>1.677.461</b>

\* it is the amount disbursed by the NFP to the PPs up to 31.12.2014 (i.e. amounts declared by the PPs for the period September 2013 - August 2014).

For the payment claims under the September-December 2014 Project Progress Reports, these will be effected in 2015 after the submission of the PPRs in early 2015.

The main activities implemented by the DGEPCD (in its dual role as National Focal Point and as Programme Operator) and the progress made in the previous year can be summarized as follows:

(A) In its role as National Focal Point, the DGEPCD:

- (a) Held one Monitoring Committee Meeting in January 2014 and one Annual Meeting with the Donors in February 2014;
- (b) Signed the contract for the Project "Day Care Centre for Children and Youth with Multiple Disabilities", with the Project Promoter, the Social Welfare Services, on 21 February 2014.
- (c) Updated in November 2014 the description of the Management and Control System, (i) for the procedures to be followed by the DGEPCD in its role as Programme Operator and (ii) for the role and the structures of the NFP, the Certifying Authority and the Audit Authority. The updated MCS was reviewed by the Internal Audit Service, which included in its Annual Audit Report the relevant changes. The revised MCS was sent to the FMO in December 2014.

(B) In its role as Program Operator, the DGEPCD:

- (a) Prepared and submitted to the FMO, after being certified by the Certifying Authority, the Interim Financial Reports for the Programme.
- (b) Held bi-monthly meetings with all Project Promoters.
- (c) Payments effected to the PPs in accordance with the quarterly Project Progress Reports submitted by the PPs and verified by independent accountants.

Furthermore, it has to be noted that the DGEPCD, in its role as NFP and PO, had a good cooperation with the PPs/PO and assisted all relevant stakeholders in the implementation of their projects, in solving problems and in mitigating the risks.

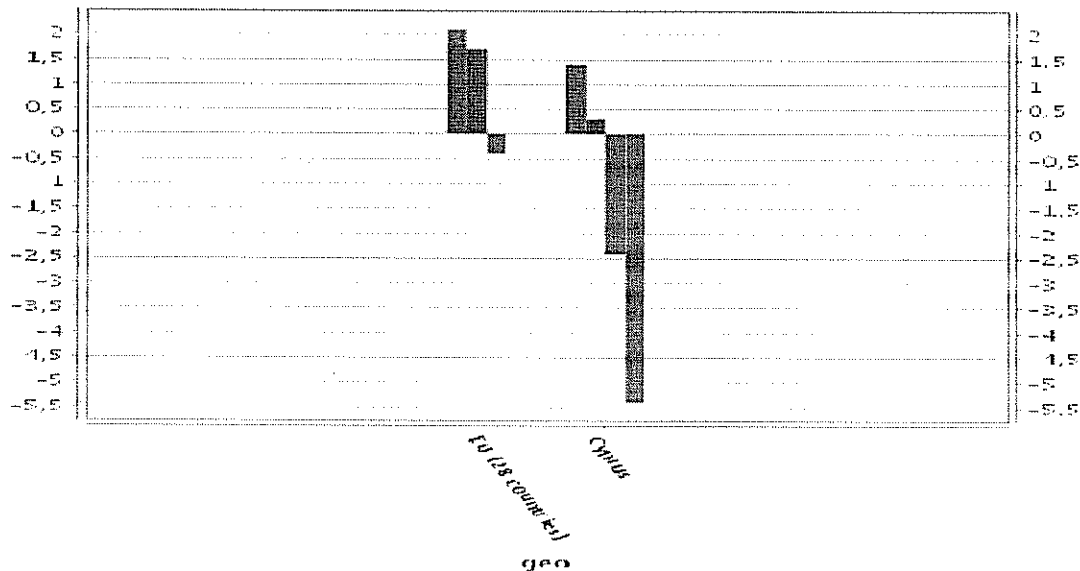
## **2. ASSESSMENT OF THE EFFECT OF THE GRANTS**

### **2.1 Cohesion**

In view of the financial crisis in the recent years, the Cyprus economy has contracted reaching growth rates well below the EU average rates. As shown in the table below (source: Eurostat), the real GDP growth rate went from 0,3% in 2011 to -2,4% in 2012 and -5,4% in 2013.

## Real GDP growth rate - volume

Percentage change on previous year (2010-2013)



However, since the deterioration of public finances in recent years and the signing of a Memorandum of Understanding with TROIKA (comprising of the European Commission, the European Central Bank and the IMF), a number of fiscal and structural measures have already been adopted through Parliament and their implementation is expected to affect the cohesion in the country in the short term.

The Programmes under the EEA and Norway Grants 2009-2014 fit into the overall objectives of the FMs, which is the reduction of the economic and social disparities and the strengthening of the bilateral relations.

It is noted that the EEA Grants fit into areas that are not adequately covered by other resources, such as the areas of environmental protection and management, biodiversity, human and social development, cultural heritage and civil society. Even though the total allocation to Cyprus is not as much to have a major impact on the country, it does have an impact on the programme areas that benefit from these grants. The contribution to the implementation of these programmes is already visible and it has counter balanced some of the adverse effects of the financial crisis of the recent years.

The three selected predefined projects under the EEA Grants as well as the NGO Fund Programme fit into the overall objective of their respective Programme area and they are fully in line with the legislation and national priorities and strategies for the specific sectors. Furthermore they are highly relevant to the existing needs of the country and they contribute in their own way in the reduction of economic and social disparities.

Two of the projects (the Amiantos Mine Project and the Project for the Centre of Visual Arts and Research) contribute inter alia to the sustainable improvement of life quality in the rural areas and to the revitalization of the demarcation line in divided Nicosia, respectively. The third project (Day Care Centre for disabled children and youth) will contribute to the combating of social exclusion of the specific target group and their reintegration into the community.

As regards the Programme Area for the "Funds for the NGOs", this is expected to contribute to the strengthening of civil society development, especially in the difficult times of financial crisis and through that, to the implementation of the national strategy on sustainable development and social cohesion as well as to the overall objective of the Grants for reduction of economic and social disparities.

The assistance provided to Cyprus through the EEA FM has also a bicomunal dimension and in this sense, it will also contribute to promoting bicomunal contacts and dialogue between the two communities of Cyprus.

The adverse conditions caused by the economic crisis affected all stakeholders in the EEA Grants in Cyprus. Due to the recession of the economy, the objective of reduced disparities might be difficult to be achieved, at least, in the coming years.

Furthermore, as regards the risks which might hinder the objectives and outcomes of the programmes, these are general risks and they are incorporated during the implementation of the projects and they not expected to create serious problems. Such risks are those of corruption during the tendering process; delays in tendering procedures; limited project management experience of Project Promoters; delays in implementation etc. Mitigating actions are already in place and each Project Promoter is in close contact with the Programme Operator to address all issues that might arise.

## **2.2 Bilateral relations**

In 2014, the bilateral relations between Cyprus and the donor states were strengthened through the events financed from the fund for bilateral relations at Programme and National Level. Some of the bilateral exchanges under the EEA/Norway Grants, which gave the opportunity to Cypriot entities to cooperate with counterparts from the Donor States were the arrival of experts from Norway to Cyprus to participate in workshops and other events and the study trips of Cypriot officials to Norway to learn from local experience. In addition, the Project Promoters will also utilize the bilateral funds at programme level, for additional activities that are related to their respective Programme Area. In view of this, the NFP requested from the PPs to review their bilateral fund at programme level activities and propose



new or additional activities to the ones initially proposed. The PPs prepared their proposals and these were sent to the FMO in December 2014.

The key events under the Fund for Bilateral Relations at National Level in 2014 were as follows:

- (a) Study visit of a team of senior Cypriot experts and officials in Norway in January 2014, in order to be informed on the Norwegian Model of the oil and natural gas management. The Cypriot delegation had meetings with representatives from the governmental services of Norway on oil and natural gas and with the national company Statoil.
- (b) Participation to the "Risk Management and Good Governance Seminar EEA & Norway Grants 2009-2014", which was organized by the FMO on 24-25 of September 2014 in Tallinn, Estonia. One representative of the National Focal Point participated in the Seminar. The Seminar was aimed at providing knowledge on the management of risk, which has become a critical element in the implementation of the Grants, the strategic approach towards tackling risks and processes and procedures to maintain attention in respect of risk issues. The participants had the opportunity to share experiences, concerns and best practices in respect of the potential risks that may arise and successful risk management.

As regards risks that could impede on the bilateral objectives, the most significant risks relate to the limited budget available which allows for only a limited set of initiatives and activities to take place as well as to the difficulty in identifying partners from the Donor States. Given the particularity of the subjects and the limited budget available, this is a possible risk that could hamper the strengthening of the bilateral relations with the Donor States.

In order to address these risks, the NFP is in close contact with the FMO and the Norwegian Embassy in Athens in order to identify partners in the case that the Project promoters cannot identify a partner themselves. Furthermore, in order to maximize the impact of the bilateral relations and minimize the risk of the low budget, the NFP aims at promoting a few but focused activities.

### 3. REPORTING ON PROGRAMMES

#### 3.1. Overview of Programme Status

During the reporting period, the DG EPCD in its capacity as Programme Operator signed with the project promoter the third remaining project with title "Transformation of Nea Eleousa to a Day Care Centre for Children and Youth With Multiple Disabilities" in February 2014. Since then the implementation of the project is underway and it is expected to be completed within the eligible funding period. Close monitoring from the part of the PO is essential for the successful completion of the project.

The other two projects have either been completed (the Centre for Visual Arts) or completed most of its activities (Amiantos Project). For the Amiantos Project, the risk factor is very low since the PP has worked out alternative plans of action to mitigate any risk during the implementation of the project.

Under the NGO Fund Programme, twenty projects were selected for funding by the Selection Committee Meeting in February 2014. The selected projects which address the specific areas of support commence their implementation after April 2014. The duration of the projects is between 6 to 18 months. In a nutshell, the table below shows the NGO Fund calls, proposals submitted and projects selected:

1.	2 Open Calls	
2.	110 Proposals submitted - 109 in call 1 and 1 in call 2 (total grant requested: €8.205.738)	
3.	20 projects selected (total grant approved: €1.176.975 Call 1 and €55.100 Call 2)	Funding %
	Outcome 1 – Provision of Welfare and Basic Services to defined target groups increased	35
	Outcome 2 – Strengthened Capacity of NGOs and an enabling environment for the Sector promoted	25
	Outcome 3 – Democratic Values including human rights, promoted	40
4.	Bilateral projects – 5 projects	
5.	Bi-communal projects – 6 projects	

## **3.2 Individual Programme Reporting**

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

Under the Programme four programme areas were implemented, namely biodiversity, conservation and revitalization of cultural heritage, children and youth at risk and the Fund for NGOs.

The project "Centre for Visual Arts and Research" under the programme area conservation and revitalization of cultural heritage was completed. The renovation of the building was completed with all its painting, costumes and books were displayed in the Centre for the visitors to admire. More than 5.000 school children and adults visited the centre from June to December 2014.

The project "Biodiversity Conservation in the Restoration and Management of the Amiantos Asbestos Mine at Troodos National Forest Park", falling under the biodiversity programme area, aimed to halt the loss of biodiversity through the improvement of restoration and management practices in the Amiantos asbestos mine.

Mine restoration works have progressed to restore more than half of the planned area, with landscaping of the mine, wildlife conservation and planting of trees and plants.

The contract of the project "Transformation of Nea Eleousa to a Day Care Centre for Children and Youth with Multiple Disabilities", under the programme area Children and youth at Risk, was signed in February 2014 and the construction works started in February 2015. No outcomes were obtained at the period under review.

The NGO Fund Programme had one single call for proposals which was launched in July 2013 with a deadline in October 2013. One hundred and ten proposals were submitted. Twenty projects were finally selected in February 2014 with contract signing in the period April – May 2014. Project implementation started in the period June – September 2014. Project duration is between 6 – 18 months with budgets ranging from €10.000 - €120.000.

---

### **3.2.2 Progress towards expected outcomes**

The project "Centre for Visual Arts and Research" has been completed with all its outputs being delivered. The restoration of the building to host the Centre was

completed. All the paintings, manuscripts, maps and costumes have been put on display and made accessible to the public. More than 5.000 visitors were guided to the centre. Furthermore, the 1.400 paintings, 6.000 books, manuscripts and 150 costumes displayed in the Centre, were also documented in electronic form.

The Department of Forest has been working towards the restoration of the Amiantos Mine with improved techniques taking into account nature conservation and wildlife needs. Furthermore, under the project, the Department of Forest improved the composition of four new indigenous plant species in the Asbestos mine area, prepared two guides for the standardization of the methods used in the restoration of the mine and produced a film with the history of the mine. In addition, it held four training sessions for 15 foresters in order to improve their skills to better perform their duties.

The only change to the initial plan that needs to be noted however, is that due to the heavy rainfall in July 2014, the excavation works for the reshaping of the pond, had to be postponed for the next summer period. In view of this the PP had implemented other activities ahead of schedule in order to have the available staff and funds for the reshaping of the pond in 2015. It is also noted that in the case of the same situation occurring next summer, the PP has developed a plan to create, if needed, the lake at an alternative location.

Overall, most of the activities under this project are in the completion phase and no problems are encountered for their successful implementation.

The contract for the reconstruction of Nea Eleousa building was signed in February 2015. During the reporting period some problems regarding the transfer of the last six residents from the Nea Eleousa building to another establishment were encountered but they were finally solved. Now that construction works started, it is expected that project completion will be within the agreed timeframe. In order to eliminate the risk of completing the construction phase beyond the specified period, the Social Services Department, the Public Works Department and the Directorate of Control of the Ministry of Communications and Works have monthly meetings with the contractor in order to follow up the contractor's work and schedule. By this, all the steps of the construction phase are closely monitored.

### **3.2.3 Outputs achieved**

(i) The implementation of the project "Biodiversity Conservation in the Restoration and Management of the Amiantos Asbestos Mine at Troodos National Forest Park" is in accordance with the agreed timeline and budget and no particular problems were faced during 2014.

In particular, during 2014, the following activities took place:

- (a) Preparation of the mine restoration manual;
- (b) Staff training by the expert on mine restoration (November 2014);
- (c) Completion of the landscaping of the mine and the development of the visitor facilities;
- (d) Continued the works for the mine restoration
- (e) Preparation of a film about the mine and
- (f) Information event at the visitor centre (June 2014)

Outcome indicator:

- Increased capacity to manage and monitor Natura 2000 sites effectively – one management plan was created for mine restoration with improved techniques taking into account nature conservation and wildlife needs. Therefore the one plan target was achieved.

Output indicators:

- Area of the mine restored in m<sup>2</sup> – the area under restoration is 45.000 m<sup>2</sup> as the original plan.
- Number of staff trained on restoration – 15 persons (the targeted number of staff members) were trained with improved skills to perform their duties in four training events.

(ii) The aim of the project "Centre for Visual Arts and Research" which was mainly the construction of the Centre for Visual Arts and Research (CVAR) was completed in April 2014, with the building being fully equipped and functional by May 2014. The opening ceremony of the CVAR was held on 15 September 2014.

In addition, the following activities were implemented:

- (a) The construction of the building was completed;
- (b) the museum shop became operational;
- (c) the digitization of the paintings collections has been completed and is being uploaded on the CVAR website;
- (d) 6000 books have been catalogued and uploaded on the websites of Cyprus libraries (owned and operated by the Ministry of Education) and are also being uploaded on the CVAR's website.

Outcome indicator:

- Cultural heritage restored, renovated and protected – The CVAR building is completed and is operational.

Output indicators:

- Area in m<sup>2</sup> of the Gallery for the permanent exhibition of the collection – the area constructed is 640 m<sup>2</sup> as was initially planned.
- Area in m<sup>2</sup> of the Research Centre for housing books and archives – 230 m<sup>2</sup> have been constructed as was initially planned.

(iii) Regarding the Project "Transformation of Nea Eleousa to a Day Care Centre for Children and Youth with Multiple Disabilities", the project contract was signed on 21 February 2014.

During 2014 the following activities took place:

(a) For the Relocation of the residents of Nea Eleousa

The Social Welfare Services identified a suitable structure which was rendered from a private institution to give a new home to the last 6 residents of Nea Eleousa, which needed to be relocated before the start of the re-construction of the building. The new structure was then renovated to meet the needs of the new residents. The renovations were completed in early January 2015 and the residents were transferred there by mid January 2015.

(b) For the Construction Works

The Public Works Department proceeded with the tender procedure for the construction phase of the project which was completed in July 2014. However, the contract was not signed with the contractor after the award of the contract, since the last 6 residents of the Nea Eleousa Building had not been transferred to their new home.

Since the residents were transferred to their new home by mid January 2015, the contract was signed with the contractor on the 27<sup>th</sup> of January 2015. Construction works are expected to be completed in 12 months.

Outcome indicator:

- Effective and efficient measures addressing vulnerable groups of children and youth facing particular needs implemented – The construction of the Day care centre for children with mental and physical disabilities is still ongoing.

Output indicators:

- Number of new or renovated rooms – no outputs since construction of the Day Centre is ongoing.
- Specialised Equipment Purchased and Installed - no outputs, tenders for the equipment will take place in 2015.
- Number of people trained – the training will take place in 2015

**(iv)** Regarding the NGO Fund Programme, it is noted that it is progressing as planned with no major risks or variations occurring in the implementation of the projects.

During 2014, the following activities were implemented by the NGO Fund Programme Operator:

- (a) prepared the final version of the Project Proposals Ranking List.
- (b) organized the Selection Committee meeting on 27 February 2014 with the participation of the Selection Committee members as well as the PO, NFP and FMO representative, as observers.
- (c) Based on the comments of the evaluators and the recommendations of the Selection Committee, the PO consulted with the Applicants for the adjustment of their proposals as regards certain aspects i.e. reduced budget, time frame, adjustment of activities etc.
- (d) signed Project Contracts with the 20 successful applicants.
- (e) organized project management workshops and interim report writing workshops in order to support project promoters in managing their projects and reporting to the PO.
- (f) received and evaluated quarterly and interim reports from NGOs.

Expected Outcomes:

- Democratic values, including human rights promoted – it is achieved through a number of projects, such as the projects for the support of the victims of human trafficking and the promotion of anti discrimination through the arts education.
- Provision of welfare and basic services to define target groups increased – it is achieved through specific projects by NGOs such as the provision of 24 hours home care service for cancer patients and rehabilitation services to children, adolescents and young adults with CHD.
- Strengthened capacity of NGOs and an enabling environment for the sector promoted – it is promoted through the workshops delivered and the guidance

given to NGOs by the NGO Fund PO in order to prepare their project proposals and later on to administer their projects.

#### Indicators for Outputs:

- Rights of minorities are supported by NGOs – it is achieved through the number of successful NGOs application forms (total 8 – target was 5) to address minority issues, such as the project of the Nicosia Multifunctional Foundation which takes care of minority school aged children in all after school hours.
- Human rights promoted by supported NGOs – a number (total 8 – target was 7) of supported NGOs are having the promotion of human rights as their main objective/aim.
- Projects target basic and welfare services – a number (total 6 – target was 5) of projects offer basic and welfare services to vulnerable groups
- Enhanced access to basic and welfare services by target groups – a number (more than 200 (though the number is still increasing) – target was 150) of new/additional beneficiaries from NGO welfare/basic services projects
- NGOs have enhanced access to funding – 75% of the beneficiaries are new beneficiaries (target was 25%)
- NGOs have access to training and capacity building actions – the action is still ongoing, however more than 300 participants (target was 100) participated in training and capacity building events.

In a nutshell, it is noted that all the project outcomes which were expected to be achieved in the reporting period have been met by the project promoters and based on the status of the implementation of the three projects and the NGO Fund Programme, no deviation from the targets is expected.

#### 3.2.4 Potential Risks that may threaten the achievement of the objectives set out in the Programmes

Several risks are common to the projects and relate to the limited experience of the Project Promoters in project management and in implementing projects and to the willingness and readiness of the private sector contractors to meet their obligations.

It is noted that in 2014, one of the main risks that was anticipated but not occurred, was the risk in the tendering procedure for the selection of the contractor who would perform the construction works for the third project (Nea Eleousa),



mainly due to appeals of unsuccessful tenderers. Even though there was a delay in the tendering procedure, the contractor signed the 12 month contract on 27 January 2015, well within the eligibility period of the funding from the EEA FM 2009-2014.

Furthermore, concerning the potential delays in the implementation of the various components of the projects which may result in failure to achieve targets within the agreed timelines due to poor planning and coordination, the NFP and the PO monitor the implementation of each project closely, through bi-monthly monitoring meetings, the Project Progress Reports and frequent communication with the Project Promoters, in order to ensure that any potential deviations from the agreed timeline is identified in time and any issues causing it are resolved. Furthermore, regarding the construction of the Nea Eleousa Building, the Public Works Department and the Directorate of Control of the Ministry of Communication and Works have been following the works of the contractor in order to monitor the agreed steps and timelines.

For the NGO Programme, potential risks that were identified in the previous year, such as the lack of interested NGOs to submit proposals in the various focus areas have not occurred, as the PO ensured that the call for proposals reached a very large number of NGOs in these areas.

Another potential risk under the NGO Fund is the inexperience of the NGOs to implement projects. However, in order to mitigate these risks, the PO has organized workshops for the PPs to explain the various issues regarding the implementation of the NGO Fund Programme. The PO has also encouraged the NGOs to refer to them for any issues that need to clarify.

Sustainability of the services funded under the NGO Fund Programme after financing is concluded, was one of the risks that the PO identified. In view of this and in order to mitigate the risk of financing projects with no sustainability after the completion of the Fund, the PO included in the project proposal selection criteria, the sustainability element of the projects. Furthermore, the sustainability issue was stress by the PO in all events/seminars that organized for the NGOs and the evaluators.

In addition to all the above mitigation actions, the DG EPCD in its role as NFP and PO provided continuous support and guidance to the Project Promoters and to the NGO PO. Furthermore, in the NFP/PO there is a designated officer for each project/Programme, where the PPs/PO, can refer to during the implementation of their projects/Programme.

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

No modifications took place in the Programme Agreement during the reporting period.

### 3.2.6 The use of funds for bilateral relations

A lot of effort from the part of the project promoters was put to develop and strengthen the bilateral relations with the Donor States, as was stipulated in their project proposals.

It is noted that the PPs are well aware of the benefits these contacts will have, both for the implementation of their projects, as well as for their future efforts in meeting their overall objectives. By these contacts they anticipate to establish sustainable relations with these entities from the Donor States and to gain access to valuable professional, technical, administrative and organisational skills.

However due to the lack of finding appropriate partners to carry out the planned actions in 2014 and in order to mitigate any risk impending bilateral relations and cooperation, the project promoters were asked by the PO to submit new proposals for the use of the available funds. Some proposals were submitted in December 2014 and they have been forwarded to the FMO. Furthermore, the assistance of the Norwegian Embassy in Athens and the FMO is sought to find appropriate partners.

## **4. MANAGEMENT AND IMPLEMENTATION**

### **4.1 Management and Control Systems**

The DG EPCD, in its role as the NFP submitted to the FMO on 31.12.2014, the revised/updated Management and Control Systems (MCS) Description for,

- (i) the NFP, the Certifying Authority (CA), the National Public Entity Responsible for the Preparation and Submission of Irregularity Reports (NPERI) and the Audit Authority (AA), and
- (ii) the POs for the Programmes CY02 and CY04

The changes implemented in the MCSs have been reviewed by the Internal Audit Service and have been included in the Annual Audit Report (AAR) 2014 which was sent to the FMO on 31.12.2014.

Furthermore, in the AAR, the Internal Audit Service (IAS) noted that the MCSs continue to comply with the requirements of the Norwegian and the EEA FM Regulations 2009-2014 and generally accepted accounting principles. In addition, the IAS confirmed that the revised MCSs are proportionate to effectively achieve the objectives of the programmes.

The changes that took place to the description of the Management and Control Systems in 2014 are:

(i) For the MCS covering the organization and procedures of the NFP, the Certifying Authority and the Audit Authority:

- (a) Change of the name of the Directorate of the DG EPCD having the role of the NFP to Directorate for the European Programmes.
- (b) Changes on the contact details of the Certifying Authority.
- (c) Changes on the organization of the NFP.
- (d) Changes on the duties and responsibilities of the Certifying Authority.
- (e) Changes on the organization of the Certifying Authority.
- (f) Changes on the delegation of functions of the Audit Authority.
- (g) Changes on the allocation of tasks within the Audit Authority.
- (h) Changes on the organizational charts of the DG EPCD as National Focal Point and Programme Operator, of the Certifying Authority and of the Audit Authority.

(ii) For the MCS covering the organization and procedures of the Programme Operator for the two cross sectoral Programmes CY02 and CY04:

- (a) Change on the contact details of the main contact person.
- (b) Changes on the verification process for the expenditure incurred by PPs which are Government Ministries/Departments.
- (c) Changes on the procurement procedures by PP which are not governmental organizations but have approved internal procedures.
- (d) Included additional measures for the prevention and mitigation of irregularities.
- (e) Changes on the organizational chart of the DG EPCD as National Focal Point and Programme Operator.

---

The above changes/updates in the MCSs were necessary for the better functioning of the implementation of the programmes.

In addition, the NGO Fund Programme Operator has prepared the MCS for the CY03 Programme covering the organization and procedures of the NGO Fund PO. The MSC was reviewed by the Internal Audit Service which prepared its Compliance Assessment Report and Opinion that the implementation system complies with the requirements of the Regulations of the EEA Financial Mechanism. The MCS with the Audit Authority's Report and Opinion was submitted to the FMO in December 2014.

#### **4.2. Compliance with EU legislation, national legislation and the MoU**

The financial contribution of the EEA Grants is in compliance with the regulatory environment, including compliance with the MoU. Regarding the MoU, there were some modifications in Annexes A and B, to reflect the organizational changes that have taken place in the structure of the National Focal Point.

As regards matters such as state aid, environmental directives and public procurement, it is noted that state aid and environmental issues were already examined and resolved at the stage of the selection/approval of the predefined projects and no problems are anticipated in this respect. No problems were encountered in the area of public procurement either since all procurement procedures have been carried out in accordance with the legislation provisions of the national procurement (Law N.12 (1) of 2006) which is fully harmonized with the relevant EU Directive, with additional controls in the form of Compliance Certificates issued by the Public Procurement Directorate (PPD) of the Treasury that safeguards the correctness and legality of the procedures followed.

#### **4.3 Irregularities**

No irregularities were detected during the reporting period either at the Programme level or in the management on Beneficiary State Level.

#### **4.4 Audit, monitoring, review and evaluation**

During the period under review all three pre-defined projects as well as the NGO Fund Programme have started/continued their implementation phase and the DGEPCD has been closely monitored all.

The DGEPCD in its role as NFP and PO monitored the Projects/Programme through the Project Progress Reports submitted by the POs and through the bimonthly meetings with the PPs/PO where issues such as the project progress, problems or potential risks encountered, were discussed and resolved. A check list with a timeframe for all actions that need to be taken in the next 2-6 months was prepared by the end of each bimonthly meeting to monitor the progress.

Furthermore, the DGEPCD was in close contact with the PPs through emails and telephone calls for clarifying issues raised by the PPs or solving problems that occurred during the implementation phase.

As regards on-the-spot verification of projects, these have taken place in the process of the verification of their payment claims according to the Management and Control System.

Furthermore, three system audits were conducted by the Internal Audit Service of the Republic to (i) the DG EPCD both as NFP and PO and (ii) to the Directorate for European Funds and Financial Control of the Treasury of the Republic in its roles as the Certifying Authority and the National Public Entity responsible for the preparation and the submission of the irregularity reports. From the system audits carried out, no significant problems/weaknesses of a systemic nature were identified.

It is also noted that the Audit Authority prepared and submitted to the FMO, in accordance with the provisions of the Article 4.6(1.d) of the Regulation, the Annual Audit Report for 2014 (stating the method to be used, the sampling method for audits on projects and the indicative planning of audits throughout the programming period) as well as the revised Audit Strategy 2009-2014, on 31.12.2014.

#### **4.5 Information and publicity**

The National Focal Point has undertaken the following communication and publicity activities, in accordance to the Communication Strategy, which was prepared by the NFP and approved by the Financial Mechanisms Office:

##### **1. Newsletters**

The National Focal Point created and publicised two newsletters in 2014, as planned for in the context of the Communication Strategy.

The first newsletter of 2014 contains information on activities/events that took place on the second half of 2013 by the Project Promoters. The Department of Forest organized a seminar on the safety measures that need to be taken by the staff working at the Asbestos mine restoration, the Unit for Combating Money Laundering in cooperation with the Royal Norwegian Embassy in Athens organized a conference on the new technologies used in the fight against money laundering and the Costas and Rita Severis Foundation celebrated the end of the year 2013 with a flash dance show with a number of Greek and Turkish Cypriots who volunteered to dance in the

streets of Nicosia. Furthermore, a delegation of officials from various Government Ministries visited Oslo regarding the issue of oil and natural gas management.

The second Newsletter contains information on the signing of the last two contracts of the two pre-defined projects with a short description of their purpose and aim, the event for the 3<sup>rd</sup> year anniversary of the H4C, the launching event of the Cyprus Institute of Neurology and Genetics to mark the inauguration of the project implementation, the information event of the Department of Forests at the Troodos Botanical Centre in the Amiantos Asbestos Mine and the completion of the evaluation and selection procedure of the project proposals submitted under the NGO Fund Programme, the signing of contracts with the project promoters of the 20 projects funded by the NGO Fund Programme as well as the workshops organized by the NGO Fund Programme Operator.

Both newsletters were sent to approximately 300 email addresses and the mailing list included all the government entities of the Republic of Cyprus (such as Ministries, Commissioners and the Parliament), the national press (electronic and printed), the members of the Monitoring Committee, the Project Promoters and the Programme Operator of the programme "Fund for NGOs" and the staff of the Directorate General for European Programmes, Coordination and Development. They were also uploaded on the website of the NFP and the website of EEA/Norway Grants in Cyprus.

## 2. Press Releases

Two press releases were issued by the NFP in 2014, to inform the public of the signing of the Project Contracts for the last two pre-defined projects.

It is noted that the press releases were published in newspapers with the highest circulation in Cyprus and they have also been published in online media (webpages and blogs) that publish articles extracted from official website of major newspapers and TV channels.

## 3. Website

A new website dedicated to the EEA and Norwegian Financial Mechanisms in Cyprus has been developed by the NFP (<http://www.eeagrants.gov.cy>) to provide general information on the Grants. The webpage is available in English, Greek and Turkish and provides information on specific programmes, relevant documents, latest news and upcoming events. Furthermore, the new website is also linked to the general website of the DGEPCD and to the EEA and Norwegian Grants official website.

#### 4. Facebook

In addition to the website of the National Focal Point, a Facebook page of the EEA and Norway Grants in Cyprus was launched. All the news regarding information by the project promoters as well as bilateral event activities, are being shared there. Although the number of followers is still relatively small, it is noted that more and more people “like” the page.

It is noted that, the information and publicity activities undertaken so far, have been successful, in terms of raising visibility and awareness about the Financial Mechanisms and their objectives. As per the approved Communication Strategy, the information and publicity efforts of the NFP during 2014 were targeted to the Project Promoters and the general public, through the newsletters and the press releases, aiming at preparing the ground for future communication activities regarding the outcomes of the projects before and after their completion.

Overall, the Communication Strategy is implemented in accordance to the timeline set and no modification of the content, the timeline or the budget is necessary at this point.

However, the planned organisation of the workshop for all the stakeholders regarding the Management and Control Systems of the NFP and the POs of the two cross-sectoral programmes, which was initially planned for February 2013 did not take place. The reason was that the preparation and submission of the Management and Control System Description to the FMO was concluded in December 2013. Furthermore in 2014 it was decided that some issues needed to be revised in the MCS which were submitted to the FMO in December 2014. In view of this delay in submitting and revising the MCS, the POs in their bimonthly meetings with the PPs had already informed the PPs on the issues included in the MCS. Any questions and clarifications were given by the POs to the PPs concerned.

The workshop is now planned for 2015 and it is the opinion of the NFP that no modification of the Communication Strategy is necessary.

As regards the activities undertaken by the PO of the “Fund for NGOs”, the following took place:

(1) The PO organized project management workshops (June 2014) and interim report writing workshops (October 2014), in order to support project promoters/beneficiaries in efficiently managing their projects and reporting to the PO. These

events provided the opportunity to the promoters to become well acquainted with the NGO Programme regulations and implement their projects more efficiently and effectively.

(2) The PO published at the programme website [www.eeangofund.org.cy](http://www.eeangofund.org.cy), the summaries and some facts of each funded project, providing the opportunity to the general public to learn about each funded project under the NGO Fund Programme.

As regards the information and publicity activities of the Programme Operator of the cross-sectoral Programme, it is noted that those overlap with the activities which are implemented by the NFP, since both these roles are executed by the DGEPCD.

#### **4.6 Work Plan**

The indicative implementation plan of the EEA Financial Mechanism in 2015 is listed in the table below:

<b>Implementation Plan of the EEA FM in 2015</b>		
	<b>Activity</b>	<b>Timeline for Implementation</b>
1.	Organisation of the 4 <sup>th</sup> Meeting of the Monitoring Committee for the presentation of the Combined Strategic and Annual Programme Report and the progress made in the implementation of the EEA and Norwegian FMs	28 January 2015
2.	Submission of the Combined Strategic and Annual Programme Report to the FMO	30 January 2015
3.	Organisation of the Annual Meeting of the Government of the Republic of Cyprus and the Donor States	18 February 2015
4.	Participation at the Communications Workshop organized by the Donors	March 2015



5.	Submission of the Interim Financial Reports for the Programmes	By 15 March, 15 July and 15 November 2015
6.	Participation in the Good Governance and Risk Assessment Seminar organized by the Donors	September 2015
7.	Bimonthly meetings with each of the PPs of the predefined projects as well as the PO for the Programme "Funds for NGOs"	Continuous
8.	Bilateral Fund at National Level activity (after the Donor's approval)	Oct-Dec 2015

The work plan for the information activities are listed in the table below:

<b>Work Plan for the Information Activities for 2015</b>		
	<b>Activity</b>	<b>Timeline for Implementation</b>
1.	Continuous updating of the EEA/Norway dedicated website in Cyprus	On-going
2.	Updating of the Facebook page "EEA/Norway Grants Cyprus"	On-going
3.	Newsletters	One in February 2015 and one in September 2015

## **5. SUMMARY LIST OF ISSUES AND RECOMMENDATIONS**

The main effort in the previous year was to proceed with the implementation of the projects.

Efforts were also exerted to the signing of the contract for the Day Care Centre for Children and Youth with mental and physical disabilities which took place in February 2014. Since then, the PO was in close communication with the respective

PP in order to proceed with the signing and commencing of the construction works of the project.

One project (the Centre for Visual Arts) was successfully completed and an inauguration ceremony with participants from the Donor States and the FMO took place in September 2014.

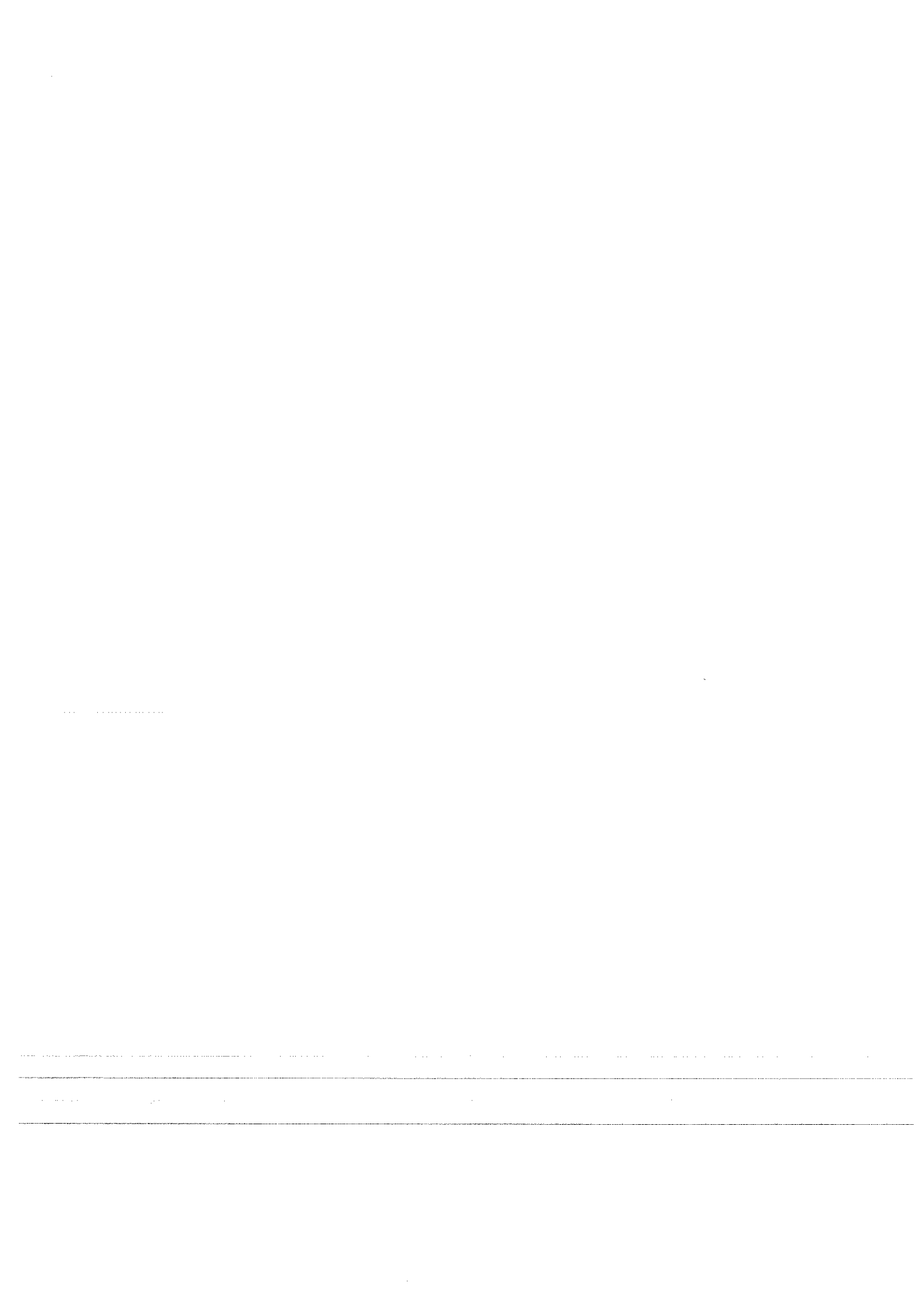
Furthermore, substantial progress was also achieved for the Programme "Fund for NGOs" where after the submission of project proposals by NGOs, evaluation and selection procedure, 20 projects were selected, contracts were signed by May 2014 and project implementation was launched.

### **Recommendations**

		<u>Recommendations</u>	<u>Action</u>	<u>Timing</u>
(a)	Predefined Project	Close monitoring of the Nea Eleousa project for early problem identification and immediate corrective actions for successful completion	PP/PO	Continuous
(b)	Predefined Project	Close monitoring of the Amiantos project for successful completion	PP/PO	Continuous
(c)	"Funds for NGOs"	Close monitoring of the NGO Fund projects	PO	Continuous
(d)	Bilateral Fund at National level	Organisation of an event in Cyprus after the final approval of the Donors	NFP	October-December 2015
(e)	Bilateral Fund at Programme level	PPs to proceed in implementing bilateral activities within their projects	PO	January-December 2015

## **6. ATTACHMENTS TO THE STRATEGIC REPORT**

1. Applications in Cyprus - table showing the breakdown in respect of projects selected / contracted, as well as the types of intervention supported.
2. Projects with donor project partners in Cyprus - table providing information in respect of donor partnership projects (names of Donor State entities, number and proportion of partnership projects).
3. A summary table on Donor partnership projects on the Beneficiary State level.
4. A list of irregularities detected at the Beneficiary State level and at Programme level during the reporting period and financial corrections made.
5. For each Programme, a list of irregularities detected at project level during the reporting period and financial corrections made.
6. A plan setting out the monitoring and audit activities in the Beneficiary State for the coming reporting period.
7. A risk assessment at the national and programme levels.



## Annex - Strategic report attachment 1

### Applications in Cyprus Reporting year 2014

#### Calls for Proposals

##### Applications for CY02 EEA Programme

Calls for proposals	2013			2014			Total
	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	
Predefined in MoU			2			1	3
<b>Total</b>			<b>2</b>			<b>1</b>	<b>3</b>

##### Predefined project measures:

- Capacity-building
- Education and training
- Information and awareness raising
- Infrastructure development and provision of equipment
- Research
- Capacity-building
- Infrastructure development and provision of equipment
- Provision of services

##### Applications for CY03 Funds for Non-governmental Organisations

Calls for proposals	2013			2014			Total
	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	
Call for proposals for the EEA NGO Fund in Cyprus 2009-2014	109	18	0	109	18	0	216
Call for proposals for the EEA NGO fund in Cyprus 2009-2014 (sector capacity building)	1	0	0	1	0	0	2
<b>Total</b>	<b>110</b>	<b>18</b>	<b>0</b>	<b>110</b>	<b>18</b>	<b>0</b>	<b>218</b>

Open call related outcomes:

- Democratic values, including human rights, promoted
- Strengthened capacity of NGOs and an enabling environment for the sector promoted
- Provision of welfare and basic services to defined target groups increased

Applications for CY04 Norwegian Financial Mechanism

Calls for proposals	2013			2014			Total
	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	
Predefined in MoU			4			1	5
<b>Total</b>			<b>4</b>			<b>1</b>	<b>5</b>

Predefined project measures:

- Advocacy
- Capacity-building
- Information and awareness raising
- Infrastructure development and provision of equipment
- Research
- Capacity-building
- Infrastructure development and provision of equipment
- Provision of services

## Annex - Strategic report attachment 2 & 3

15-Jan-15

### Projects with donor project partners in Cyprus

Supported export format word, excel and .pdf

Reporting year 2013

#### CY03 - Funds for Non-governmental Organisations

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
CY03-0008	24 hours - Home Care Service	No	Norway	Norwegian Cancer Society	Other type of NGO
CY03-0015	Development of a Network of Important Bird Area (IBA) Caretakers in Cyprus	No	Iceland	BirdLife Iceland	Other type of NGO
CY03-0018	Implementing Mandatory Sexuality Education for Teens	No	Norway	The Norwegian association for Sexual and Reproductive Health and Rights	Other type of NGO
Projects with donor project partners 3 out of 20 (15.0%)					

#### CY04 - Norwegian Financial Mechanism

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
CY04-0005	Construction of a new shelter for the victims of domestic violence	Yes	Norway	The Norwegian Secretariat of the Shelter Movement	Umbrella organization / Network of NGOs
Projects with donor project partners 1 out of 5 (20.0%)					
Planned grant amount for projects with donor project partners € 184,604					
Planned grant amount for projects with donor project partners € 742,920					

#### Cyprus - Summary

Project grant amount total	€ 6,784,642
Number of projects	28
Number of projects with donor project partners	4
Proportion of projects with donor project partners	14.29 %
Number of programmes *	3
EEA and Norway grants committed	€ 7,221,250

\* Excluding Technical assistance programmes and PA22

## **Annex - Strategic report attachment 4**

15-Jan-15

### **Programme and country irregularities in Cyprus as initially reported**

Reported by designated entities in or before 2014

Supported export format  
word and excel

#### **Irregularities detected at Beneficiary state level**

No irregularities have been reported

#### **Irregularities detected at Programme level**

No irregularities have been reported

\* Please insert the amount of financial corrections made in the tables above and delete this text.



**Annex - Strategic report attachment 5**  
**Project irregularities in Cyprus as initially reported**  
Reported by designated entities in or before 2014 on project level

15-Jan-15

Supported export format word  
and excel

Irregularity case	Irregularity status	Case opened	Case closed	Irregularity period	Followed up	Initial nature of irregularities	Amount of recovered funds	Grant amount reduced
IR-0054	Closed	11/06/14	02/12/14	2014Q1	2014Q3	error in payment claim	6.344	0
IR-0055	Closed	13/06/14	02/12/14	2014Q1	2014Q3	error in payment claim	3.600	0
<b>Total</b>							<b>9.944</b>	<b>0</b>

**Annex – Strategic report attachment 6**

**Audit Activity Planned (System Audits)**

<b>Bodies to be audited each year</b>						
<b>No.</b>	<b>Bodies/Authorities involved in the Management and Control System</b>	<b>Financial Mechanism</b>	<b>Programmes</b>	<b>2014</b>	<b>2015</b>	<b>2016-2017</b>
1	DGEPCD (National Focal Point)	EEA and Norwegian	All Programmes	√	-	√
2	Directorate for European Funds and Financial Control of the Treasury of the Republic (Certifying Authority and National Public Entity responsible for the preparation and the submission of the irregularity reports)	EEA and Norwegian	All Programmes	√	-	√
3	DGEPCD (Programme Operator)	EEA and Norwegian	CY02 and CY04	√	-	√
4	PricewaterhouseCoopers Ltd (NGO Fund Programme Operator)	EEA FM	CY03	-	√	√

1) During the second semester of 2014, the Internal Audit Service (IAS) performed system audits to the NFP, PO and CA. It is noted that all the key requirements of the Management and Control System were fully audited.

During 2015, the IAS will carry out follow up audits to the DGEPCD as National Focal Point and as Programme Operator to verify the implementation of its recommendations regarding some of the audit findings.

2) During the second semester of 2015, system audits will be performed to the NGO Fund Programme Operator.

3) Depending on the cumulative audit results up to the end of 2015 (both on the system audits and the project audits), the IAS will examine the possibility of performing in 2016-2017, supplementary system audits to all bodies/authorities involved in the Management and Control System.

## Annex - Strategic report attachment 7

### Risk Assessment in Cyprus

#### (7.1) 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 <sup>1</sup>	Description of risk	Likelihood <sup>2</sup>	Consequence <sup>3</sup>	Mitigation planned/done
Cohesion objective: Reduce the economic and social disparities in Cyprus	Impede the reduction of economic and social disparities	2	2	Through the close monitoring and the successful implementation of the programmes/projects the overall objective of the reduction of economic and social disparities will be addressed, even though this will be difficult to be fully achieved in the coming years
Bilateral objective: Strengthening of bilateral relations between donor states and Cyprus	Difficulty in finding partners from the Donor States to participate in bilateral relations activities	2	3	Work closely with the PPs in finding partners for the bilateral activities, and seek help and advice from the Norwegian Embassy in Athens and the FMO to identify donor state partners.
Operational issues:				

<sup>1</sup> The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

<sup>2</sup> Each risk should be described as to whether it poses a risk to the cohesion 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%)

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

(7.2) Risk assessment at the programme level

Programme #	Type of objective <sup>4</sup>	Description of risk	Likelihood <sup>5</sup>	Consequence <sup>6</sup>	Mitigation planned/done
	Cohesion (Programme) outcomes:				
	Bilateral outcome(s):				
	Operational issues:	Delays in tendering procedures, limited project management experience by the PPs, failure to achieve targets within the timeline	2	3	The NFP and the POs have bimonthly meetings with PPs, have close contacts with PPs by email and phone on a regular basis to solve problems and PPs have to submit every 4 months Progress Reports.
	Successful Implementation of Projects	Limited project management experience by the NGO Fund PPs	2	3	The NGO Fund PO organised workshops with NGO PPs to explain how to manage the projects and how to write the interim and final reports. Furthermore, the PO uploaded in the NGO Fund website all the relevant information and manuals of the Fund.
		Delays in the implementation of the various project components	2	3	Efficient and close monitoring of each activity implementation, close cooperation between all involved entities, so that the defined deadlines are met

<sup>4</sup> The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

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

<sup>6</sup> Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; n/a = not relevant or insignificant.