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Directorate General for European
Programmes, Coordination and
Development

COMBINED
STRATEGIC AND ANNUAL PROGRAMME REPORT
2014

for the

NORWEGIAN
FINANCIAL MECHANISM

2009 – 2014

REPUBLIC OF CYPRUS

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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
NMFA	Norwegian Ministry of Foreign Affairs
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 Norwegian Financial Mechanism (FM) 2009-2014 according to Article 2.2.1 of the Regulation on the implementation of the Norway FM as well as paragraph 6 of Annex A of the Memorandum of Understanding (MoU) signed between the Republic of Cyprus and the Kingdom of Norway on the implementation of the above Mechanism.

The purpose of the Report is to give comprehensive information on the implementation of the Norwegian 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 Cross sectoral Programme, operated by the DGEPCD, consisting of five predefined projects. Furthermore, the Report reflects on publicity issues, bilateral relations and proposals for future activities.

During the period under review, four projects were in their implementation phase with the fifth project (contract signing in February 2014) starting its main activities in the last quarter of the year. No particular problems were encountered.

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

Project	Project Promoter	Net Grant Allocation	Amount* Disbursed to the PP	Grant Amount Balance
		(€)	(€)	(€)
		A	B	C (A - B)
Programme CY04				
The Cyprus Bone Marrow Registry	The Karaiskakio Foundation	681.127	213.496	467.631
Establishment of a Translational Facility at the Cyprus Institute of Neurology and Genetics (CING)	The Cyprus Institute of Neurology and Genetics	492.500	263.912	228.588
Construction of a new shelter for the victims of domestic violence	The Association for the Prevention and Handling of Violence in the Family (SPAVO)	742.198	173.753	568.445
Strengthening MOKAS capacities and improve efficiency to detect money laundering and the financing of terrorism	Unit for Combating Money Laundering in Cyprus (MOKAS)	935.750	638.175	297.575
The Home for Cooperation (H4C)	The Association for Historic Dialogue and Research	674.725	242.113	432.612
TOTAL		3.526.300	1.531.449	1.994.851

* 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 and the progress made in the last year can be summarized as follows:

(A) Firstly, 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 "Construction of a new shelter for the victims of domestic violence", with the Project Promoter, the Association for the Prevention and Handling of Violence in the Family (SPAVO), on 5 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) Secondly, 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 and assisted all relevant stakeholders in the implementation of their projects, in solving problems and in mitigating the risks.

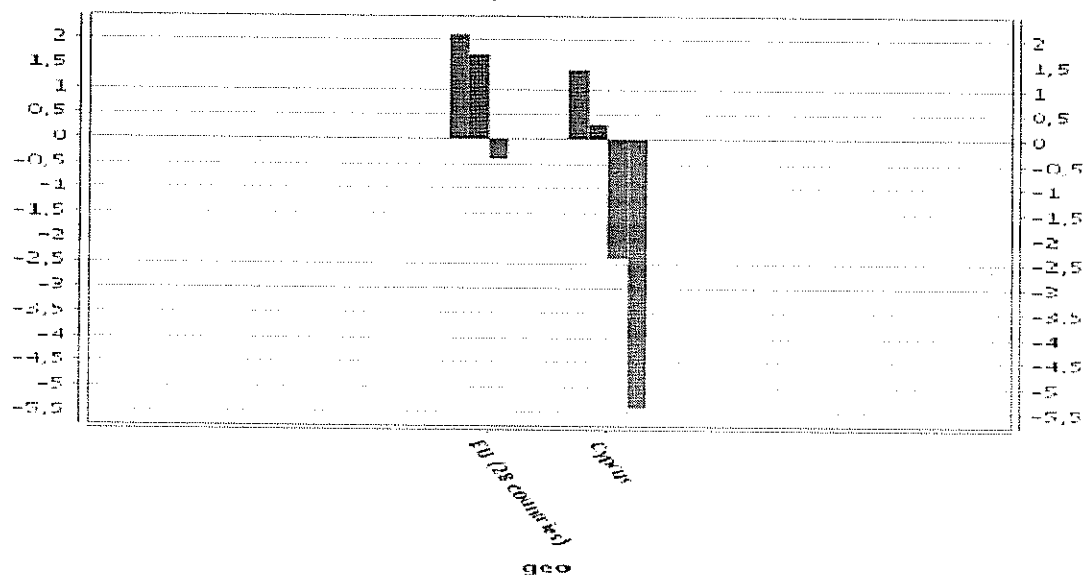
2. ASSESSMENT OF THE EFFECT OF THE GRANTS

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 Norway Grants fit into areas that are not adequately covered by other resources, such as the areas of Public Health, Domestic and Gender based Violence, Justice and Home Affairs and Civil Society Support. 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 five selected predefined projects under the Norway Grants 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. Moreover, 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.

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

Two of the projects (the Bone Marrow Donor Registry Project and the Project for the Cyprus Institute of Neurology and Genetics) will contribute to the delivery of improved public health services as well as building more trust and further communication channels between the two communities in Cyprus. The third project (Shelter for the victims of domestic violence) will contribute to the empowering of the specific target group and their reintegration into the society. The fourth project (strengthening MOKAS capacities and improve efficiency to detect money laundering) will contribute to the fight against money laundering and terrorist financing thus increasing citizens' security. Finally the fifth project (Home for Cooperation) will contribute to the strengthening of the capacity of NGOs in Cyprus, a growing sector that is yet to become strong and effective in influencing issues within the public sphere. Furthermore, interaction of the Greek Cypriot and Turkish Cypriot communities are effected through its activities, contributing to even better relations and contacts between the two communities.

The adverse conditions caused by the economic crisis affected all stakeholders in the Norway 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 Association for the Prevention and Handling of Violence in the Family (SPAVO) the contract for the project "Construction of a new shelter for the victims of domestic violence" 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 four projects have completed most of their main activities or they were towards achieving their main goals by the end of 2014.

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 public Health Initiatives, Domestic and Gender based Violence, Justice and Home Affairs and Civil Society Support.

The two projects under the Health Initiatives Programme area aim to improve public health and reduce health inequalities.

The Cyprus Bone Marrow Registry is now in a better position for tissue typing of the donors, through the technological improvements achieved through the project. This had a major impact for improving public health and saving of lives.

Through the establishment of a Translational Facility at the Cyprus Institute of Neurology and Genetics (CING), the scientists at CING have an additional tool to identify more effective markers for screening, early diagnosis, prognosis and therapy for some types of cancer. The purchase of the Genomics and Proteomics equipment enhanced the ability of the Institute to identify effectively and reliably a faster diagnosis of the relevant illnesses. This had also a huge impact in the health and welfare of the general public.

The Construction of a new shelter for the victims of domestic violence, falling under the Gender-based violence programme area, will greatly help women and children to seek shelter when the need arises. The grant made a huge impact on this

area that due to the financial crisis it would not be possible for the relevant NGO (SPA VO) to build the shelter without the financial assistance from the Norway Grants.

In order to automate the investigation and analysis procedure of the MOKAS Service (the Unit for Combating Money Laundering in Cyprus), an IT system was established to support MOKAS core activities and it will greatly enhance the capacity of its investigation process.

For the Civil Society Support, the Home for Cooperation project aimed to support the strengthening of the sustainability of the Home for Cooperation, through capacity building. The Home for Cooperation managed to attract a lot of NGOs and organized a number of events, thus enhancing its outreach and sustainability.

3.2.2 Progress towards expected outcomes

The Cyprus Bone Marrow Registry project planned to enhance the capacity of the Registry by organizational and technological improvements and ensure its sustainability. In view of this, the Next Generation Sequencer was purchased and installed in the Karaiskakio Foundation for the tissue typing, 20.000 donors have been recruited (compared to the 2.000 initially expected donors) through the public awareness and donor recruitment campaigns and the upgrading of the T/C donor database.

The Establishment of a Translational Facility at the Cyprus Institute of Neurology and Genetics (CING) project aimed to establish a National Proteomics and Genomics Facility in order to identify more effective markers for screening, early diagnosis, prognosis and therapy for some types of cancer. Both Genomics and Proteomics equipment were purchased and installed at the CING and after their validation, more recruitment of patients will be effected.

The project "Construction of a new shelter for the victims of domestic violence", falling under the Gender-based violence programme area, aimed to construct a multipurpose building for battered women and children who have nowhere to turn to. Construction started in September 2014 and progress is on-going. When the shelter will be completed, it will have a great impact on the victims and their children.

MOKAS purchased the goAML application from the UNODC which will greatly enhance its work. Furthermore, all the relevant personnel who will use this application have been trained by the UNODC officials.

For the strengthening of the sustainability of the Home for Cooperation, the Home organized a number of events and hosted events organized by NGOs. It also organized three international conferences on history teaching, where an expert from the Oslo House of Literature (bilateral partner of the H4C) participated in.

3.2.3 Outputs achieved

(i) Regarding the implementation of the project "The Cyprus Bone Marrow Registry", which is running smoothly with no major problems, the following activities took place in 2014:

- (a) The Turkish Cypriot database and documentation has been completed
- (b) The PP has completed the procurement and purchase for the Next Generation Sequencer, which was delayed in order to take advantage of the new technology and lower cost
- (c) The IT infrastructure has been upgraded

(ii) The implementation of the project "Establishment of a Translational Facility at the Cyprus Institute of Neurology and Genetics", is progressing as agreed and in 2014 the following activities were implemented:

- (a) The PP has completed the procurement, purchase and installation of both Genomics and Proteomics equipment.
- (b) With the equipment in place the PP has initiated the research part of the project (proteomics and genomics analysis and the evaluation of new biomarkers for cancer).

Outcome indicators:

For the above two projects, the expected outcome of the Reduced inequalities between user groups has been achieved through,

- (a) the development of a number of strategies, standards, norms and guidelines developed to ensure equal access and quality of health services at national or regional/local level – one information leaflet was produced for this purpose and
- (b) increased access through enhanced actions taken to reduce inequalities in health – completion of the upgraded Turkish Cypriot Database and the production in three languages (English, Greek and Turkish) of Informational Material.

Output indicators:

- List of newly discovered biomarkers/ genes – the research is still ongoing and there are no results yet

- Number of new recruited donors during the project period – in 2014, 3.050 donors have been recruited (the targeted number for the whole duration of the project was 2.000 new donors).

(iii) The contract for the project “Construction of a new shelter for the victims of domestic violence” was signed on 5 February 2014. The PP has completed the procurement procedure in July 2014 and the construction was initiated on the 1st of September 2014. The construction is within the projected timeframe. The PP is also implementing the training and bilateral activities.

Outcome indicator:

- Number of women's shelters or crisis centres supported – The construction of the shelter is ongoing

Output indicators:

- Number of purpose build shelter – the construction of the building is ongoing
- Number of men trained – 10 men were trained to acquire the necessary skills to support the helpline and to offer services to children and adults who seek emotional support.
- Number of women trained – 26 women were trained for the same issues as men did.

(iv) The implementation of the project “Strengthening MOKAS Capacities and Improve Efficiency to Detect Money Laundering and Financing of Terrorism” is in a very advance stage. During 2014, the following activities were implemented:

(a) The PP has signed an amended contract with the UNODC for the supply of goAML (Professional Edition), which combines features from both goAML and goCASE which were the initial software to be supplied.

(b) During the period August – October 2014 the PP completed the purchase and installation of the necessary hardware and software required for the installation of goAML (Professional Edition) software.

(c) During the period October – November 2014, UNODC officials visited MOKAS for the installation of the goAML (Professional Edition) software and trained the MOKAS staff, as well as the relevant stakeholders (such as the officers at the banks and other financial institutions) on how to use the application.

Outcome indicators:

- Number of law enforcement officers trained to prevent and combat cross border and organised crime – the Training will take place in 2015

Output indicators:

- Number of study visit to FIU Norway, FIU Finland and FIU Netherlands and to UNODC by FIU Cyprus – this action was completed in 2013
- Number of contracts signed between FIU Cyprus and UNODC – 2 contracts were signed (goCase (PE) Funding Agreement and Service Level Agreement (SLA))

(iv) For the project "Home for Cooperation", it is noted that the operation and maintenance of the Home has run smoothly with all the events and activities taking place as expected. In 2014, the following activities took place:

(a) The PP has organized two international conferences on history and history teaching, namely "Education in conflict – Conflict in education" in March 2014 and "Historical Culture in Divided Societies" in December 2014, thus concluding all 3 scheduled international conferences.

(b) The PP has completed the call for Small Projects with the selection of 10 Small Projects which are currently being implemented.

(c) The PP has initiated procurement for the provision of specific web designing services for the design of an online map application for the "Nicosia as a shared space" research project.

(d) In consultation with the Programme Operator and after having a more specific picture of the project progress, the budget of the project has been updated, utilizing savings for transfers between activities so that the Grant is more efficiently used. Also, the PP has specified the activities to be implemented within Pillar II, concerning the sustainability and outreach of the Home for Cooperation.

Outcome Indicators:

- Number of smaller/grass roots organisations demonstrating increased capacity in relation to sustainability and extension of activities – 8 small organizations had the opportunity to benefit from activities resulting to their sustainability.

Output Indicators:

- Number of international conferences organized on history teaching – 2 international conferences were organized in 2014.

- Number of new collaborations initiated between the H4C/AHDR and NGOs, non-formal groups and other grass-roots organizations – 15 NGOs and other organizations collaborated with the H4C for various activities in 2014.

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 projects, 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 procurement procedure, the limited experience of the Project Promoters in project management and in implementing projects.

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 Construction of a new shelter for the victims of domestic violence, mainly due to appeals of unsuccessful tenderers. The tendering procedure was completed July 2014 and construction works started in early September 2014. It is expected that by February 2016 the shelter will be completed, well within the eligibility period of the funding from the Norway 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.

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. Furthermore, in the PO there is a designated officer for each project, where the PPs, can refer to during the implementation of their projects.

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.

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

The financial contribution of the Norway 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

They were three cases of irregularities detected during the reporting period. These are:

Case 1: Project CY04-0001 Home for Cooperation - Period reported Quarter 1/2014.

Summary Description of Irregularity: Wages and invoices declared by the Project Promoter relating to non-eligible period (i.e. the period before the start of the project which was 21/01/2013). The amount was €7.669,71 (total expenditure). The irregularity was detected through second verification carried out on the Project.

The Provision that have been infringed is that of Eligibility of Expenditure (Chapter 7) of the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014.

Remedies for Irregularity: The ineligible expenditure has already been recovered from the Program Promoter through deduction from the next payment claim. There are no financial consequences regarding the above matter. As far as the recovery to the NMFA is concerned the amount was deducted through the following Interim Financial Report which was submitted to the NFMA in July 2014.

Case 1 is closed.

Case 2: Project CY04-0004 The Cyprus Bone Marrow Donor Registry - Period reported Quarter 1 /2014.

Summary Description of Irregularity: Wages amounted to €4.000 (total expenditure), declared by the Project Promoter relating to non eligible period (period before the start of the project - 23/01/2013). The irregularity was detected through second verification carried out on the Project.

The Provision that have been infringed is that of Eligibility of Expenditure (Chapter 7) of the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014.

Remedies for Irregularity: The ineligible expenditure has already been recovered from the Program Promoter through deduction from the next payment claim. There are no financial consequences regarding the above matter.

Case 2 is closed.

Case 3: Project CY04-0001 Home for Cooperation - Period Reported Quarter 4/2014

Summary Description of Irregularity: After an audit carried out to the Project by the Audit Authority, during December 2014, the total amount of €1.431, 51 (amount of grant €1.155,80) was found ineligible. This ineligible amount is analysed as follows:

- 1) Four invoices relating to telephone and water bills, with a total value of €1.162,51 (amount of grant €938,61), were incurred before the eligibility period of the Project.
- 2) Two invoices relating to the category home keepers, cleaners and gardeners, with a total value of €249 (amount of grant €201,04), were incurred before the eligibility period of the Project.
- 3) One invoice relating to catering expenses, with a value of €676 is wrongly converted to Euro from Turkish Pound. As a result €20 is considered as ineligible expenditure (amount of grant €16,15).

Remedies for Irregularity: The ineligible expenditure is going to be deducted in a following payment that is going to be made by the Program Operator to the Project Promoter.

Case 3 is under review by FMO.

4.4 Audit, monitoring, review and evaluation

During the period under review all five pre-defined projects 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 through the Project Progress Reports submitted by the POs and through the bimonthly meetings with the PPs 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 3rd 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 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 Norway Financial Mechanism in 2015 is listed in the table below:

Implementation Plan of the Norway FM in 2015		
	Activity	Timeline for Implementation
1.	Organisation of the 4 th 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	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:

Work Plan for the Information Activities for 2015		
	Activity	Timeline for Implementation
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 Construction of a new shelter for the victims of domestic violence which took place in February 2014. Since then, the PO was in close communication with the respective PP in order to proceed with the construction works of the project.

Substantial progress was also achieved in the other four projects with the installation of the new updated application in the MOKAS project, the purchase and installation of both Genomics and Proteomics equipment in the CING project, the purchase for the Next Generation Sequencer and upgrading of the IT system at the bone marrow registry at the Karaiskaktion Foundation and upgrading of the services offered for the sustainability of the Home for Cooperation.

Recommendations

		<u>Recommendations</u>	<u>Action</u>	<u>Timing</u>
(a)	Predefined Project	Close monitoring of the SPAVO project for early problem identification and immediate corrective actions for successful completion	PP/PO	Continuous
(b)	Predefined Projects	Continue the close monitoring of the other four on-going predefined projects for successful completion	PP/PO	Continuous
(c)	Bilateral Fund at National level	Organisation of an event in Cyprus after the final approval of the Donors	NFP	October-December 2015
(d)	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

15-Jan-15

Applications in Cyprus

Reporting year 2014

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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
Total			2			1	3

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	
Call for proposals for the EEA NGO fund in Cyprus 2009-2014 (sector capacity building)	1	0	0	1	0	0	
Total	110	18	0	110	18	0	

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
Total			4			1	5

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 Reporting year 2013

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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
Programme and country irregularities in Cyprus as initially reported
Reported by designated entities in or before 2014

15-Jan-15

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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.

Project irregularities in Cyprus as initially reported

Reported by designated entities in or before 2014 on project level

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
Total							9.944	0

Annex – Strategic report attachment 6

Audit Activity Planned (System Audits)

Bodies to be audited each year						
No.	Bodies/Authorities involved in the Management and Control System	Financial Mechanism	Programmes	2014	2015	2016-2017
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 ¹	Description of risk	Likelihood ²	Consequence ³	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:				

¹ 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.

² 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%)

³ 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 ⁴	Description of risk	Likelihood ⁵	Consequence ⁶	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	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

⁴ 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.

⁵ 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%)

⁶ 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.