



Fourth Annual Report

**on the implementation of the EEA Financial Mechanism
in the Slovak Republic in the period 1.1.2008 to 30.6.2009**

approved by the National Monitoring Committee
for the EEA Financial Mechanism and the Norwegian Financial Mechanism
on 10 September 2009



The National Focal Point
Office of the Government of the Slovak Republic

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Introduction

The fourth annual report is presented in accordance with article 5 of the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism.

The submitted fourth annual report covers the period from 1 January 2008 to 30 June 2009. The period covered is longer than one year because in the last quarter of 2008 and the first two quarters of 2009, both the NFP and the FMO concentrated their resources on the conclusion of funding agreements.

The National Focal Point for the EEA FM and the NFM – the Office of the Government of the Slovak Republic – shall submit the annual report to the eleventh session of the National Monitoring Committee for the EEA FM and the NFM. The NFP cooperated with the PA in the preparation of the annual report. After discussion and approval of the EEA FM and the NFM by the NMC, the Fourth Annual Report will be presented at a meeting with representatives of the Norwegian Ministry of Foreign Affairs, the Financial Mechanism Committee and the Financial Mechanism Office.

The annual report has been prepared in accordance with the rules set out in the Reporting and Monitoring Guidelines issued by the FMO.

The main objective of the Annual Report is to provide information on progress achieved in the implementation and financial management of the EEA Financial Mechanism in Slovakia in 2008 and the first half of 2009.

The Annual Report is divided into the main text and 19 annexes. The main text describes the implementation process for the IP and BG. The period covered by the report includes the assessment of the IP applications for the last two calls (0607 and 0708) and the conclusion of NFC agreements with the successful applicants. The text section is divided into a section outlining the current situation in implementation and a section drawing conclusions and recommendations, including the schedule of work to be carried out from July 2009 to June 2010.

It will be possible to assess the real impact of the EEA FM only when the implementation of the supported projects has been completed.

1 Implementation status of the EEA FM

1.1 The previous annual meeting

The annual meeting on the implementation of the EEA FM took place on 11 March 2008 in Bratislava. The main item of the agenda was discussion of questions relating to the Third Annual Reports on the Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism. The meeting also considered open questions relating to the implementation of the EEA FM, which can be summed up in the following points:

- overall progress in the implementation of the EEA FM in the period from 1.1.2007 to 31.12.2007,
- the implementation status of the Block Grant for the Seed Money Facility,
- the assessment process for Call 0607 for applicants from the private sector,
- the preparation of Call 0708 for applicants from the public administration and NGO sector,
- the audit and monitoring plan for 2008.

3. Representatives of the Norwegian Ministry of Foreign Affairs, the FMC, the FMO, the PA and the NFP attended the meeting.

As part of the third annual meeting, on 10 March 2008 the participants visited the locations where selected projects were being implemented:

SK0027 – Nižný Slavkov village – regulation of streams in Nižný Slavkov village – Slavovský Potok and Čierny Močiar (support for infrastructure)

SK0035 – town of Prešov – Renovation of a historic cultural and social centre, Čierny Orol in Prešov.

SK0043 – Košice Self-governing Region – Katova Bašta – Katov byt, reconstruction and revitalisation of a historic site

SK0024 – Karpatský rozvojový inštitút, o. z. – Good governance at a regional level in relation to regional development in Slovakia – GOVERNANCE

1.2 Sessions of the NMC

Three sessions of the NMC were held in the period from 1 January 2008 to 30 June 2009 in accordance with the statutes of the NMC.

1.2.1 Eighth session of the NMC

The eighth session of the NMC convened in Bratislava on 28 January 2008.

The main item of the agenda was approval of the Third Annual Report on the Implementation of the EEA Financial Mechanism in the Slovak Republic and the Third Annual Report on the Implementation of the Norwegian Financial Mechanism in the Slovak Republic covering the relevant period. The approved annual reports were presented at the annual meeting on 11 March 2008.

1.2.2 Ninth session of the NMC

The ninth session of the NMC was convened in Bratislava on 5 June 2008.

The members of the NMC were informed of the situation in implementation and the conclusions of the annual meeting with representatives of the donors and the FMO. The members of the NMC also received detailed information on the assessment of applications for non-reimbursable financial contributions submitted in response to Call 0607 for applicants from the private sector and the issuing of Call 0708 for applications for non-reimbursable financial contributions for individual projects from public administration bodies and non-governmental organisations. Information was also provided on the use of funds in the implementation of individual projects and block grants.

The NMC adopted a resolution recommending the NFP to submit the NFC applications under Call 0607 that had been approved at the national level for appraisal by the FMO.

The NMC also took note of the Statutes and Rules of Procedure of the assessment commissions for the assessment of applications for NFCs from the EEA Financial Mechanism and the Norwegian Financial Mechanism submitted by applicants from the public administration and non-governmental organisations.

1.2.3 Tenth session of the NMC

10. The tenth session of the NMC was convened in Bratislava on 27 November 2008.

The main item on its agenda was discussion of the resolutions of the assessment commissions evaluating NFC applications submitted in response to Call 0708.

The NMC adopted a resolution recommending the NFP to submit the NFC applications approved at the national level for appraisal by the FMO.

At this meeting the National Monitoring Committee approved Amendment no. 1 of the Rules of Procedure of the National Monitoring Committee for the EEA Financial Mechanism and the Norwegian Financial Mechanism and Amendment no. 1 of the Statute of the National Monitoring Committee for the EEA Financial Mechanism and the Norwegian Financial Mechanism. The purpose of Amendment 1 of the Statute of the NMC was to incorporate the change in the name of the organisational unit responsible for implementation of the EEA FM and the NFM. The name of the organisational unit is the Department of Management and Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism. The purpose of Amendment 1 of the Rules of Procedure of the NMC was to incorporate a specific procedure for voting on and recommending NFC applications. The amendments were published on the website www.eeagrants.sk.

1.3 Rules for the implementation of the NFM and the EEA FM

During the period covered by the report, the following exemptions were granted from the Rules for the Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism version 1.0, approved by Government Resolution No. 262/2007:

1. Exemption of the deputy prime minister for knowledge society, European affairs, human rights and minorities of 25.3.2008, on permission to use a points score in the assessment of cross-cutting criteria in place of a “+” symbol.

2. Exemption of the deputy prime minister for knowledge society, European affairs, human rights and minorities of 1 May 2008, for the transfer of an allocation (EUR 1 558 000) from the Know-How Fund to budgets of priority as proposed by the NMFA. EUR 774 000 was reallocated to the priority area Human Resource Development and EUR 774 000 was reallocated evenly between the other priority areas except Human Resource Development and Technical Assistance relating to the implementation of the *acquis communautaire*.
3. Exemption no. 4 of the minister of finance of 28 April 2008 for a change in the system of financing for the end recipient in individual project SK0023;
4. Exemption no. 5 of the minister of finance of 28 April 2008 for a change in the system of financing for the end recipient in individual project SK0020;
5. Exemption no. 6 of the minister of finance of 24 June 2008 on permission for combined financial management for end recipients carrying out subprojects of a BG and end recipients carrying out individual projects in a system of pre-financing and advance payments.
6. Exemption of the minister of finance no. 7 of 10.2.2009 allowing the intermediary of BG SK0007 to request financing up to 65% the non-reimbursable financial contribution.
7. Exemption of the minister of finance no. 7 of 20.3.2009 allowing the intermediary of BG SK0057 to submit a payment request for up to 80% of the non-reimbursable financial contribution.

In order to prepare for the changeover to the single currency in the Slovak Republic, the Ministry of Finance as the PA issued on 4 December 2008 Guideline no. 17/2008 of the Ministry of Finance. This material sets out the conditions for the changeover to the euro for all subjects participating in the financial management of the EEA FM and the NFM.

The MF-PA and the OG-NFP organised joint working meetings between representatives of the intermediaries, the NFP and the PA in May and October 2008 and again in March and May 2009. Discussions at these joint working meetings and training sessions and the experience of subjects participating in the implementation and financial management of the EEA FM and the NFM indicated a need to amend and update the national legislative framework to ensure successful management of the EEA FM and the NFM in future. The updating of the conceptual documents did not change the following principles:

- intermediaries and end recipients in the public sector and the non-governmental sector in Slovakia will continue to receive co-financing from the state budget.
- state budgetary pre-financing of donor funds transmitted through the FMO will continue,
- exchange rate differences relating to strengthening of the Slovak crown against the euro after the signing of a NFC agreement will be covered in full from the state budget.

The deputy prime minister for knowledge society, European affairs, human rights and minorities and the minister of finance approved the revised form of the material “Rules for the implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism – version 2.0” (the Rules, version 2.0) on 26 May 2009. The document is based on the experience and recommendations relating to practical implementation of all subjects participating in the implementation of the EEA FM and the NFM, in particular the end recipients, the intermediaries, the NFP and the PA. A working group made up representatives of the NFP, the PA and the intermediaries worked on the preparation of the Rules, version 2.0. The rules were also submitted for review by the FMO.

The main changes in the Rules version 2.0 affect the following areas:

- additional competences of the NFP, intermediary and PA,
- amendment of text relating to the changeover to the euro in Slovakia in the material and its annexes,
- additions to the systems of financial flows and deadlines for all subjects participating in the financial management system,
- additions to the system for submitting the PCR and the subordinate PCR,
- a detailed specification of conditions for combining financial management systems at the level of the IP and the BG,
- definition of conditions for the processing of applications for payment / applications for advance payment in the event that the end recipient / aid beneficiary / intermediary does not possess the original PIR,
- a system for amendment of the PIR/PCR at the level of the ER/AB/Int. based on the findings of the NFP and the PA, additions to the systems of financial flows and deadlines for all subjects participating in the financial management system,
- specification of conditions for end recipients / aid beneficiaries in the event of a change in the system of financing.

The MF as the PA then issued updated guidelines as Guideline No. 9/2007 of the Paying Authority on the agreement on the provision of non-reimbursable financial contribution under the EEA Financial Mechanism and the Norwegian Financial Mechanism version 3.0 on 26 May 2009 and Guideline No. 8/2007-U of the Paying Authority on the agreement on a non-reimbursable financial contribution between the NFP and an intermediary under the EEA Financial Mechanism and the Norwegian Financial Mechanism version 3.0. The PA also oversaw the updating of Guideline No. 7/2007 on the forms for pre-financing requests, payment requests and estimated forecast expenditures under the EEA FM and the NFM.

The NFP prepared an updated version of the Handbook for ER/AB/Int. for BG from the EEA Financial Mechanism and the Norwegian Financial Mechanism.

1.4 Contracting status

At present **101 projects with support from the EEA FM and the NFM** are being implemented in Slovakia, of these 87 are supported by both the NFM and the EEA FM, 13 are supported only from the NFM and 1 is supported only from the EEA FM. 95 projects are co-financed by the state budget of the Slovak Republic. **93** projects are being implemented as IP and **8** are in the form of block grants.

EUR 67 135 950 was allocated from the EEA FM and the NFM between 2004 and 2009. After deducting EUR 1.3 million allocated by the donors for ex-post evaluation, the net allocation for Slovakia amounts to EUR 65 793 231. Slovakia has contract 99.17% of this amount, EUR 65 244 759 in absolute terms. Two applicants from the private sector decided not to accept grant offers after 31.1.2009 when it was no longer possible to transfer funds and therefore EUR 548 473 remains uncontracted, 0.83% of the total.

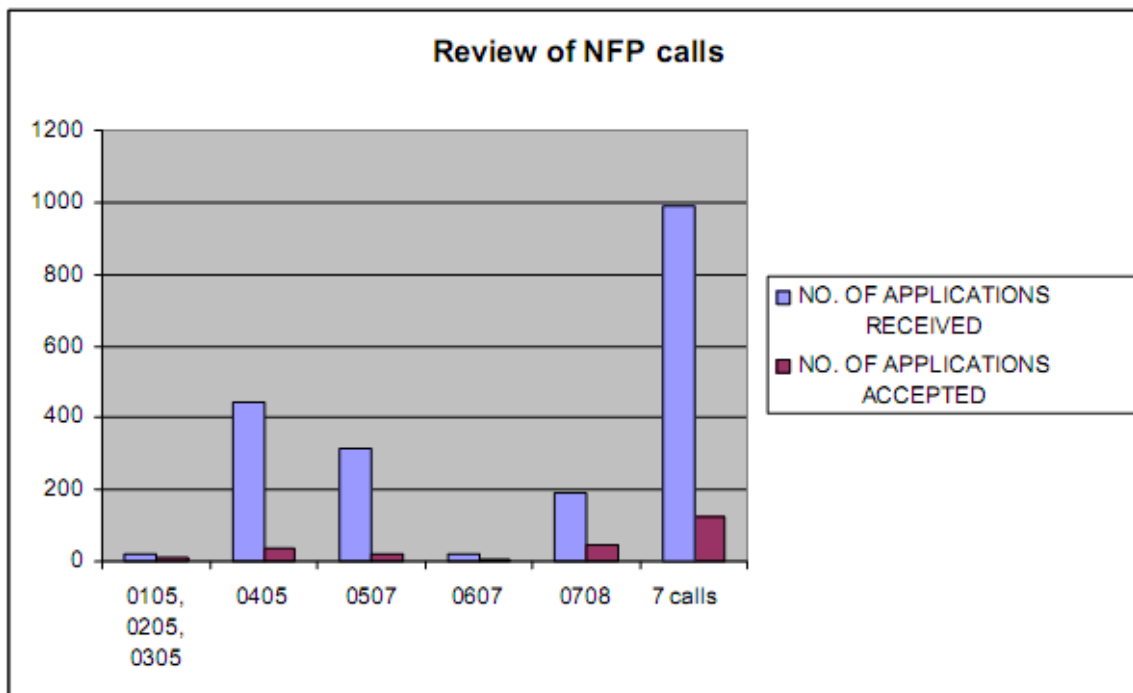
ALLOCATIONS AND CONTRACTING

SOURCE OF FUNDING	TOTAL EEA + NFM	EEA	NFM
Contracted amount	65 244 759,00 EUR	30 425 472,00 EUR	34 819 287,00 EUR
Net allocation for the SR	65 793 231,00 EUR	30 425 472,00 EUR	35 367 759,00 EUR
Unused allocation for the SR	548 472,00 EUR	0,00 EUR	548 472,00 EUR
Unused allocation as %	0,83%	0,00%	1,55%
Contracted amount as %	99,17%	100,00%	98,45%

1.5 Calls for IP

In the 2004–2009 period the NFP issued 7 calls: 3 were intended for the selection of intermediaries and 3 for IP. In addition to these calls the OG issued 1 call for the submission of applications for NFC for sub-projects from the Seed Money Facility, in which it did not act as the NFP but as the intermediary for the BG. The NFC received a total of 987 NFC applications under all calls, from which it was able to support 101 IP and BG, which are currently in implementation, and 23 subprojects under the Seed Money Facility, whose implementation has already been completed.

SUMMARY OF CALLS ISSUED BY THE NFP			
CALLS	CODE	NUMBER OF APPLICATIONS RECEIVED	NUMBER OF APPLICATIONS APPROVED
Calls for intermediaries	0105, 0205, 0305	22	9
Calls for the public and non-governmental sector	0405	443	38
Call relating to the Seed Money Facility	0507	314	23
Call for the private sector	0607	20	6
Call for the public administration sector and NGOs	0708	188	48
TOTAL	7 calls	987	124



In 2007 the NFP issued one call for applicants from the private sector – small and medium enterprises, and in 2008 a call for subjects in the public sector and non-governmental organisations. In the period from 1 January 2008 to 30 June 2009, therefore, the most important task for the NFP was to complete the assessment of these two calls, the signing of grant agreements and national agreements on the provision of a non-reimbursable financial contribution with the end recipients and aid beneficiaries.

1.5.1 Call 0607

21 January 2008 was the closing date for NFC applications under the call for NFC applications for individual projects from applicants in the private sector, call code 0607, which was issued by the NFP on 19 November 2007. The call was intended primarily for NFC applications for individual projects to be carried out in the following areas of support:

- Protection of the environment
- Promotion of sustainable development
- Conservation of European cultural heritage
- Human resource development
- Health and childcare
- Research
- Regional policy and cross-border activities

The volume of allocations for Call 0607 from the EEA FM and the NFM was EUR 10 105 800. At the closing date the NFP had received 20 applications for NFC for IP.

Of the total 20, 3 applications were excluded for failure to satisfy administrative criteria after the first session of the assessment commissions. Another 3 applications were excluded for failing to satisfy administrative criteria after the second and final session of the assessment commissions. After substantive assessment, 13 applications were recommended to the NMC for approval. The NMFA and the MFO ultimately approved 8 IP under the call. After approval, 2 applicants refused to accept the offer of a grant because of the long period for approval of the NFC and the reduced value of the grant offered.

8 applications were approved after assessment by the FMO. Two applicants refused the offered grant and for this reason EUR 548 473 remained unused. Grant agreements were signed for 6 IP with a total volume of EUR 3 013 902.00 from the two financial mechanisms, of which EUR 1 506 951.00 was from the EEA FM.

The NFP received the last signed Grant Agreement on 25 June 2009. The process of concluding national agreements between the NFP and the aid beneficiaries was still ongoing as at 30 June 2009 and only one NFC agreement had been signed.

A list of applications submitted in Call 0607 given in annex 1 and annex 2 comprises a list of the IP under Call 0607 that were approved. Annex 3 gives a statistical analysis of assessment under Call 0607.

1.5.2 Call 0708

On 5 May 2008 the NFP issued a call for applications for non-reimbursable financial contributions for individual projects for applicants in the public administration sector and non-governmental organisations – call code 0708.

After the closure of the call, the NFP entered the applications in the ISUF and sent the applicants confirmation of the registration of their application. A total of 188 NFC applications were submitted to the NFP. The submitted NFC applications are listed in annex 4. Annex 5 presents a statistical analysis of the submitted applications, which are grouped according to priority area, region, type of applicant and partnership.

The applications were reviewed for compliance with administrative criteria. If an application failed to satisfy the administrative criteria, the applicant was asked to correct the deficiencies.

After the closing date for the correction of deficiencies, the applications were reviewed for compliance with administrative criteria again. If NFC application still did not satisfy the administrative criteria, it was excluded from further assessment. The review of compliance with administrative criteria was carried out by the NFP.

Applications that satisfied the administrative criteria were checked for the eligibility of the applicant and the application. This check was carried out by the NFP and an external assessor. If an application or applicant was deemed to be ineligible, the application was not sent to the commission for further assessment.

Applications that satisfied the administrative criteria and the criteria for eligibility of the applicant and the application were presented to the inaugural meeting of the relevant assessment commission and the projects were distributed to assessors with relevant substantive expertise. Applications were assigned for assessment to:

- a) a representative of the relevant department of state,
- b) a representative of the external assessor,
- c) where an application was submitted by a department of state with substantive responsibility for the relevant area, or an entity directly controlled by the relevant department of state, the application was assessed by another expert who passed a formal selection procedure.

Each assessor submitted a verbal expert opinion and a points score by an agreed closing date in advance of the next session of the assessment commission. In addition to the points score for the primary area addressed by the application, the submission included a points score and a verbal explanation for cross-cutting criteria. These submissions were used to elaborate a proposal for the commissions' collective opinion on the assessed applications.

The final ranking of applications was based on the number of points awarded. Where two applications had the same number of points, priority was given to the application with more points for cross-cutting criteria.

Applications that the assessment commission recommended for approval were also given a conditional recommendation for co-financing from the state budget.

The minutes of the sessions of the assessment commission were signed by all the commission members at their last session as proof that its conclusions were the product of consensus.

The NFP published up-to-date information on the dates of the sessions of each assessment commissions on the official website www.eeagrants.sk.

The NFP recommended that the assessment commissions exclude 37 applications for failure to satisfy administrative criteria or the criteria for eligibility of the application and the applicant. The assessment commissions agreed with the recommendations. The affected applicants were informed to this effect without delay. They were also given information on how to request a review of the decision of the assessment commission. In 15 cases out of 37 rejected applications the applicants requested such a review. In 13 cases the decision of the assessment commission was upheld and in 2 cases the application was returned to the assessment process.

Substantive assessment of projects was completed on 11 November 2008 with the session of the assessment commissions for the priority areas Health and childcare and Human resource development.

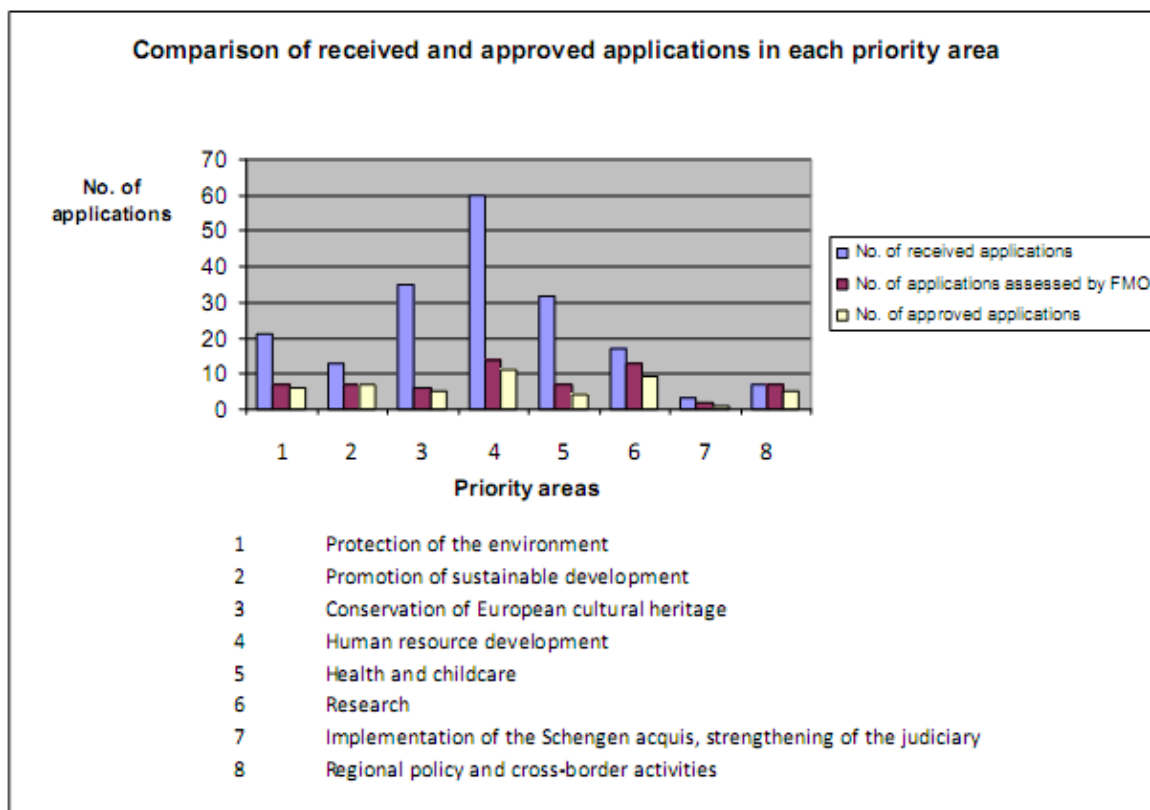
Details of the assessment process at the level of the assessment commissions are given in annex 6. A list of the applications forwarded to the NMC is given in annex 7.

At its tenth session on 27 November 2008, the NMC decided on its recommendation as to whether each application should or should not be sent for further assessment by the FMO. The NMC decided to recommend the NFP to send 63 applications to the FMO for appraisal and closed the assessment process. Under the Rules of Procedure of the NMC, these applications are considered approved at the national level.

The projects whose further assessment was recommended at the tenth session of the NMC were sent to the FMO on 3 December 2008.

A list of applications recommended for assessment by the FMO under Call 0708 is given in annex 8. This annex also contains information on the amount of the approved grant and the signing of the grant agreement by both parties, if it was signed before 30.6.2009. Annex 9 gives a statistical overview of the IP evaluated and finally approved by the FMO under Call 0708.

As at 30 June 2009, the MFA and/or the FMO had approved 48 IP; 14 IP had been rejected and the NFP had withdrawn one IP from appraisal at the request of the applicant.

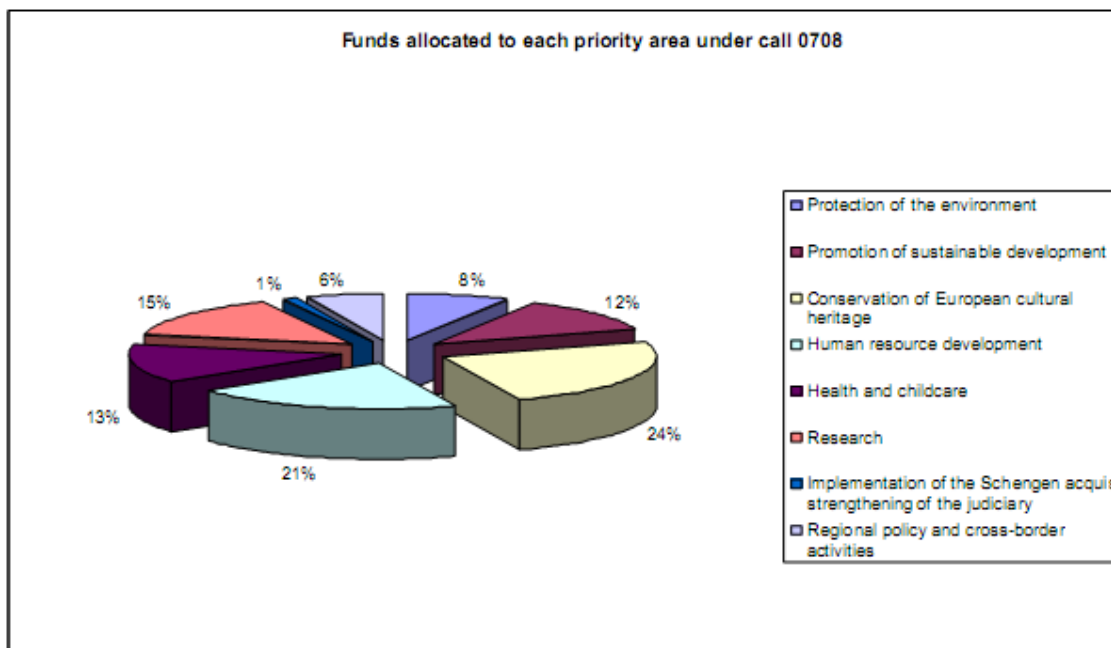


Under Call 0708 a total of EUR 30 239 416 was allocated from the EEA FM and the NFM.

Allocation of funding to each priority area

Priority area	Number of applications approved	Allocation	Proportion
Protection of the environment	6	EUR 2 326 070.00	7.69%
Promotion of sustainable development	7	EUR 3 616 103.00	11.96%
Conservation of European cultural heritage	5	EUR 7 407 545.00	24.50%
Human resource development	11	EUR 6 255 509.00	20.69%
Health and Childcare	4	EUR 4 062 794.00	13.44%
Research	9	EUR 4 487 147.00	14.84%
Implementation of the Schengen acquis, strengthening of the judiciary	1	EUR 356 028.00	1.18%
Regional policy and cross-border activities	5	EUR 1 728 220.00	5.72%
Total	48	EUR 30 239	100.00%

		416.00	
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The closing date for applications was 7 July 2008. The NFP received 188 applications for NFC for IP before the closure of the call. The NMFA/FMO approved 48 IP under this call by 30 April 2009.

After receiving the first Grant Agreements signed by the representatives of the NMFA and/or the FMO acting for the donor states and the Slovak deputy prime minister for knowledge society, European affairs, human rights and minorities acting for the Slovak Republic, the NFP began to transpose their provisions into national NFC agreements with the approved end recipients and intermediaries.

As at 30 June 2009, the NFP had received 27 grant agreements signed by both parties for 27 IP under this call. To this date, the NFP had concluded only one NFC agreement with an ER as a result of late delivery of the grant agreements to the National Focal Point.

The time necessary for the assessment of projects and the preparation of the grant agreements and the national agreements on non-reimbursable financial contributions meant that the start of the implementation of approved projects was delayed in the first half of 2009. The implementation of the approved IP under calls 0607 and 0708 will begin in the third quarter of 2009 with completion due by 30 April 2011.

The NFP drew on its previous experience to achieve prompt conclusion of agreements with ER on the IP approved under calls 0607 and 0708.

As at 30.6.2009 only one agreement on the provision of a NFC had been concluded with an ER under Call 0708. Implementation of the projects under this call will commence in the period covered by the next annual report.

1.5.3 Call 0405

As at 31 December 2007, 38 projects under Call 0405 had been approved at the national level and the FMO level. As at 30 June 2009, 37 national NFC agreements had been concluded with ER covering a contracted allocation of EUR 16 555 397.00 from the EEA FM and the NFM (24.6% of the overall amount committed to Slovakia) and EUR 2 914 195.00 from the Slovak state budget for the co-financing of the approved IP.

The project for which the NFC agreement had not been signed as at 30.6.2009 was project SK0029 for the town of Vráble, for which the two parties signed the grant agreement on 21 May 2009. The reason for the late signing of the agreements was that the European Commission only decided on 20 April 2009, on conclusion of the screening process for planned *ad hoc* aid intended to ensure legal certainty, not to object to the notified measure because it did not represent state aid as defined in article 87(1) of the Treaty. This decision opened the way for the Slovak Republic to sign the grant agreement and the NFC agreement will be signed in due course.

Number of approved and contracted projects under Call 0405 by priority area:

Protection of the environment	5
Promotion of sustainable development	3
Conservation of European cultural heritage	8
Human resource development	5
Health and Childcare	5
Research	5
Implementation of the Schengen acquis, strengthening of the judiciary	1
Regional policy and cross-border activities	4
Technical assistance relating to the implementation of the <i>acquis communautaire</i>	1
TOTAL	37

1.6 Status of individual project implementation

The implementation of projects under **Call 0405** began in 2007. In the period 1 January 2008–30 June 2009 there were 38 projects in implementation under this call.

The following IP have been physically completed:

- **SK0028** Revitalisation of the channel of the River Myjava within the town of Myjava (town of Myjava)
- **SK0042** Sports and recreation area in Stožok (village of Stožok)

- **SK0026** Flood prevention measures on Lipanský Stream and Lučanka Stream in Lipany (village of Lipany),
- **SK0062** Football centre for free-time activities for children and young people (Sports Club Senec),
- **SK0045** Reconstruction and modernisation of refuge for mothers in need in the Red Cross House in Snina (Slovak Red Cross, local organisation in Snina).

Based on the information given in the PIR, the NFP calculates that the IP under Call 0405 were 56.45% complete on 30 June 2009. The physical progress of most projects is in line with the PIP. 3 projects are significantly behind schedule:

- **SK0014** “GIS application to support the activities of integrated emergency services intended to reduce the effects of ecological catastrophes” (Ministry of Interior) – materials for public procurement are still being prepared as a result of changes made to the project. As at the 30.6.2009, the FMO was still considering the changes in the project.
- **SK0049** “Improvement in the quality of municipal public lighting in order to save energy in the town of Svit (town of Svit) – the project has been delayed by changes resulting from the late start of public procurement and subsequent procedural extension of the public procurement process. The ER has requested an extension of the period for completion of the IP. As at the 30.6.2009, the FMO was still considering the changes in the project.
- **SK0025** “Conservation of bat hibernation sites in the Dubník Opal Mines” (Nadácia Dubnícke opáľové bane) – project delayed due to suspension of financing of the project until the resumption of clearance work, for which public procurement was still in progress on 30 June 2009.

An overview of physical progress in the implementation of the IP as at 30 June 2006 is given in annex 10.

The projects under Call 0708 and 0607 will be implemented in the period covered by the next annual report.

A total of EUR 11 393 758.98 had been paid to the end recipients of IP as at 30 June 2009. This represents 55.94% of the planned total eligible expenditure.

EUR 3 232 533.27 had been disbursed from the FMO to the PA. This represents 15.87% of the funding from the EEA FM and the NFM.

1.7 Overview of calls in BG

21 January 2008 was the deadline for the submission of NFC applications under the call for applications for NFC for IP under the Seed Money Facility (Call 0507), which the OG issued on 17 July 2007. In total, 314 NFC applications were submitted, of which 23 subprojects were granted support on completion of the assessment process at the national level. All subprojects under the Seed Money Facility have now been completed. The final financial settlement for the whole BG was completed on 30.6.2009.

During 2008 and in the first half of 2009 the following calls were issued besides Call 0507:

- the intermediary the SOCIA Foundation issued a call with an allocation of EUR 800 000. Its closing date was 31 January 2008. It also issued a second call with an allocation of EUR 800 000. The closing date for this call was 16 February 2009,

- The Ekopolis Foundation concluded 1 call within the period covered by this report and issued and concluded another 2 calls,
- the intermediary the Open Society Foundation issued a call with an allocation of EUR 794 118. Its closing date was 4 February 2008. On 16 September 2008 it issued a second call with an allocation of EUR 912 688.95. The closing date for this call was 16 November 2008,
- the intermediary SAIA n.o. issued a call with an allocation of EUR 725 000. Its closing date was 31 March 2008. It issued its second call on 1 October 2008,
- the intermediary the Slovak Innovation and Energy Agency issued its one planned call on 23 April 2008. This had an allocation of EUR 2 893 614. Its closing date was 22 August 2008,
- the intermediary the Slovak Academy of Sciences issued a call on 8 April 2008 with an allocation of EUR 903 742. Its closing date was 7 July 2008.

On 10.12.2008 a meeting was held between representatives of the NFP and representatives of the BG falling under the NGO fund. The participants discussed the implementation of the block grants. On 20.5.2009 representatives of all the Intermediaries met to discuss open questions relating to the implementation of the BG and the new programming period 2009–2014.

An overview of physical progress in the implementation of the BG as at 30 June 2009 is given in annex 12.

1.8 Status of block grant implementation

1.8.1 BG SK0008 “Programme for the support of human rights 2006 – 2009”

The intermediary for the block grant focussing on support for human rights under the NGO Fund is the Open Society Foundation.

In the course of BG implementation, the intermediary has issued 2 calls for applications for NFC for subprojects. 54 applications were submitted in response to the first call. 18 of these were approved. The total grant from the financial mechanisms was EUR 842 270.98. 30 applications were submitted in response to the second call issued on 16 September 2008. 16 of these were approved. The total grant from the financial mechanisms was EUR 943 927.00. The intermediary signed agreements with the end recipients for 34 approved projects and the subprojects are currently at various stages of implementation depending on which call they were approved under.

The Steering Committee for the BG met on 3 December 2008 to discuss the progress that had been made in the implementation of the BG and the tasks to be carried out in the next period.

A total of EUR 854 677.05 had been paid to the BG intermediary as at 30.6.2009. This represents 48.43% of the planned total eligible expenditure.

EUR 68 878.61 had been disbursed from the FMO to the PA. This represents 4.59% of the funding from the EEA FM and the NFM.

1.8.2 BG SK0009 “Fund for NGOs supporting social inclusion in Slovakia” as part of the NGO Fund

The intermediary of the BG “Fund for NGOs supporting social inclusion in Slovakia” is SOCIA, the Social Reform Foundation. The fund is intended to increase the capability and effectiveness of non-governmental organisations that help children, young people and families at risk of social exclusion.

In the course of BG implementation, the intermediary has issued 2 calls for applications for NFC for subprojects. 39 applications were submitted in response to the first call. 9 of these were approved. The total grant from the financial mechanisms was EUR 792 720.99. 27 applications were submitted in response to the second call. 9 of these were approved. The total grant from the financial mechanisms was EUR 726 975.00.

The intermediary has signed NFC agreements with the end recipients of all approved projects and the subprojects are now being implemented in accordance with the approved budgets and activities.

On 5 November 2008 the Steering Committee for the BG met in its first session to receive information on the results of the first call and progress in the implementation of the subprojects that had been awarded NFCs.

A total of EUR 801 045.01 had been paid to the BG intermediary as at 30 June 2009. This represents 45.39% of the planned total eligible expenditure.

EUR 8 338 had been disbursed from the FMO to the PA. This represents 0.56% of the funding from the EEA FM and the NFM.

1.8.3 BG SK0011 “ENGO – Support for sustainable development” as part of the NGO fund

The aim of this BG is to promote sustainable development through support for environmental non-governmental organisations in the priority areas protection of the environment, sustainable energy, food safety and environmental education. The intermediary for the BG is the Ekopolis Foundation.

In the course of BG implementation, the intermediary has issued 3 calls for applications for NFC for subprojects. 21 applications were submitted in response to the first call. 8 of these were approved. The total grant from the financial mechanisms was EUR 473 614.30. 20 applications were submitted in response to the second call. 11 of these were approved. The total grant from the financial mechanisms was EUR 779 394.10. 40 applications were submitted in response to the third call. 15 of these were approved. The total grant from the financial mechanisms was EUR 889 041.82.

The intermediary signed agreements with the end recipients for 33 of the 34 approved projects and the subprojects are currently at various stages of implementation depending on which call they were approved under. No agreement was signed in the case of one subproject because the subproject will be implemented from 1 October 2009. Signing is planned for September 2009. The Steering Committee for the BG met on 8 April 2008 and 29 October 2008 to discuss the progress that had been made in the implementation of the BG and the tasks to be carried out in the next period.

A total of EUR 755 458.44 had been paid to the BG intermediary as at 30 June 2009. This represents 32.11% of the planned total eligible expenditure.

EUR 12 893.11 had been disbursed from the FMO to the PA. This represents 0.64% of the funding from the EEA FM and the NFM.

1.8.4 BG SK0007 “NIL Fund supporting cooperation in education”

The intermediary of this fund intended to promote cooperation between schools and scholarships is SAIA n.o. In the course of BG implementation, the intermediary has issued 2 calls for applications for NFC for subprojects. 22 applications were submitted in response to the first call issued on 14 December 2007. 10 of these were approved. The total grant from the financial mechanisms was EUR 798 428.40. 24 applications were submitted in response to the second call issued on 1 October 2008. 8 of these were approved. The total grant from the financial mechanisms was EUR 693 343.44.

The intermediary has signed NFC agreements with the end recipients of all approved projects and the subprojects are now being implemented in accordance with the approved budgets and activities.

The council of the NIL Fund met on 18 February 2008, 28 May 2008 and 5 March 2009.

A total of EUR 1 028 579.40 had been paid to the BG intermediary as at 30 June 2009. This represents 65.15% of the planned total eligible expenditure.

EUR 48 543.36 had been disbursed from the FMO to the PA. This represents 3.62% of the funding from the EEA FM and the NFM.

On 30 April the FMO decided to increase the allocation from the EEA FM and the NFM to this BG by EUR 566 864.00. The reason for this increase was that unused funds remained after the last call, Call 0708, and the NFP recommended that the excess should be transferred to this BG.

The character of the subprojects in this BG required that large amounts be paid in particular months, in particular at the start of the school year. These large amounts exceeded the limit for advance payments specified in the rules for the implementation of the EEA FM and the NFM, i.e. 40% of the non-reimbursable financial contribution. To provide for this situation, exemption of the minister of finance no. 7 of 10.2.2009 allowed the intermediary of BG SK0007 to request financing up to 65% of the non-reimbursable financial contribution.

1.8.5 BG SK0057 “Modernisation of public lighting”

The aim of this BG is to support subprojects for the modernisation of public lighting in Slovakia. The intermediary is the Slovak Innovation and Energy Agency.

The intermediary issued a call for applications on 23 April 2008 and by the closing date of the call on 22 August 2008 101 NFC applications had been submitted. 45 of the 101 submitted applications were approved. The total grant from the financial mechanisms was EUR 2 539 552.65. During April 2009 the intermediary and the end recipients signed

agreements for all but one of the subprojects. Signing of the agreement for the remaining subproject was expected to take place in August 2009. At present all the contracted subprojects are being implemented.

The Steering Committee met on 27 October 2008.

A total of EUR 2 148 358.71 had been paid to the BG intermediary as at 30 June 2009. This represents 69.2% of the planned total eligible expenditure.

EUR 23 784 had been disbursed from the FMO to the PA. This represents 0.9% of the funding from the EEA FM and the NFM.

Since the character of the subprojects of this BG required a single investment exceeding the limit permitted for advance payments under the rules for the implementation of the EEA FM and the NFM, i.e. 40% of the non-reimbursable financial contribution, exemption of the minister of finance no. 8 of 20.3.2009 allowed the intermediary of BG SK0057 to request financing up to 80% of the non-reimbursable financial contribution.

1.8.6 BG SK0010 “Support for science and research in selected directions of significance for the Slovak Republic and the EU”

The intermediary for the science and research BG “Support for science and research in selected directions of significance for the Slovak Republic and the EU”, is the Slovak Academy of Sciences.

The intermediary issued the first call for applications on 8 April 2008 and by the closing date of the call on 7 July 2008 36 NFC applications had been submitted. 8 applications were approved. The total grant from the EEA FM was EUR 846 410.04.

The first session of the Steering Committee was held on 18 August 2008 and the second session took place on 19 September 2008. At these sessions the intermediary informed the members about the status of implementation of the BG.

A total of EUR 432 049.08 had been paid to the BG intermediary as at 30 June 2009. This represents 44.46% of the planned total eligible expenditure.

EUR 0.00 had been disbursed from the FMO to the PA.

1.8.7 BG SK0012 Seed Money Facility

The BG “Seed Money Facility” is intended to provide financial assistance for the preparation of IP by applicants in the public sector and by non-governmental organisations. The intermediary is the OG. The grant agreement was signed by the Financial Mechanism Committee on 2 July 2007. 314 applications were submitted in response to the call issued on 17 July 2007. Agreements were concluded with 23 end recipients from these applicants in the first quarter of 2008. Substantive implementation was completed by 30 June 2008. At present the FMO is in the process of settling claims relating to the BG.

A total of EUR 391 044.84 had been paid to the BG intermediary as at 30 June 2009. This represents 110.80% of the planned total eligible expenditure. The difference is the result of exchange rate differences between the total eligible expenditure specified in the grant agreements and the exchange rate used in the conclusion of the NFC agreements with the ER.

EUR 236 693.80 had been disbursed from the FMO to the PA. This represents 78.90% of the funding from the EEA FM and the NFM.

A list of the contracted and implemented subprojects including their current status is given in annex 14.

1.9 Status of the Technical Assistance Facility for the Implementation of the Financial Mechanisms

In implementation of the Technical Assistance Facility IP, the NP drew financing from the Technical Assistance Facility in four reporting periods. The FMO approved the use of funds and disbursed funds to the PA.

EUR 349 175 had been drawn from a total allocation of EUR 1 488 706 under the Technical Assistance Facility as at 30 June 2009. Funding was used, for example, to pay for the translation of materials and interpretation, the organisation of information seminars, the NMC, training on financial flows, advertisements in the media, services provided by the contractor for external assessment – assessment of submitted NFC applications, the expenses of the employees of the NFP and the PA.

The use of financing from the Technical Assistance Facility is described in annex 15 of this report.

A total of EUR 752 157.44 had been paid to the BG intermediary as at 30 June 2009. This represents 50.52% of the planned total eligible expenditure.

EUR 181 864.54 had been disbursed from the FMO to the PA. This represents 14.37% of the funding from the EEA FM and the NFM.

1.10 Cumulative use of funds by individual projects and block grants supported by the EEA FM and the NFM

The basic system of financial flows under the EEA FM is that the PA pays an advance payment of the allocation from the financial mechanism and the co-financing from the Slovak state budget through the budgetary chapter General Treasury Administration. The PA also makes payment to cover differences. Exchange rate differences are due to the fact that the international agreements specify amounts in EUR while the NFC agreements at the national level were concluded in SKK using the ECB exchange rate in effect on the date when the NFC agreement was signed. These were subsequently converted to EUR on the changeover to the euro using the official conversion rate. Exchange rate differences currently amount to EUR 2 953 274.98 but the final amount will depend on the actual eligible expenditure, i.e. real expenditure approved as eligible expenditure by the Int./NFP, PA and FMO.

As at 30 June 2009 the PA had paid ER and Int. a total of EUR 18 171 172.16 in the form of advance payments drawn from the state budget.

Total payments to intermediaries amounted to EUR 6 777 413.18. This was drawn from the following sources:

EEA FM	EUR 2 908 386.16
NFM	EUR 2 852 415.05
EEA FM SR	EUR 513 244.61
NFM SR	EUR 503 367.36

Total payments to end recipients amounted to EUR 11 393 758.98. This was drawn from the following sources:

FM EHP	EUR 4 482 866,84
FM NFM	EUR 5 178 978,97
SR EHP	EUR 798 804,54
SR NFM	EUR 924 108,63

Payment requests were submitted to the FMO for a total of EUR 4 980 147, which is 7.57% of the net allocation for the EEA FM/NFM amounting to EUR 65 793 231.

The FMO disbursed EUR 3 631 7764.15 to the Slovak Republic, which is 5.52% of the above allocation.

A cumulative summary of use of the EEA FM/NFM in IP to 30 June 2009 is given in annex 11.

A summary of the cumulative use of funding in each BG is given in annex 13.

1.11 Management of the implementation of the EEA FM

In the period covered by this Annual Report, the NFP underwent an organisational change. Until 1 September 2008 the competent organisational unit of the NFP (OG) for the management and implementation of the financial mechanisms was the Department of Management and Implementation of Financial Mechanisms – Unit for the Norwegian Financial Mechanism and the EEA Financial Mechanism. As a result of changes in the organisational regulations of the Office of the Government, from 1 September 2008 it was divided into two independent departments based on its existing subordinate units. The Unit for the Norwegian Financial Mechanism and the EEA Financial Mechanism was transformed into an independent department of the office with the name Department for the Management and Implementation of the EEA Financial Mechanism and the Norwegian Financial Mechanism. This department of the office performs the functions of the NFP.

Annex 16 shows the organisation structure of the NFP and the PA as at 30 June 2009.

2 Audits, control and monitoring

2.1 Audits

In November and December 2008 the OG carried out internal systems audit no. 04/2007 on the implementation procedure for BG SK0012 – the Seed Money Facility. The internal audit did not identify any grave deficiencies that directly affected use of funds from the EEA FM.

The control group of the audit and control section of the Ministry of Finance in cooperation with auditors from the Financial Control Administrations in Bratislava and Zvolen began on 26 June 2009 a government audit of NFP and selected end recipients (OG – SK0001, the town of Myjava – SK0028, the Slovak National Library – SK0032) and one intermediary (SAIA n.o. – SK0007). The aim of the audit is to evaluate the effectiveness of the management and control system and the eligibility of expenditures in a sample of operations – 1 BG and 3 IP. The government audit was not yet complete as at 30 June 2009.

2.2 On-site inspections conducted by the NFP

As part of the verification process for payment requests and PIR, the NFP carries out regular on-site inspections of expenditure and implementation by ER and Int.

Between 1 January 2008 and 30 June 2009 the NFP carried out 50 on-site inspections of ER and Int. The control groups did not identify any grave deficiencies in the course of their inspections and declared that the implementation of the project was proceeding according to the plan, with minor delays in some projects.

Annex 17 gives an overview of on-site inspections of end recipients and intermediaries in the implemented IP and BG.

2.3 Certification by the PA

Certification is the confirmation of the accuracy, eligibility and lawfulness of expenditures and the efficiency of the management and control system for the EEA FM and NFM. Certification of actual incurred expenditure declared in the PIR/PCR is a prerequisite for the submission of a disbursement request to the FMO.

The PA carries out certification audits at all levels of financial management, including the ER/AB/I, in order to obtain satisfaction that the requirements for certification have been met. Auditing shall verify that

- the PIR/PCR contain only actual eligible expenditures incurred during the period of eligibility,
- all supplies of co-financed goods, services and works have been verified,
- the incurred expenditures are real,
- the NFP/Int. proceeded in accordance with applicable law, including the law of the Slovak Republic and other binding documents,
- the existing expenditures are proven and supported by accounting documents or documents of equivalent evidence value and supporting documentation,
- preservation of audit trails and compliance with rules on audit trails.

Between 1 January 2008 and 30 June 2009 the NFP submitted 81 PIR to the PA under the EEA FM and the NFM. The volume of financing from all sources covered by these PIR (including resubmissions) was EUR 6 930 255.86. During the given period, certification audits were carried out for 14 PIR at the level of the NFP and 1 PIR at the level of intermediaries. The PA carried out 7 certification inspections of PIR for individual projects and 7 certification inspections of PIR for block grants (6 inspections covered only expenditures relating to management of the BG and 1 covered also expenditures in the implementation of subprojects).

A sample of expenditures with a total value of EUR 391 703.03 was audited. This is 5.65% of the total value of all submitted PIR and 65.16% of the total value of the verified PIR.

Ineligible expenditures were identified in 8 PIR. The value of these ineligible expenditures was EUR 12 016.76. In all cases measures were taken to eliminate the deficiencies that were identified: 2 payment requests were rejected and in other cases the amount of the eligible expenditures was reduced. Expenditures to the value of EUR 7 941.00 were reclassified as eligible on submission of additional supporting documentation.

No irregularities were found at the level of the PA; no reports on irregularities were written; no request for the performance of follow-up financial control or a government audit was sent nor was any recommendation sent to the Public Procurement Office.

The NFP and Int. adopted reasonable measures in response to the findings of certification audits in 2008 and 2009, which the PA approved.

On receiving the findings of the certification audits, the NFP took measures to prevent the recurrence of the identified deficiencies.

The following list gives an overview of the findings of the certification audits:

1. Entry of data in ISUF

- ISUF did not contain the current budget as specified in the PIP,
- payment requests had not been entered in ISUF.

2. Failure to comply with the implementation rules and other documents

- ineffective financial management of subprojects by the intermediary

3. Deficiencies in the IM, failure to comply with the IM and the audit trail

- deficiencies in the management procedures and financial management procedures of the NFP and the AI;
- failure to comply with the procedures established by the NFP and the intermediary in the internal manuals.

4. Ineligible expenditures

- inconsistency between payroll expenses and employment agreements;
- inconsistency between expenses claimed and the Labour Code;
- inconsistency between expenses claimed and the FMO rules on eligibility of expenditure;
- incorrect conversion of the national currency to euros in travel expenses.

5. Failure to comply with the NFC agreement and breaches of the terms of the agreement

- failure to comply with publicity requirements on the side of the end recipient,
- failure to submit a PCR for a section of the project by the deadline set in the NFC Agreement.

6. Deficiencies in on-site inspections

- formal deficiencies in the sample control list for on-site inspections;
- insufficient proof of verification of the actual supply of work on the part of the NFP and the AI;

7. Deficiencies in public procurement

- inadequate definition of assessment criteria by the end recipient.

8. Others

- formal deficiencies in the completion of payment requests and pre-financing requests of the intermediary on the side of the NFP;
- insufficient verification by the NFP of the direct connection between expenses and the implementation of the EEA FM and the NFM
- at the time of the certification audit the supporting documentation for the payment request did not include all documents required by the handbook for the end recipient, the aid beneficiary and the intermediary of a block grant under the EEA FM and the NFM;
- the supporting documentation for the payment request did not include proof that the purchased assets were used only for purposes of the project;
- during the performance of administrative control the NFP did not verify that the end recipient complied with the rules on gender equality set out in the Memorandums of Understanding on the implementation of the EEA FM and the NFM.

A list of certification audits performed by the PA is given in annex 18.

2.4 External monitoring by the FMO

During May and June 2009 external monitoring of the following projects was carried out: BG SK0011 “ENGOS – sustainable development”, BG SK0056 “Opening doors to new arenas of co-operation”, IP SK0025 – Protection of bat hibernation sites in the Dubnik opal mines and IP SK0036 Integrated protection of European cultural heritage in the custody of the Slovak Mining Museum.

2.4.1 External monitoring of project SK0011

From 1 to 3 June 2009 external monitoring of BG SK0011 was carried out from the level of the FMO. There were monitoring visits to the premises of the intermediary, the end recipients for subprojects and the NFP and the PA. On 30.6.2009 the FMO had not yet submitted the detailed monitoring report.

2.4.2 External monitoring of project SK0056

From 27 to 29 May 2009 external monitoring of BG SK0056 was carried out from the level of the FMO. There were monitoring visits to the premises of the intermediary, the end recipients for subprojects and the NFP and the PA. On 30.6.2009 the FMO had not yet submitted the detailed monitoring report.

2.4.3 External monitoring of project SK0025

From 26 to 27 May 2009 external monitoring of IP SK0025 was carried out from the level of the FMO. There were monitoring visits to the end recipient and the NFP and PA. The detailed monitoring report included the following recommendations and conclusions:

1. It is recommended that the end recipient should organise a new public procurement process for contractor of reconstruction and clearance work at the mouth of the tunnel.
2. If it is acceptable for the Ministry of the Environment and other relevant authorities such as the Slovak Mining Authority, it is recommended that the state enterprise Rudné Bane should carry out renovation work in the old mine tunnels.
3. In view of the importance of the bats for biodiversity, it is recommended that a more flexible solution should be found with the aim of ensuring there is one fully open entrance through which bats can fly.
4. A clear method should be chosen for the performance of summer monitoring.

The end recipient is gradually implementing measures in compliance with these recommendations.

2.4.4 External monitoring of project SK0036

From 14 to 15 May 2009 external monitoring of IP SK0036 was carried out from the level of the FMO. There were monitoring visits to the end recipient and the NFP and PA. The detailed monitoring report included the following recommendations and conclusions:

1. The public procurement process should be accelerated for projects scheduled to begin in a later period.
2. The public procurement process for climate control systems should require the preparation of technical designs by the contractor and the checking of this plan by an expert on climate control from a relevant institution (e.g. the Slovak National Museum, a university...)

The end recipient is gradually implementing measures in compliance with these recommendations.

2.5 Complaints and irregularities

In the period under review no complaints have been submitted to the OG. During assessment processes, 3 appeals against decisions of the assessment commission were submitted to the Department of Management and Implementation of the EEA FM and the NFM relating to the assessment of Call 0607. The department investigated the appeals and upheld the decisions of the assessment commission. 15 appeals were submitted during the procedure for Call 0708. In 13 cases the decision of the assessment commission was upheld and in two cases the decision of the assessment commission was changed and the application was allowed to proceed for further assessment.

During the period covered by this report the NFP did not register any irregularities.

3 Cross-cutting issues

3.1 Sustainable development – environmental aspects

In general, the IP, BG and sub-projects financed under the EEA FM have a positive effect on the environment from a global and regional perspective.

Waste produced by building works and other project activities is stored, recycled and processed in compliance with Act No. 73/2004 Z.z. on the amendment of Act No. 223/2001 Z.z. on waste and the amendment of certain acts, as amended. Documentation of waste disposal is archived by the contractors of building works and other relevant project activities and checked by the ER and the NFP.

The declaration of the method of waste disposal signed by the statutory bodies of the end recipients is checked by the NFP and sent to the FMO together with the corresponding PIR.

In the last call, 0708, the NMFA approved 2 IP that directly address the creation and reduction of waste, the prevention of waste production and waste recycling. These were SK0098 “Minimising communal waste and clearing fly tips in the Laborec Basin Micro-region” implemented by the ER Košice Self-governing Region and SK0123 “Separating for the whole community” implemented by the ER the Civic Association for the Development of Lifelong Learning.

Waste management and an emphasis on environmental solutions in the implementation of IP, BG and subprojects is a cross-cutting theme in the implementation of the IP, BG and subprojects implemented with support from the EEA FM.

The environmental aspect of sustainable development is most strongly represented in the priority areas Protection of the Environment and Support for Sustainable Development and in IP in the priority area Research that focus on these priority areas. Most IP in these areas aim to protect water and water systems and to conserve biodiversity, but projects in other areas also help to protect and improve the environment.

3.2 Sustainable development – economic aspects

Sustainable economic development focuses mainly on the economic stability of the IP/subprojects, financial flows within BG/projects/subprojects with regard to planning and efficiency. This is a general principle implemented in all foreign aid instruments whose aim is to secure social and economic development without placing excessive strain on the natural resources that society has at its disposal. It therefore takes into consideration future as well as current needs.

We can identify two dimensions of sustainable development in this area. One of these is overall development within the social and economic categories. The second relates to IP directly, i.e. ensuring the sustainability of IP after they cease to be financed by the EEA FM.

With regard to the first, broader definition of sustainable development, it can be said that the IP supported from the EEA FM in this priority area focus in particular on the use, study or promotion of renewable energy sources, mainly solutions involving the use of solar energy and biomass. If we compare these solutions from an economic point of view, it becomes clear that they provide economic benefits as well as ecological benefits. It must also be borne in mind that the use of renewable energy is usually only a part of a project involving complete reconstruction and the installation of new systems for generating and distributing heat and

electricity. In this case, much of the saving comes from the reduction in the energy consumption of buildings and other structures. A welcome development is that some priority areas that do not directly seek to promote sustainable development are incorporating materials and systems that support sustainable development as a way to reduce costs. A typical example is the installation of solar panels to heat water in project SK0045 – “Modernisation and reconstruction of a refuge for mothers in need in the Red Cross Centre in Snina”.

3.3 Sustainable development – social aspects

The social aspect of sustainable development is incorporated into most IP/subprojects supported by the EEA Financial Mechanism.

IP and subprojects address sustainable social development mainly through the renovation of cultural heritage monuments, the development of social and health services for various target groups, improvements in the quality of education through the use of modern methods and aid for the modernisation of teaching resources, the creation of new jobs in the areas where IP/subprojects are implemented and IT training for various target groups.

The implementation of some IP also contributes to the social integration of socially disadvantaged groups, and allows senior citizens and the disabled to participate in social life.

3.4 Good governance

BG, IP and subprojects receiving financial support from the EEA FM are implemented in accordance with Slovak and EU law.

The IP and the subprojects are generally managed by qualified staff and publicity is provided for the BG, IP and subprojects in accordance with the publicity rules issued by the FMO and the handbook for end recipients / aid beneficiaries / intermediaries of block grants under the EEA Financial Mechanism and the Norwegian Financial Mechanism, which is published by the NFP. Public procurement of contractors for building work, suppliers of goods and providers of services is conducted in compliance with national legislation, which is fully compatible with the EU rules in this area.

Good governance of the implementation of the EEA FM at the national level is ensured through the issuing of relevant documents by the NFP and the PA. These are widely distributed and can be obtained from the websites of these subjects and www.eeagrants.sk.

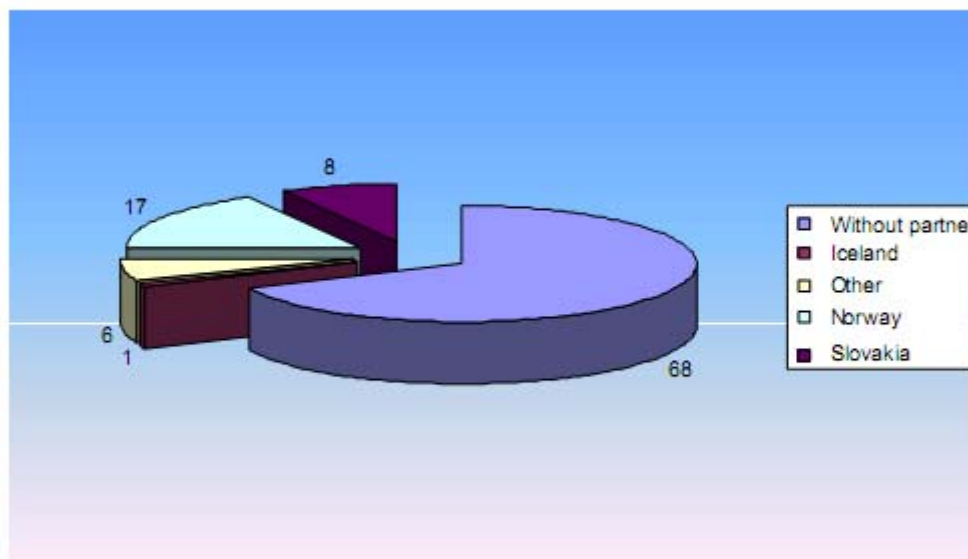
3.5 Gender equality

BG, IP and subprojects receiving the financial support of the EEA FM are implemented in compliance with rules on gender equality. All interested parties in proceedings relating to the BG, IP and subprojects are treated equally regardless of their gender, race and religious beliefs and the equal rights in the implementation of activities and equal access to the results of the IP and subprojects.

3.6 Bilateral relations - Iceland/Liechtenstein/Norway

Another principle of the financial mechanisms is that they should promote partnerships in particular between institutions in Slovakia and institutions in Norway, Iceland and Liechtenstein. A total of 32 IP are partnerships. Of these, 17 projects involve a partner from Norway and one project involves a partner from Iceland. The principle of partnership is also

applied in the BG, especially in the scholarship fund and the BG to promote cooperation with Ukraine. The chart below illustrates the numbers of projects involving partnerships.



During the application process there has been an increase in the number of projects involving partnerships. While only 6 of the projects under Call 0405 involved partnerships, 24 of the projects under Call 0708 are partnerships.

4 Publicity

During the implementation of the EEA FM, the NFP provides information on the financial mechanism for the public in order to ensure transparency and increase public awareness in accordance with the relevant provisions of the publicity rules issued by the FMO.

The aim of information and publicity activities for the EEA FM is to ensure that end recipients, aid beneficiaries and intermediaries adopt a standard approach to information and publicity measures, use a standard graphical design and procedure for organising information events such as press conferences, seminars and other events intended to inform the media and the general public about the EEA FM and the projects that it supports through NFCs.

4.1 Press conferences and completion ceremonies for IP

On 25 October 2008 the municipality of Stožok organised the ceremonial opening of a new sports and recreation complex attended by representatives of the OG, the National Council of the Slovak Republic, Banská Bystrica Self-governing Region and the Podpoliansky Region. The ceremony marked the completion of IP SK0042 *“Sports and recreation complex in Stožok”*

On 29 October 2008 a ceremony took place to mark the completion of IP SK0045 *“Reconstruction and modernisation of a refuge for mothers in need in the Red Cross Centre in Snina”*. The project was implemented by the Slovak Red Cross in Snina. The ceremony was attended by representatives of the OG and the media.

On 2 December 2008 the town of Myjava and the OG organised a press conference at the civic centre in Myjava on the completion of the IP SK0028 *“Revitalisation of the River*

Myjava within the town of Myjava". The press conference was attended by Her Excellency Mrs Brit Løvseth, the ambassador of the Kingdom of Norway to the Slovak Republic.

On 19 December 2008 an Open Day was held to mark the putting into operation of a flat for work with foster families and biological families as the first stepping stone for the Nádej (Hope) Children's Home in Bernolákovo, part of IP SK0051 "*Stepping Stones for the Nádej (Hope) Children's Home in Bernolákovo*". The opening ceremony was attended by Her Excellency Mrs Brit Løvseth, the ambassador of the Kingdom of Norway to the Slovak Republic and the deputy prime minister for knowledge society, European affairs, human rights and minorities Dušan Čaplovič.

On 20 March 2009 Košice Self-governing Region and the OG organised a press conference in the Katova Bašta building in Košice to mark a visit to IP SK0043 "*Katova Bašta- Katov byt, reconstruction and revitalisation of a historic site*". The press conference was attended by the deputy prime minister and Her Excellency Mrs Brit Løvseth, the ambassador of the Kingdom of Norway to the Slovak Republic

On 18 May 2009 an opening ceremony was held for the football centre for free-time activity for children and young people in Senec. This marked the completion of IP SK0062 "*Football centre for free-time activities for children and young people*" carried out by the sports club in Senec. The ambassador of the Kingdom of Norway to the Slovak Republic, Mrs Brit Løvseth, the deputy prime minister, Mr Dušan Čaplovič, the mayor of the town, Mr Karol Kvál, the president of the Bratislava Self-governing Region, Mr Vladimír Bajan and the chairman of the sports club SFM Senec, Mr Alexander Matlák.

On 8 June 2009 a press conference was held at Hotel Bôrik to mark the end of the first programming period of the EEA FM and the NFM. It was attended by the deputy prime minister for knowledge society, European affairs, human rights and minorities, Mr Dušan Čaplovič, the state secretary of the Ministry of Foreign Affairs, Mrs Oľga Algayerová, the ambassador of the Kingdom of Norway to the Slovak Republic, Mrs Brit Løvseth, the deputy director general of the Norwegian Ministry of Foreign Affairs, Steinar Hagen and the media.

A summary of the implementation of projects and activities can be obtained from the website www.eeagrants.sk

4.2 Seminars, workshops

On 16 May 2008 a joint working meeting of the NFP, the PA and the intermediaries was held at the Ministry of Finance. The aim was to exchange working experience and ideas in order to prepare an updated version of the Rules, version 1.0.

On 23 October 2008 a meeting of employees of the NFP, the PA and the intermediaries was held at the Ministry of Finance to prepare updated forms for use in the financial management of the EA FM and the NFM.

On 26 November 2008 the NFP, the FMO and the Ministry of Finance organised a working meeting and seminar on the EEA FM and the NFM, PIP and PIR, which took place in the premises of the Special Purpose Facilities Administration in Bratislava.

On 20 February 2009 representatives of NFP and PA from the V4 countries met in the Miestodrzitelsky Palace to discuss issues relating to the implementation of the financial mechanisms in each country and to share their experience of the implementation of the EEA FM and the NFM.

On 4 March 2009 consultations took place between the employees of the NFP, the PA and intermediaries on the proposed forms for applications for advance payments and payment requests.

On 20 March 2009 a working meeting of representatives of the NFP, the PA and intermediaries was held in the government facilities at Bôrik in Bratislava to discuss Government Resolution No. 262/2007.

On 20 May a working meeting of representatives of the NFP, the PA and intermediaries was held in the government facilities at Bôrik in Bratislava to discuss the rules for the implementation of the EEA FM and the NFM version 2.0-2009 and the conclusion of the first programming period 2004–2009

Representatives of the Division for the management and implementation of the EEA FM and the NFM met with representatives of the aid intermediaries whose purpose is to discuss current issues in the implementation of the BG. The intermediaries responded positively to these meetings.

4.3 E-publicity

The website of the NFP on the EEA FM and the NFM www.eeagrants.sk is updated when necessary. News about project progress and completion, training sessions, seminars, workshops and conferences is published under the heading *aktuality* (news).

The NFP is preparing to publish a regular quarterly newsletter, *Spravodaj* (Journal), to provide information for the general public on the activities of the NFP and progress in the implementation of the EEA FM and the NFM in Slovakia. *Spravodaj* will be published on the website www.eeagrants.sk and will also be distributed by email.

4.4 Publications

On 4 June 2009, the NFP together with the Norwegian embassy published a bilingual publication “Brochure of IP and BG carried out in the first programming period 2004–2009” in a run of 2000 copies.

4.5 Manuals and handbooks

The NFP regularly updates and distributes all manuals and handbooks necessary for the implementation of the EEA FM:

- 1 The internal manual for managing aid from the EEA FM and the NFM in force from 1 April 2008
- 2 The aid scheme for small and medium enterprises (for Call 0607)
- 3 The rules for the implementation of the EEA FM and NFM version 2.0 – 2009 (Call 0708)

Version 2.0 of the handbook for the end recipients and intermediaries of EEA FM and NFM block grants is currently in preparation.

5 Work plan for the period 07/2009–06/2010

Activity	Target group	Date
Preparation for the eleventh session of the NMC	Members of the NMC	September–October 2009
11. Eleventh session of the NMC	Members of the NMC	October 2009
Preparations for the fourth annual meeting	NMFA, FMC, NFP, PA	October–November 2009
Fourth Annual Meeting	NMFA, FMC, NFP, PA	November 2009
Signing of NFC agreements for approved projects	end recipients, aid beneficiaries	July–August 2009
Signing of addenda to the NFC agreements for the BG and IP from 0405	end recipients, intermediaries	July–August 2009
Meetings with intermediaries	Representatives of the intermediaries	September 2009, December 2009
Closing/opening ceremonies for projects under calls 0405 and 0708	end recipients, aid beneficiaries, intermediaries	September–December 2010
Publication of version 2.0-2009 of the guide for end recipients/ aid beneficiaries / BG intermediaries	end recipients, aid beneficiaries, intermediaries, the NFP	August 2009
Training relating to calls 0405, 0708 and 0607 for the NFP, end recipients, aid beneficiaries and BG intermediaries	end recipients, aid beneficiaries, intermediaries, the NFP	August 2009
Publication of the <i>Spravodaj</i> newsletter	NFP	From August 2009 regularly every three months

5.1 Audit plan

A government audit of selected IP and BG is currently in progress. The FMO has informed the NFP of the following items in its audit plan: in September 2009 it plans to carry out external monitoring of BG SK0057 “Modernisation of public lighting”, IP SK0041 “Expansion of the Slovak register of umbilical cord blood” in July 2009 and IP SK0045 “Modernisation and reconstruction of the refuge for mothers in need in the Red Cross Centre in Snina” in autumn 2009.

6 Summary and recommendations

6.1 Summary

As at 30.6.2009 the Slovak Republic had sent payment requests through the PA to the FMO for 7.85% of the overall allocation approved by the FMO.

At the same date pre-financing payments from the state budget had been paid covering 27.85% of the overall allocation.

The state budget has covered 27.85% of the overall commitment to the financing of IP and BG and the donor states have disbursed 7.85% of the overall commitment under the EEA FM and the NFM.

Bearing in mind that as at 30.6.2009 the IP under calls 0607 and 0708 had not yet begun practical implementation and the combined value of these IP accounts for more than half of the amount committed from the EEA FM and the NFM, it can be said that the financing from the state budget, which bears primary responsibility for ensuring the liquidity of the ER and the Int., was as it should be. A simple calculation shows that approximately half of the funding allocated to calls 0105 to 0405 had been used by 30.6.2009. This shows that approximately 50% of the financing committed to these IP and BG has been used in eligible expenditure 22 months before the end of the eligibility period.

On the other hand, at 7%, the proportion of the committed funding reimbursed by the donor states is very low. It must be noted, however, that at the start of 2009 the proportion was only 1% and even in March 2009 only 2% had been reimbursed. In the last months of the period covered by this report, there was a rising trend in the reimbursement of funds to the NFP of approximately 1.75% per month.

In view of the fact that as at 30.6.2009 the practical implementation of the IP under calls 0607 and 0708 had not yet begun and that these IP included projects covering approximately half of the amount committed, it can be expected that reimbursements will increase by 4% per month in the next period. If this trend continues, the Slovak Republic should achieve reimbursement of approximately 95% by April 2011.

In order for the NFP to perform this function, it has taken measures to achieve the desired level of disbursement:

1. A change in the organisation structure including the creation of a separate department that performs only functions relating to the implementation of the EEA FM and the NFM.
2. Updating of the Rules for the implementation of the EEA FM and the NFM.
3. Preparation of an updated handbook for the ER/AB/Int. of BG under the EEA FM and the NFM.

The change in the organisational structure has had a very positive effect on the use of funds in 2009. The NFP, in cooperation with the FMO, has successfully stabilised the personnel situation in the department. Many of the staff participated in the early phases of the implementation of the EEA FM and the NFM and have been able to share their experience

with their new colleagues. The number of financial managers and project managers has also been increased. This expansion in staff has been long overdue because the current increase in work could not have been managed with the previous staff levels. The current team also have experience in the implementation of the EEA FM and the NFM.

The updating of the rules for the implementation of the EEA FM and the NFM will not involve a major change in the financial management of the IP and the BG, which would be undesirable at this stage in the implementation. The update focussed mainly on increasing the percentage use of funds and the frequency of statements of expenditure so that funds can be reimbursed to Slovakia from the donor states in a regular and timely manner. The rules for the implementation of the EEA FM and the NFM are more focussed than in the previous version, more specific and help to achieve the objective of the NFP and the PA to increase reimbursements to the state budget by imposing stricter requirements for the frequency and promptness of statements of expenditure.

The handbook for ER / AB / Int.BG under the EEA FM and the NFM is the most important document for real implementation because it serves as the manual for the ER/AB/Int.on the correct implementation of IP/BG and subprojects. The update was prompted mainly by practical experience. The main purpose of the manual is to increase the use of financial assistance. The NFP has also tried to make the handbook more user-friendly by summarising all the necessary information in a single document, standardising procedures and making sure that the stages of implementation follow each other in a logical and timely manner. The rules for documentation of expenditure and the definition of eligibility are clearer than in the previous version of the handbook though they are in their fundamental character the same.

Despite the increase in the efficiency of processes at the national level and the increase in reimbursements from the FMO, the NFP plans to ask the representatives of the donor countries at the annual meeting on the implementation of the EEA FM and the NFM to consider extending the eligibility period for expenditures until at least 31.12.2011 and allowing a corresponding extension of the deadline for submission of the PCR to 30.6.2012. The NFP has decided to do this because approximately half of the allocation was contracted just before 30.4.2009 and many grant agreements had not been delivered to the Slovak Republic at the end of the period covered by this report, 30.6.2009, which means that there is significantly less time for the implementation of IP supported by the EEA FM and the NFM. It is likely that other beneficiary states will make similar requests.

6.2 Recommendations

6.2.1 PIR

Previous experience of implementation at the national level has shown that the system for reporting to the FMO on progress and expenditure in the IP/BG using Project Interim Reports (PIR) certified by the NFP and the PA does not provide the desired flexibility. The PIR form generated by the FMO does not allow the NFP or the PA to edit numerical or text data in the event of a reduction in the eligible costs of the IP/BG. In such cases, the NFP or the PA must return the PIR to the ER/Int. with a request to reduce the eligible costs or change the description of activities. Such procedures delay the certification of PIR at the national level. The NFP and the PA have made the greatest possible efforts to change the settings of the system. They also wanted it to be possible to generate a new PIR even when the previous PIR

has not yet been sent to the FMO. The compromise solution proposed by the FMO was that PIR could be sent after the previous PIR had been sent only in electronic format. This has had a positive effect on the speed of financial reporting.

Since these negotiations were not a complete success, the NFP and the PA have amended the national rules to ensure that payment requests are submitted regularly together with all necessary documents, i.e. regular financial reporting on the use of financing from the state budget.

The NFP is working closely with the PA, the FMO, the ER and the Int. to clear the backlog by the end of 2009 to bring reimbursements from donor states up to 20%, which will be approximately 13% more than at 30.6.2009.

6.2.2 Private sector

The NFP notes that the call for the private sector, Call 0607, to which EUR 5 427 400 was allocated under the EEA FM, was the only call issued in the programming period 2004–2009 in which the value of the applications received by the NFP did not exceed the volume of funding allocated to the call.

The NFP received a total of 20 applications for NFC for IP, of which 14 were accepted for substantive assessment at the national level and 12 were sent for appraisal by the FMO. The FMO approved 8 of the 12 applications. 2 applicants decided not to accept the offered grant.

The reasons why the call was less attractive for the private sector were probably the very long assessment process (lasting more than a year), the limits on state aid schemes and the limits that apply to projects that generate profits. The NFP had to reallocate the unused funds amounting to approximately EUR 6.5 million to Call 0708. This meant that in the last call, i.e. Call 0708, all the IP but one from the reserve lists were used. In this context it is necessary to highlight the work of the NMC, which at the request of the NFC extended the reserve list for each priority area before the NFC applications were sent for appraisal by the FMO. Instead of the original customary two NFC applications, four NFC applications were sent to the FMO as reserve projects. Without this measure the uncontracted sum would be much higher than 0.83% of the overall allocation.

6.2.3 Assessment of projects

It should be noted that in the assessment and subsequent contracting of projects under the last call, Call 0708, the NFP made use of its experience in previous calls and completed the assessment process at the national level for the 188 received applications in 4 months.

It also learned from its experience in the process of concluding the grant agreements and the national NFC agreements. Despite the lessons of experience and the close cooperation between the FMO and the NFP there was a delay of approximately 2 months in the implementation of some projects, which is probably the result of the relatively high number of requests for changes in projects.

Some projects, in particular those of an investment character, may find it difficult to complete implementation by 30 April 2011. Therefore the NFP recommends that the FMO request the FMC and the NMFA to extend the eligibility period for expenditure until at least 30 October 2011.

List of annexes

- Annex 1 – List of applications submitted in response to Call 0607
- Annex 2 – List of IP approved under Call 0607
- Annex 3 – Statistical analysis of the assessment of Call 0607
- Annex 4 – List of applications submitted in response to Call 0708
- Annex 5 – Statistical analysis of applications submitted in response to Call 0708
- Annex 6 – Analysis of the assessment of applications under Call 0708
- Annex 7 – List of applications under Call 0708 submitted to the NMC
- Annex 8 – List of applications under Call 0708 appraised by the FMO
- Annex 9 – Statistical analysis of the applications assessed and approved under Call 0708
- Annex 10 – Overview of substantive implementation of the IP under Call 0405
- Annex 11 – Cumulative use of funds by each IP
- Annex 12 – Overview of substantive implementation of BG
- Annex 13 – Cumulative use of funds by each BG
- Annex 14 – List of subprojects under SK0012 and their implementation status
- Annex 15 – Overview of the use of funds from the TA Facility as 30.6.2009
- Annex 16 – Organisation structure of the NFP and the PA as at 30.6.2009
- Annex 17 – Overview of on-site inspections of IP/BG performed by the NFP
- Annex 18 – Overview of certification audits of IP/BG performed by the PA
- Annex 19 – Regional distribution of all current projects

List of abbreviations used

BG	block grant
EC	European Community
FAQ	Frequently Asked Questions
EEA FM	Financial Mechanism of the European Economic Area
AC	Assessment commission for the assessment of applications
IP	individual project
ISUF	Fund accounting information system (<i>Informačný systém účtovania fondov</i>)
ER	end recipient
MF	Ministry of Finance of the Slovak Republic
MoU	Memorandum of Understanding
NMFA	Norwegian Ministry of Foreign Affairs
NFC	Non-reimbursable financial contribution
NFP	National Focal Point
NMC	National Monitoring Committee for the EEA Financial Mechanism and the Norwegian Financial Mechanism
PCR	Project Completion Report
PIP	Project Implementation Plan
PIR	Project Interim Report
PA	Paying authority
Int.	intermediary
SR	Slovak Republic
FMO	Financial Mechanism Office
OG	Office of the government of the Slovak Republic
FMC	Financial Mechanism Committee
HTTU	Higher-tier territorial unit
Call 0105	Call for the selection of an intermediary for the NGO Fund
Call 0205	Call for the selection of an intermediary for the Science and Research Support Fund
Call 0305	Call for the selection of an intermediary for the fund intended to promote cooperation between schools and scholarships
Call 0405	Call for the submission of applications for individual projects for applicants from the public sector and the NGO sector
Call 0507	Call for applications for non-reimbursable financial contributions from the Seed Money Facility for the preparation of individual projects by applicants in the public sector and NGOs
Call 0607	Call for the submission of applications for non-reimbursable financial contributions for individual projects by applicants from the private sector
Call 0708	Call for the submission of applications for non-reimbursable financial contributions for individual projects by applications from the public sector and NGOs