

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE EEA FINANCIAL MECHANISM
2009-2014

between

ICELAND,
THE PRINCIPALITY OF LIECHTENSTEIN,
THE KINGDOM OF NORWAY,
hereinafter referred to as the "Donor States"

and

THE REPUBLIC OF LATVIA,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties",

EEA Financial Mechanism 2009-14
Memorandum of Understanding – Latvia

WHEREAS Protocol 38b to the EEA Agreement, incorporated into the EEA Agreement by the Agreement between the European Union, Iceland, the Principality of Liechtenstein and the Kingdom of Norway on the EEA Financial Mechanism 2009-2014, establishes a financial mechanism (hereinafter referred to as the “EEA Financial Mechanism 2009-2014”) through which the Donor States will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the EEA Financial Mechanism 2009-2014 aims to strengthen relations between the Donor States and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS by decision of the Standing Committee of the EFTA States No. 5/2010/SC of 9 December 2010 the Donor States have given the Financial Mechanism Committee, established by a decision of the Standing Committee of the EFTA States No. 4/2004/SC of 3 June 2004, a mandate to manage the EEA Financial Mechanism 2009-2014;

WHEREAS the enhanced co-operation between the Donor States and the Beneficiary State will contribute to securing a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the EEA Financial Mechanism 2009-2014;

the Parties HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the EEA Financial Mechanism 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between the Donor States and the Beneficiary States through financial contributions in the priority sectors listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall endeavour to select for funding programmes that contribute to the achievement of these objectives.

2. The financial contributions shall be available in the following priority sectors:

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

Academic research may be eligible for funding in so far it is targeted at one or more of the priority sectors.

Article 2
Legal Framework

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, constitute the legal framework of the EEA Financial Mechanism 2009-2014:

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- (a) Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;
- (b) the Regulation on the implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8.8 of Protocol 38b;
- (c) the programme agreements that will be concluded for each programme; and
- (d) any guidelines adopted by the Financial Mechanism Committee in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 2 of Protocol 38b, the total amount of the financial contribution is € 988.5 million in annual tranches of € 197.7 million over the period running from 1 May 2009 to 30 April 2014, inclusive.
2. In accordance with Article 5 of Protocol 38b, a total of € 34.55 million shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 8.7 of Protocol 38b and Article 1.8 of the Regulation, the management costs of the Donor States shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 31.958.750.

Article 4
Roles and responsibilities

1. The Donor States shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the Financial Mechanism Committee within the priority sectors listed in Article 3.1 of Protocol 38b and the programme areas identified in Annex B of this Memorandum of Understanding. The Donor States and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the Financial Mechanism Committee.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the EEA Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The Financial Mechanism Committee shall manage the EEA Financial Mechanism 2009-2014 and take decisions on the granting of financial assistance in accordance with the Regulation.
4. The Committee shall be assisted by the Financial Mechanism Office (hereinafter referred to as the "FMO"). The FMO shall be responsible for the day-to-day operations of the EEA Financial Mechanism 2009-2014 and shall serve as a contact point.

Article 5
Designation of authorities

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the EEA Financial Mechanism 2009-2014 as well as for the implementation of the EEA Financial Mechanism 2009-2014 in the Beneficiary State in accordance with the Regulation. In accordance with Article 4.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and an appropriate national

entity responsible for the preparation and submission of irregularities reports are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.1 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:

- (a) a list of agreed programme areas, the financial contribution from the EEA Financial Mechanism 2009-2014 by programme area;
 - (b) identification of programmes, their main focus and outcomes, as appropriate, as well as any specific concerns relating to target groups, geographical areas or other issues;
 - (c) identification of programme operators, if appropriate;
 - (d) initiatives to strengthening the bilateral relations between the Donor States and the Beneficiary State, including the identification of programme areas in which donor partnership programmes as referred to in Article 3.2 shall be prepared, the designation of donor programme partners, the allocation of funds for such programmes, and programmes, or component thereof, that are dedicated exclusively to donor partnership projects;
 - (e) in specific cases, the identification of pre-defined projects to be included in relevant programmes;
 - (f) identification of small grant schemes, as appropriate.
2. The implementation framework is outlined in Annex B.

Article 7
Annual meetings

In accordance with Article 2.3 of the Regulation an annual meeting shall be held between the FMC and the National Focal Point. The annual meeting shall allow the FMC and the National Focal Point to examine progress achieved over the previous reporting period and agree on any necessary measures to be taken.

Article 8
Modification of the annexes

1. Annex A may be subject to review at the annual meetings. Amendments to Annex A agreed upon at the annual meetings do not require a formal change to this Memorandum of Understanding. Such amendments shall be confirmed through an exchange of letters between the FMC and the National Focal Point.
2. Annex B may be changed through an exchange of letters between the FMC and the National Focal Point.

Article 9
Control and Access to Information

The Financial Mechanism Committee, the EFTA Board of Auditors and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

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Article 10
Governing Principles

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the EEA Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between the Donor States and the Beneficiary State. The Parties agree to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities in all implementation phases of the EEA Financial Mechanism 2009-2014.
3. The Beneficiary State shall take proactive steps in order to ensure adherence to these principles at all levels involved in the implementation of the EEA Financial Mechanism 2009-2014.

Article 11
Entry into Force

This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

This Memorandum of Understanding is signed in four originals in the English Language.

Signed in on
For Iceland

Signed in on
For the Republic of Latvia

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Signed in on
For the Principality of Liechtenstein

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Signed in on
For the Kingdom of Norway

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National management and control structures

1. National Focal Point

The Ministry of Finance of the Republic of Latvia shall act as the National Focal Point. The Deputy State Secretary on EU Structural Funds and Cohesion Fund Issues of the Ministry of Finance shall act as the head of the National Focal Point.

The Ministry of Finance is a line ministry of the Latvian government and is the central state administration institution in the field of finances. It develops financial policy, coordinates and organizes its implementation, manages external financial aid instruments, and performs other functions stated in the external regulatory enactments.

The structural units within the Ministry of Finance responsible for carrying out the functions of the National Focal Point are the EU Funds Strategy Department and the EU Funds Monitoring Department. Each department is headed by a director both of whom report to the Deputy State Secretary on EU Structural Funds and Cohesion Fund Issues of the Ministry of Finance who administers the work of these departments and is the head of the National Focal Point. The respective Deputy State Secretary reports to the State Secretary of the Ministry of Finance. The State Secretary is the administrative leader of the Ministry of Finance and reports directly to the Minister of Finance. The Minister of Finance is the political leader of the Ministry of Finance and a member of the Government.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof. In addition, the National Focal Point shall:

- Ensure elaboration of the national legal acts on the implementation of the European Economic Area Financial Mechanism.
- Ensure design and implementation of the management and monitoring system for the European Economic Area Financial Mechanism.
- Elaborate and implement a reporting system on irregularities in the framework of the European Economic Area Financial Mechanism.
- Monitor the implementation of the European Economic Area Financial Mechanism in accordance with Regulation and national legal acts.

2. Certifying Authority

The State Treasury of the Republic of Latvia shall act as the Certifying Authority. The State Treasurer acts as the Head of the Certifying Authority.

The State Treasury of the Republic of Latvia is directly subordinated to the Ministry of Finance. The State Treasury's operations are managed by the State Treasurer. The responsible structural unit for coordination of functions of the Certifying Authority is the European Affairs Department of the State Treasury.

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The European Affairs Department of the State Treasury is headed by a director directly subordinate and responsible for reporting to the State Treasurer. The State Treasurer reports to the Deputy State Secretary on Budget Issues who reports to the State Secretary of the Ministry of Finance.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof. In addition, the Certifying Authority shall:

- Report to the National Focal Point on actual or suspected cases of irregularities in the financial flows managed by the Programme Operators in the framework of the European Economic Area Financial Mechanism.

3. Audit Authority

The Audit Department of the Ministry of Finance of the Republic of Latvia shall act as the Audit Authority. The Director of the Audit Department, who is directly subordinated and reporting to the State Secretary of the Ministry of Finance, shall act as the Head of the Audit Authority.

The Head of the Audit Authority approves and signs the Audit Authority's documentation, including audit reports, audit strategy and annual control reports. The Audit Authority shall act in compliance with the International Standards on Auditing, International Standard on Assurance Engagements and Code of Ethics.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 4.6 thereof. In addition, the Audit Authority shall:

- Ensure elaboration and monitoring of the implementation of the National Audit Policy of the European Economic Area Financial Mechanism.
- Ensure elaboration of the national legal acts on implementation of the Audit Authority's functions.
- Ensure the quality and reliability of the assessments undertaken by the internal audit units of the institutions that are involved in the administration of the European Economic Area Financial Mechanism.
- Monitor the implementation of audit recommendations provided in the framework of the audits of the European Economic Area Financial Mechanism.

4. National public entity responsible for the preparation and submission of irregularities reports.

The National Focal Point shall be responsible for the preparation and submission of irregularities reports. Tasks related to this responsibility shall be performed by the EU Funds Monitoring Department, which is institutionally a part of the National Focal Point.

The roles and responsibilities of the National Focal Point in relation to irregularities are stipulated in the Regulation, in particular Article 11.3 thereof. In addition, the National Focal Point shall:

- Ensure that all reports on irregularities and measures taken to prevent irregularities are reviewed, and, if necessary, initiate and carry out control and audit to establish assurances on the effectiveness and sufficiency of the measures for detection and prevention of irregularities and recovery of unjustified spending.

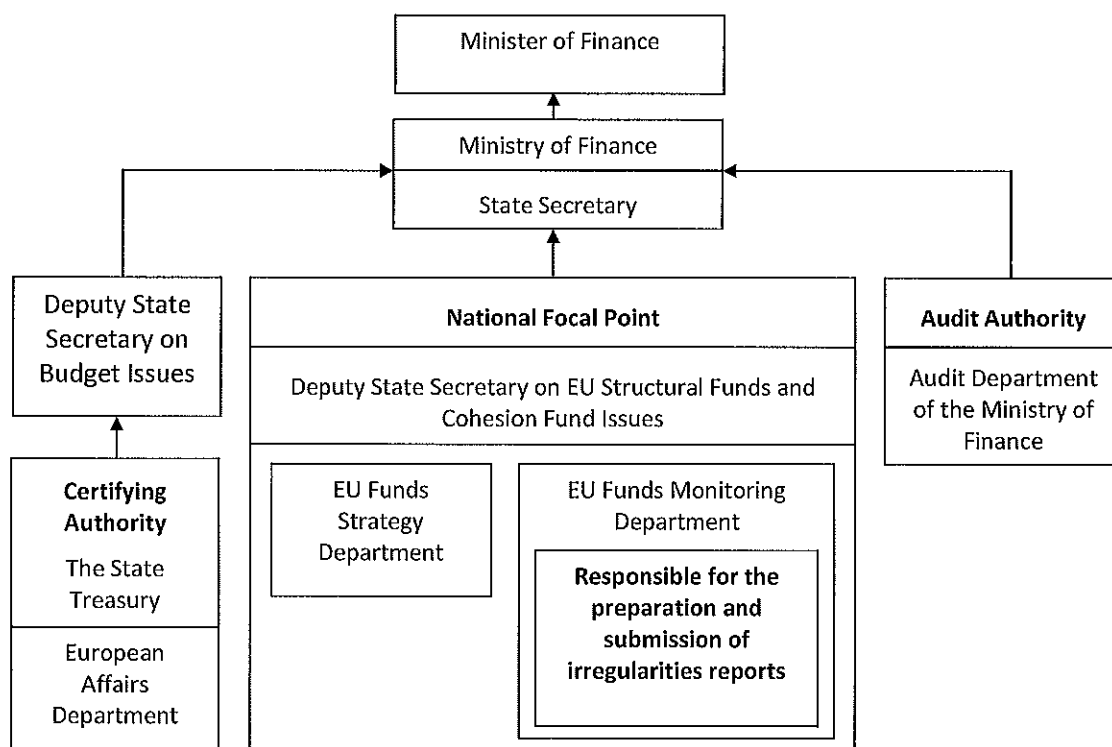
5. Monitoring Committee

The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. Strategic Report

In accordance with Article 2.2 of the Regulation, the National Focal Point shall annually submit to the FMC a Strategic Report on the implementation of the European Economic Area Financial Mechanism 2009-2014 in the Beneficiary State. The Parties shall endeavour to hold the annual meeting in the month of May every year.

7. Organigramme



Implementation framework

In accordance with Article 2.1 of the Regulation, the Parties to this Memorandum of Understanding have agreed on an implementation framework outlined in this annex.

1. Financial parameters of the implementation framework

Latvia Programme area	EEA FM contribution
Adaptation to Climate Change	€ 10,365,000
Funds for Non-governmental Organisations	€ 10,365,000
Conservation and Revitalisation of Cultural and Natural Heritage	€ 10,019,500
Scholarships	€ 518,250
Other allocations	
Technical assistance to the Beneficiary State (Art. 1.9)	€ 518,250
Fund for bilateral relations at national level (Art. 3.5.1)	€ 172,750
Net allocation to Latvia	€31,958,750

2. Specific concerns

Bilateral relations between the Donor States and Latvia shall be strengthened with the aim of stimulating long-term cooperation, in particular in the programme areas listed below with donor programme partners, as well as through other means such as partnership at project level in all programme areas supported.

The appraisal of Programme Proposals will take due account of relevant human rights- and governance-related standards of the Council of Europe (such as those monitored by CPT, GRECO, GRETA, ECRI etc.), including the Convention for the Protection of Human Rights and Fundamental Freedoms.

3. Substantive parameters of the implementation framework

The programmes described below are to be prepared and, subject to FMC approval, implemented in the Beneficiary State.

A. Programme Area: Adaptation to Climate Change

Programme: National Climate Policy

Expected outcomes: Developed strategies and measures for adapting to a changing climate; a less carbon-dependent economy; Improved environmental information on impact, status and trends

Programme grant: € 10,365,000

Programme Operator: Ministry for Environmental Protection and Regional Development

Donor programme partner: The Norwegian Environment Agency and the Norwegian Directorate for Civil Protection

Main focus: The Programme aims to support Latvia in developing a comprehensive national climate policy covering the non-ETS sector as regards emissions, and all sectors as regards adaptation. The programme will encompass systems for collection, storage, quality assurance and dissemination of environmental data related to climate change; modelling tools; policy development measures and instruments; capacity building; and awareness raising and education

B. Programme Area: Funds for Non-Governmental Organisations

Programme: NGO Fund

Programme grant: € 10,365,000

Programme Operator: Society Integration Foundation

Main focus: At least 30% of the re-granting shall cover core activities as defined in the Programme paper. 50% of the re-granting shall support social sector activities including the provision of welfare and basic services, local and regional initiatives to promote social inclusion and support to children and youth at risk and gender equality.

Specific concerns: The Programme shall support multicultural dialogue and the integration of national minorities, including awareness raising information and education activities on citizenship and language training activities. The Programme shall support NGO capacity building.

Pre-defined projects: Support to sustainable civil society development and improvement of the monitoring system in Latvia.

C. Programme Area: Conservation and Revitalisation of Cultural and Natural Heritage

Programme: Conservation and Revitalisation of Cultural and Natural Heritage

Programme grant: € 10,019,500

Programme Operator: Ministry of Culture

Donor programme partner: Norwegian Directorate for Cultural Heritage (RA)
Arts Council Norway (for small grants scheme)

Main focus: The Programme will encompass pre-defined projects (below) and funds for a Small Grant Scheme, aimed at protection of *art nouveau* and wooden architecture cultural heritage.

Pre-defined projects: 1) Reconstruction of the Museum of Literature and Music (maximum 50% of the allocation);

- 2) Digitalisation of the cultural heritage of the Riga Art Nouveau Centre and Development of virtual museum;
- 3) Restoration of the Green Synagogue in Rezekne, including the establishment of a wooden architecture heritage centre and creation of an exhibition of Jewish cultural heritage;
- 4) Restoration of the Museum of Rainis and Aspazija;
- 5) Restoration of the Latvian Ethnographic Open-Air Museum's port warehouse.

Small grants scheme:

Not less than € 500,000 for a small grant scheme for cultural exchange. The small grants scheme shall be implemented in partnership with a Donor Programme Partner.

D. Scholarships

Programme:

Scholarships

Programme grant:

€ 518,250

Programme Operator:

Ministry of Education and Science

Donor programme partner:

Centre for Internationalisation of Higher Education

Main focus:

The programme aims at providing scholarships for students of all levels and all fields of study.

