

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

The Ministry of Finance,  
hereinafter referred to as the "National Focal Point",  
representing Latvia ,  
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities "

hereinafter referred to as the "Programme"

## Chapter 1

### Scope, Legal Framework, and Definitions

#### Article 1.1

##### Scope

This programme agreement between the Norwegian Ministry of Foreign Affairs (hereinafter referred to as the NMFA) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the Norwegian Financial Mechanism 2009-2014 to the Programme.

#### Article 1.2

##### Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the Norwegian Financial Mechanism 2009-2014:

a. the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the Agreement);

b. the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 8(8) of the Agreement;

c. the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Kingdom of Norway and the Beneficiary State; and

d. any guidelines adopted by the NMFA in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

#### Article 1.3

##### Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.5 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

#### Article 1.4

##### Annexes and hierarchy of documents

1. The programme decision, including the financial plan (Annex I), and the operational rules (Annex II) form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the former shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the programme proposal are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

## Chapter 2

### The Programme

#### Article 2.1

##### Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and 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.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

## Article 2.2

## Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the Norwegian Financial Mechanism 2009-2014 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

a. comply with its obligations stipulated in the Regulation and this programme agreement;

b. ensure that the Certifying Authority, the Audit Authority, the Monitoring Committee and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;

c. take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

d. take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

e. make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The NMFA shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

## Article 2.3

## Objective and outcomes of the Programme

1. The programme decision sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

## Article 2.4

## Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in the programme decision.

2. In case the Programme is also supported by the EEA Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan shall:

a. contain a breakdown between the Programme's budget headings using the description put forward in the template for the programme proposal;

b. indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in the programme decision.

## Article 2.5

## Special conditions and programme specific rules

1. The programme decision shall list any conditions set by the NMFA with reference to paragraph 3 of Article 5.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and, in a timely manner, take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

## Article 2.6

## Programme implementation agreement

1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the NMFA of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the NMFA in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the NMFA of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

## Article 2.7

## Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 8 and Articles 5.11 and 5.12 of the Regulation as well as statistical reporting in accordance with the Programme Operator's Manual (Annex 9 to the Regulation).

## Article 2.8

## External monitoring

The external monitoring and audit referred to in Articles 10.1, 10.2, 10.3 and 10.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of its obligations under the programme agreement regarding monitoring of the Programme and/or its projects, financial control and audit.

## Article 2.9

## Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the NMFA.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without NMFA's prior approval provided that they are limited to the following:
  - a. cumulative transfers between budget headings related to outcomes of an amount less than 10 % of total eligible expenditure of the Programme or € 1,000,000, whichever is higher, and
  - b. changes of internal practices of the Programme Operator that are not stipulated in the programme agreement.
3. Programme specific exceptions from paragraphs 1 and 2, if any, are set in the operational rules.
4. Expenditures incurred in breach of this article are not eligible.
5. Should there be a doubt as to whether the proposed modifications require approval by the NMFA, the National Focal Point shall consult the NMFA before such modifications take effect.
6. Requests for modifications shall be submitted and assessed in accordance with Article 5.9 of the Regulation.

## Article 2.10

## Communication

1. All communication to the NMFA regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the NMFA towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

4. The NMFA shall ensure that the National Focal Point is informed about communication between the NMFA and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this programme agreement.

## Article 2.11

## Contact information

1. The contact information of the National Focal Point and the Programme Operator is as specified in the programme proposal.
2. The contact information for the NMFA and the Financial Mechanism Office are:  
Financial Mechanism Office  
Att: Director  
EFTA Secretariat  
Rue Joseph II, 12-16  
1000 Brussels  
Telephone: +32 (0)2 286 1701  
Telefax (general): +32 (0)2 211 1889  
E-mail: fmo@efta.int
3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

## Article 2.12

## Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the NMFA in the programme proposal or other communication prior to the signing of this programme agreement.
2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point in the programme proposal, in connection with the programme proposal, the implementation or conclusion of this programme agreement are authentic, accurate and complete.

## Chapter 3 Projects

### Article 3.1

#### Selection of projects

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 6 of the Regulation and the operational rules.
2. Eligibility of applicants is stipulated in Article 6. 2 of the Regulation and, in accordance with paragraph 3 thereof, subject only to the limitations stipulated in the operational rules.
3. Pre-defined projects shall be outlined in the operational rules.
4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 6.6 of the Regulation.

### Article 3.2

#### Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.
2. . In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.
3. The content and form of the project contract shall comply with Article 6.7 of the Regulation.
4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

### Article 3.3

#### Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.5 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 6.8 of the Regulation.
2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from Norway.
3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 7.16 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article before the signing of the project contract.

### Article 3.4

#### Reallocation of funds

1. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
2. Project grants not reallocated shall be reimbursed to the NMFA in accordance with Article 6.9 of the Regulation.

## Chapter 4 Finance

### Article 4.1

#### Eligible expenditures

1. Subject to Article 7.6 of the Regulation, eligible expenditures of this Programme are:
  - a. management costs of the Programme Operator in accordance with the detailed budget in the financial plan;
  - b. payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract;
  - c. expenditure of funds for bilateral relations in accordance with Article 7.7 of the Regulation;
2. Expenditure related to the categories referred to in subparagraphs (d), (e) and (f) of Article 7.1 of the Regulation are eligible in accordance with Chapter 7 thereof if such expenditures are explicitly approved by the NMFA in the programme decision. The implementation of the activities under these categories shall be in compliance with the operational rules.
3. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 7.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 7.3 of the Regulation as well as indirect costs in accordance with Article 7.4 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 7.14 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the NMFA of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 5.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraphs 1 and 2 are set in the programme decision. Programme specific rules on the eligibility of expenditure set in the programme decision or in the operational rules shall be complied with.

#### Article 4.2 Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 7.13 of the Regulation.

#### Article 4.3 Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 8.2, 8.3 and 8.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in the operational rules.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 8.1 of the Regulation.

5. Chapter 8 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

#### Article 4.4 Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the Norwegian Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

#### Article 4.5 Irregularities, suspension and reimbursements

The NMFA has the right to make use of the remedies provided in the Regulation, in particular Chapter 12 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 11 and 12 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

### Chapter 5 Final provisions

#### Article 5.1 Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the NMFA is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

#### Article 5.2 Termination

1. The NMFA may, after consultation with the National Focal Point, terminate this programme agreement if:

a. a general suspension decision according to Article 12.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 12.1 of the Regulation has not been lifted within 6 months of such a decision;

b. a suspension of payments according to Article 12.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;

c. a request for reimbursement according to Article 12.2 of the Regulation has not been complied with within one year from such a decision;

d. the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

e. the Programme Operator has, in the opinion of the NMFA, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the NMFA to make use of the remedies provided in Chapter 12 of the Regulation.

Article 5.3  
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the NMFA, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the NMFA or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The NMFA does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the NMFA for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the NMFA, its officials or employees, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

Article 5.4  
Entry into force and duration

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

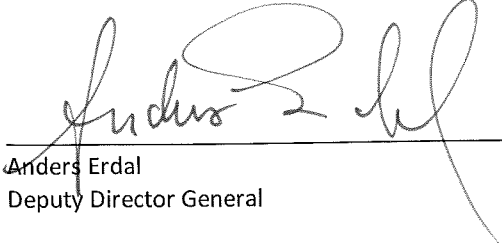
2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

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This programme agreement is drawn up in two originals in the English language.


For the NMFA

Signed in Ostlo on 29.1.2013

  
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Anders Erdal  
Deputy Director General

For the National Focal Point

Signed in RIGA on 21.02.2013

  
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Mr Armands Eberhards  
Deputy State Secretary in European Union Structural Funds and Cohesion Fund Affairs

## Annex I - Programme Decision

### 1. Expected Outcomes & Indicators for Outputs

#### Expected Outcome(s):

Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development

#### Output

Local authorities performance improvement system elaborated

Output indicator(s)	Baseline	Target	Source of Verification
Established networks for local authority cooperation and service quality improvement	0	4	Project reports
Established data base for local service performance measurement	0	1	Project reports

#### Output

Integrated planning system in local, regional and state level developed and operational

Output indicator(s)	Baseline	Target	Source of Verification
Drafting and updating of planning documents at a local, regional and national level	1	60	Project reports
Number of state, regional and local authorities that have introduced territorial approach for investment planning	0	25	Project reports

#### Output

Systematic exchange of knowledge and experience among Latvian and Norwegian authorities

Output indicator(s)	Baseline	Target	Source of Verification
Number of organized experience and knowledge exchange events	0	15	Project reports
Strategic partnerships developed	0	20	Project reports

## 2. Conditions

### 2.1 General

1. Bilateral indicators and outcome indicators shall be reported on in the annual programme report.

2. The Focal Point shall ensure that any public support under this programme complies with the procedural and material State Aid rules applicable at the point in time when the public support is granted. The Focal Point shall ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules and provides them to the NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.

### 2.2 Pre-eligibility

Not applicable

### 2.3 Pre-payment

Not applicable

### 2.4 Pre-completion

Not applicable

### 2.5 Post-completion

Not applicable



## 2.6 Other

### 3. Eligibility of costs

#### 3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 11/09/2012-30/04/2017

Eligibility of programme proposal preparation costs: 28/04/2011-10/09/2012

#### 3.2 Grant rate and co-financing

Programme estimated total cost (€)	€5,645,781
Programme estimated eligible cost (€)	€5,645,781
Programme grant rate (%)	88.4200%
Maximum amount of Programme grant (€)	€4,992,000

#### 3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€445,988	€0
Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development	€5,061,563	€0
Fund for bilateral relations	€89,065	€0
Complementary action	€49,165	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
Total	€5,645,781	€0

\* The advance payment is composed of €0 in grant amount and €0 in co-financing.

#### 3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€39,434

#### 3.5 Small Grant Scheme

Not applicable

## Annex II - Operational Rules

### 1. Eligibility

#### 1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Ministry of Environmental Protection and Regional Development of the Republic of Latvia (MoEPRD). The Norwegian Association of Local and Regional Authorities (KS) is the Donor Programme Partner.

The aim of the Programme is to increase institutional and human resources capacity at public, regional and local institutions responsible for regional development in Latvia by cooperating and sharing experience with similar institutions in Norway. The programme will support the following type of activities:

- Training of employees of public, regional and local institutions.
- Development of system/database for analysis, evaluation and improvement of local governments' performance.
- Establishing and strengthening networks of local governments and local government experts.
- Elaboration and improvement of planning documents; elaboration of reports.
- Seminars, conferences, exhibitions and participation in such events, publicity.
- Expert visits and study tours.
- Desk reviews, studies, and exchange of experience and good practice.

The Programme will be implemented by way of four pre-defined projects.

#### 1.2 Eligible applicants:

Not Applicable.

#### 1.3 Special rules on eligibility of costs:

Costs are eligible provided that they are in line with Chapter 7 of the Regulation.

### 2. Financial parameters

#### 2.1 Minimum and maximum grant amount per project:

Not Applicable.

#### 2.2 Project grant rate:

See section 6.

### 3. Selection of projects

#### 3.1 Selection procedures:

Not Applicable.

#### 3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

Not Applicable.

#### 3.3 Selection criteria:

Not Applicable.

### 4. Payment flows, verification of payment claims, monitoring and reporting

#### 4.1 Payment flows

The payment flows towards the end beneficiaries will be adjusted in line with the legal status of the Project Promoter.

Project Promoters that are State budget institutions will not receive an advance payment, as all necessary expenses from the State budget for every implementation year will be pre-financed by the State budget. The Programme Operator will receive a payment forecast on an annual basis, and the Project Promoter will report to the Programme Operator on incurred expenditures and actual progress every fourth months.

For Project Promoters that are not State budget institutions, the payment flow will consist of advance payments, interim pre-payments and payments of the final balance. The Project Promoters have the possibility to request an advance payment not exceeding 40% of total grant amount based upon liquidity needs. The advance payment will be disbursed within 20 working days after project contract is signed, and the advance payment will be off-set against subsequent interim pre-payment requests. The Project Promoter will report to the Programme Operator on incurred expenditures, actual progress and pre-payment forecast every fourth month. Subsequent interim pre-payments shall be made within 20 working days after the approval of a project status and financial report, but may not exceed 90% of total grant amount. The Programme Operator may withhold up to 10% of total grant amount for the payment of the final balance. The payment of the final balance will be made after the verification and approval of the final report.

#### 4.2 Verification of payment claims

The Programme Operator has delegated the responsibility of verification of payment claims to the State Regional Development Agency of Latvia (SRDA), with the exception of pre-defined project "Smart governance and performance improvement of Latvian municipalities" where SRDA is project partner. In order to avoid a conflict of interest situation, the MoEPRD will do the verification of payment claims in the case of pre-defined project "Smart governance and performance improvement of Latvian municipalities". In order to ensure equal treatment of all Project Promoters, the verification system in SRDA and MoEPRD will be harmonized.

The Project Promoters will report on incurred costs every fourth months, and the payment request will be reviewed by the relevant entity (SRDA or MoEPRD) on the basis of a random sample of at least 80% of incurred costs. The relevant entity (SRDA or MoEPRD) will finalise the verification process within 30 working days after receiving all necessary supporting documents needed to approve the payment request.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the donor project partner's country, shall be seen as sufficient proof of costs incurred.

The verification procedures for payment claims will be further outlined in the description of the Programme management and control systems according to article 4.8.2 of the Regulation.

#### 4.3 Monitoring and reporting

The Programme Operator has delegated the responsibility for project monitoring to the SRDA, with the exception of pre-defined project "Smart governance and performance improvement of Latvian municipalities" where the MoEPRD will perform monitoring activities.

The relevant entity (SRDA or MoEPRD) will carry out on-the-spot-checks of compliance with procurement procedures as well as a review of required supporting documents and payment claims, at least twice during the implementation of each pre-defined project.

The aim of on-the-spot-checks is to make sure that the pre-defined project is implemented in accordance with the requirements of the Regulation, all documents governing Programme implementation and the project contract, that costs claimed are actual and eligible, as well as to verify that:

- The Project Promoter has kept document originals in line with the Regulation as well as all relevant acts on keeping, accounting, storing and using of archive documents.
- All procurement procedures have been carried out in a regular manner, in accordance with the requirements of the Public Procurement Law and in line with the procurement plans specified in the project contracts.
- The Programme's publicity requirements have been observed.

### 5. Additional mechanisms within the programme

#### 5.1 Funds for bilateral relations

The use of the bilateral funds will be discussed further in the Cooperation Committee. A plan is to be agreed upon in the Committee.

#### 5.2 Complementary action

Complementary Actions will be organised in line with Article 7.11 of the Regulation.

#### 5.3 Reserve for exchange rate losses

Not Applicable.

#### 5.4 Small Grant Schemes

Not Applicable.

### 6. Pre-defined projects

6.1. Project title: Smart governance and performance improvement of Latvian municipalities.

Project Promoter: Latvian Association of Local and Regional Governments (LALRG)

Project Partners: SRDA

Donor Project Partner: KS

Estimated total eligible costs: €2,111,827

Maximum contribution from the Programme: €2,111,827

Grant rate: 100%

Summary description of the project:

Six activities will be implemented under this project:

1. Development of the system model for analysis of local government performance, including study of Polish and Norwegian experience.
2. Establishment of a cooperation network for local governments

3. Training for employees of local governments
  4. Establishment of a system/database for analysis, evaluation and improvement of local governments' performance.
  5. Strengthening of local governments' network.
  6. Project management, including publicity.
- In addition, a closing conference will be organised.

6.2. Project title: Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents

Project Promoter: MoEPRD

Project Partners: Riga, Kurzeme, Vidzeme, Latgale and Zemgale planning regions; Urban Institute (Riga)

Donor Project Partners: Ministry of Local Governments and Regional Development of Norway, Oppland County, Østfold County

Estimated total eligible costs: €1,195,972

Maximum contribution from the Programme: €1,195,972

Grant rate: 100%

Summary description of the project:

Five activities will be implemented under this project:

1. Strengthening the capacities of planning regions for elaboration of regional development planning documents.
2. Improvement of territorial development planning capacities of local governments.
3. Establishment of the linkage between the development planning and budget planning at the local level.
4. Elaboration of national long-term thematic spatial plan for the Baltic Sea coastal area.
5. Project management, including publicity.

6.3. Project title: Implementation of regional policy actions in Latvia and elaboration of regional development measures

Project Promoter: MoEPRD

Project Partners: Riga, Kurzeme, Vidzeme, Latgale and Zemgale planning regions

Donor Project Partners: Ministry of Local Governments and Regional Development of Norway, Oppland County, Østfold County

Estimated total eligible costs: €1,172,029

Maximum contribution from the Programme: €1,172,029

Grant rate: 100%

Summary description of the project:

Four activities will be implemented under this project:

1. Development of regional entrepreneurship and innovation systems.
2. Increasing the role of local governments in promoting entrepreneurship.
3. The development of support measures for remote and sparsely populated areas for attracting qualified workforce and entrepreneurs.
4. Project management, including publicity.

6.4. Project title: Integration of specially protected nature territories of Latvia in spatial plans

Project Promoter: Nature Conservation Agency of Latvia

Project Partners: MoEPRD

Donor Project Partners: Ministry of Local Governments and Regional Development of Norway, Oppland County, Østfold County

Estimated total eligible costs: €581,735

Maximum contribution from the Programme: €581,735

Grant rate: 100%

Two activities will be implemented under this project:

1. Simplification of local planning system.
2. Project management, including publicity.

## 7. Modification of the programme

Any modifications of the programme will follow the rules set forth in the Regulation and in Article 2.9 of the programme agreement. By way of exception from the general rule in paragraph 1 of Article 2.9 of the programme agreement, the precise involvement of the Donor Project Partners mentioned in the pre-defined project descriptions in section 6 of this Annex may be subject to further discussion between the entities concerned. The addition or removal of one or more Donor Project Partners from each project is permitted without the NMFA's approval, provided that a partnership agreement, in line with Article 6.8 of the Regulation, is concluded with at least one Donor Project Partner for each project. The Programme Operator shall inform the NMFA of the final partnership involvement in each pre-defined project as soon as this is known.

## 8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as version signed by the Programme

Operator on 20 December 2011 and shall include all subsequent correspondence and communication between the Financial Mechanism Office, the National Focal Point and the Programme Operator, including the clarifications and additional information submitted to the Financial Mechanism Office on 28 April, 12 March and 20 July 2012.

## **9. Miscellaneous**

Not Applicable.