

08 MAART 2013

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 "Reform of the Latvian Correctional services and police Detention
Centres"

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.

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.

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.

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

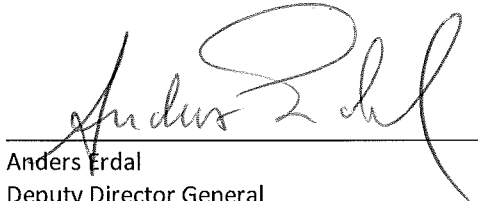
1. This programme agreement shall enter into force on the date of the last signature of the Parties.

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

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

For the NMFA

Signed in Brussels on 27.2.2013



Anders Erdal
Deputy Director General

For the National Focal Point

Signed in Riga on 06.03.2013



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): Overcome challenges connected to growing prison populations and prison overcrowding

Output

New unit at Olaine prison, including construction and training of staff. The unit shall replace sub-standard prison capacity elsewhere in Latvia and will be based on research and the principle of progressive punishment

Output indicator(s)	Baseline	Target	Source of Verification
Number of newly built prison blocks in Olaine (Pre-defined project No. 2)	0	1	Project reports
Number or renovated buildings in Olaine prison (Pre-defined project No. 2)	0	1	Project reports

Output

Improving the Standard of Latvian State police detention centers, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities

Output indicator(s)	Baseline	Target	Source of Verification
Number of renovated STDC (Pre-defined project No. 3)	0	10	Project reports
Number of renovated places of temporary keeping (Pre-defined project No. 3)	0	11	Project reports
Number of STDC equipped (Pre-defined project No. 3)	0	12	Project reports
Number of places of temporary keeping equipped (Pre-defined project No. 3)	0	14	Project reports
Police convoy system revised	0	1	Project reports
Decrease of average short-term detention (days)	5	4	Project reports

Expected Outcome(s): Increased application of alternatives to prison

Output

Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic surveillance)

Output indicator(s)	Baseline	Target	Source of Verification
Number of researches carried out (Pre-defined project No. 1)	0	6	Project reports
Number of training events (seminars and supervisions) (Pre-defined project No. 1)	0	65	Project reports

Output

n/a

Output indicator(s)	Baseline	Target	Source of Verification
n/a	0	0	n/a

Expected Outcome(s): Increased focus on vulnerable groups in prison

Output

New unit at Olaine prison, including construction and training of staff. The unit shall replace sub-standard prison capacity elsewhere in Latvia and will be based on research and the principle of progressive punishment

Output indicator(s)	Baseline	Target	Source of Verification
Number of re-socialization measures, which are: 1. Adjusted Minesota programme and subsequently the Norway Pathfinder programme; 2. Individual consultations; 3. NGO activities; 4. HIV/AIDS prevention; 5. Sports and Leisure activities; 6. Library; 7. Education (Pre-defined project No. 2)	0	7	Project reports

Output

n/a

Output indicator(s)	Baseline	Target	Source of Verification
n/a	0	0	n/a

Expected Outcome(s): Improved competences of both inmates and prison staff

Output

New unit at Olaine prison, including construction and training of staff. The unit shall replace sub-standard prison capacity elsewhere in Latvia and will be based on research and the principle of progressive punishment

Output indicator(s)	Baseline	Target	Source of Verification
Number of training topics developed, which are: Two re-socialization programmes for addicted prisoners; cognitive skills programme; RNA documentation and training seminar programme (Pre-defined project No. 2)	0	5	Project reports

Output

Improving the Standard of Latvian State police detention centers, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities

Output indicator(s)	Baseline	Target	Source of Verification
Number of specialized courses (Pre-defined project No. 3)	0	1	Project reports
Number of training programmes (Pre-defined project No. 3)	0	2	Project reports
Strengthened institutions	0	2	Project reports
Study visits to Estonia (EE) (Pre-defined project No. 3)	0	2	Project reports
Number of participants involved in study visits to EE (Pre-defined project No. 3)	0	15	Project reports

Output

Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic surveillance)

Output indicator(s)	Baseline	Target	Source of Verification
Number of training topics elaborated (Pre-defined project No. 1)	0	6	Project reports

2. Conditions**2.1 General**

1) Bilateral, output and outcome indicators shall be reported on in the Programme annual report.

2) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):

- Keep the excepted equipment in their ownership for a period of at least five years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
- Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract;

provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

3) The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

4) After the technical specification of the prison building in the pre-defined project "New unit at Olaine prison, including construction and training of staff" has been prepared and the final budget of the prison building has been established, the National Focal Point shall ensure that the Programme Operator conducts an external appraisal of the project budget and submits it to the NMFA for approval.

5) The National Focal Point shall ensure that the Programme Operator secures participation of the Council of Europe in the implementation of pre-defined project "Improving the Standard of Latvian State Police detention centres, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities".

2.2 Pre-eligibility

Pre-eligibility of the pre-defined projects:

1) Expenditures under the pre-defined projects shall only be eligible once the NMFA has received a detailed description of the budget set aside for the projects, including all expenditure required by the project partners, and confirmed the maximum grant to the projects. However, this does not apply to expenditure regarding the technical specification of the prison building under pre-defined project "New Unit at Olaine prison, including construction and training of staff", which is eligible in accordance with Article 4.1.4 of the Programme Agreement.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

Not applicable.

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 12/11/2012-30/04/2017

Eligibility of programme proposal preparation costs: 28/04/2011-11/11/2012

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€15,360,000
Programme estimated eligible cost (€)	€15,360,000
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€13,056,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€971,762	€0
Overcome challenges connected to growing prison populations and prison overcrowding	€9,810,956	€0
Increased application of alternatives to prison	€2,265,863	€0
Increased focus on vulnerable groups in prison	€1,294,248	€0
Improved competences of both inmates and prison staff	€774,668	€0
Fund for bilateral relations	€230,400	€0
Complementary action	€12,103	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
Total	€15,360,000	€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	€82,600

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 Justice. The Ministry of Interior is the National Programme Partner. The Norwegian Correctional Services (KSF) is the Donor Programme Partner. The Programme is implemented in collaboration with the Council of Europe, which has an observer status in the Cooperation Committee.

The aim of the Programme is to improve Latvian Correctional Services and Police Detention Centres in compliance with relevant human rights instruments.

The Programme will be implemented through three pre-defined projects identified in the MoU. The following areas will be of special concern to the Programme:

- Growing prison population and overcrowding
- Alternatives to prison
- Vulnerable groups in prison
- Competences of inmates and staff
- Latvian police short term detention centres

1.2 Eligible applicants:

There will be no open calls for project proposals under the Programme, thus this section is not applicable.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (the Regulation).

By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment may be eligible if the equipment is an integral and necessary component for achieving the outcome of the project. The Programme Operator will check and verify compliance with this condition.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The grant amounts set for the pre-defined projects are further detailed in section 6.

2.2 Project grant rate:

Grants from the Programme will be 100% of total eligible project costs.

3. Selection of projects

3.1 Selection procedures:

Appraisal of the pre-defined projects:

The three pre-defined projects will be appraised in accordance with Article 5.5.3 of the Regulation. The appraisal will be carried out by the Cooperation Committee. The projects will be appraised based on a list of criteria, which will be agreed with the representatives of the Cooperation Committee.

During the appraisal the Programme Operator will make sure that at least 30% of the Programme allocation is set aside for measures other than infrastructure investments or equipment purchases, as stated in the Memorandum of Understanding between Latvia and the Kingdom of Norway.

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

State budget pre-financing is made available for this Programme.

The advance payment system does not apply. The project costs are included under their institutional budgets.

The project interim financial reports from the Programme Operator to the Financial Mechanism Office will contain only already incurred and certified expenditures. The disbursement from the Financial Mechanism Office will be transferred directly to the state treasury account.

4.2 Verification of payment claims

Project promoters shall submit interim project progress report(s) on project implementation and one final report following project completion. The timing and the frequency of the submission of interim project progress report(s) shall be specified in the project contract.

Payment claims are submitted by the Project Promoter to the Programme Operator at least once a quarter. Verification and approval of payment claims will be performed by the Programme Operator through desk checks covering 100% of the payment claims. Verification and approval of payment claims of the pre-defined project "Improving the Standard of Latvian State police detention centres, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities" will be conducted by the National Programme Partner, the Ministry of Interior, fulfilling the control tasks delegated by the Programme Operator.

Supporting documents to verify incurred expenditure are submitted when required by the Programme Operator. The Programme Operator shall verify the expenditure declared by the Project Promoters by performing desk checks of the supporting documents based on risk assessment and/or using random samples.

In line with Article 7.13.3 of the Regulation, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with this Regulation, the national law and accounting practices of the project partner's country, shall, subject to Article 7.13.5 of the Regulation, be seen as sufficient proof of costs incurred by a Project Promoter or a project partner whose primary location is in a Donor State or a Beneficiary State.

The procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting outlined in the programme proposal will further be detailed in the description of the Programme Operator's management and control systems according to Article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

Project Promoters shall report on project progress in the interim project reports.

On-the-spot checks will be conducted by the Programme Operator on annual basis. Additionally, ad hoc on-the-spot checks shall be conducted on the basis of a risk analysis, if necessary. The on-the-spot checks of the pre-defined project 'Improving the Standard of Latvian State police detention centres, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities' will be undertaken by the National Programme Partner, the Ministry of Interior, with the Programme Operator's right to participate.

Information on Reporting and Monitoring, and periodicity of reporting, will further be outlined in the description of the Programme Operator's management and control systems according to Article 4.8.2 of the regulation.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations

The programme Operator will set aside €230,400 for the 1.5 % fund for bilateral relations.

The Cooperation Committee will discuss and decide upon the use, management and implementation of the fund for bilateral relations.

Approximately 40% of the fund will be spent on activities supporting and addressing strategic, more extensive issues, e.g. conferences, seminars, workshops and high level meetings, participation in international conferences (including conferences organized with other Programme Operators in other Beneficiary States of the Norway Grants within the programme area "Correctional Services, including Non-custodial Sanctions).

Approximately 60% will support bilateral activities between the project partners connected to the three pre-defined projects, mostly study trips, expert consultancy advice, research and information activities and development of partnerships. A part of this share, not exceeding 20%, will be allocated for Council of Europe experts assisting in two of the pre-defined projects "Improving

the Standard of Latvian State police detention centres, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities" and "Establishment of a new prison block in Olaine prison, including construction and training of staff".

The fund for bilateral relations allocation to the three pre-defined projects shall be as agreed upon in the project contracts and where relevant, the partnership agreements.

The selection of activities to be supported under the fund for bilateral relations will be based on an assessment by the Cooperation Committee of compliance with the programme objectives and relevant outcomes. The appraisal of the planned activities under the projects will be done during the appraisal of the pre-defined projects prior to the conclusion of the project contracts.

5.2 Complementary action

The Programme Operator will secure sufficient funds for complementary action and set aside at least €12,103 for complementary action. The allocation will be used for the following action:

- (a) strengthening co-operation between the Programme Operators and similar entities within the Beneficiary States and Norway; and
- (b) exchanging experiences and best practices related to the implementation of the programme.

The complementary action must also facilitate the participation of relevant stakeholders in events/seminars/activities agreed with the Donors.

The Programme Operator will further define the complementary action under this Programme and follow the provisions of Article 7.11.3 of the Regulation.

5.3 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

Not applicable.

6. Pre-defined projects

Three pre-defined projects are implemented under the Programme.

1. "Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic monitoring)"

Project Promoter: State Probation Service

Project partners: 1) Oslo Probation Office; 2) Ila Detention and Security Prison of Norway; 3) European Organization for Probation; 4) Ministry of Justice of the Republic of Estonia; 5) The Latvian Prison Administration; 6) Court Administration of the Republic of Latvia

Total estimated project cost: €2,650,428

Grant rate: 100%

Description: The project aims to implement alternative penalty solutions to deprivation of liberty and implement a pilot project on electronic monitoring; further develop the current resettlement system; and improve the capacity of probation and prison officers by providing training programmes.

2. "New unit at Olaine prison, including construction and training of staff"

Project Promoter: The Latvian Prison Administration

Project partners: 1) Oslo Prison; 2) Correctional Services of Norway Staff Academy (KRUS); 3) Poland Central Board of Prison Service; 4) State Probation Service of Latvia

Total estimated project cost: €8,277,294

Grant rate: 100%

Description: The project will establish a new prison bloc with a capacity of 200 places at Olaine prison specially designed for the purpose of treatment and re-socialization of prisoners with drug addiction; develop the capacity of staff working with this group of inmates through training programmes; and implement socialization programmes for prisoners with addiction problems.

3. "Improving the standard of Latvian State Police detention centres, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities"

Project Promoter: The Latvian State Police

Project Partners: 1) The Council of Europe; 2) Estonian Police and Border Guard College; 3) Central Public Order Police of the Police of Estonia

Total estimated project cost: €3,326,547

Grant rate: 100%

Description: The project aims at improving the standard of Latvian State Police detention centres (STDC) by carrying out a detailed study on legislation, case law and best practice; renovating/reconstructing 10 STDCs and 11 places of temporary keeping in Latvia; equipping 12 STDCs and 14 places of temporary keeping; and implement professional training programmes for STDC personnel.

7. Modification of the programme

Any modifications of the Programme will follow the rules set forth in Article 5.9 of the Regulation and in Article 2.9 of the programme agreement.

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 Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.