



**Republic of Latvia
Ministry of Finance (Focal Point)
European Union Funds Monitoring Department**

***Strategic Report on Implementation of
the EEA Financial Mechanism 2009–
2014 in Latvia
January – December 2013***



Riga, 31 March 2014

Glossary of Acronyms

AA – the Audit Authority
AAR – Annual Audit Report
Bilateral Fund - Fund for Bilateral Relations at National Level 2011-2017
CA – the Certifying Authority
CC – the Cooperation Committee
CoM – Cabinet of Ministers (Latvian Government)
Climate Programme – Programme LV02 “National Climate Policy”
Cultural Heritage Programme – Programme LV04 “Conservation and Revitalisation of Cultural and Natural Heritage Programme”
DPP – the Donor Programme Partner
Description of the MCS – Description of the Financial Mechanisms 2009-2014
Management and Control System of Latvia
EC – European Commission
EEA – the European Economic Area
EFTA – European Free Trade Association
EU – European Union
Financial Mechanisms – the EEA Financial Mechanism and the Norwegian Financial Mechanism
FMO – the Financial Mechanism Office
FP – the National Focal Point
IMF – International Monetary Fund
Law – the Law on Management of the Financial Mechanisms 2009 – 2014
MCS - Financial Mechanisms` Management and Control System
MoC – the Ministry of Culture
MoEPDR – the Ministry of Environmental Protection and Regional Development
MoES - the Ministry of Education and Science
MoF – the Ministry of Finance
MoU – the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009– 2014
NGO – nongovernmental organization
OC – open call
PA – Programme Agreement
PIA – Programme Implementation Agreement
PMCS – Programme Management and Control System
PO – Programme Operator
PP – programme proposal
PMB – the Procurement Monitoring Bureau
Programme Regulations – CoM Regulations on respective Programme`s implementation
Regulation – the Regulation on the implementation of the EEA Financial Mechanism 2009-2014
Scholarship and Research Programme – Programme LV05 “Norwegian-Latvian Research Support Fund and Scholarship Programme”
SACD – the State Aid Control Department of the MoF
SEDA – the State Education Development Agency
SGS – a small grant scheme
SIF – the Society Integration Foundation

TAF – the Technical Assistance Fund 2011-2017 (including Bilateral Fund at National Level)

Table of contents

1 Executive summary	5
2 Assessment of the effect of the Grants	6
2.1 Cohesion.....	13
2.2 Bilateral relations	19
3 Reporting on programmes.....	22
3.1 Overview of programme status	22
3.2 Individual programme summaries	24
4 Management and implementation	34
4.1 Management and control systems	34
4.2 Compliance with EU legislation, national legislation and the MoU	39
4.3 Irregularities	42
4.4 Audit, monitoring, review and evaluation	44
4.5 Information and publicity	45
4.6 Work plan	50
5. Summary listing of issues and recommendations.....	52
6. ATTACHMENTS TO THE STRATEGIC REPORT	54
Annex 6.1 Applications received, selected and contracted for each programme	54
Annex 6.2 Donor partnership projects in Latvia	56
Annex 6.3 Audit activities plan for 2014	59
Annex 6.4 Risk assessment at the national level	61
Annex 6.5 Risk assessment at the programme level	65
Annex 6.6 Annual Report under the Technical Assistance Agreement	69

1 Executive summary

According to the Article 2.2, Paragraph 1, of the Regulations the MoF, acting as the FP for the implementation of the Financial Mechanism in Latvia, has prepared the “*Strategic Report on the implementation of the EEA Financial Mechanism 2009-2014 in Latvia January – December 2013*”. Before submission to the donor states according to the requirement set out in the Article 4.4, Paragraph 4, of the Regulations the Strategic Report has been approved in the written procedure on 24 March 2014 by the Monitoring Committee of the Financial Mechanisms. All comments and proposals received from the Monitoring Committee were taken into account within elaboration process of the Strategic Report.

Strategic Report will be discussed during the Annual Meeting with representatives from the donor states planned for 4 June 2014.

The document aims to present the progress of the preparation and the implementation of the Financial Mechanism in Latvia within pertinent socio-economic environment, including status of achievement overall and specific goals, bilateral relations, the status of MCSs and results of the risk assessment exercise, as well as activities planned for the next reporting period – the year 2015.

If the year 2012 was the year of approval of all four PPs, then the year 2013 was the year of signing all four PAs between the donor states and the FP; the last one, Scholarship and Research PA, was signed on 12 April 2013.

If the year 2012 was the year of approval of all national legislative acts establishing and regulating the horizontal (overall) implementation, management and monitoring of the Financial Mechanism in Latvia, then the year 2013 was the year of elaboration and approval of specific Programme Regulations, setting procedures for implementation of a particular programme, evaluation/implementation of pre-defined projects and OC guidelines for projects to be approved within a particular programme. In 2014 this work will continue since some POs still need to approve some of their Programme Regulations – Scholarship and Research Programme (2) and Climate Programme (2). This work shall be accomplished by summer 2014.

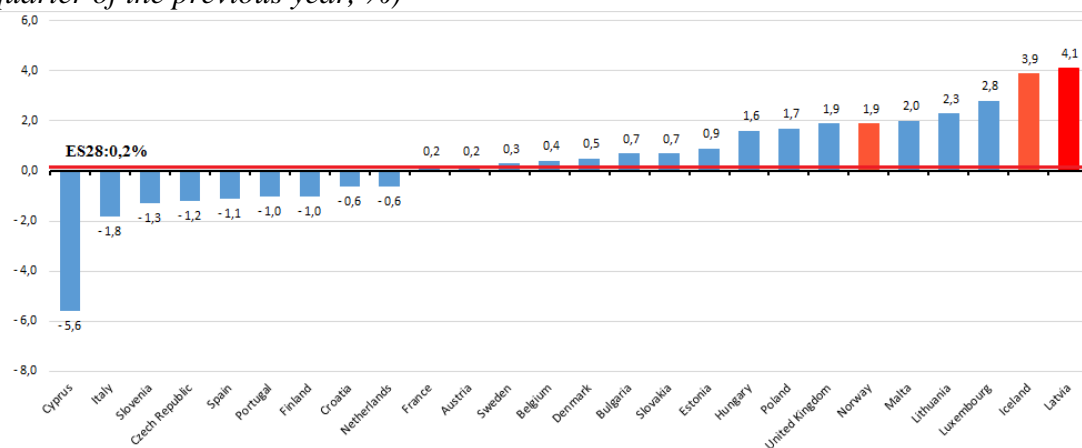
If the year 2012 was the year of elaboration and approval of the description of the MCS, then the year 2013 was the year of elaboration and approval of all four PMCSs; the last one Scholarship and Research PMCS was submitted to the FMO on 28 February 2014. The AA's Assurance Reports and Audit Reports state that PMCSs are compliant and have been established taking into account proportionality for efficient achievement of the Financial Mechanism goals, however, it will be possible to evaluate the effectiveness of functioning only after some time of implementation and after recommendations provided by the AA are implemented.

2 Assessment of the effect of the Grants

After sustained stagnation the EU economy showed positive growth in the 2nd quarter of 2013. It was continuing also in the 3rd quarters of 2013 when GDP was by 0.2% higher than a quarter before. Also latest business tendency surveys show that economic activities in the EU are gradually increasing. The recovery is expected to continue and to gather some speed in 2014. Nevertheless, development trends in Member States of the EU still differ. Growth in new EU countries is faster than on average in region. Baltic States indicate the most rapid economic growth within the EU as a whole. Further growth still depends on risks and uncertainty in global market and political aspects.

Since the end of 2009 a gradual growth is seen in the economy of Latvia. According to Chart 1 the GDP has increased by 4.1% against the corresponding quarter of the previous year.

Chart 1 GDP growth in the 3rd quarter of 2013 in EU (against the corresponding quarter of the previous year, %)



Source: European Commission

According to expert assessment Latvia has achieved fastest growth in EU that is sustainable and balanced between external and domestic demand. Latvia during last 3 years has been most growing economy in EU and it is expected that Latvia will remain among the fastest growing economies in EU. However, growth has become slightly moderate.

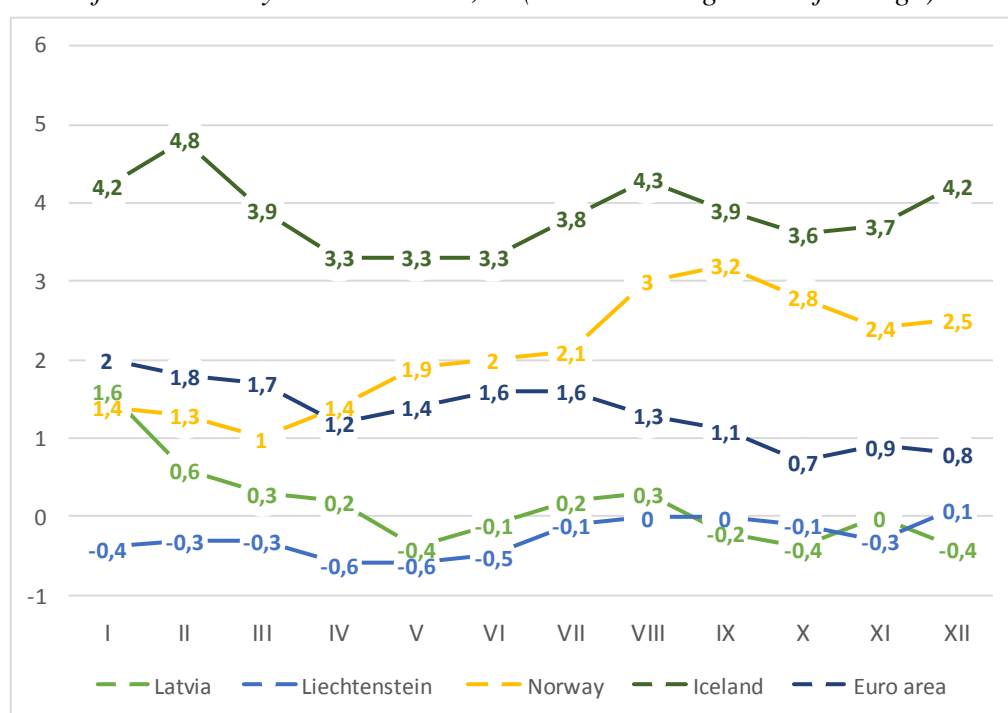
Being a small and open economy Latvia's economic growth is to a great extent dependant on the processes in other countries with which it has close economic ties. Considering that Latvia's largest export partners are its neighbouring countries like Lithuania, Russia and Estonia, which also are on the path of a rapid post-crisis economic growth, as well as Poland and Germany, which are large and stable economics, there are good perspectives to achieve the forecasted growth level. The EC forecast that economic growth rates in 2014 will increase in all of these countries. Stronger trading partner's demand would provide the opportunity for Latvia – to expand export markets and thereby strengthen its position.

Joining the euro zone on 1 January 2014 was one of the most important events of Latvian economic. Membership of euro zone provides more opportunities for sustainable overall development of Latvia by reducing various costs related to currency exchange for residents and enterprises thus developing a stable business and investment environment in Latvia and thereby fostering decrease of economic disparities within Latvia and developed EEA states.

Stability of Latvian economy can be also testified by the increased credit rating at least for one grade in 2013 by all biggest credit rating agencies ("Moody's Investors Service", "Standard & Poor's", "Fitch Ratings"). Long-term investments` ratings for Latvia are evaluated with positive and stable future forecasts as compared to under investment category level during crisis period.

Economic growth is related with inflation dynamic. In 2013, changes in consumer price level were very moderate in Latvia. Inflation dynamic in Latvia, donor states an EU is shown in Chart 2. In November 2013 consumer prices were by 0.4% lower than a year ago. In 11 months of 2013, drop in prices of food (by 1.4%), fuel (by 4.9%) and heat (related to decline in prices of natural gas – by 6.8%) had the greatest downward impact on the consumer price level, while increase in the prices of footwear (by 5.8%) applied the most significant upward effect. Also at the level of EU price dynamics was more moderate in 2013.

Chart 2 Inflation rate dynamics in 2013, % (annual average rate of change)



Source: Tradingeconomics.com

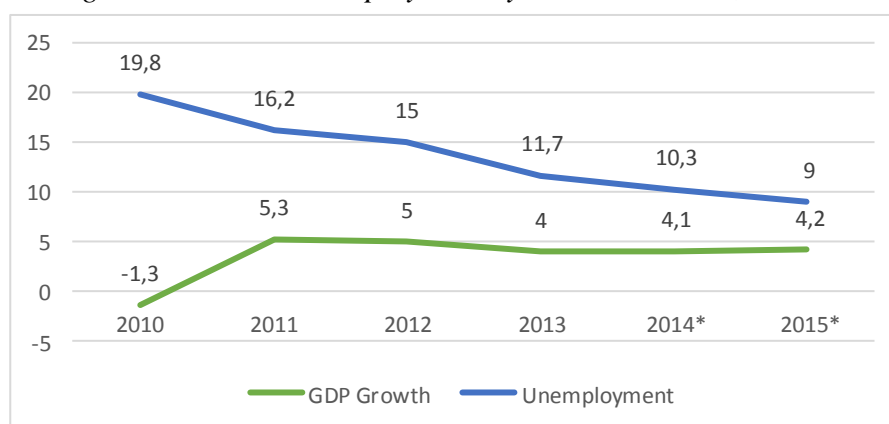
Latvian economic growth reflects also in average gross wages which slowly are rising. The most significant being in real estate sector, public administration and trade. The highest average gross wage in 2013 still is recorded in Riga region (EUR 814), while the lowest – in Latgale region (EUR 490) demonstrating still evident regional disparities and challenges. Accordingly growth of gross wages reflects positive on real earnings of population thereby facilitating increase of retail turnover in 2013 that reached 5% (in comparison with the previous year) showing the fastest increase since March 2013. Growth of real earnings reflects as well in the increase of trade of the non-food consumer goods (increase by 3.4% in 2013 in comparison with previous year) which shows that population could start to afford not only goods of prime necessity. In general retail data of 2013 confirms the tendency that main driver of economic growth is domestic demand and private consumption.

In 2013 the policy to decrease taxes was elaborated in the Latvian state budget for 2014. Personal income tax was decreased from 25% to 24% for year 2014, and decrease by 1% is planned to be continue each year till 2016, when the rate will be

22%. Untaxed wage minimum was increased up to 75 euro (64 euro in 2013) and allowance for dependent - up to 165 euro (114 euro in 2013). As from 2014 also rate of social security contributions was decreased by 1%, thereby part of employer – 23.59% and employee – 10.5% (accordingly in 2013 – 24.09% and 11%). All these measures aim to positively affect increase of net wage and retail turnover, growth of domestic demand and private consumption, employment rates and to facilitate business environment and investments thus reducing economic and social disparities between Latvian regions and EEA.

Gradual improvement of economic activities has positive effect on the situation in labor market and according data of Chart 3 unemployment rates decreases gradually. Gradual improvement of economic activities has positive effect on the situation in labor market – employment increases and high unemployment caused by crisis decreases.

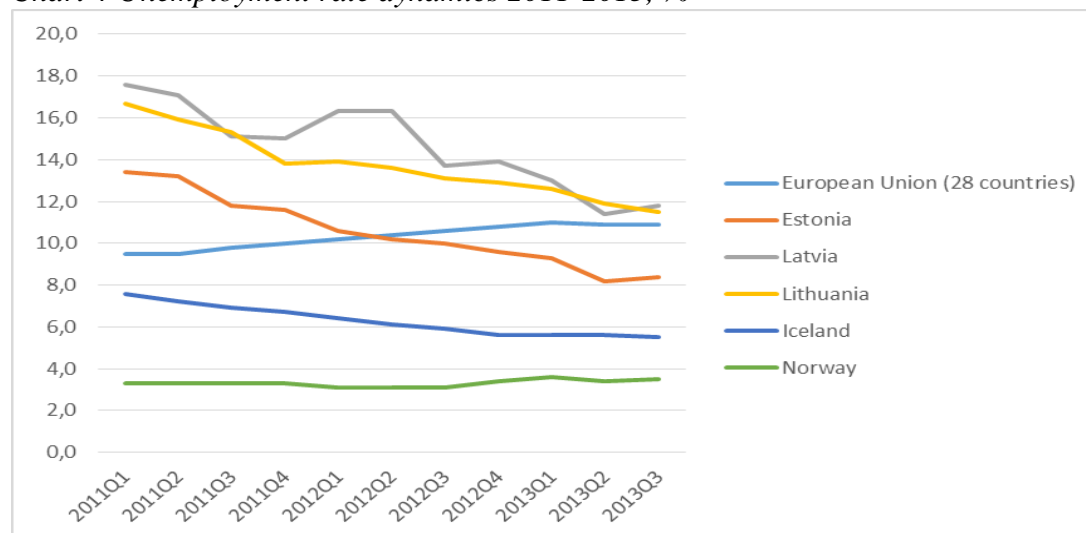
Chart 3 GDP growth rate and unemployment dynamics in Latvia, %



Source: European Commission, *The autumn 2013 European Economic Forecast*

In the 3rd quarter of 2013, approximately 900 thousand persons were employed (by 1.3% more than in the 3rd quarter of 2012). At the same time, number of economically active population dropped by 1%. In the 3rd quarter of 2013, unemployment rate dropped to 11.8%, and it is 1.9% less than a year ago. The highest unemployment rate still was registered in Latgale region (18.6%), while the lowest – in Riga (5.7%). According to statistic data (see Chart 4) unemployment rate in Latvia is still high comparing to neighbouring countries EU average and the donor states.

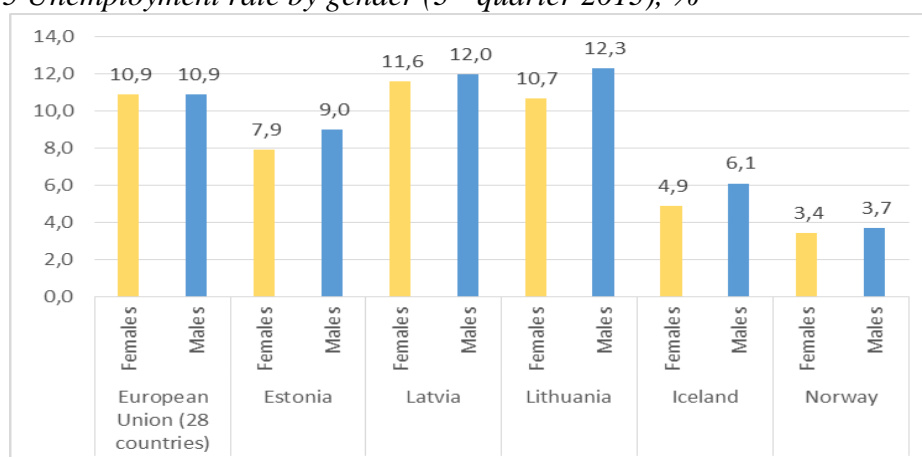
Chart 4 Unemployment rate dynamics 2011-2013, %



Source: European Commission

Comparatively high unemployment is still mainly related to cyclical factors and features of structural unemployment are becoming more typical. Risk that part of current unemployed persons will not be able to find job in a longer term still remains, because sectors which recover from crisis faster, are not the same ones having the largest job losses during the crisis. In October 2013 share of long-term unemployed persons (not working for more than a year) in the total number of unemployed persons accounted for 37.8 %.

Chart 5 Unemployment rate by gender (3rd quarter 2013), %



Source: European Commission

The statistics show (Chart 5) that in Latvia and its neighbouring countries male unemployment exceeds female unemployment. However in Latvia this difference was quite small, only 0.4 % resembling 0.3% in Norway, while in Iceland and Estonia the difference is larger (1.2 % and 1.1% respectively).

Stable increase of the wage, decrease of unemployment rate and improvement of economic situation in EU allows to forecast increase for 4.2% of the GDP in 2014. Certain risks that could affect dynamics of the economic growth remains in 2014. The continuous rapid growth of the Latvian economy depends on a favourable external market situation, but considering the gradually improving labour market situation and increasing average wages in the country an increasing domestic consumption would also contribute to overall economic growth. However, in future to sustain further economic growth it is necessary to concentrate on exports oriented sectors.

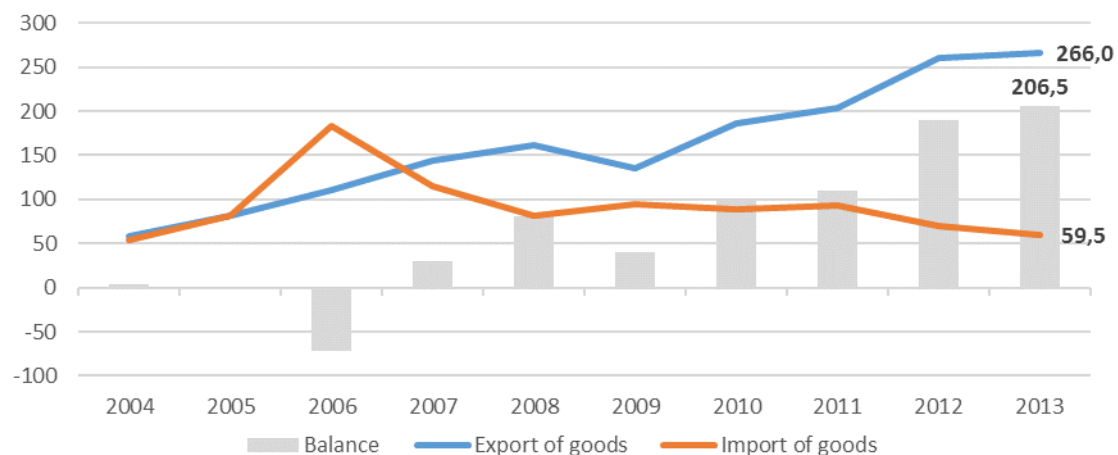
Despite positive indicators of economic growth Latvia is still the 3rd poorest EU country following Bulgaria and Romania. Financial mechanism's funding in complementarity with the EU funds of 2007-2013 as well as 2014-2020 periods in the targeted areas within framework of the EU 2020 strategy would continue providing a useful contribution to stabilize economic situation in the EEA and will make an important role for further economic growth in Latvia.

Economic cooperation between Latvia and Norway

Economic affairs between Latvia and Norway have become noticeably stronger and tighter in past ten years thus significantly contributing to the growth of the economy of Latvia. Export of goods to Norway grew rapidly after the Latvia's accession to EU in 2004 (by 2.3% if compared to 2012) and reached 266 M EUR or 2.7% of total goods exports.

Norway has become one of the ten largest trading partners of Latvia in last six years and according to latest available data Norway has become the 9th largest export partner in 2013.

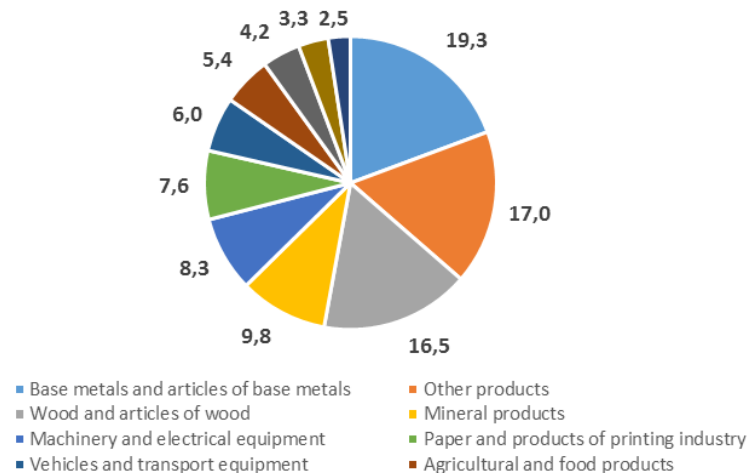
Chart 6 Latvian and Norwegian foreign trade of goods 2004-2013, M EUR



Source: The Central Statistical Bureau of Latvia

Exports of goods to Norway are mainly composed from metal (19.3%) and wood (16.5%) products, but in recent years more diversified goods export structure has evolved.

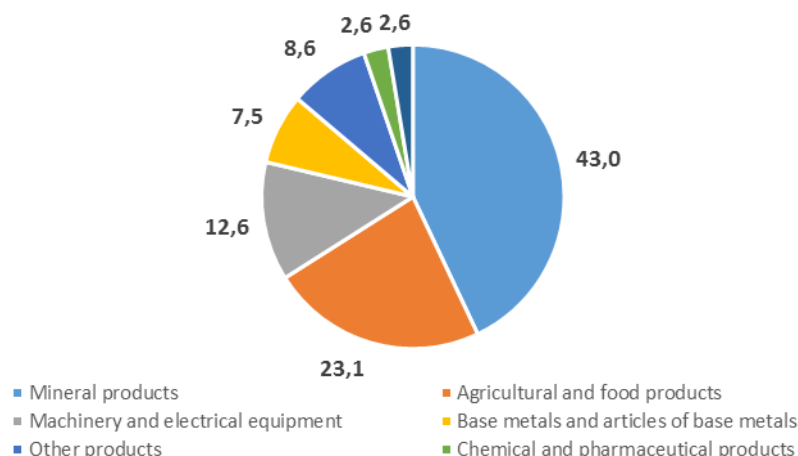
Chart 7 Structure of exports, % of whole exports of goods to Norway in 2013



Source: The Central Statistical Bureau of Latvia

Goods imports from Norway since 2007 has been lower than exports contributing to positive trade balance between Latvia and Norway. A breakdown of goods imports by product type (see Chart 8) shows that most of goods import from Norway is mineral products (43.0%) and agricultural products (23.1%). According to latest available data Norway was the 26th largest import partner.

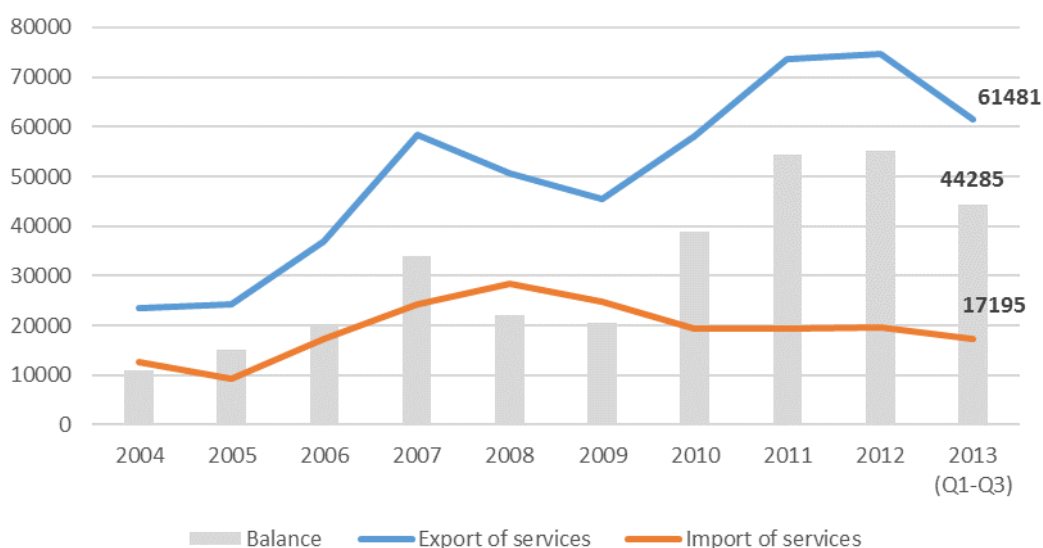
Chart 8 Structure of imports, % of whole imports of goods from Norway in 2013



Source: The Central Statistical Bureau of Latvia

Norway is the 6th largest partner of services exports from Latvia. In 2013 3.6% of total services exports were provided to residents of Norway. Rapid growth of services exports was observable after 2009, but since 2011 growth has been more moderate (see Chart 9). In three quarters of 2013 companies from Latvia provided services to Norway for 61.5 M EUR. Still most of services were provided in tourism sector with the trend to decline while share of transportation and other commercial services, mostly communication and construction services, has expanded.

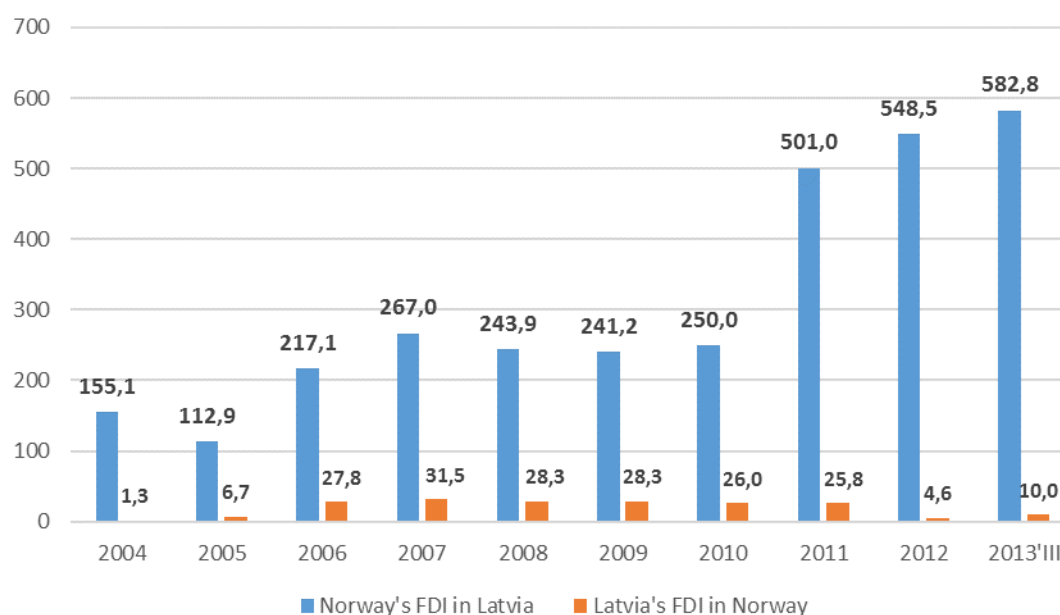
Chart 9 Foreign trade of services 2004-2013, M EUR



Source: The Bank of Latvia

Total Norwegian direct investment in Latvia at the end of 3rd quarter 2013 accounted for 582.8 M EUR (see Chart 10), ranking it's 5th place by foreign direct investments (FDI) stock in Latvia. Flows of FDI were moderate until 2010, but since 2011 stock of Norway's FDI in Latvia has noticeably increased.

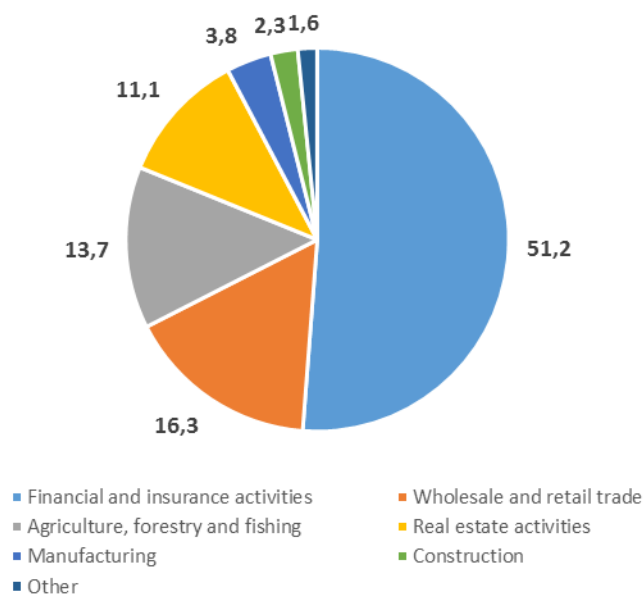
Chart 10 Foreign direct investment stock 2004-2013, M EUR



Source: The Bank of Latvia

According to statistic data (see Chart 11) at the end of 3rd quarter 2013 Norway's direct investment in economy of Latvia are mainly concentrated in the finance and insurance sector constituting 51.2% of total investment (for example, one of the biggest banks in Latvia – JSC “DNB bank”). Also more than 10% of whole amount of investment is located in wholesale and retail (for example, Narvesen, Statoil Fuel & Retail, Moller Auto), agriculture and real estate sectors.

Chart 11 Structure of Norway's foreign direct investment in Latvia, %



Source: The Bank of Latvia

2.1 Cohesion

The *National Reform Programme of Latvia for the Implementation of the Europe 2020 Strategy* was approved by the CoM on 26 April 2011. It describes the medium-term macroeconomic scenario, reflects key macro-structural bottlenecks of the economy of Latvia and main measures for 2011-2014 to tackle them, as well as the targets of Latvia for 2020 in the context of the *Europe 2020 Strategy* and main measures for 2011-2014 to achieve them. The aim of Latvia is to foster growth and employment, thus ensuring growth of GDP in the amount of 4-5% in the medium term and employment rate in the amount of 73% by 2020.

Sustainable growth targets of Latvia are set out also in the *Latvia 2030 strategy*. It is aimed also to achieve employment rate of 73% (58,2% in 2013); an increase of investments in research and development to 1.5% of GDP (0,66% in 2012); an increase of the share of people having completed tertiary education to 34-36% (23% in 2011); an increase of proportion of the persons who have acquired higher education in the age group from 30 up to 34 years 40% (37% in 2012); reduce the share of persons at-risk-of-poverty to 21% (35,1% in 2013); increase the share of renewable energy in the total gross energy consumption to 40% (33,1% in 2011), etc.

National Development Plan of Latvia for 2014-2020 (hereinafter - NDP), which was approved by the Saeima on 20 December 2012, determines most important medium-term priorities, areas of actions, objectives and indicators for their implementation. The Financial Mechanism will contribute to some of the priorities defined in the NDP, in particular to:

1. **Research and Innovation** by Scholarship and Research Programme and Climate Programme;
2. **Growth of the National Economy** by Climate Programme;
3. **Human Securitability** by NGO Fund and Cultural Heritage Programme.

All programmes fully comply with the priorities set in the NDP and are oriented on decrease of disparities between Latvia and EEA.

The above reflection on the macroeconomic disparities between the donor states and Latvia clearly justifies the need for cohesion. Considering the size of the Financial Mechanism to Latvia as well as the areas of support the impact to the Latvian economy would be difficult to measure, nevertheless the contribution of the Financial Mechanism is of great value both in financial (investment) terms in targeted areas as well as providing intangible value – added as mutual knowledge spill-overs and strengthened bilateral relations in various sectors. The Financial Mechanism's financed programmes are important for development of a cohesive society in Latvia and to promote reduction of economic disparities.

Each programme will contribute to achievement of the overall objective – reduction of social and economic disparities within the EEA – in its own focused and complementary way.

Climate Programme

It will strengthen Latvian institutional capacity in national climate policy development and implementation including information analysis, scenario development, policy analysis and development of documents for integrated management of climate change mitigation and adaptation to climate change, development of emission reduction technologies and society involvement measures.

The knowledge base and capacity of target groups (state institutions, municipalities, NGOs, educational and scientific organizations, private enterprises) will be improved and the involvement of society's participation in climate change mitigation and adaption policy implementation will be enhanced.

According to the latest data Latvia is within 8% emission reduction target over the period 2008-2012 for the 1st commitment period under the Kyoto Protocol. For the 2nd commitment period of the Kyoto Protocol until 2020 Latvia together with other EU member states has committed to achieve the joint target of 20% emission reduction comparing to 1990. Latvia's quantified emission reduction target for 2020 includes the reduction of emissions included in non-emissions trading system (non-ETS) (-21% compared to 2005) and the limit established for non-EU ETS sector (+17% compared to 2005) in line with Decision 406/2009/EC. Latvia is on track towards its determined Effort Sharing Decision (ESD) target for 2013, however latest projections show that with the existing measures emissions in 2020 will be higher than the ESD target set for the year 2020. Indicative calculations show that there could be 0.12 Mt CO₂ equivalent deficiency. Therefore additional measures are required in order to further reduce greenhouse gas emissions and reach the target set for 2020.

In order to ensure achievement of these goals it is necessary to integrate climate policy objectives into policies of other sectors. Specific actions should be introduced in all levels of national and local government, businesses and society, which means that climate policy must be inclusive and integrative. One of the ways is to promote and demonstrate low carbon solutions, especially in energy use and supply. From the energy consumption point of view commendable are very low-energy solutions, for example close-to-passive-standard buildings that consume less than 25 kWh/m² energy.

Programme is aimed to demonstrate low carbon solutions such as energy effective technologies for buildings, renewable energy production and other technologies that allow the CO₂ emission reduction in Latvia. Thus investment in *less carbon-dependent economy* lead to long-term and sustainable environmental and economic benefits in Latvia and in EEA.

NGO Fund

The Fund fosters reduction of social and economic disparities by supporting daily NGO activities in the areas of strengthened democratic values and human rights, thus providing opportunity to improve the socio-economic situation in Latvia and increasing overall stability in EEA.

Newest data and tendencies (October 2013) can be found within public opinion poll carried out by *Latvijas Fakti*¹ (*Facts of Latvia*). During the period 2011-2013 32.4% from all respondents have joined civic organisations. Most active ones have been Latvians, women, people with higher education, persons up to age of 44, financially most stable respondents, members of the large families (4 or more). Most popular organisations within respondents are: interest groups (chorus, dancing collective etc.) – 16%; church – 8.7%; trade unions – 6.6%; NGOs – 4.4%; and as volunteer – 7.6%. The data shows that 83.2% of respondents have participated in civic activities. Mostly respondents have been active in elections – municipality (64.7%) and parliament (55.6%), followed by participation in charity activities – donations via phone (30.6%),

¹ Data from "Research on NGO sector" (2013) carried out within the NGO Fund's pre-defined project.

donations via charity boxes in supermarkets (26.7%), participation in clean-ups (23.1%). Comparison with the results from 2011 and 2013 indicates that public activity in Latvian society has decreased. In all the above mentioned positions less respondents have been involved than it was in 2011.

Also in 2013 Latvian society has expressed scepticism for possibility of inhabitants and NGOs to influence the legislation and the decision-making process in Latvia. Nevertheless positive changes compared to 2011 can be identified. 16% from the respondents think that they can influence legislation and the decision-making process (+1.2% than in 2011), negative attitude was indicated by 56.4% of the respondents and it is less than in 2011 (-15.6%). Similar to 2011, respondents think that in following areas NGOs can achieve influence - environment protection (45% respondents); human rights protection, incl. reduction of intolerance and discrimination, (34.9%); development of regional community (33.4%).

Overall, comparing studies in 2011 and 2013, the following trends can be identified:

- in 2013 there is a greater passivity of the population, less social activity, participation in various civic activities, less is expected participation in one of the community groups/ organizations;
- significantly has increased confidence in a variety of public and state institutions, including the NGO sector;
- decrease of the scepticism of citizens and NGOs about their ability to influence legislation and the decision-making process in the country.

Above mentioned information shows that there is still a need within the Fund to support activities with the purpose of involving the society and increasing the level of awareness, as well as the level of trust in the NGO sector and its ability to influence the decision making process in the country.

There is still necessity to foster civil society in order to overcome the consequences of the financial crisis – poverty and social exclusion. According to the data for 2011 of the Central Statistical Bureau, the percentage of Latvian inhabitants, whose income level was below the official threshold for poverty risk, was 19%, which is less than in 2009 (21%), but still is high in comparison with other EU countries. The analyses of poverty situation proves that the main poverty-risk groups are one-parent and large families, single-person households, low labour intensity and unemployed households, as well as children, young people and people of retirement age. NGOs² have become significant players in the fight against poverty and social exclusion, and engage in regular dialogue with the authorities. Therefore, it is important to strengthen NGOs and to maintain and stabilize existing partnerships at European level and to promote sustainable involvement at the national level. Taking into account the high poverty and social exclusion in the country, the role of NGOs in addressing these issues continue is very relevant and necessary. Above mentioned information justifies that Fund's outcome - provision of welfare and basic services to defined target groups increased (50% allocation of the total funding for projects) - is still crucial.

One of the most important issues for the development of Latvia is promotion of a cohesive society. There are more than 158 different ethnic groups living in Latvia³, still the Russian community is particularly large – more than 590 000 inhabitants⁴ and 32% from them still are non-citizens. Formation of the feeling of belonging and

² COM/2010/0758/ Statement of Commission to European Parliament, Council: European Platform to Combat Poverty and Social Exclusion

³ <http://www.pmlp.gov.lv/lv/statistika/iedzivotaju.html>

⁴ <http://www.pmlp.gov.lv/> 01.07.2013

integration in common cultural space is still hindered also by divided social memory, interethnic prejudice and indisposition to use Latvian language in everyday life. Such long term situation poses threats for communication in Latvian language as well as causes stress in the society. Therefore the activities like promotion of intercultural dialogue, participation of ethnic minority NGOs in the decision making and their interest advocacy and reduction of the hate speech are very important.

Cultural Heritage Programme

Culture is an important factor in socio-economic development. The protection and conservation of cultural heritage contributes to social cohesion and to the preservation of history for future generations.

According to data provided by the State Inspection for Heritage Protection in Latvia, number of cultural heritage monuments which have included in the list of state protected cultural monuments has increased as well as their technical condition has increased. The number of monuments which were in good technical condition in the end of 2012 was 27%, which shows 10% increase comparing to situation in the end of 2011. Positive changes partly are related to the financial investments ensured by the EU funds and other foreign assistance funds, incl. the Financial Mechanism.

Programme will have further positive impact on development of cultural environment and conservation, restoration and availability of cultural values in Latvia. It will result in ensuring the revitalization and conservation of significant cultural heritage objects and promotion of diversity of culture and art serving as an important factor for improving quality of life of people, as well as economic regeneration of territories by attracting cultural tourists to regions, by improving quality of living environment.

Revisited culture objects will foster cultural tourism thus facilitating creation of new niche markets for tourism that evolve around cultural heritage sites. Sustainable tourism also creates locally based enterprises, and inflow of investments. Investment in culture heritage has a direct impact on the growth of cultural tourism which leads to long-term social and economic benefits as well as strengthened bilateral relations.

Scholarship and Research Programme

Science, research and innovation of Latvia is an integral and harmonious part of the world of science and the European Research Area. Scientific and technological development is a key factor for Latvia's sustainable economic development, public welfare, environment and natural resource conservation.

Investments in higher education and research sectors received within programme will be further used in entrepreneurial activities (new educated employees, new research activities) thus giving positive effect on development of Latvian economy.

A significant part of EU Funds in Latvia are invested in exact and natural sciences, thereby social sciences have received less attention and financing in the previous years. Programme intends to increase the number of research projects in social sciences.

Latvia faces the following challenges for investment in R&D:

- a small number of people employed in science and research (scientists aging, insufficient number of doctoral students);
- underdeveloped science and research infrastructure, under-equipped and outdated laboratories for technologically oriented projects;
- low potential for commercialisation of research results, poor cooperation between science and industry sectors;

- Latvian business structure is mainly composed of small and medium-sized enterprises which do not have the capacity to invest in R&D;
- moderately low high-tech sector.

Significant shift in terms of increased scientific funding accrued since the *Scientific Activities Law* came into force on 18 May 2005. It stated that the annual increase in funding for scientific activities shall not be less than 0.15 % of GDP. The increase in research financing was significantly affected by the opportunity for research institutions and businesses to qualify for EU funds and Financial Mechanism's funding.

State budget funding for scientific activity has so far been negligible compared to other EU Member States. The impact of the crisis (2008 and 2009) has aggravated the situation - state funding for science was substantially reduced and funding of private sector decreased as well. Within crises period financing in R&D had dropped to 0.46% of GDP. Up to 2012 there is a little increase - respectively 0.66 % of GDP, which is still considerably less than in many other EU Member States. Receiving support from the foreign assistance funding, including the Financial Mechanism could appear one of the solutions for raising an efficiency and quality of the studies and research work.

In November 2010 the *EU Strategy for Smart, Sustainable and Inclusive Growth "Europe 2020"* raised the basic objective of investing 3% of EU GDP in R&D. Accordingly, Latvia set a quantitative target to increase investment in R&D funding for 1.5% of Latvian GDP by 2020.⁵ Please see the trends of investments in the table below:

Table 1 Investments in R&D in Latvia

Total financing of R&D	2008	2009	2010	2011	2012	2015*	2020*
M EUR	141,6	85,2	109,6	141,4	145,4	240,7	471,1
% of GDP	0,61	0,46	0,60	0,70	0,66	1,0	1,5

* *Forecast of the MoES*

Source: Central Statistical Bureau of Latvia

Latvian R&D policy⁶ foresees three main actions:

1. *Potential development of scientific activity* – aims to increase the number of employees in science and research, to establish competitive research institutions with modern material and technical support, thus strengthening their infrastructure and facilitation of the competitiveness of scientists;
2. *Long-term cooperation platform between companies and scientists* – aims to establish a framework for a more effective cooperation between scientists and businessmen, in developing research infrastructure and support for joint studies and facilitating technology transfer. The action includes support for competence centers, technology transfer contact points and a research infrastructure to facilitate the commercialization of research results and practical guidance studies;
3. *Support for the development of innovative businesses* – aims to support innovative businesses for the development of new products and technologies, their deployment into production and an increase in the number of innovative enterprises. Within the procedure, businessmen will be offered grants for the deployment of new products and technologies into production, support for high value added investment projects, support for the development of innovative, environmentally friendly

⁵ Source: Development of Science and Technology in Latvia, 2011 (MoES)

⁶ Source: Development of Science and Technology in Latvia, 2011 (MoES)

products and technologies and their corresponding deployment into production within a technology incubator.

Actions like *long-term cooperation platform between companies and scientists* and *support for the development of innovative businesses* are complimentary with Innovation Programme financed from the Norwegian Financial Mechanism (establishment of the Green Technology Incubator and OC for projects obtaining green new products and technologies for further usage into production).

The Scholarship and Research Programme by provision of increased funding in higher education and research sector will lead to sustainable development of the Latvian economy, thus reducing social and economic disparities in EEA.

2.2 Bilateral relations

One of overall objectives is to strengthen bilateral relations between the donor states and the beneficiary countries in the priority sectors. Latvia has used both possibilities for strengthening them – NBF as well as programme level bilateral funds:

NBF

Within NBF the activity for 2013 was a conference in justice priority area. The MoJ in cooperation with the Saeima Legal Affairs Committee and the Norwegian Correctional Services Directorate on 30 September organized a seminar “*Abolition of Administrative Detention in Latvia: Benefits and New Opportunities*”.



The aim was to discuss the draft Administrative Violations Procedure Law developed by the Ministry of Justice prescribing significant reforms in the field of administrative violations, inter alia – exclusion of the administrative arrest from the system of the administrative sanctions. The MoJ has initiated a significant reform of the administrative sanctions system, within the framework of which it is envisaged to establish a new and efficient policy of administrative sanctions. It has been concluded in the process of the reform that it was inexpedient to amend the outdated Latvian Administrative Violations Code and hence the MoJ has developed a new procedural regulation in the field of administrative violations – the draft Administrative Violations Procedure Law. In order to stimulate individuals to become aware of their obligations prescribed by the legal norms and eliminate deficiencies in their action, the MoJ has set a goal to achieve the reasoned and commensurate procedure of application of sanctions in the future.

The FP in several fruitful consultations with the Royal Norwegian Embassy in Riga and the involved national level institutions has determined activities to be supported in 2014 and 2015 from NBF:

- several bilateral cultural activities in the context of Riga – The European Capital of Culture 2014. Detailed description of these activities has been concealed with the Embassy and approved by the donors as of 18 July 2013, including proposed changes reading two activities, which were accepted by the donors as of 25 February 2014;

– bilateral events during the Latvian Presidency of the Council of European Union in 2015. Detailed description of these activities has been concealed with the Embassy and sent for approval to the FMO by the FP's letter No.16-6-01.1/1395 dated 6 March 2014.

By the end of reporting period 36% of NBF's financing has been absorbed, please find in the table below the proposed split of remaining financing:

Table 2 NBF budget breakdown by priority measures

Measure	Expenditure	% of total
Costs occurred during programme preparation phase 2011-2012 (inc. 2`479 euro - attendance of bilateral meetings/ conferences in 2013)	116`854	32%
International seminar in Justice and Home affairs in fall 2013	13`428*	4%
Activities within “Riga – the European Capital of Culture in 2014”	108`646**	30%
Activities within “Latvian presidency of the Council of the European Union 2015”	125`822	34%
Total:	364`750	100%

**initially planned 26`500 euro, the actual costs of conference 13`428 euro, savings transferred to Latvian presidency activities*

***as per agreement signed with the promoter on 20 March 2014*

Programme level bilateral funds

Donor partnerships are planned in all programmes – both at programme and at project level, thus covering all programme areas selected for implementation in Latvia. Within the reporting period several instruments to strengthen bilateral relations were used. From the programme bilateral funds bilateral cooperation was fostered between POs and DPPs as well as between pre-defined project promoters and potential donor project partners. More detailed information about the measures implemented and progress achieved in strengthening bilateral relations by using programme level bilateral funds can be found in the Section 3.2. of this Report at the end of each programme's summary description.

An event to be highlighted from activities carried out in 2013 is the bilaterally organized conference on topics of horizontal concerns. On 28-29 November the experts in gender and minorities mainstreaming from Norway, Iceland, Latvia, Lithuania and Poland came together for a two-day conference in Riga to raise awareness around the various dimensions of gender and minorities issues. The conference was co-organized by the SIF (NGO Fund) and the Royal Norwegian Embassy in Riga and hosted about 90 participants. The overall aim of the conference was to raise awareness on how to integrate gender and minority aspects into the Financial Mechanisms' programmes, projects and at policy-making level. The conference proved that strengthening of bilateral relations between NGOs and civil society experts in and between the mentioned countries is on-going.



Summary on donor partnership projects in Latvia please find in the Annex 6.2 of this Report.

3 Reporting on programmes

3.1 Overview of programme status

Progress in programmes' commencement

During the reporting period all PAs have been signed and implementation has started. Please find below summary information about the programmes:

Table 3 Summary of the programmes

Title of programme	PO	PA signed	Grant, EUR	Grant rate, %	Co-financing, EUR	Co-financing rate, %
TAF	MoF	19.10.2011	691 000	100	0	0
Climate Programme	MoEPRD	06.03.2013	10 365 000	92,5	840 406	7,5
NGO Fund	SIF	06.03.2013	10 365 000	95	545 526	5
Cultural Heritage Programme	MoC	21.02.2013	10 019 500	85	1 768 147	15
Scholarship and Research Programme	MoES	12.04.2013	518 250	90	57 583	10
Total			31 958 750	92,5%	3 211 662	8,5%
Grand Total			35 170 412			

OCs and pre-defined projects

There are all together 8 pre-defined projects planned within NGO Fund, Cultural Heritage Programme and Climate Programme. The NGO Fund's pre-defined project started in January and it runs according to plan. All 5 pre-defined projects within Cultural Heritage Programme were commenced only in December. Both pre-defined projects under Climate Programme will start in the 2nd quarter of 2014. All pre-defined projects will run until final deadline - 30 April 2016, except "Restoration of the Green Synagogue in Rezekne" under Cultural Heritage Programme which will end on 30 November 2015.

In 2013 it was planned to launch OCs in all programmes. Under NGO Fund OCs were launched according to timeline stipulated in the PA, while under Cultural Heritage Programme they were postponed, but still managed in late 2013. The OCs within Climate Programme and Scholarship and Research Programme are delayed and will be announced in the mid-2014. Please find below summary information about all OCs planned in Latvia:

Table 4 Summary of OCs for all implementation period

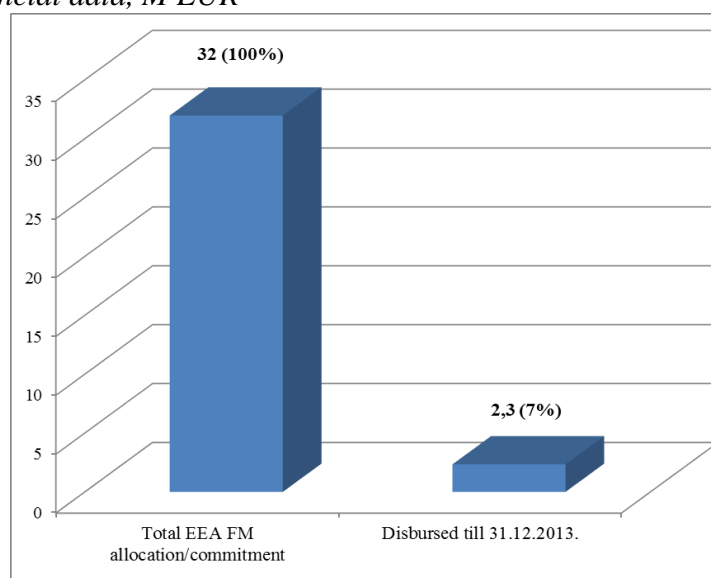
Title of programme	OC	Announcement dates	Status	
			Number of applications received	Approved projects
Cultural Heritage Programme	SGS Conservation of Cultural Heritage	16.09-20.12.2013	27	Evaluation phase
	SGS Culture Exchange	16.09-06.12.2013	38	Evaluation phase
NGO Fund	NGO Activity Support Measure: micro and macro projects	27.11.2012-28.01.2013	206	77

	NGO Project Measure (1 st OC): medium and macro projects	27.11.2012-11.02.2013	234	43
	NGO Project Measure (1 st OC): micro projects	27.11.2012-25.02.2013	148	24
	NGO Project Measure (2 nd OC): medium and macro projects	27.09-02.12.2013	171	Evaluation phase
	NGO Project Measure (2 nd OC): micro projects	27.09.2013-23.01.2014	138	Evaluation phase
	NGO Project Measure (3 rd OC) micro projects	4 th quarter of 2014	-	
Climate Programme	Emission reduction technologies including renewable energy, sustainable buildings and technology development	2 nd quarter of 2014	-	
	SGS Capacity Building in the field of research and measures for enhancing society's understanding about climate change and its consequences	2 nd quarter of 2014		
Scholarship and Research Programme	Scholarship (1 st OC)	2 nd quarter of 2014	-	
	Scholarship (2 nd OC)	1 st quarter of 2015		
	Research	2 nd quarter of 2014		

Commitments and disbursements made

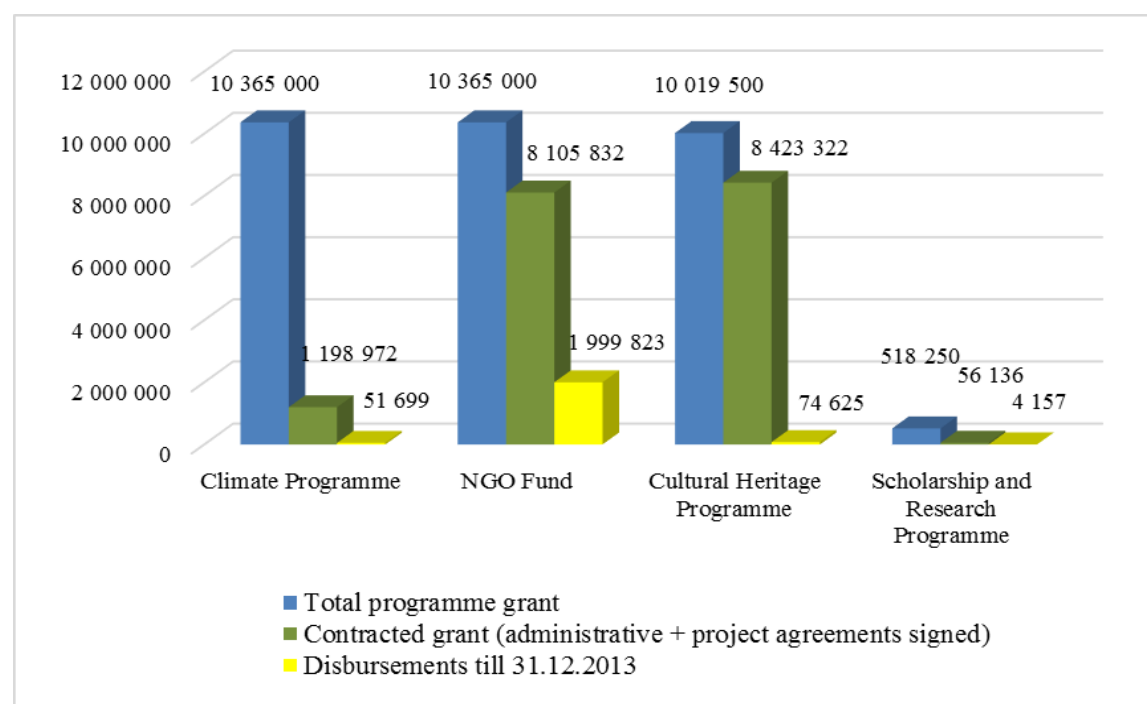
In total 31`958`750 euro from the Financial Mechanism is available for implementation of programmes till 30 April 2017. Till 31 December 2013 disbursements in amount of 2`337`755 euro have been received, representing 7% of the total allocation.

Chart 12 Financial data, M EUR



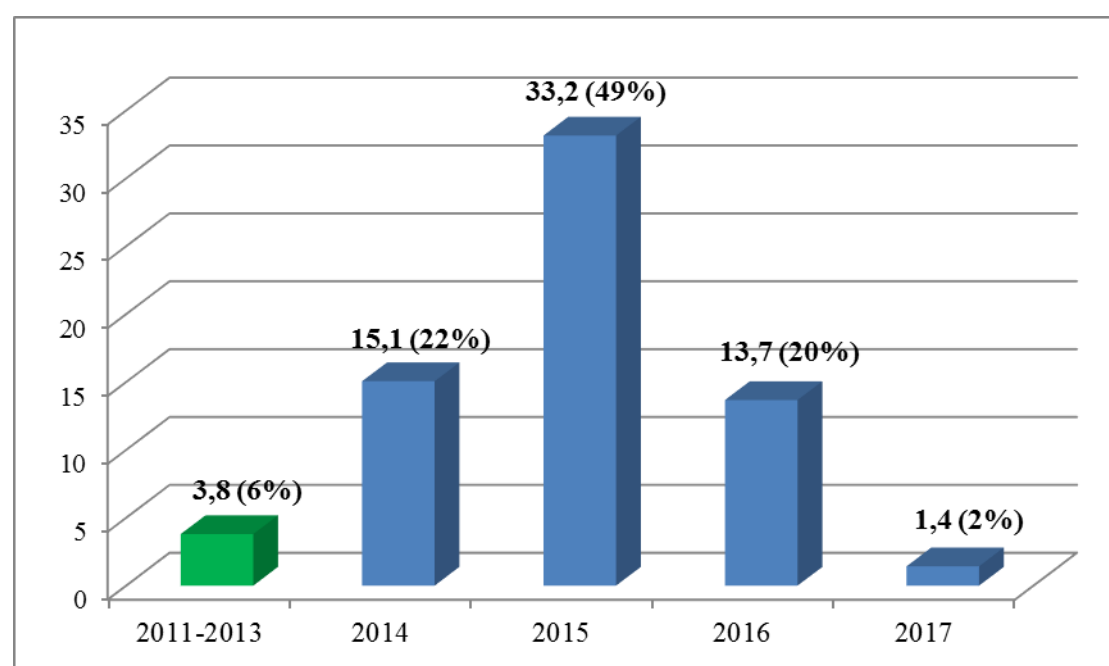
In 2013 mainly the programme administrative expenditures were reported, except for the NGO Fund where the first payments to the project promoters were paid.

Chart 13 Financial data breakdown by programmes, EUR



As can be seen in the chart below, till 2013 Latvia had received the disbursements in the total amount of 3`759`022 euro from both Financial Mechanisms. The major payments for the project promoters are planned in 2015. Please find below the CA's likely payment applications data submitted to the FMO on 20 February 2014:

Chart 14 Forecast of likely payment applications of both Financial Mechanisms over the period 2014-2017, M EUR



3.2 Individual programme summaries

National Climate Policy

Programme has three main focus measures:

1. 2 pre-defined projects;
2. OC “*Emission reduction technologies including renewable energy, sustainable buildings and technology development*”;
3. SGS “*Capacity Building in the Field of Research and Measures for Enhancing Society’s Understanding about Climate Change and its Consequences*”.

Major deviations are related with delayed preparation of three Programme Regulations:

- on implementation of programme and pre-defined projects (approved by the CoM on 10 September 2013);
- OC guidelines “*Emission reduction technologies including renewable energy, sustainable buildings and technology development*” (approved by the CoM on 18 March 2014);
- SGS guidelines “*Capacity Building in the field of research and measures for enhancing society’s understanding about climate change and its consequences*” (to be approved by the CoM in the 2nd quarter of 2014).

On 16 December the PO received for evaluation both pre-defined projects. The PO plans to conclude the evaluation procedure and to sign project contracts in the 2nd quarter of 2014.

The OC is planned to be open for 6 months, from April till October 2014. The PO shall take a final decision on approval of projects by latest the end of 2014, because of the applicable State Aid regulations (General block exemption Regulation) will stay in force only till 31 December 2014. Main risk is related with insufficient time (only 16 months) for implementation of low-energy building construction projects, during which complicated procurement procedures shall be finalized and there is only one construction season left before 30 April 2016 for all planned construction works. In order to mitigate this risk, the Project Selection Committee will develop a priority list of all projects that meet administrative and quality evaluation criteria by ranking them in descending order. The priority list will be used in case if the applicant will not sign the project contract in due time or if the signed project contract will be terminated within first 6 months.

The SGS will be announced in the 2nd quarter of 2014 and will stay open for 3 months. No potential risks regarding implementation of SGS projects are observed, because the grant support will be provided for small-scale projects with grant amount from 45`000 – 175`000 euro with maximum implementation deadline till 30 April 2016.

Use of funds for bilateral relations

Close cooperation with the DPPs – Norwegian Environment Agency and Norwegian Directorate for Civil Protection – has been established. During CC meetings they have provided - valuable expert opinion regarding quality assessment criteria for OC and SGS project applications; contact information of possible interested Norwegian partner institutions; support in the organization of partnership search forum. The Norwegian Directorate for Civil Protection had also invited the PO experts to participate in the international conference “*Too Much, Too Little – The Role of Water*

in Adaptation to Climate Change” organized by the Governments of Iceland, Liechtenstein, Norway and Portugal in October 2013.

Partner search forum held on 29 August of 2013 was the **first event** within the fund for bilateral relations. The partner search forum was organized in the cooperation with the DPPs. The costs of the event were 4 977 euro (costs of airplane tickets and hotel for participants from the donor states, catering service etc.). During the partner search forum organizations and institutions from Latvia and Norway exchanged their opinions on project themes and shared information on their plans related to the OC and SGS.

The cooperation with the DPPs in organizing partnership events will continue - two similar partnership events are planned in the 2nd quarter of 2014.

NGO Fund

All of the main parts of the Fund run smoothly throughout the year. The Fund has three main focus measures:

1. pre-defined project „*Support to sustainable civil society development and improvement of the monitoring system in Latvia*” (outcome “*Strengthened capacity of NGOs and an enabling environment for the sector promoted*”);
2. OC NGO Activity Support Measure (outcome “*Active Citizenship Fostered*”);
3. OC NGO Project Measure (outcomes “*Provision of welfare and basic services to defined target groups increased*” and “*Democratic values, including human rights, promoted*”).

Pre-defined project is in the implementation stage since January. It is carried out according to the time frame. There are two outputs planned according to the PA and some success is already gained while set target values will be reached at the end of implementation of the project:

1. Number of research carried out (target – 4; achievement – 1);
2. Developed regulatory and methodological materials for the improvement of legal and fiscal environment for NGOs (target – 1; achievement – 0).

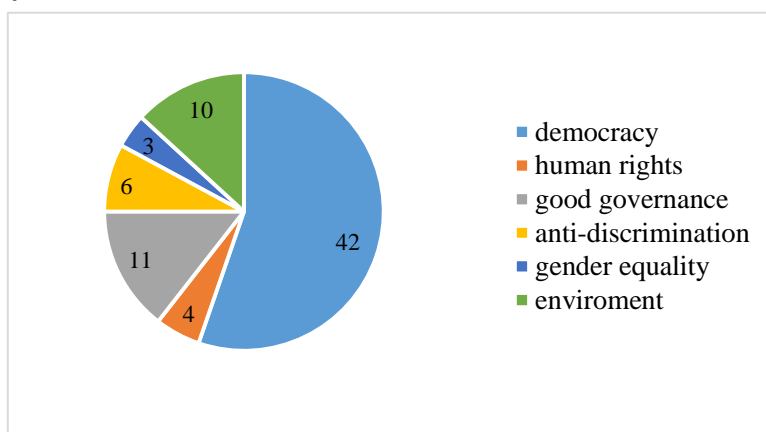
In 2013 research on NGO sector was conducted, including:

- elaboration of the methodology, public procurement documentation, collecting data, meetings of experts and conduction of the survey;
- public survey on the engagement of Latvian inhabitants into voluntary actions;
- media monitoring about NGO awareness within Latvian society.

Results of this research will be available to wider society in the 2nd quarter of 2014. Also work towards achieving the 2nd output has begun, by the development of NGO sector monitoring system, incl. study of existing NGO monitoring indexes and elaboration of the indexes for future monitoring of NGOs in Latvia.

Results after the **OC NGO Activity Support Measure** show that the overall competition within this measure was 3:1 which is considered as a healthy competition - 76 projects were approved out of 206 received. In order to obtain overview on the support areas, please see the Chart below, which clearly shows that all core areas mentioned in the MoU are covered, but the dominance is within the area ‘democracy’ (55% from approved projects):

Chart 15 Supported areas under the NGO Activity Support Measure by number of approved projects



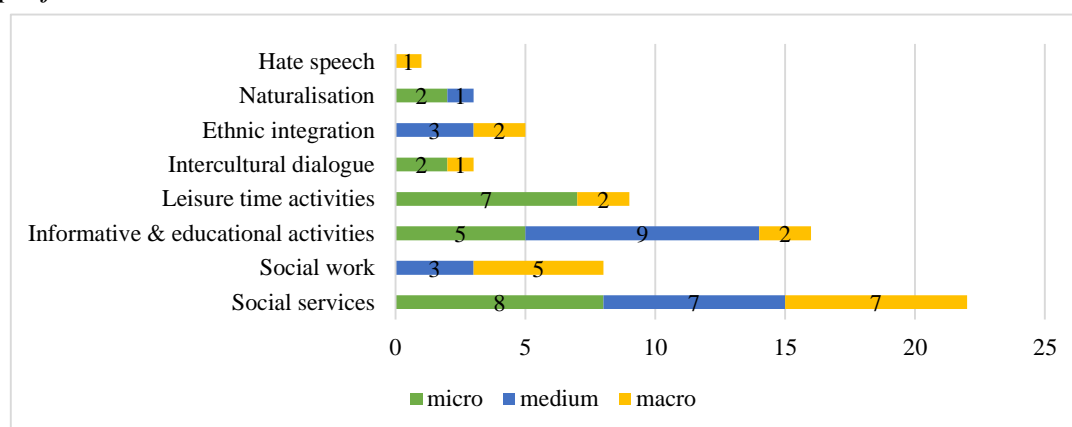
According to the PA – 8 project outputs are set within outcome “*Active citizenship fostered*”. As projects started in the 2nd half of 2013 it is impossible to evaluate progress and influence to achievement of the proposed outputs at this stage. However as projects were divided into micro and macro levels it can be expected that following outputs will be achieved:

1. NGO operational programmes on local level implemented (target – 32, achievement – 30);
2. NGO operational programmes on regional and national level implemented (target – 34, achievement – 46).

The tendency from previous Financial Mechanism’s period (2004-2009) showed that NGOs usually are applying for 80% from the total financial allocation for one project and that was taken into account during planning the expected programme results. Though the situation was different this time. During the selection process in reporting period all eligible project proposals within local level were supported and the funding balance was directed to the regional and national level projects, where competition was higher. Even though there is a small deviation and in local level there will be implemented two operational programmes less than planned, it will be covered by regional and national level, therefore the target group and the programme outcome will be reached.

Activity in the OC **NGO Project Measure** has been almost twice as high as for the OC NGO Activity Support Measure. After the 1st OC all together 382 project applications were received and 67 (17.5%) of them were approved covering all available funds in this OC. The Chart below shows planned activities within approved projects which will contribute to achievement of the set outcomes.

Chart 16 Planned activities under the NGO Project Measure by number of approved projects



According to the PA several project outputs are set within both outcomes for NGO Project Measure. As projects started very recently it is impossible to evaluate progress and influence to achievement of the proposed outputs at this stage. However, as bilateral partnerships have been foreseen in projects already, it can be expected that following outputs will be achieved and even overreached:

1. under outcome “*Provision of welfare and basic services to defined target groups increased*” -
 - Number of project partnership agreements with partners from donor countries (target – 10, achievement – 17);
 - Number of project partnership agreements with partners from other beneficiary countries and Russian Federation and Republic of Belarus (target – 5, achievement - 6);
2. under outcome “*Democratic values, including human rights, promoted*” -
 - Number of project partnership agreements with partners from donor countries (target – 2, achievement – 3).

During previous Financial Mechanisms period (2004-2009) only few bilateral partnerships with entities from donor countries were established. Therefore the PO was cautious during planning of the target values of the output’s indicators. Active and targeted work of the PO as well as cooperation with Norwegian Helsinki committee and Icelandic Human rights centre has resulted in better results than planned at the beginning.

Part of approved projects are aimed directly to **horizontal concerns** – some projects are focused on Roma inclusion, several projects contribute to combating extremism, racism, homophobia and anti-Semitism as well as hate speech through new technologies and social media.

Also the SIF participated in “*No Hate Speech Movement*” and campaign initiated by the Council of Europe, and has participated in several activities and trainings on hate speech and hate crime issues. Knowledge gained during these events was widely spread within the SIF’s employees, shared on website www.sif.lv, Facebook and Twitter accounts, as well as shared during informative seminars in Latvia to the potential project promoters. Several photo sessions with campaign logo have been organized and made available on the newly created “*No Hate Speech*” national Facebook page and the SIF’s webpage drawing society’s attention to this issue.

Use of funds for bilateral relations

Close cooperation with Royal Norwegian Embassy in Riga is established and several bilateral activities in cooperation were implemented. For example, two-day conference "GENDER and MINORITIES MAINSTREAMING" was organized in November in Riga which hosted about 90 participants. Both days Latvian, Norwegian, Lithuanian and Icelandic NGOs were active in exchanging their views and experiences on such topics as minorities traditions, minority integration, minorities and gender mainstreaming in employment policies, combating xenophobia, minority and gender based violence, sexism, multiple discrimination, hate speech, women's organizations influence on gender policy and anti-racist policy, and others. The participating NGOs were confident in demonstrating that active civil society is a cornerstone of healthy and stable democracy and that NGOs have a vital role in promoting active citizenship, participatory democracy and in empowering groups most at risk of inequalities, exclusion and discrimination.

The SIF has contributed to the development of several future partnerships. Close cooperation has been established also with the Norwegian Helsinki Committee and the Icelandic Human Rights Centre. In order to develop bilateral partnerships between Latvian and Icelandic NGOs, the experience exchange visit to Iceland was organised in October. The SIF got acquainted with existing support policies and financing models of NGOs in Iceland, as well as was introduced with NGOs dealing with social issues and EEA horizontal concerns. It gave a great possibility to find common interests, the scope of activities and implementation of bilateral cooperation projects for civil society actors. Information about OCs etc. is regularly coordinated with the Norwegian Helsinki Committee and the Icelandic Human Rights Centre to involve project partners from Norway and Island.

During informative seminars and individual consultations the SIF's experts explained opportunities for international cooperation and gave advices on process of finding a project partner in donor states. Also involvement of donor states partners was encouraged in the project selection process, as a specific selection criterion was set, that for involvement of at least one project partner from the donor states, project's evaluation points increased. Ensured possibility to search Norwegian partner online (www.ngonorway.org) has stimulated establishment of partnerships with related organisations.

Between the two stages of projects' selection process in the NGO Project Measure the bilateral funding was available for meeting before project's application deadline and for elaboration of project applications in cooperation with potential donor state partners. 18 applicants used this possibility out of which 4 travelled to Iceland and 14 to Norway. All 18 applicants submitted project applications prepared in cooperation with partners to the 2nd stage out of which 7 were approved and projects' contracts were signed.

There are two partnership indicators selected:

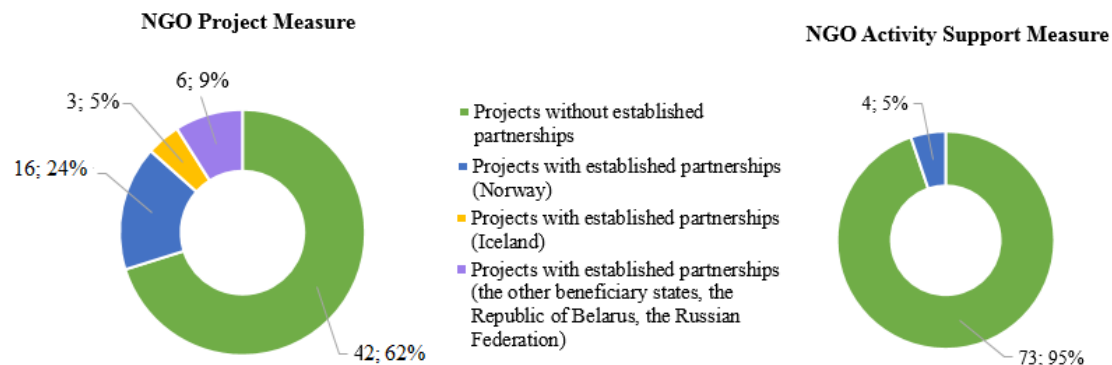
- Number of project partnership agreements in beneficiary civil society (target – 18, achievement – 30);
- Level of satisfaction with partnership (perceived as stimulating/enriching/enabling) (target – 80%, achievement – not rated yet).

After the 1st OC under both measures - "NGO Activity Support Measure" and „NGO Project Measure" - 144 out of 588 received project applications were approved. In the reporting period the partnerships between organizations in the donor states and Latvia were established in 23 approved projects (16% of approved projects) - 3 from Iceland and 20 from Norway. Also there were 6 approved projects (4% of approved projects)

with partnerships between Latvian NGOs on one hand and the non-governmental sector from other beneficiary states (Estonia, Lithuania, Bulgaria) and the Russian Federation and the Republic of Belarus on the other hand.

For more detailed breakdown of established partnerships within both measures please see Chart below:

Chart 17 Project partnerships within approved projects (absolute value and %)



Main initiatives to be implemented in cooperation are: sharing and transfer of knowledge, donor expert consultancies, best practice exchange on services for target groups, networking, exchange of experts, capacity building etc.

The level of satisfaction with donor states partnerships in projects will be evaluated after completion of projects' implementation.

The situation shows that that Norwegian and Icelandic NGO's are overloaded with partnership requests from all 15 beneficiary states and unfortunately the 2nd Partner Search Forum, which was planned on 7-8 November 2013 had to be cancelled, because there were no interest from the donor states' entities in participation.

Due to the reasons mentioned above and in order to foster further bilateral relationships between project promoters and donor states' entities as well as to ensure targeted use of the bilateral fund the SIF plans to organise thematic Latvian NGO's experience exchange visits to donor states' entities and to revise the % distribution between the bilateral fund's activities in order to rise the amount of the bilateral activities under B measure (targeted at networking, exchange, sharing and transfer of knowledge, technology, experience and best practice between project promoters and entities in the donor states). Also the PA's amendment proposal was submitted to the FMO in December 2013 in order to increase the grant rate for applicants for the bilateral activities under B measure up to 100%, thus ensuring higher interest from donor states' entities to come to Latvia, since previous obligation to contribute 10% of the travel costs turned out as de-motivating factor for the potential partners.

The Cultural Heritage programme

In 2013 implementation of all programme's activities was started. Programme has three main focus measures:

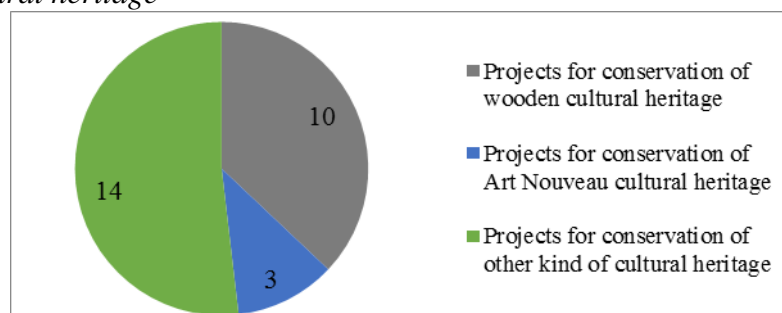
1. 5 pre-defined projects within the activity *Conservation of cultural heritage and expansion of scope of cultural services*;
2. SGS Conservation of Cultural Heritage;
3. SGS Cultural Exchange.

Evaluation of all **pre-defined projects** was completed and in December all project agreements were signed and implementation has started. Four projects will run till the

final deadline – April 2016, one to be finished sooner – by November 2015. As the start was delayed, because of long-drawn selection process due to quality of projects and lack of experts, two pre-defined projects (the Museum of Literature and Music; the Museum of Rainis and Aspazija) had drawn attention to the risk of lack of time for projects' implementation. The risk was assessed and a mitigation plan was made. The PO will supervise deviations of projects' time schedules and control implementation of risk mitigation activities in order to ensure that the planned results are reached in time.

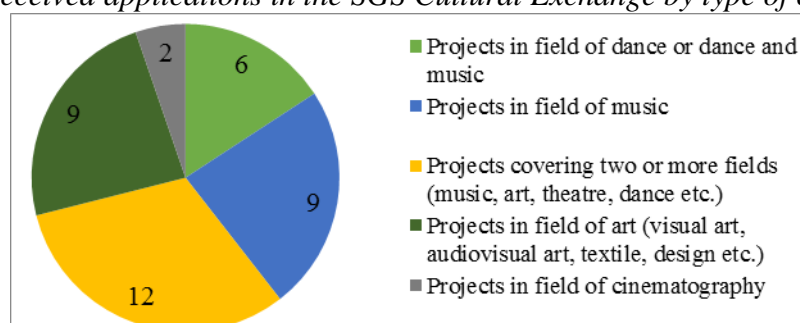
SGS Conservation of Cultural Heritage was announced on 13 September 2013 with 2,5 months period for submission of projects' applications with the available programme's co-financing around 1,3 M EUR. 27 projects were received and requested financing exceeded the available almost 4,5 times. Please see in the Chart below breakdown of received applications by type of cultural heritage:

Chart 18 Received applications in the SGS's Conservation of Cultural Heritage by type of cultural heritage



SGS Cultural Exchange was announced on 13 September 2013 with 3 months period for submission of projects' applications with the available programme's co-financing around 0,6 M EUR. 38 projects were received and requested financing exceeded the available almost 5 times. Please see in the Chart below breakdown of received applications by type of cultural fields, it shows that all main fields mentioned in the PA are covered:

Chart 19 Received applications in the SGS Cultural Exchange by type of cultural field



As implementation of predefined projects has hardly started and projects in SGSs will be selected and approved only in April 2014 no results of expected outcomes and outputs have been reached yet. However there are no signs that any of outcomes or outputs would not be achieved by April 2016.

Use of funds for bilateral relations

Close cooperation with the DPPs – the Arts Council of Norway and the Norwegian Directorate for Cultural Heritage – has been established. They have been involved in all of the most important activities related to the implementation of the programme

like elaboration of requirements for project applicants, the definition of the selection criteria, search and evaluation of potential donor project partners, organization of partnership seminars, implementation of publicity and informative activities about the programme etc.

Moreover the Arts Council of Norway in June 2013 has organized two-day event in Oslo for 8 beneficiary states' POs of programme area „*Promotion of Diversity in Culture and Arts within European Cultural Heritage*”. There were topics like *Cultural diversity* and *Cultural policy of social inclusion* discussed and all the participants were active in exchanging their views and experiences on a practical implementation of programmes and projects in this area.

On the project level SGSs have the main impact on evolving bilateral relations. There was a partner search seminar organized at the end of May. More than 20 representatives from potential donor partner organizations participated and exchanged ideas of possible cooperation with representatives of Latvian institutions. Also the PO and the DPPs ensured full assistance for searching partners through preparatory period of projects applications.

Within SGS *Cultural Exchange* one of the selection criteria was that at least one project partner shall be from a donor state. In 37 of 38 received project applications this condition was fulfilled (in 32 projects partners from Norway; 3 - Iceland; 2 - both Norway and Island).

Within SGS *Conservation of Cultural Heritage* partnerships were not mandatory. However 8 (30%) of 27 received projects applications envisaged partnerships with Norwegian institutions.

Three of five pre-defined projects have partners from Norway (partnership agreements were signed at the end of 2013). Bilateral cooperation within pre-defined projects will be mostly related to trainings, exchange of experience and expertise on conservation of cultural heritage objects. At the same time pre-defined projects without partnerships also include bilateral activities - experience exchange with Norwegian museums.

Scholarship and Research Programme

The programme will be implemented through OCs in two components:

1. Research - support for joint research projects between Latvian and Norwegian research institutions;
2. Scholarships - support for mobility activities between higher education institutions in Latvia and donorstates.

Programme Regulations for preparatory visits under the bilateral fund were approved by the CoM on 22 October. Major deviation from plan is related with launching of OCs in both components, because both OCs' guidelines are still in the process of elaboration at the MoES. Approval of them is planned only in the 2nd quarter of 2014. The achievement of programme's outcomes and outputs will start only at the end of 2014 when the projects will be ongoing.

Use of funds for bilateral relations

The OC for preparatory visits was launched on 11 November with deadline for applicants on 22 December for the available programme's co-financing - 0,1 M EUR. Higher education institutions and research institutions were able to apply for funding of preparatory visits in order to start planning of joint cooperation with donor states partners and development of project applications which can be submitted in upcoming Research and Scholarships OCs.

On 14 and 25 November the SEDA organized informative seminars about OCs application procedures (number of participants - 91). The PO informed potential project promoters that partner search database maintained by the Research Council of Norway can be used for search of Norwegian project partners.

In spite of delays in launching the programme, interest from applicants was significant, in particular in Research component. Finally 41 out of 44 project applications were approved (37 under Research component; 4 – Scholarships). As only 52% from the available funding was contracted, the PO plans to launch additional OC for preparatory visits before the 2nd Scholarships OC in 2015.

The PO and the State Education Development Agency in 2013 participated and gained valuable experience about programme's implementation issues in the following *Complimentary measures*:

1. on 5-7 June in Bergen the Norwegian Centre for International Cooperation in Higher Education (SIU) (also the DPP) organized experience sharing conference for all POs of Scholarships programmes, where they shared their experience in launching of OCs, also specific budget issues and programme risks (methodology, identification and management of risks) were discussed;
2. on 15-16 October in Liechtenstein the National Agency for International Education Affairs (AIBA) organized conference for all POs of Scholarships programmes, where they shared their experience about current implementation progress and future plans. Several important issues were discussed, for example, submission of programme annual report, their format and content, main challenges and risks, donor states' expectations regarding good governance in the monitoring and management of programmes;
3. on 19-20 November in Warsaw the Research Council of Norway held a meeting with participation of all POs of Research programmes, where good practice examples on evaluation of research project proposals were shared and some solutions discussed were integrated into the draft OC guidelines for Research component in Latvia.

4 Management and implementation

4.1 Management and control systems

National level

According to the Paragraph 1 and 2 of the Article 4.8 of the Regulation, on 8 June 2012 the FP has submitted to the FMO the detailed description of the national MCS accompanied by the report and opinion after compliance assessment issued by the AA. As a result of the compliance assessment audit, the AA provided a number of recommendations to address identified deficiencies and summarized them all in the Deficiencies Elimination Plan attached to the compliance assessment audit report. On 18 June 2013, after the follow up of the implementation of recommendations of the MCS compliance assessment, the AA submitted information on the implementation of before mentioned recommendations, confirming that all the recommendations stated in the Deficiencies Elimination Plan are implemented and MCS complies with the Regulations and generally accepted accounting principles. In addition, the AA assessed whether the national MCS was established taking into account proportionality for the efficient achievement of the Financial Mechanisms' objectives and confirmed that the MCS requirements in relation to the effectiveness of achieving the objectives of the programmes are proportionate.

In accordance with the CoM Regulations No.502 *“Procedures for Ensuring the Functions of the Audit Authority in the Management of the Financial Mechanisms for the Period of 2009-2014”*, the FP on 20 September 2013 submitted to the AA the updated description of the MCS. The updates include changes pursuant to implementation of recommendations from the compliance assessment audit – changes made in / newly approved FP's and CA's procedures and updated information received from POs. More detailed information on approved procedures and changes are included in the letter No.14-13/3538 submitted to the FMO by the AA on 18 June 2013 together with the *Summary of follow up of the implementation of recommendations of the MCS compliance assessment*.

Assessment of the AA regarding changes in the MCS has been performed during follow-up of recommendations from the compliance assessment audit and is included in the AAR for period from 01.07.2012 – 30.06.2013 approved on 28 December 2013. The AA opinion included in the AAR states that MCS functioned effectively and assures that IFRs prepared during the above mentioned period are correct and underlying transactions are legal and regular.

Programme level

According to the Paragraph 2 and 3 of the Article 4.8 of the Regulation all POs elaborated and submitted to the AA for compliance assessment detailed descriptions of the PMCS and PO's functions. By February 2014 the FP has submitted to the FMO all descriptions of the PMCS accompanied with the Audit and Assurance Reports on compliance assessment. The AA confirms that POs' MCSs comply with the Regulation and generally accepted audit principles however some improvements are needed to address deficiencies identified during the compliance assessment.

Current status of fulfilment of requirements set in the Paragraph 2 of the Article 4.8 of the Regulation regarding submission of the descriptions of the POs' MCSs to the FMO, the AA opinion and identified necessary improvements are summarized in the table below.

Table 5 Necessary improvements of the POs` MCSs

PO/ Programme	The AA opinion	Submission to the FMO
SIF/ NGO Fund	<p>1 July 2013</p> <p>The MCS in all the material respects has been established in accordance with the assessment criteria.</p> <p>Without affecting the opinion, identified deficiencies are related to implementation of security measures of the Project Electronic Management System and development of user guides for this system.</p> <p>The AA assessed deficiencies to have medium impact on criterion “Reliable accounting, monitoring and financial reporting systems in computerized form”</p> <p>The AA provided respective recommendations and the SIF has developed the action plan for implementation of the recommendations.</p>	6 December 2013
MoEPRD and SRDA/ Climate Programme	<p>10 December 2013</p> <p>The MCS in all the material respects has been established in accordance with the assessment criteria.</p> <p>Without affecting the opinion, it was identified that OCs Programme Regulations were not yet elaborated by the MoEPRD as well as the SRDA`s sections of MCS regulating administration procedures of SGS and OCs were not yet elaborated.</p> <p>The AA provided recommendations for the improvement of the MCS. The MoEPRD and the SRDA have developed the action plan to implement the recommendations.</p>	7 January 2014
MoC/ Cultural Heritage Programme	<p>18 December 2013</p> <p>The MCS in all the material respects has been established in accordance with the assessment criteria.</p> <p>Without affecting the opinion, it was identified that following documentation was not yet elaborated by the MoC internal procedures regarding selection of SGS`s projects, supervision of projects` implementation, preparation of programme reports, reporting and monitoring procedures for irregularities and for the recovery of amounts unduly paid as well as detailed guidance for the project promoters regarding carrying out procurements where price does not reach thresholds.</p> <p>The AA provided recommendations for the improvement of the MCS. The MoC has developed the action plan to implement the recommendations.</p>	13 January 2014
MoES/ Scholarship and Research Programme	<p>21 February 2014</p> <p>The MCS in all the material respects has been established in accordance with the assessment criteria.</p> <p>Without affecting the opinion, the AA identified that two Programme Regulations (Research and Scholarships) are not yet approved by the CoM as well as the MoES has not yet developed internal procedures on implementation of the programme, inc. cooperation process with Implementing Agency, monitoring process of Agency`s functions, process of reporting on progress and irregularities.</p> <p>The AA issued respective recommendations to improve the system. All recommendations are to be implemented latest by June 2014.</p>	28 February 2014

Risk management at national level

To ensure qualitative risk management of the Financial Mechanisms implementation within the MoF a *Risk Management Group* for the *EU Structural Funds, Cohesion*

Fund, Financial Mechanisms and Swiss Programme was established in 2011. The main tasks of the group are:

- to harmonise Risk Management Strategy;
- to assess risks;
- to update the Risk Register.

Risk management includes the following steps:

- identification of risk events;
- risk analysis, assessment and classification, as well as selection of Risk Management Strategy;
- Risk Management Strategy implementation and monitoring.

To obtain a systematic, integrative and evaluative view of the risk management system a Risk Register was created. It contains information also on risks related to the governance of Financial Mechanisms. Detailed description of risks and mitigation actions relevant to current implementation phase of the Financial Mechanisms are detailed in the Annex 6.4 of this Report.

The most relevant risk which, if not mitigated, can impede achievement of the objectives of the Financial Mechanisms is time constraints for some programmes. The FP monitors the implementation progress and relevance of this risk for each programme individually on regular basis and will introduce relevant actions accordingly.

Corruption risk is assessed to be unlikely at the current implementation stage. As already explained in the FP's letter sent to the FMO on 11 September 2013, there have not been corruption related cases attributable to the Financial Mechanisms so far to assess this risk to be higher. Also the MCSs in the management of the Financial Mechanisms ensures strong internal control in all levels, separation of duties and multiple levels of decision making to minimise the risk of any decision not being objective and transparent. Nevertheless as the FP has only limited mandate for prevention of corruption risk, it collaborates with the Corruption Prevention and Combating Bureau of Latvia on any particular case related to corruption and conflict of interest issues

Related with the fraud and corruption risk, the FP draws its attention to the risk of infringement and errors of procurement procedures in implementation of the Financial Mechanisms. Starting from mid-2013 ex-ante verifications of procurement documentation and procedures were performed by the PMB and also by the POs, consulting with the PMB in order to minimise the risk of errors in the initial stage of procurement process and to avoid irregularities in future.

In order to improve overall risk management process, the MoF plans to organise procurement in 2014 to ensure training for the representatives of the MoF, including representatives from the FP, about risk management process in management of investment funds (EU Structural Funds and the Financial Mechanisms). Training will focus on basic principles of risk management, identification and assessment of risks, determination of risk appetite and risk tolerance, risk mapping, controlling, mitigation and monitoring principles, IT tools, etc. In the result of the training it is planned that a Risk Management Strategy will be developed based on deep risk assessment and consequently the existing Risk Register will be updated. During the assessment, risks also related to the Financial Mechanisms, including corruption and fraud risks, will be analysed and after elaboration of the Risk Register, the assessment of the institutions involved in the implementation of the Financial Mechanisms will be carried out in accordance with the risk factors listed in the Register.

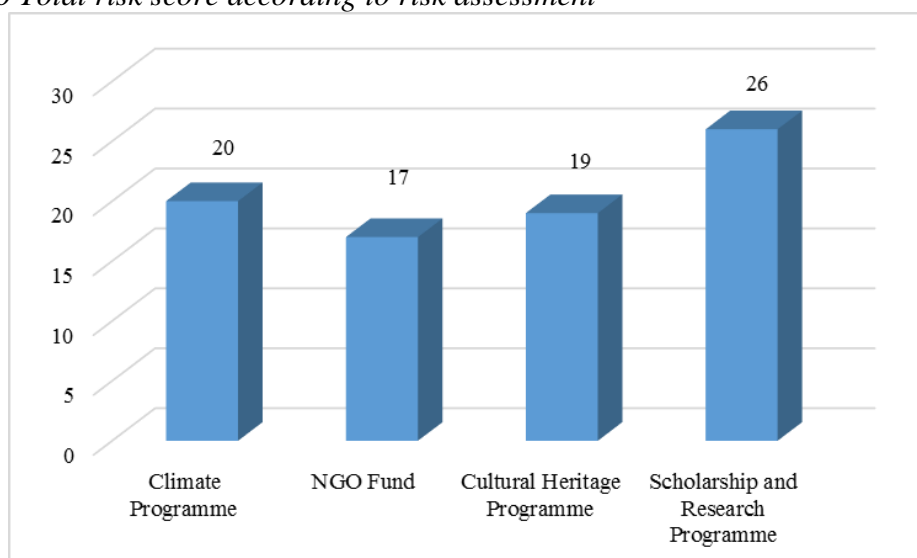
Risk management at programme level

The FP has evaluated programme risks based on regular monitoring of programme implementation and PO's provided information on risks. Long negotiation process between the EC and donor states on commencement of the FMs has directly and negatively impacted on the real start of programmes' implementation as the MoUs were signed with a delay of almost two years. Nearly all pre-defined projects were approved by the end of 2013, thereby leaving time for projects' implementation only a bit more than 2 years, thus generating risk to accomplish all pre-defined project's activities and envisaged indicators by the end of the maximal implementation deadline.

The FP has identified two horizontal risks at programme level: 1) partial acquisition of Programme bilateral fund and 2) risk of double financing. During 2013 almost none of the POs had fully used financing of Programme bilateral fund (savings arose in all organised match making events). Therefore in 2014 the FP in close cooperation with the POs will organise regular meetings (biannually Communication group, the meetings with Norwegian Embassy – the first was held on 6 February 2014) to discuss on possible new actions and share best practices in order to foster bilateral activities. Regarding risk of double financing – POs and Implementing Agencies shall set up internal procedures for control of double financing, ensuring that control is made within the process of granting of financing, desk checks of the reports as well as during on-the-spot checks. This procedure shall be set in the PMCS.

According to risk assessment (Annex 6.5 of this Report) it can be concluded that there is one programme with the highest risk possibility – Scholarship and Research Programme.

Chart 20 Total risk score according to risk assessment



Scholarship and Research Programme

Although the longer maximal project implementation deadline for Scholarship projects (September 2016) and Research projects (April 2017), the programme is a high risk programme due to significant capacity problems of the PO. The launching of the OCs in both programme measures is delayed as the PO had difficulties with elaboration of the Programme Regulations regarding the OCs. As none of the OC's Guidelines were elaborated in 2013, the launching of the OCs is postponed to spring 2014. Accordingly the FP sent official request to the PO for improvement of staff capacity of the MoES in order to ensure timely execution of PO's functions.

The FP will ensure regular monitoring of the above mentioned high risk programmes and request further actions from the involved institutions if necessary.
More detailed risk assessment at national and programme level please see in the Annex 6.4 and Annex 6.5 of this Report.

4.2 Compliance with EU legislation, national legislation and the MoU

EU legislation – State aid

In order to provide monitoring of the state aid issues the institution responsible for the state aid issues in Latvia – the State Aid Control Department of the MoF continued their involvement in the monitoring of programmes by officially commenting the Programme Regulations with regards to state aid issues.

Within reporting period the Department provided opinion on the Climate Programme Regulations regarding OC guidelines and SGS guidelines. It was concluded that state aid regulation shall be applicable only to the Programme Regulations regarding OC “*Emission reduction technologies including renewable energy, sustainable buildings and technology development*”. Due to new state aid regulation all decisions on approval of OC’s project applications shall be taken by 31 December 2014 as it is not regional aid programme.

On 29 November 2013 the European Commission has extended the duration of Commission’s Regulation (No.800/2008 of 6 August 2008) for 6 months declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General block exemption Regulation - GBER) [OJ L 214, 09/08/2008]. The new GBER will enter into force on 1 July 2014. The EU Member States can continue to apply existing schemes only until 30 June 2014 provided they had previously submitted the summary information sheets required for implementing schemes under the GBER to the Commission and the scheme is not substantially amended.

In accordance with the GBER’s Article 44, Paragraph 3, at the end of the period of validity, any aid schemes exempted under GBER shall remain exempted during an adjustment period of six months, with the exception of regional aid schemes. This means that the schemes exempted under GBER may be continued in accordance with applicable conditions until 31 December 2014.

EU legislation – Public procurement

In previous Financial Mechanism’s period all irregularities detected were as infringement of public procurement procedures within projects (except one which was fraud case). In this Financial Mechanism’s period the PMB is involved in order to minimize irregularity cases related to public procurement. The obligations of the PMB related to the Financial Mechanisms are set in the Law as well as in the MCS. The PMB ensures the following functions:

- performs selective risk based ex-ante checks of procurement documentation within programmes and projects;
- performs selective risk based ex-ante checks of procedure of public procurement within programmes and projects;
- provides consultations and opinion on public procurement issues related to projects for institutions involved in the Financial Mechanism’s management.

More detailed procedure of selective ex-ante procurement checks is determined the CoM Regulations on the Financial Mechanisms’ Management. They determine that ex-ante procurement checks shall be carried out by:

- the PMB at a programme level (management, bilateral fund and complementary actions);
- the PMB and the PO/Implementing Agency at a project level.

The PMB ensures the following selective ex-ante procurement checks:

- within pre-defined project for procurements falling under the Public Procurement Law;
- where the planned amount of the public construction contract exceeds 711`400 euro;
- where the planned amount of the public contract on supply of goods or services exceeds 213`400 euro.

The PO/Implementing Agency within the calendar year shall carry out selective ex-ante checks for at least 40% of procurements under threshold set in the Public Procurement Law:

- procurements starting from 4`000 euro for contracts on supply of goods or services;
- procurements starting from 14`000 euro for public construction contracts.

The PMB in the 2nd half of 2013 has carried out first ex-ante checks of procedure of public procurement within pre-defined projects and within programme management. Results of ex-ante checks are described in the Section 4.4 of this Report.

In order to ensure ex-ante checks the PMB has elaborated:

- Procedure how the PMB carries out ex-ante procurement in projects and verifies ex-ante procurement checks carried out by the PO/Implementing Agencies;
- Methodology of ex-ante checks to be carried out by the POs/Implementing Agencies for projects' procurement documentation and procedure of public procurement.

Whereas in order to exchange experience and solve questions related to public procurement ex-ante checks, the representatives of the FP, the POs/Implementing Agencies, the AA and the CA are included in the composition of a specific work group “*On performance of ex-ante procurement checks, solution of established problems and updating ex-ante procurement checks methodology*”. The meetings of the work group are held quarterly.

National legislation

The main legal act in Latvia which regulates Financial Mechanisms' implementation, management and monitoring is the Law (is in force since 24 February 2012). It sets the implementation system and functions of institutions involved in the Financial Mechanisms' management in Latvia. In order to describe in detail implementation procedures and functions of institutions involved in the management of the Financial Mechanisms the following CoM Regulations are in place:

1. *Financial Mechanisms 2009-2014 Monitoring Regulations*, including procedure on evaluations, controls, submission and review of reports on irregularities and recovering the expenditures unduly paid (adopted on 29 January 2013, No 67);
2. *Financial Mechanisms' 2009-2014 Management Regulations*, including procedure on state budget resources planning and payments (adopted on 9 October 2012, No.694);
3. *Regulations on procedure how performance of functions of the Audit Authority within the Financial Mechanisms 2009-2014 will be ensured* (adopted on 24 July 2012, No.502);
4. *Regulations for the rules of procedure for the Monitoring Committee of the Financial Mechanisms 2009-2014* (adopted on 26 June 2012, No.439).

In respect to challenges which Latvia is facing, the FP would like to highlight the fact that each PO has to elaborate the Programme Regulations, incl. the OC guidelines and project evaluation criteria. According to national legislation all conditions to the 3rd persons (in this case - project promoters) shall be issued as legal acts at least approved

by the CoM. By the end of March 2014 all Programme Regulations are adopted, except:

1. Scholarships OC guidelines (to be adopted in the 2nd quarter 2014);
2. Research OC guidelines (to be adopted in the 2nd quarter 2014);
3. Climate OC guidelines “*Capacity building in the field of research and measures for enhancing society’s understanding about climate change and its consequences*” (to be adopted in the 2nd quarter 2014).

MoU

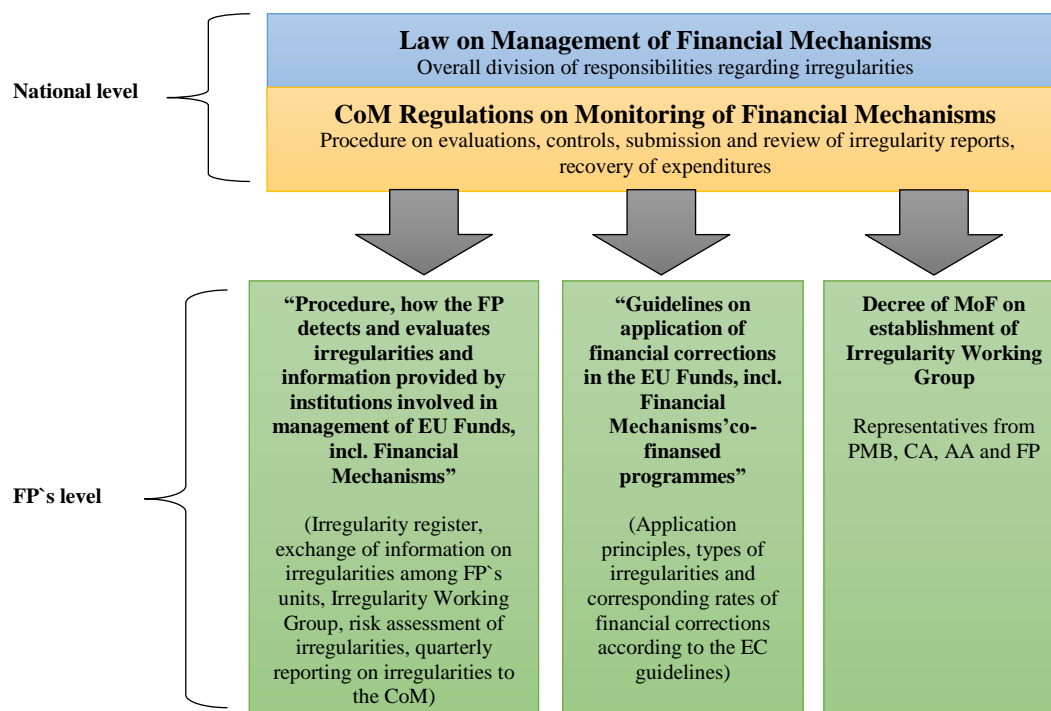
By exchange of letters on 17 January 2014 several amendments in the Annex B of the MoU entered into force:

- regarding NGO Fund a pre-defined project was added;
- regarding Cultural Heritage Programme all pre-defined project titles were brought in line with those stipulated in the PA and two similar content pre-defined projects were merged into one and a new object for renovation was included);
- regarding Climate Programme one of four expected outcomes was removed; a new DPP was added and the name of existing DPP – the Norwegian Climate and Pollution Agency - was updated to the Norwegian Environment Agency.

No new amendments are required so far.

4.3 Irregularities

The legal basis for detection, evaluation and reporting on irregularities and, if necessary, application of financial corrections and making reimbursements is the Regulation (the Chapter 11 and 12) as well as national legal acts and the FP's internal procedures indicated below:



The FP is designated as national authority responsible for reporting on irregularities. The institutions involved in the management of the Financial Mechanism shall report to the FP on irregularities immediately or quarterly in accordance with cases determined in the Regulation.

If the institution has detected an irregularity, it investigates the irregularity case, takes a decision on applicable financial correction and submits the irregularity report to the FP. If the irregularity case is complicated and needs further consideration, including on financial correction which may be appropriate, the FP can propose additional discussion on irregularity case at the Irregularity Working Group.

Irregularities which do not need to be reported to the FP by submitting irregularity reports according to the Article 11.7.1 of Regulation shall be included in the irregularity summary report and provided to the FP on quarterly basis. The FP keeps a register on each detected irregularity. The register is also used for quarterly reporting to the CoM about implementation progress of EU funds, including the Financial Mechanism.

In 2013 the CA reported to the FP a negligible amount of irregularities – 555 euro (including 472 euro of Financial Mechanism co-financing) which were detected in administrative expenditures of the Cultural Heritage Programme. These unduly spent administrative expenditures were excluded from respective Interim Financial Report.

In order to reduce the risk of errors and irregularities the following effective mechanisms are used:

1. detailed check of Interim Financial Reports and projects' progress reports and certification of incurred expenditure respectively by the CA and the PO;
2. periodical monitoring visits and on-the-spot checks made by the CA, the AA and POs in order to check the financial progress versus physical progress;
3. regular update of register of all irregularity cases made by the FP and the expertise of the Irregularity Working Group when necessary;
4. publicly available mechanism for submission of complaints and alerts on irregularities;
5. selective ex-ante procurement checks by the PMB to prevent infringements of procurement rules;
6. as the Financial Mechanism and EU funds are administered by the MoF, the results of audits in EU funds can be shared, if they affect also the implementation of the Financial Mechanism.

4.4 Audit, monitoring, review and evaluation

The PMB carried out 7 selective **ex-ante procurement checks** and the results were positive:

1. one check in Cultural Heritage Programme`s pre-defined project for *Museum of Rainis and Aspazija* and one check for *Museum of Literature and Music*;
2. 6 checks of the programme management expenditures: NFO fund (5 checks) and Scholarship and Research Programme (1 check).

According to information provided by the POs 7 projects' (from OCs) **on-spot checks** in NGO Fund were carried out with the objective to review implementation of the projects, their documentation and also to provide necessary consultations to the project promoters. Results of the visits were positive – implementation proceeds in compliance with project contracts, only in 2 projects the PO discovered minor technical findings which will be remedied before review of next project reports.

The **system audit** for NGO Fund was carried out by the internal audit structure of the PO (SIF). The main task of audit performed for the NGO Fund was to verify and to assess compliance of MCS with regulatory requirements of donor states and Republic of Latvia and other binding documents. The main conclusion from the audit reveals that MCS is implemented and operates, however some improvements are needed without affecting operation of MCS. Audit issued 13 recommendations and 8 have been already implemented. Recommendations still to be implemented concern improvement of communication plan, improvements in coordination of data between different IT systems and improvements of internal procedures. All recommendations are to be implemented till the end of 2014.

Overview of the work carried out by the AA is provided in the AAR for period from 01.07.2012. – 30.06.2013. approved and submitted to the FMO on 28 December 2013.

The FP plans to contract an external expert to carry out the overall Final Evaluation of the Financial Mechanisms at the end of implementation period, in 2017.

Overview of various system audits and on-spot checks planned for the next reporting period please find attached in the Annex 6.3 of this Report.

4.5 Information and publicity

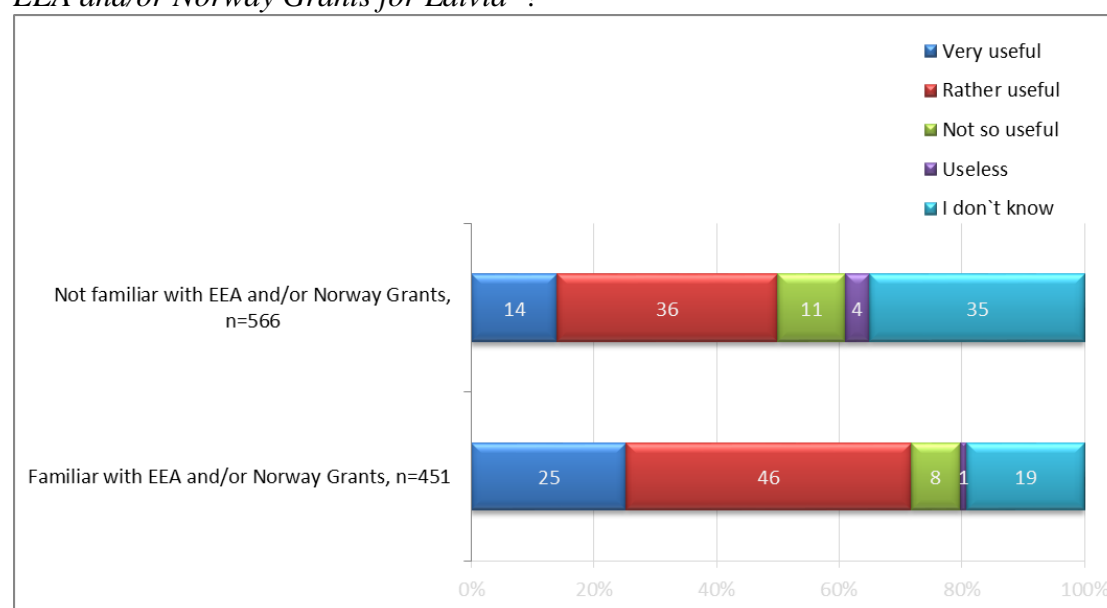
According to the Communication Strategy 2009-2017 Communication Management Group, which is responsible for provision and coordination of the Financial Mechanisms communication process, has gathered two times in 2013 to discuss programmes' opening events, informative seminars, common communication and publicity requirements as well as to exchange experience for further events. POs have re-revised the Programme Communication Plans as well as have published information about their programmes on their websites.

Communication Strategy defines years 2013 - 2015 as programmes' implementation stage. While commencing this stage different activities were implemented, such as provision of information for mass media (about acquisition process and results), organization of informative seminars and conferences and maintenance of websites.

The FP organised **Public Opinion Poll** for potential project promoters and society in order to determine current situation and aims in communication and information field. The goal of the survey was to find out how well population of Latvia was informed about the Financial Mechanisms. In May inhabitants of Latvia in the age group from 18 till 74 were interviewed electronically in two languages (national and Russian). In total 1017 completed questionnaires were received.

According to the results 45% of Latvian inhabitants, who use internet, in the age group from 18 till 74, are aware of EEA grants and/or Norway grants. The level of awareness is very superficial – 71% from 451 respondents, who are aware of one or both Financial Mechanisms, know only the title of the Financial Mechanism. The same refers to areas of support, the activities in the last year and programmes of 2009-2014 period, - Latvian inhabitants – internet users, mostly have heard something, but can't remember the exact information. Both personal level of awareness and Latvian society's level of awareness were evaluated as being low. Despite superficial awareness, respondents positively evaluated financial assistance to Latvia provided by Financial Mechanisms.

Chart 21 Data from Public Opinion Poll "How useful do you believe is the support of EEA and/or Norway Grants for Latvia"?



Latvian inhabitants, who use internet, mostly have received information about Financial Mechanisms on news sites, television and specialised web pages on the internet. They would prefer the same information channels for receiving information in the future. Positively, respondents were interested in receiving information about the Grants. The awareness of Financial Mechanisms can be characterised as comparatively wide, but without deep knowledge.

We have to take into account that survey was carried out only in the internet and at the time when most of the programmes were recently initiated. However certain trends had shown up and the FP plans to repeat similar survey at the end of the Financial Mechanism's implementation period.

Chart 22 Visitors of www.eeagrants.lv and www.norwaygrants.lv. per month



In 2013 the FP has distributed information (more than 30 press releases) in the mass media, social media (twitter.com) and specific list of other recipients, has updated and published the information (press releases, short news, photos and videos) on the websites of the Grants www.eeagrants.lv and www.norwaygrants.lv. PO's have also informed media about their activities as well as published information about topical issues on their websites, as well as website www.eeagrants.lv and www.norwaygrants.lv.

There were approximately 1700 unique visitors of these webpages per month. Half of them are returning visitors. 90% of visitors are from Latvian domain. Average stay on page was 3 minutes. (Source: Google Analytics).

To continue the programme implementation stage in 2014 the plan has been set to evaluate media publications by using the **Media Monitoring** (the FP's initiative starting from January 2014), to implement various events for potential project promoters and to develop social media communication. In 2014 the FP in cooperation with POs and the Norwegian Embassy in Riga plans to organise informative mid-term event for popularization of the Financial Mechanisms. As in 2014 Riga has become the European Capital of Culture, several events supported by the NBF have been included in official culture program, among them – the **Publicity Day for EEA and Norway Grants on 17 May 2014**. This will take place in Esplanade, one of the biggest parks of Riga and also the central place for outdoor festivities of Riga 2014 program. The event, informal in nature and aided by audio-visual and interactive information, is scheduled for afternoon, when guests of the park and Riga 2014 events will be invited to study the contributions of the EEA and Norway Grants to Latvian

culture, environment, education and other areas, as well as to get more information about upcoming project opportunities.

The following POs have launched their programmes during 2013:

1. The **opening conference "Development and implementation of National Climate Policy towards Low Carbon Economy" of the Climate Programme** was held on 28 August. State institutions, local governments, scientific and educational institutions, private enterprises, NGOs and media participated in the conference. Guests of the conference received more information on the intended results of the programme and possibilities to strengthen bilateral cooperation between institutions from Latvia and donor states (in total 100 participants).



2. The **opening event of the Scholarship and Research Programme** was held on 26 April. At the event there was a possibility to find out about the planned support within the programme for the students, teaching staff of all levels of higher education, for the employees of higher educational institutions, as well as about the support for research (in total 127 participants, also guests from donor states).

The following POs have organized partner search/match making events during 2013:

1. On 28 May, the partnership making seminar for the SGs' "Conservation of Cultural Heritage" and "Cultural Exchange" potential project applicants took place within the **Cultural Heritage Programme**. Around 70 people representing cultural service providers and municipalities from both Latvia and Norway (21 institutions from Norway, 2 from the DPP) took part in the seminar and were introduced with the applying conditions, objectives and partnership making aspects. Divided in work groups according to their field of interest, during the main part of the seminar the participants were presenting their project ideas one to another, trying to find a suitable match for their project. In the final part the project ideas that had successfully been agreed on and developed by two or more partners from both states were being presented in the form of short written descriptions attached to the wall.

2. After the opening event for the **Climate Programme** the PO on 29 August organised a Partner Search Forum in order to introduce themes for OCs, as well as to start the search for project partners. Participants had an opportunity to participate in two thematic groups: "*Low carbon content technology solutions*" and "*Capacity building and knowledge improving in the field of climate change*". The main topics of the 1st thematic group were energy efficiency and installation of renewable energy technologies, renewable energy technologies and innovative technologies and solutions for reduction of greenhouse gases emissions in non – ETS sector. The main topics of the 2nd thematic group were capacity building through applied research on

climate change, enhancement of society's understanding and knowledge on climate changes. Participants also showed brief presentations about their institution, preferable project ideas and project partners and carried out a case study as well as presented their findings (in total 50 participants (23 institutions from Latvia, 5 institutions from Norway)).

In order to inform target groups about the Financial Mechanisms, programme descriptions etc. PO's published and distributed dedicated **informative materials** – leaflets and souvenirs. Regional informative seminars, conferences and partnership making events were organized for potential project applicants in order to provide information about the availability of the Financial Mechanisms, drafting of project applications and approval procedures of projects, and to ensure conditions for finding a suitable match for the project.

The MoC made a [dedicated website](#) for the Cultural Heritage Programme.

The following POs have organized informative seminars for potential project promoters during 2013:

1. The SEDA organised informative seminars on 14 and 25 November on the drafting of project proposals in the preparatory visits' activity under the **Scholarships and Research Programme**. Seminars provided detailed information about the programme and conditions for application. Seminars were well attended (in total 91 participants) and contributed to the rather high number of submitted projects.
2. Within **NGO Fund first contracts with project promoters were signed** on 16 July 2013. This event was also broadcasted on national television.



A [designated Facebook account](#) was created to inform international community about implementation of the fund. The effectiveness of communication activities was clearly illustrated by a large number of submitted project applications, nearly 400, within the 1st OC.

In order to improve the quality of information provided to potential project promoters, a **survey among participants was carried out** during informative seminars. The findings of the survey revealed that potential project promoters were generally satisfied with the amount and quality of information received. It has to be noted, however, that during individual consultations, the majority of potential project

promoters preferred to communicate via e-mail or phone instead of face-to-face consultation in the regions of Latvia.

The 2nd OC for project applications in NGO Project Measure was announced on 27 September. In total five informative seminars about OCs were held in various regions of Latvia and in Riga in 2013 with almost 300 participants. In order to further assist NGOs in formulating their project ideas, a series of individual consultations were also carried out.

3. The MoC organised informative seminars for potential project promoters about the **Cultural Heritage Programme** and conditions for drafting project proposals to be submitted in 2 different OCs of the programme (in total around 150 participants).

2. 4.6 Work plan

Work plan for the period January-December 2014 is presented in the table below:

Table 6 Work plan

Scope	Task	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Management of FM	1. The POs elaborate and ensure the approval of Programme Regulations in the CoM regarding OC		LV02		
	2. The FP submits to the FMO the description of MCS of respective PO and their functions	LV05			
Implementation of Programmes	1. Evaluation of pre-defined projects	LV02			
	2. Signing pre-defined project contracts		LV02		
	3. Launch of OCs		LV02 LV05		LV03 (3 rd)
	4. Launch of SGSs		LV02		
	5. Signing OCs project contracts		LV03 LV04	LV03	
Bilateral relations	1.Experience exchange visits: POs/ Implementing Agencies/ project promoters to donorstates; project donor partners and experts to Latvia		LV03	LV03 LV04	
	2. POs organize match-making activities for project promoters and potential partners from donorstates	LV03	LV02 LV03		
	4. Implementation of Complementary Actions	LV03	LV03 LV04	LV02 LV03	LV02 LV03
	5. The POs organize CC meetings		LV02 LV04		LV02 LV04
Information and publicity	1. The FP and all PO`s provide: - communication with media (press releases, interviews, social media, press conferences etc.) and create/modify/update websites about programme`s events, OCs, pre-defined projects, informative seminars etc.; - audio-visual materials (photo, video, info-graphics etc.) for media, society and potential and actual project promoters.	x	x	x	x
	2. Several PO`s organise informative seminars, conferences where potential project promoters can gain	LV03- March LV04	LV02 LV03 LV05	LV03 LV04 LV05	LV02 LV03

	useful information.				
	3. Climate Programme's PO organises match-making event within OC and SGS where potential project promoters from Latvia can meet with potential partners from donor states.		June		
	4. Several POs create and distribute promotion materials and souvenirs.		LV02 LV04 LV05		
	5. The FP in cooperation with POs and the Norwegian Embassy in Riga organises one of 3 major information activities (mid-term event) on the implementation of the Financial Mechanisms (in accordance with the Article 4.3.4 (b) of the Regulations).		17 th of May		
	6. The FP provides ongoing media monitoring.	x	x	x	x

5. Summary listing of issues and recommendations

Within the reporting period all PAs were signed by the donor states and **implementation of all programmes was ongoing**. The POs had to invest their workload into elaboration/approval at the CoM of Programme Regulations, setting procedures for implementation of a particular programme, evaluation/implementation of pre-defined projects and OC guidelines for projects to be approved within a particular programme. As well as on elaboration/approval of PMCS in order to submit them to the donor states in due time according to terms set by the Regulation. According to PAs, in all programmes where OC's were envisaged, they had to be launched in 2013, at least the 1st OCs. Nevertheless, due to several reasons, which could differ from programme to programme, depending on their specifics, most of OCs were postponed to year 2014, only NGO Fund and Culture Heritage Programme managed to launch their OCs in 2013.

Donor partnerships are planned in all programmes – both at programme and at project level, thus covering all programme areas selected for implementation in Latvia. Within the reporting period several instruments to strengthen bilateral relations were used. From the Bilateral Funds between POs and DPPs as well as between pre-defined project promoters and potential donor project partners bilateral cooperation was fostered.

For example, in May a special partnership making seminar for the SGSs' "*Conservation of Cultural Heritage*" and "*Cultural Exchange*" within the **Cultural Heritage Programme** was organized for potential applicants. It was well attended - around 70 people representing cultural service providers and municipalities from Latvia and Norway (21 institutions from Norway, 2 from the DPP) took part in the seminar and were introduced with the applying conditions, objectives and partnership making aspects. Divided into work groups according to their field of interest, during the main part of the seminar the participants were presenting their project ideas one to another, trying to find a suitable match for their project. In the final part the project ideas that had successfully been agreed on and developed by two or more partners from both states were being presented in the form of short written descriptions attached to the wall.

The SIF, for example, has contributed to the development of several future partnerships at project level by close cooperation with the Norwegian Helsinki Committee since the elaboration of the NGO Fund and by search of a new partner at the programme level - the Icelandic Human Rights Centre. In order to develop bilateral partnerships between Latvian and Icelandic NGOs, the experience exchange visit to Iceland was organised in October. The SIF got acquainted with existing support policies and financing models of NGOs in Iceland, as well as was introduced with NGOs dealing with social issues and EEA horizontal concerns. It gave them a great possibility to find common interests, the scope of activities and implementation of bilateral cooperation projects for civil society actors. Information about OCs etc. is regularly coordinated with the Norwegian Helsinki Committee and the Icelandic Human Rights Centre to involve project partners from Norway and Island.

As well as the FP would like to note **best practise examples** in 2013 at the overall management level of the Financial Mechanism: the FMO's provided trainings in the Beneficiary States (in Latvia on 5 March programme and project level reporting, results based management and bilateral relations; and on 3-4 December about project level information and DoRIS reporting system); the FMO's provided training in

reporting and in results and risk management for all 3 Baltic States simultaneously in Vilnius on 11-12 December); regular workshops at the FMO for the FPs, the CAs, Communication personnel). Such training is a good and valuable practice to share experience and solve issues together with the FMO and other Beneficiary States.

The following **outstanding issues** remain to be accomplished after March 2014:

- the activities for 2015 financed from the NBF to be approved by the donor states;
- launch of OCs in Scholarships, Research and Climate Programme's SGS and OC;
- signing of remaining two pre-defined project agreements in Climate Programme;
- Programme Regulations (including, OC guidelines) need to be adopted by the CoM (1 Regulation for Scholarships, 1 – for Research and 1 – in Climate Programme)

The FP has evaluated **risks** at national and programme level. At national level were identified 5 main risks: 1) insufficient time for implementation of projects in set deadline (especially in Scholarship and Research Programme); 2) insufficient involvement of the donor partners in bilateral projects; 3) corruption risk and conflicts of interest; 4) infringement and errors in procurement procedure; 5) POs' and implementing agencies' administrative capacity difficulties. The FP has elaborated risk mitigation actions and will ensure regular monitoring of the national and programmes level risks and request further actions from the involved institutions, if necessary. Additionally in order to improve overall risk management process it is planned to organise procurement in 2014 to ensure training for the representatives of the MoF about risk management process in management of investment funds (EU Structural Funds and the Financial Mechanisms). Training will focus on basic principles of risk management, identification and assessment of risks, determination of risk appetite and risk tolerance, risk mapping, controlling, mitigation and monitoring principles. In the result of the training it is planned that a Risk Management Strategy will be developed based on deep risk assessment and consequently the existing Risk Register will be updated.

6. ATTACHMENTS TO THE STRATEGIC REPORT

Annex 6.1 Applications received, selected and contracted for each programme

Applications for LV03 NGO Fund

	2012			2013			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in Programme Proposal		1	1					1	1
Open call number 1: NGO Activity Support Measure – Active citizenship fostered (2 stages)	206	9	76				206	9	76
Open call number 2: NGO Project Measure (welfare) – micro projects - 1st call (1 stage)	116	0	20				116	0	20
Open call number 3: NGO Project Measure (welfare) – medium and macro projects - 1st call (2 stages)	182	23	35				182	23	35
Open call number 7: NGO Project Measure (democratic) – micro projects - 1st call (1 stage)	32	0	4				32	0	4
Open call number 8: NGO Project Measure (democratic) – medium and macro projects - 1st call (2 stages)	52	4	8				52	4	8
Open call number 10: NGO Project Measure (democratic) – 2nd call, micro projects (1 stage)				30	1	0*	30	1	0*
Open call number 4: NGO Project Measure (welfare) – 2nd call, medium and macro projects (2 stages)				131	13	0*	131	13	0*
Open call number 5: NGO Project Measure (welfare) –				108	4	0*	108	4	0*

2nd call, micro projects (1 stage)									
Open call number 9: NGO Project Measure (democratic) – 2nd call, medium and macro projects (2 stages)				40	2	0*	40	2	0*
Total	588	37	144	309	20	0*	897	57	144

* project applications are being evaluated

Open call related outcomes:

- Active citizenship fostered
- Democratic values, including human rights, promoted
- Provision of welfare and basic services to defined target groups increased

Predefined project measures:

- Advocacy
- Information and awareness raising
- NGO - Public coalition building

Applications for LV04 Conservation and Revitalisation of Cultural and Natural Heritage

	2013			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in MoU		3	5		3	5
Open call for preservation of cultural heritage	27	8	0*	27	8	0*
Open call for small grant scheme for the cultural exchange	38	37	0*	38	37	0*
Total	65	48	5	65	48	5

* project applications are being evaluated

Open call related outcomes:

- Cultural heritage restored, renovated and protected
- Contemporary art and culture presented and reaching a broader audience

Predefined project measures:

- Capacity-building
- Education and training
- Infrastructure development and provision of equipment
- Provision of services

Annex 6.2 Donor partnership projects in Latvia

LV03 - NGO fund

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV03-0039	Democratic Study Circles	No	Norway	Norwegian Association for Adult Learning	Umbrella organization / Network of NGOs
LV03-0060	Regular Latvian Red Cross operation in the field of human rights and anti-discrimination	No	Norway	NGO "Norwegian Red Cross"	Other type of NGO
LV03-0075	Promoting securitability for youth in alternative care	No	Norway	Association SOS Children's Villages Norway	Other type of NGO
LV03-0089	READY - Reintegration and Education Actions for Demanding Youth	No	Norway	TroNett	Other type of NGO
LV03-0092	Traditional values and new skills - for sustainable development of society	No	Norway	Camphill Village Trust of Norway	Other type of NGO
LV03-0094	Voluntary social work as base for the better quality of life	No	Norway	NGO "Norwegian Red Cross"	Other type of NGO
LV03-0095	Empowering National Youth Council of Latvia "LJP 2.0"	No	Norway	The Norwegian Children and Youth Council	Advocacy organization (NGO)
LV03-0097	Be active and get involved!	No	Norway	Norwegian Blind Association	Advocacy organization (NGO)
LV03-0098	Raising a child non-violently!	No	Iceland	Blatt afram - prevention of sexual abuse of children	Other type of NGO
LV03-0099	Let's Open a World for Opportunities and Skills	No	Norway	Association Latvian Society in Norway	Other type of NGO
LV03-0100	Center for early childhood development of children with disabilities	No	Iceland	NGO Cerebral Palsy Island	Other type of NGO
LV03-0101	Together in society	No	Norway	The Foundation „Sound of Happiness Competence Centre"	Other type of NGO
LV03-0102	Mechanisms of social integration for children and youths with special needs	No	Norway	NGO Pedverket Resource Center	Other type of NGO

LV03-0103	We live together in our country	No	Norway	NGO "Norwegian Red Cross"	Other type of NGO
LV03-0105	The Reducing of Social Exclusion and Invalidisation of Children with Autism and Autistic Spectrum Disorders	No	Norway	Foundation Nordic-Baltic Organisation for Professionals Working with Children and Adolescents	Foundation
LV03-0107	The development of supporting measures to include families with children who are at risk of social exclusion	No	Norway	Association SOS Children's Villages Norway	Other type of NGO
LV03-0109	WORK is LIVE	No	Iceland	NGO Workshop Ortaekni of the Organization of Disabled in Iceland	Other type of NGO
LV03-0115	Support for foster families and guardians of Ventspils and Talsi towns and regions	No	Norway	EKT Rideskole og Husdyrpark AS	Other type of NGO
LV03-0121	Integration incubator to support Roma children and youth	No	Norway	NGO Pedverket Resource Center	Other type of NGO
LV03-0124	Salutogenesis – important method for active support and successful social integration into society of children and young people with special needs	No	Norway	Research Centre for Health Promotion and Resources HiST/NTNU (the Centre) - research unit co owned	Regional or local authority
LV03-0134	Inclusion of Animal therapy into the social rehabilitation of abused children	No	Norway	EKT Rideskole og Husdyrpark AS	Service provision organization (NGO)
	Providing sustainable environment for psycho-social rehabilitation for cancer patients implementation in Latvia	No	Norway	Montebello Centre	Other type of NGO
	Promoting social inclusion of men who have sex with men (MSM) by improving access and quality of health care services	No	Norway	NGO "Gay and Lesbian Health Norway"	Other type of NGO
Projects with donor project partners 23 out of 144 (16%)			Planned grant amount for projects with donor project partners € 1,646,978 (24% from contracted grant amount for projects)		

LV04 - Conservation and Revitalisation of Cultural and Natural Heritage

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
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LV04-0003	Restoration of Rezekne Green Synagogue including development of wooden architecture centre and exposition of Jewish culture heritage	Yes	Norway	Sam Eyde upper secondary school	University, college or other teaching institution, research institute or think-tank
LV04-0004	Restoration of the Museum of Rainis and Aspazija	Yes	Norway	Association of Lillehammer museums: The Museums Aulestad, Bjerkebæk, Norwegian Olympic Museum and the Postal Museum	National agency
LV04-0005	Digitization of cultural heritage of Riga Art Nouveau Centre and Development of Virtual Museum	Yes	Norway	The National Centre of Art Nouveau	National agency
Projects with donor project partners 3 out of 5 (60.0%)			Planned grant amount for projects with donor project partners € 2,928,679 (40% from contracted grant amount for projects)		

Latvia - Summary

Project grant amount total	€ 37,133,887
Number of projects	155
Number of projects with donor project partner	32
Proportion of projects with donor project partners	20,65%
Number of programmes *	7
EEA and Norway grants committed	€ 67,094,750

* Excluding Technical assistance programmes and PA22

Annex 6.3 Audit activities plan for 2014

No	Responsible Authority	Audit period	Financial Mechanism	Audited system/ programme/ project
System audits at the level of the Beneficiary State according to the Article 4.6, Paragraph 1(a), of the Regulations				
1.	Audit Authority	I and II quarter	EEA/NOR	System audit of of the FP and the CA
System audits at the level of the programme according to the Article 4.6, Paragraph 1(b), of the Regulations				
2.	Audit Authority	IV quarter	EEA	System audit of Climate Programme (MoEPRD and SRDA)
3.	Audit Authority	II quarter	EEA	System audit of NGO Fund (SIF)
Projects audits according to the Article 4.6, Paragraph 1(c), of the Regulations				
4.	Audit Authority	III quarter	EEA/NOR	Projects which expenditures will be reported in the programmes' IFR#2-3
Internal audits at the level of the Beneficiary State and the programme				
5.	Internal audit department of MoF	IV quarter	EEA/NOR	Assessment of administration of the Financial Mechanisms at the FP, the CA and the PMB
6.	Internal audit of SIF	III and IV quarter	EEA	Monitoring and reporting process in programme and project management in NGO Fund
7.	Internal audit of MoC	IV quarter	EEA	Assessment of execution of PO's functions in project selection process within Cultural Heritage Programme
Verification prior approval of project application				
On-spot checks				
7.	SRDA	III and IV quarter	EEA	Verification of implementation progress of Climate Programme's 2 pre-defined projects, compliance of expenditures with projects' objectives, procurement rules, etc.

8.	SIF	I and IV quarter	EEA	Verification of implementation progress of NGO Fund`s 42 projects (from approved 144 projects), compliance of expenditures with projects' objectives, procurement rules, etc.
9.	MoC	II quarter	EEA	Verification of implementation progress of Culture Heritage Programme`s 5 pre-defined projects, compliance of expenditures with projects' objectives, procurement rules, etc.

Annex 6.4 Risk assessment at the national level

No	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done	Mitigation actions planned	Planned implementation date	Responsible department
1	Cohesion objective	Insufficient time for implementation of projects in donors' set deadline (30.04.2016) for Correctional Services Reform Programme and Innovation Programme	3	3	6	Regular monitoring in close cooperation with POs is performed in order to monitor progress on projects implementation and to determine any obstacles that can cause more delays and to take proper actions if necessary	FP plans to evaluate necessity for project implementation deadline extension individually for each case	According to necessity	EU Funds Monitoring Department
2	Bilateral objective	Insufficient involvement of the donor partners in bilateral projects	1	1	2	1) Representatives of the FP regularly participate in the CC meetings, during which one topic usually refers to bilateral relations. 2) Representatives of the FP regularly participate in Financial Mechanisms Communication Group that involves the FP, all POs and Norwegian Embassy. Besides publicity events also there are the bilateral cooperation issues discussed. 3) The FP closely communicates with Norwegian Embassy in Riga in order to solve issues related to bilateral cooperation (previous meeting on 6 February, 2014). 4) The FP regularly in close cooperation with POs monitors the progress made towards achievement of the bilateral indicators of the programmes.	1) Continued FP's participation in the CC meetings 2) Continued FP's participation in the Communication Group's meetings 3) Continued communication with the Norwegian Embassy 4) Analyses of programmes' bilateral relations and its indicators carried out within elaboration of the Strategic Report	1) Bi-annually 2) Bi-annually 3) On regular basis 4) On 31 March, 2014 by submitting Strategic Report to the donors	EU Funds Monitoring Department

3	Operational issues	Corruption risk and conflicts of interest	1	2	3	<p>1) Persons involved in governance of Financial Mechanisms are required to acknowledge lack of conflict of interest.</p> <p>2) "Complaint Mechanism" is implemented and publicised on the national Grants website which provides channel for the confidential reporting of corrupt practices.</p> <p>3) MCS system is implemented at national and programme level, describing duties for involved institutions and persons in management of Financial Mechanisms, thus ensuring clear definition of roles and responsibilities. Opinion of the AA states that MCS is compliant with the Regulation and works effectively.</p> <p>4) the FP communicates with the Corruption Prevention and Combating Bureau on any particular case related to corruption and conflict of interest issues related to Financial Mechanisms.</p>	<p>Risk management strategy for EU funds and EEA/Norway grants is planned to be developed consequently revising and updating the Risk Register after performing deep assessment of risks including corruption risk and risk of the conflict of interest. Additional mitigation actions, if necessary, will be introduced after assessment.</p>	31 December 2014	EU Funds Management System Department
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4	Operational issues	Infringement and error of procurement procedures in Financial Mechanism's projects	2	2	4	<p>1) To reduce the risk of procurement appeals the POs, Implementing agencies involved in programmes management and the PMB perform ex-ante verifications of procurement documentation and procurement process, this requirements is set in the Chapter 2.6 of MCS and in the CoM Regulations on the implementation of the Financial Mechanisms. The PMB ensures selective, risk based ex-ante checks of procurement documentation and procedure within projects and provide consultations and opinions on public procurement issues to POs and Implementing Agencies, who's responsibility also is to perform selective ex-ante verifications, excluding procurements already verified by the PMB. The PMB carried out the 1st ex-ante verifications in the 2nd half of 2013.</p> <p>2) Meetings of Management Group on Procurements Issues are organised involving representatives from the PMB, the FP and POs. On the agenda usually are urgent topics related to procurements in EU Funds and also in management of Financial Mechanisms and topics related to procedures of ex-ante verifications of procurements.</p>	<p>1) To continue ex-ante verifications in 2014 by PMB, POs and Implementing agencies.</p> <p>2) To participate in the meetings of Management Group on Procurements Issues.</p>	<p>1) On regular basis</p> <p>2) Quarterly</p>	EU Funds Monitoring Department/ EU Funds Management System Department
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5	Operational issues	Governance issues - staff turnover, communication issues, poor competence in POs' institutions	2	2	4	1) The FP monitors the fulfilment of the POs' functions. If there are capacity problems, the FP proposes to strengthen PO's capacity by finding responsible staff and using programme management costs. The FP has sent official request to the MoC – the PO of the Culture Heritage programme (in 2012) and to the MoES – the PO of the Scholarship and Research Programme (in 2013) for improvement of staff capacity in order to ensure timely execution of PO's functions. 2) In order to ensure work quality for persons involved in execution of PO's functions, the FP ensures close cooperation with POs, provides consultation and organises trainings, if necessary (for example, in cooperation with the FMO trainings in Riga on 5 March and 3-4 December 2013 and in Vilnius for all three Baltic states on 11-12 December 2013).	Continued regular monitoring of POs' functions and provided consultations and trainings, if necessary	On regular basis	EU Funds Monitoring Department
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[1] The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

[2] Each risk should be described as to whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue, where 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%).

[3] Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; N/A = not relevant or insignificant.

[4] For each risk risk value is calculated by adding up likelihood and consequence. Risk value from 1 to 2 is acceptable, controls are recommended, but not mandatory, risk value from 3 to 4 is acceptable, but controls are obligatory. Risk value from 5 to 6 is non acceptable, controls and mitigation activities are obligatory, risk value from 7 to 8 is non acceptable, mitigation activities are obligatory before starting operations.

Annex 6.5 Risk assessment at the programme level

Programme Horizontal Risks

Programme	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done/ planned
All programmes (except NGO Fund)	<i>Bilateral outcomes</i>	Partial acquisition of Programme bilateral fund results in untapped potential of strengthening bilateral relations	3	2	5	The risk is due to the fact that resources of Programme Bilateral Fund can't be reallocated to other programme activities. In 2013 almost none of POs have fully used financing of Programme Bilateral Fund (savings arose in all organised match making events). In order to have better acquisition of available financing regular meetings are planned (Communication Group, meetings with Norwegian Embassy) to discuss with POs on possible new actions and to share best practices to foster bilateral activities.
All programmes	<i>Operational issues</i>	Risk of double financing	1	3	4	POs and Implementing Agencies shall set up internal procedures for control of a double financing, ensuring that checks on the double financing are verified, when granting financing, during the desk checks of the reports as well as during on-the-spot checks. According to national legislation all institutions involved in the Foreign Financial Assistance shall regularly update list of approved projects. These lists are used for verification of double financing. According to national legislation once per year PO shall submit to the FP the confirmation that approved projects within the programme have not received double financing.

Programme Specific Risks

Programme	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done/ planned	Total risk score for the Programme [5]
Climate Programme	<i>Cohesion (Programme) outcomes</i>	Insufficient time for implementation of projects	2	4	6	PO has discussed in the CC possibility of term extension for project implementation. PO shall ensure all necessary actions to launch the OCs as soon as possible. PO shall ensure project monitoring to provide project implementation in due time. PO plans to initiate discussions with the FMO on possibilities to extend the term for project implementation for OC.	20
		Insufficient number of qualitative projects	2	3	5	PO will organise information seminars for potential project promoters explaining programme objectives, expected outcomes and selection criteria, provide consultations. PO will ensure regular communication with project promoters during the implementation phase.	
NGO Fund	<i>Cohesion (Programme) outcomes</i>	Inadequate financial capacity of the selected NGOs	3	4	7	During information seminars and consultations potential project promoters have been introduced with preconditions for financial capacity. PO has invited project promoters to cooperate with local governments, other institutions which would be able to provide necessary co-financing.	17
		Insufficient number of qualitative project applications from ethnic minority NGOs	3	3	6	Information activities are carried out in order to inform possible project promoters about objectives and issues related to the activity. The risk is urgent for 1st and 3rd measures. For 3rd measure PO plans to organise more information activities to reach ethnic minorities (via associations, councils and Russian language media). If there will be savings the PO will in due time consider about reallocation of savings to other programme activities.	

Cultural Heritage Programme	<i>Cohesion (Programme) outcomes</i>	Increase of construction expenses and exhibition formation costs	2	4	6	The FP and the PO have assessed this risk differently – the PO considers likelihood of this risk as almost certain, while the FP considers it only possible since: Before signing project contracts the PO has assessed cost commensurability and price compliance with market prices for pre-defined projects and cost reserve of 5% is included in the sum of eligible costs. Also within evaluation of the OC's projects cost commensurability and price compliance with market prices will be assessed by PO.	19
		Insufficient number of qualitative projects	2	2	4	The PO organised information seminars for potential project promoters explaining programme's objectives, expected outcomes and selection criteria, provided consultations. In case funding is not absorbed within the OC, the CC will decide on organisation of the 2 nd OC for proposals. In case absorbed funding within the 1 st OC is too small or not absorbed also within the 2 nd OC, funding will be reallocated to the other activities of the programme.	
Scholarship and Research Programme	<i>Cohesion (Programme) outcomes</i>	Insufficient number of students and Higher education institutions staff applied for grants	2	3	5	Information seminars and consultations for potential project applicants / Higher education institutions will be organised by the Implementing Agency after the launch of the OCs.	26
		Insufficient number of qualitative projects	2	4	6	Information/publicity activities are carried out in order to inform potential project promoters about programme and OCs. Informative seminars and consultations for potential project promoters will be organised by the Implementing Agency after launch of OCs. In addition the PO considers launching the 2 nd OC under the preparatory visits activity before launching the 2nd call under Scholarships activity	
	<i>Operational issues</i>	Insufficient staff capacity to ensure appropriate programme's management and timely	3	3	6	The FP has sent official request to the MoES – the PO for improvement of staff capacity in order to ensure timely execution of PO's functions. The FP in 2014 will continue monitoring the PO's functions and capacity issues and request further actions, if necessary.	

		implementation of planned activities					
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[1] The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion outcomes, the bilateral outcomes, or is more of an operational issue.

[2] Each risk should be described as to whether it poses a risk to the cohesion outcomes (programme outcomes), the bilateral outcome or crucial operational issues: 4 = Almost certain (75 – 99% likelihood); 3 = Likely (50 – 74%); 2 = Possible (25 – 49%); 1 = Unlikely (1 – 24%).

[3] Assess the consequence(s) in the event that the outcomes and/or crucial operations are not delivered, where 4 = severe; 3 = major; 2 = moderate; 1 = minor; N/A = not relevant or insignificant.

[4] For each risk risk value is calculated by adding up likelihood and consequence. Risk value from 1 to 2 is acceptable, controls are recommended, but not mandatory, risk value from 3 to 4 is acceptable, but controls are obligatory. Risk value from 5 to 6 is non acceptable, controls and mitigation activities are obligatory, risk value from 7 to 8 is non acceptable, mitigation activities are obligatory before starting operations.

[5] Total risk score for the Programme is calculated adding up all relevant risk scores for each Programme (including *Programme Horizontal risks*).

Annex 6.6 Annual Report under the Technical Assistance Agreement

For the period 28.04.2011-31.12.2013

1. OVERVIEW OF MAIN ACTIVITIES

National entities	A brief summary of the main activities carried out
1.National Focal Point	<p>Developed and improved national level description of MCS (in line with requirements set out in the Article 4.8. of the Regulation);</p> <p>Developed and submitted to the AA descriptions of Programme level MCS (in line with Article 4.8. of the Regulation). Description of MCSs for 2 Programmes have been submitted to FMO in 2013;</p> <p>Developed and approved FP's guidelines on verifications on project implementation sights and FP's guidelines on requirements and verifications of payment requests;</p> <p>Regular risk monitoring in the framework of risk management group of the MoF;</p> <p>Drawn up and adopted the Law on the Management of the Financial Mechanisms and Horizontal Rules of COM for implementation of Financial Mechanisms. Provided opinions on implementation and application of the law and rules mentioned. Provided opinions on procedures and rules for implementation of programmes and projects.</p> <p>Overall management and monitoring of Financial Mechanisms.</p> <p>The FP participated in FMO's organized: seminar for all programme operators, the CAs and the AAs on issues related to the implementation of Financial Mechanisms, seminar on corruption risks, seminar on the contribution of Financial Mechanisms to extended European Union, the Grants communication seminar about information and publicity requirements, risk management and good governance, workshop "Reporting, programme results and risk management", communication workshop, seminar "Managing Risk for Results. Fighting Corruption", trainings on project level Information and DoRIS Reporting System and other seminars.</p> <p>The FP organized the Annual Meetings in Riga in 2011, 2012 and 2013 and participated biannually in Cooperation Committees of all programmes.</p> <p>On 26 March 2012 the FP received confirmation of approved Communication Strategy for the period of 2009-2017. The Grants launching event was held on 3 October 2012 in Riga during "Norwegian Days 2012" and was jointly organized by Norwegian Embassy in Riga and the FP. Created websites www.eeagrants.lv and www.norwaygrants.lv. The FP distributed information (press releases) in the mass media, social media (twitter.com) and specific list of other recipients, has updated and published the information (press releases and short news) on the websites of the Financial Mechanisms www.eeagrants.lv and www.norwaygrants.lv. The</p>

	<p>FP organised Public Opinion Poll for potential project promoters and society in order to determine current situation and aims in communication and information field. The goal of the survey was to find out how well population of Latvia was informed about the Financial Mechanisms.</p> <p>IFRs #1 - #7 were submitted to the FMO and all of them approved.</p>
2.Certifying Authority	<p>Participation in elaboration of legal documents, guidelines and system description, establishment of the internal procedures to ensure responsibilities of the CA, verification and certification of the projects' interim financial reports, analysis of the auditors' reports, preparation and submission of the forecast of likely payment applications to the FMO.</p>
3.Audit Authority	<p>Elaborated methodology of the AA for carrying out audits and for preparation of Single Audit Strategy and Annual Audit Reports – in total 5 AA's internal procedures prepared and approved by the Head of the AA.</p> <p>Carried out MCS at national level compliance assessment audit and issued report and opinion confirming that the implementation system of the Beneficiary State complies with Regulation and generally accepted accounting principles, as well assessed the proportionality of the MCSs' requirements in relation to the effectiveness of achieving the objectives of the FMs – report and opinion have been submitted to the FMO on 8 June 2012 by the FP.</p> <p>Project audit was carried out for the TAF (including NBF). The scope of the audit consisted from the expenditure included in IFR#1 and #2. The audit report was prepared on 23 November 2012.</p> <p>Presented to the FMO Single Audit Strategy covering the method to be used, the sampling method for audits on projects and the indicative planning of audits to ensure that audits are spread evenly throughout the programming period. The Single Audit Strategy covers both Financial Mechanisms and all the programmes (except Fund for Decent Work and Tripartite Dialogue). The Single Audit Strategy has been submitted to the FMO on 28 May 2013.</p> <p>Carried out MCS at programme level compliance assessment audits and issued reports and opinions confirming that the implementation system of the programme complies with Regulation and generally accepted accounting principles, as well assessed the proportionality of the MCSs' requirements in relation to the effectiveness of achieving the objectives of the programme. Effectiveness of already functioning elements of the MCS has been also checked during the compliance assessment audits. As well as the AA performed substantive testing of expenditures declared in programmes' IFR#1 during the compliance assessment audits. Reports and opinions have been signed for the programme:</p> <ul style="list-style-type: none"> a. LV02 on 10.12.2013. b. LV03 on 01.07.2013. c. LV04 on 18.12.2013.

	Issued and submitted to the FMO annual audit reports and opinions on the basis of the controls and audits that have been carried out, as to whether the MCS functions effectively, so as to provide a reasonable assurance that statements of actual expenditure incurred presented to the FMC are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular. Report and opinion regarding period 28.04.2011-30.06.2012 has been submitted on 19 December 2012 and report and opinion regarding period 01.07.2012-30.06.2013 - on 28 December 2013.
4.Other entities (Procurement Monitoring Bureau)	The PMB developed a plan of ex-ante checks of procurements. In 2013, the PMB carried out 15 ex-ante checks of procurements within programmes and has prepared 17 conclusions: 4 conclusions with objections, 12 positive conclusions and 1 negative conclusion.
5.Entity responsible for irregularity reporting	3 regular reports were submitted to the FMO through DoRIS system – for the 2 nd quarter 2013 on 23 September 2013, for the 3 rd - 2 December 2013 and for the 4 th - 28 February 2014.

2. BUDGET OVERVIEW in EUR

Actual expenditure till 31.12.2013	Planned expenditure till 31.12.2013	Unused amount in EUR, %
438 030	503 810	86,94
Disbursements till 31.12.2013	Total TA budget	Absorption rate in %
360 088	1 459 000	24,68
Planned expenditure for 2014 - forecast of 30.09.2013	Forecast of 31.03.2014	Justification for changes, if any
331 260	331 260	0

3. PROCUREMENTS (for amounts that exceed the national thresholds for the procurement)

N/A

4. STAFFING

National Focal Point – The Ministry of Finance				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Armands Eberhards	Head of FP, Deputy State Secretary of the MoF	Main responsible authority of the FP	3%	N
Diāna Rancāne	Head of EU Funds Monitoring	Overall management and monitoring of	10%	N

	Department (EUFMD)	FM's programmes in Latvia		
Diāna Atkauķe <i>from May 2012 till now</i>	EUFMD, Head of EEA, Norwegian and Swiss Projects Monitoring Division (ENSPMD)	Overall management and monitoring of Financial Mechanisms	80%	Y
Guntra Želve <i>from May 2012 till now</i>	EUFMD, Deputy Head of ENSPMD	Overall management and monitoring of Financial Mechanisms (including programme LV06)	80%	Y
Diāna Bremšmite <i>from August 2011 till July 2012</i> Gita Tenisone <i>from July 2012 till now</i>	EUFMD, Senior Expert of ENSPMD	Management and monitoring of TAF (including NBF). Planning and monitoring of TAF budget (monthly/yearly)	50%	Y
Linda Mežviete <i>from March 2012 till June 2013</i> Signe Silīte <i>from July 2013 till now</i>	EUFMD, Chief Specialist of ENSPMD	Management and monitoring of FM's programmes LV03, LV04 and LV08	100%	Y
Inga Vajevska <i>from May 2012 till now</i>	EUFMD, Chief Specialist of ENSPMD	Management and monitoring of FM's programmes LV02, LV07 and LV05	100%	Y
Solveiga Ozola	Director of EU funds Management System Department (EUFMSD)	Supervision of department activities	5%	N
Sanita Auniņa	Deputy director of EUFMSD	Supervision of department activities	5%	N
Zane Jansone <i>from June 2011 till October 2012</i> Zane Bondare <i>from July 2013 till December 2013</i> Dita Tetere <i>from December 2013 till</i>	Senior expert of EUFMSD	Development, coordination and amendment of national MCS; Monitoring of implementation of Programme MCS and submission to FMO; Coordination of risk management process; Analysing of MCS and system audit results and monitor implementation of recommendations; other tasks related to MCS issues.	50%	Y

<i>now</i>				
Jekaterina Kapilova <i>from January 2012 till now</i>	EUFMSD, Legal advisor of EU Funds Legal Unit	Draw up the Law on the Management of the EEA Financial Mechanism and the Norwegian Financial Mechanism for the Period of 2009-2014 and rules of Cabinet of Ministers for implementation of EEA Financial Mechanism and the Norwegian Financial Mechanism for the Period of 2009-2014. Provide opinion on implementation and application of the law and rules mentioned.	50% <i>(From January 2012. – November 2013)</i> 25% <i>(From November 2013. –till now)</i>	Y
Linda Barbara <i>from January 2012 till November 2013</i>	EUFMSD, Head of EU Funds Legal Unit	Provide opinion on procedures and rules for implementation of programmes and projects.	50%	Y
Viktorija Grīnfelde	Head of Finance and Maintenance Department (FMD)	Supervision of department activities	5%	N
Ilga Litaunika	Head of Unit/Chief accountant of FMD	Supervision of Unit activities	3%	N
Laima Kalniņa	Senior accountant of FMD	Carry out accounting (reward)	5%	N
Anta Freimane	Senior accountant of FMD	Carry out accounting (payments)	3%	N
Baiba Balode	Head of Unit of FMD	Supervision of Unit activities	3%	N
Iveta Lāce <i>from November 2011 till now</i>	Senior officer of FMD	Carry out planning TA budget, financing plans, estimates, procurements. Prepare interim and annual reports. Participation in elaboration of regulatory documents	20%	Y
Antra Bolgzde <i>from November 2011 till now</i>	Leading accountant of FMD	Carry out accounting (reports). Participation in elaboration of regulatory documents	20%	Y

Agnese Beļkeviča <i>from June 2011 till September 2012</i> Lelde Grīnvalde <i>from October 2012 till now</i>	Deputy Head of Unit of FMD	To coordinate EEA/Norway grants communication strategy; to organise Communication Management group meetings, common activities and informative events for popularization of Grants; to cooperate with media, ensuring information (press releases, news) and organising media events	20%	Y
Edgars Putins <i>from November 2012 till now</i>	Leading IT administrator of FMD	Carry out maintenance of web pages www.eeagrants and www.norwaygrants	10%	Y
Certifying Authority – The State Treasure				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Karīna Zencova	Director of European Affairs Department (EAD)	Participation in elaboration of legal documents, guidelines and system description, establishment of the internal procedures to ensure responsibilities of the CA, verification and certification of the projects' interim financial reports, approval of the auditors' reports analysis, verification of prepared forecast of likely payment applications	20%	N
Anda Pudāne	Deputy director of EAD	Participation in elaboration of legal documents, guidelines and system description, establishment of the internal procedures to ensure responsibilities of the CA, verification of the projects' interim	20%	N
Santa Lakševica	Deputy director of EAD		20%	N
Kaspars Braže	Senior officer of EAD		50%	Y
Regīna Uljanova	Senior officer of EAD		50%	Y

		financial reports, analysis of the auditors' reports, preparation of the forecast of likely payment applications		
Audit Authority - The Ministry of Finance				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Nata Lasmane	Head of AA Director of European Union Funds Audit Department (EUFAD)	To ensure overall management of the AA. To supervise audits, including approval of the Overall audit strategy for every audit, approval of all audit reports, issuing opinions. To approve Single Audit Strategy for the whole period for both Financial Mechanisms. To approve Annual Audit Reports annually on effectiveness of MCS. Annually issue opinions on the basis of the controls and audits that have been carried out, as to whether the MCS functions effectively.	1,5% (based on 2013 data)	N
Olga Guza <i>from May 2012 till now</i>	Chief Expert of EUFAD	Elaborate methodology of the AA for carrying out audits and for preparation of Single Audit Strategy and Annual Audit Reports. Manage compliance assessment audits and audits on effective functioning of the MCS at the level of the Beneficiary State. Manage audits on effective functioning of MCS at the level of programmes. Perform risk assessment of the project in order to establish sample for auditing.	76% (based on 2013 data)	Y

		Manage audits on the projects. Prepare and submit to the FMO Single Audit Strategy, Annual Audit Reports annually on effectiveness of MCS. Prepare and submit annually to the FP annual audit plans.		
Ilona Skorobogatova <i>from November 2012 till now</i>	Auditor of EUFAD	Carry out compliance assessment audits. Carry out audits on effective functioning of the MCS at the level of the Beneficiary State. Carry out audits on effective functioning of MCS at the level of programmes. Carry out audits of the projects.	67% (based on 2013 data)	Y
Sandra Mūrniece	Auditor of EUFAD	Participate in audits (in case of lack of human resources).	11% (based on 2013 data)	N
Other entities – The Procurement Monitoring Bureau				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Inta Vingre	Director of Control Department	Developing plans of ex-ante checks, approving conclusions	10%	N
Rita Buša <i>from January 2013 till July 2013</i> Artūrs Gurskis <i>from August 2013 till now</i> Rolands Počs <i>from January till August 2013</i> Evija Rubene <i>from September 2013 till now</i>	Senior officer	Developing plans of ex-ante checks, examinations of the procurement documentation and preparing conclusions	50%	Y

Entity responsible for irregularity reporting (Entity) – The Ministry of Finance				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Armands Eberhards	Head of FP, Deputy State Secretary of MoF	Main responsible authority of the Entity	1%	N
Diāna Rancāne	Head of EUFMD	Overall management and monitoring of FM's irregularities in Latvia	3%	N
Diāna Atkauķe <i>from May 2012 till now</i>	EUFMD, Head of ENSPMD		5%	Y
Guntra Želve <i>from May 2012 till now</i>	EUFMD, Deputy Head of ENSPMD		5%	Y
Inga Vajevska <i>from May 2012 till now</i>	EUFMD, Chief Specialist of ENSPMD	Reporting on FM's irregularities in Latvia through DoRIS	10%	Y

5. THE COMING YEAR 2014

National entities	Overview of the principal tasks planned to be implemented
1.National Focal Point	<p>Submit to the FMO all descriptions of Programme level MCS (in line with Article 4.8. of the Regulation). Train representatives of FP on risk management topics and develop risk management strategy and update risk register. Overall management and monitoring of FM's programmes. Organize Annual Meeting 2014 in Riga. Participate in seminars/workshops/conferences initiated, organized or co-organized by donor states. To continue the programme implementation stage in 2014 the plan has been set to evaluate media publications by using media monitoring. In 2014 the FP in cooperation with the POs and the Norwegian Embassy in Riga plans to organise informative mid-term event for popularization of FMs. The Publicity Day for EEA and Norway grants on 17 May, which will take place in Esplanade Park in Riga center. Several activities within "Riga - the European Capital of Culture in 2014" financed by the NBF.</p>
2.Certifying Authority	The principal tasks will remain the same as in 2013.
3.Audit Authority	<p>Carry out audits on effective functioning of the MCS at the level of Beneficiary State – one audit is planned – in the FP and in the CA. Carry out audits on effective functioning of MCS at the level of programmes – audits are planned for following programmes – LV03 and LV02.</p>

	<p>Carry out audits on the projects which expenditures have been reported in the programmes' IFR#2 and #3. Prepare and submit to the FMO Annual Audit Report till 31.12.2014 on the basis of the controls and audits mentioned before.</p> <p>Issue Opinion till 31.12.2014 as to whether the MCS functions effectively.</p>
4.Other entities (Procurement Monitoring Bureau)	Will continue to develop plans of ex-ante checks of procurements and will perform them as well as random of procurements relating with programme administration. It is planned to carry out at least 36 ex-ante checks and develop conclusions of procurements.
5.Entity responsible for irregularity reporting	Regular reporting will be continued.