



**Republic of Latvia  
Ministry of Finance (Focal Point)  
Financial Instruments Coordination Department**

***Annual Report on the Implementation  
of the Norwegian Financial  
Mechanism in Latvia  
July 2008 – August 2009***



**Riga, September 2009**

## **Glossary of Acronyms**

**APA** - the Academic Programme Agency

**CBC** - the Cross-border cooperation

**CFCA** - the Central Finance and Contracting Agency

**EEA** – the European Economic Area

**Financial mechanism** - the Norwegian Financial Mechanism

**Financial mechanisms** - the Norwegian Financial Mechanism and the European Economic Area Financial Mechanism

**FMO** - the Financial Mechanism Office

**FP** - the Focal Point

**GA** – the Grant Agreement

**IB** - the Intermediate Body

**IDAL** - the Investment and Development Agency of Latvia

**MoF** – the Ministry of Finance

**MoRDLG** - the Ministry of Regional Development and Local Governments

**MoU** - the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2004 – 2009

**NGO** – the Nongovernmental Organization

**OC** - the Open Call

**PCR** – the project Completion Report

**PIR** – the Project Interim Report

**PPP programme** - the programme “Promotion of development of public and private partnership in Latvia”

**SBG** - the Scholarship Block Grant

**SIF** - the Society Integration Foundation

**SMF** – the Seed Money Fund

**SRDA** - the State Regional Development Agency

**STEF** - the Short Term Expert Fund

## Table of contents

Introduction.....	4
1. Implementation framework and regulatory environment.....	5
2. Progress made towards selection and implementation of individual projects....	7
3. Progress made towards implementation of programmes and block grants.....	23
4. Commitments made and disbursements effected.....	31
5. Summary of audits .....	32
6. The work plan for the next reporting period.....	33
Conclusions.....	35
Appendix 1 <i>Statistical data regarding OCs for individual projects</i> .....	37
Appendix 2 <i>Information and publicity activities</i> .....	43
Appendix 3 <i>Assessment of the effects on the bilateral relations with the donorstate</i> .....	45
Appendix 4 <i>Subprojects` OCs calendar and statistics</i> .....	47
Appendix 5 <i>Commitments made by 30 April 2009</i> . .....	49
Appendix 6 <i>Disbursements effected by 31 August 2009</i> .....	52
Appendix 7 <i>List of audits for July 2008–August 2009</i> .....	54
Appendix 8 <i>Summaries of audit reports</i> .....	57
Appendix 9 <i>Audit plan for September-December 2009</i> .....	78

## **Introduction**

According to the Article 5 of the MoU as well as the Article 3.3 of the *Reporting and monitoring guidelines*, the MoF, acting as the FP for the implementation of the Financial Mechanism in Latvia, prepared the “*Annual report on the implementation of the Norwegian financial mechanism in Latvia July 2008 – August 2009*”.

The document aims to present the process of the implementation of the Financial Mechanism in Latvia, provides overview of the actual state of implementation and describes activities planned for the next reporting period: September 2009 – August 2010.

This document will be discussed during the annual meeting with representatives from the donorstate – Kingdom of Norway - planned for October 2009. Taking into account the requirement set out in the MoU, before submission to the donorstate the report has been approved in the written procedure on 11 September 2009 by the Monitoring Committee for the Financial Mechanisms.

## **1. Implementation framework and regulatory environment**

Within the reporting period following legislative and structural changes were introduced which made an impact on the implementation of the Financial Mechanism:

- Administrative Territorial Reform;
- Changes in the rates of the value added tax (hereafter – VAT);
- State Administration Structural Reform.

### Administrative Territorial Reform

From 1 July 2009 in the result of the Administrative Territorial Reform in Latvia there will be 109 amalgamated municipalities and 9 republican cities (Daugavpils, Jekabpils, Jelgava, Jurmala, Liepaja, Rezekne, Riga, Ventspils, Valmiera). Due to respective reform the district municipalities' level was excluded. As certain amount of the project promoters and partners were district municipalities the change of legal status of the respective project promoters and project partners are in process. In July 2009 the FP has agreed with the FMO that conversion table with an overview of all projects where changes in promoters' and partners' names are needed will be presented officially from the FP side; and the FMO will approve respective conversion table in order to avoid necessity to change each GA affected by this territorial reform.

### Changes in the rates of the VAT

The amendments in the Law "On Value Added Tax" took place on 12 December 2008 (effected from 1 January 2009). These amendments foresee that starting from 1 January 2009 a rate of the VAT is increased from 18% to 21% and for certain goods and services, for example, the pharmaceutical and medical equipment supplies, from 5% to 10%. As applications in the 2<sup>nd</sup> OC for individual projects were received in June 2008 and at that time such increase of the VAT rate could not be foreseen, in January 2009 the FP has agreed with the FMO that promoters of the prioritized projects from this OC will have possibility to revise detailed project's budget. Regarding individual projects of the 1<sup>st</sup> OC it was agreed that cost savings in projects' activities could be transferred for coverage of increased VAT.

### State Administration Structural Reform

Taking into account economical crisis in Latvia and difficult situation of the state budget the State Administration Structural Reform is in process. It affects state budget institutions, state established universities and health care institutions which are promoters of the Financial Mechanism's projects.

From 1 January 2009 state established universities and state research institutions changed status from budget institutions to budget financed institutions, therefore the state budget finances only co-financing part (for the 1<sup>st</sup> OC individual projects – national co-financing of state budget's part in full; the 2<sup>nd</sup> OC – max 7,5% from the project's eligible costs). There are no more full pre-financing possibilities available from the state budget for these institutions. Taking into account actual economical situation when financing of the budget financed institutions is very limited such project promoters have complications with pre-financing of the project's activities. Considering above mentioned in January 2009 the FP has agreed with the FMO that for respective projects 10% advance payment from the donorstate will be allocated. The advance payments were also allocated for health care institutions which shareholder is the state.

Regarding structural reform of the hospitals, it was foreseen that largest hospitals will retain, but smaller and regional hospitals will be closed or merged, therefore this reform will most probably not affect project promoters within the priority "Health", although it could affect some projects' partners. New Structural Plan of Health Care Institutions shall be approved by the Government till the end of 2009.

Regarding reorganization of state institutions – some of the state agencies are closed or merged with other institutions, but the reorganization is still in process. The FP will inform the FMO on necessary changes of the GAs if some of promoters will be affected by this reform. Currently the Latvian authorities have begun discussions on the reorganization of project promoters of LV0045 and LV0047. It is planned that from 1 January 2010 the promoter of LV0045 - the state agency "Latvian Fish Resources Agency" and the promoter of LV0047 - the National Diagnostic Centre of the Food and Veterinary Service - will be merged into one institution.

Taking into account difficult situation of the state budget, the Government at the end of 2008/beginning of 2009 took decisions to cancel or limit premiums, benefits and other additional payments for employees of state institutions and to decrease remuneration fund of state institutions for 20%. These decisions affect also projects financed from the Financial Mechanism. Respective decrease of management costs of state budget institutions could be transferred to other project activities, but in some cases this will create certain savings (unused funds) within projects.

Taking into account overall state administration's optimization process, the preparatory work on simplification of the Financial Mechanism implementation system is initiated in the MoF. The objective of the simplification of the management system is aimed at:

- reduction of administration costs of institutions involved in the management of the Financial Mechanism, as well as project promoters;
- speed up the flow of documentation and decision making process on project reports (PIRs, PCRs) thereby contributing to more effective and quicker acquisition of available funds from the Financial Mechanism.

The FP, CFCA and the Paying Authority held discussions regarding proposals aiming at rising of efficiency and improvement of the management of the Financial Mechanism. The FP would like to propose to discuss proposals for simplification of the Financial Mechanism during the Annual Meeting. It is foreseen that certain proposals for optimization of the management system will require amendments of the Annex 1 of the MoU. During September/October 2009 it is foreseen that the Financial Mechanism's optimization plan will be concealed with the MoF.

## **2. Progress made towards selection and implementation of individual projects**

Within the 2<sup>nd</sup> OC in national evaluation 28 applications were prioritised for grant assistance from both Financial Mechanisms. From these applications 16 were sent to the FMO for approval from the Norwegian Financial Mechanism (within the period from the end of October till the end of December 2009), the rest - for approval from the EEA Financial Mechanism, except one application with split funding - 50 % from each of the Financial Mechanisms. All applications sent to the FMO were approved by donorstate.

In accordance with national legislative acts individual project (hereof - project) can be implemented (also the start date for eligibility of expenditures) only after signing the Cooperation agreement. At this moment implementation of all projects from the 1<sup>st</sup> OC financed from the Financial Mechanism has successfully started, except the project LV0053, because the promoter (Eko Osta Ltd.) has requested GA modifications (namely changes in the PIP indicators' table) prior signing the Cooperation agreement. Almost all Cooperation agreements (except one LV0080 – will be signed in September 2009) were signed by the end of August 2009 and thereby implementation of projects from the 2<sup>nd</sup> OC has also started. Taking into account that projects of the 2<sup>nd</sup> OC are in implementation only for couple of months and the first PIRs will be filled in by promoters only in the 4<sup>th</sup> quarter of 2009, the substantial results have not been achieved yet.

Average grant applied for in approved projects was approximately 500 000 EUR. The average duration of approved projects from the Financial Mechanism is about 23 months with the shortest duration 9 months and the longest – 36 months.

Almost all first PIRs of projects from the 1<sup>st</sup> OC have been submitted to the FMO for approval. The first PIRs of projects from the 2<sup>nd</sup> OC will be submitted to the FMO in fall/winter 2009.

Taking into account that Latvian budget revenue keeps falling and that the financial resources from the state budget for the implementation of state budget institutions' projects are planned as a pre-financing of the total project expenses, the FP instructed all state institutions to set reporting periods in PIPs no longer than 6 months starting from fall 2009. Thereby maximum 6 months reporting period system for state budget institutions will help to speed up the disbursements received from the FMO and to maximize cash flow in the state budget.

During the reporting period completion dates stated in Project Implementation Plans of some projects were postponed and the latest results show that the following number of projects financed from the Financial Mechanism is planned to be completed till final date of eligibility: 1 during 2009, 20 during 2010, 23 during 2011.

Please find exhaustive statistical data showing the results of OCs of both Financial Mechanisms in the Appendix 1 as well as main publicity activities about the Financial Mechanism in the Appendix 2.

### **Description of the overall benefit of the Financial Mechanism`s priority sector in question, including the impact on the respective target groups**

#### ***Protection of the environment and Sustainable development priority***

Eight projects have been approved from the both Financial Mechanisms which comply with the aim of the priority “Protection of Environment” – environment protection decreasing pollution and facilitating use of renewable energy resources. Six

projects have been approved from the both Financial Mechanisms which comply with the aim of the priority “Sustainable development” goal – to promote sustainable development by improving use and management of resources. Please find below information about projects’ compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 1 - Projects’ compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
Protection of the environment priority	
1. Integrated pollution prevention and control	0
2. Encouraging the use of renewable energy	6
3. Improved monitoring systems of pollution, especially from agricultural activity	1
4 Development of electric and electronic equipment waste management systems	1
Sustainable development priority	
1. Competence building in the field of sustainable development and possible establishment of the Sustainable Development Institute	2
2. Encouraging organic agriculture	0
3. Increased natural resources management and efficient use	4

In the priority “Protection of Environment” within the framework of separate projects activities are being implemented to reduce CO2 emissions, to use alternative energy extraction technologies, as well as to inform society about the use of technologies applied during the project implementation. Thus the society receives information and practical examples in the field of CO2 emission reduction and application of alternative energy extraction technologies.

The projects implemented in the priority “Sustainable development” are oriented towards sustainable use of resources. Plans are made implementation of which would result in more optimal use of resources available in Latvia for longer time. In the result of these projects the society receives both guidelines for sustainable development and various practical benefits – for example, arranged territories, promoted environment-friendly tourism in Natura 2000 territories, information about possibilities of environment-friendly recreation in Latvia, as well as implemented pilot project for management of small lakes.

Direct target groups:

- public institutions performing in the environment sector;
- municipalities;
- NGOs performing in the environment and rural tourism sector;
- private companies.

Indirect target groups:

- citizens of respective municipalities;
- all society.

The objective and expected results of projects are in compliance with following national strategic documents:

*Table 2 - Compliance with national strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects	
		Environment	Sustainable
Latvia’s National Development Plan 2007-2013	- Educated and creative citizen	LV0049	LV0052
	- Technological distinction and elasticity of companies	LV0051	LV0070
		LV0073	LV0071
	- Development of science and research	LV0075	LV0072
		LV0047	LV0081
		LV0053	LV0045
		LV0062	



		LV0097	
National Environment Policy Plan 2004–2008	Increased use of local renewable resources and effective use of energy resources	LV0049 LV0051 LV0075 LV0062 LV0097	LV0052 LV0081 LV0045
National Programme for Biological Diversity	Study tendencies of species dissemination in human created biotopes and keep up with dynamics of these processes		LV0052 LV0070 LV0072
Latvia's Sustainable Development Guidelines	<ul style="list-style-type: none"> <li>- Ensure integration of environment issues and develop broad application of environment policy mechanisms in other field policies</li> <li>- Develop accountability of the society for natural resources and continuously increase effectiveness of the use of resources</li> <li>- Ensure sufficient measures for preservation of biological diversity and protection of ecosystems</li> </ul>	LV0051 LV0075 LV0047 LV0062 LV0097	LV0052 LV0070 LV0072 LV0081 LV0045
Climate Change Reduction Programme 2005–2010	Ensure measures for reduction and restriction of greenhouse effect gas emissions and for promotion of carbon dioxide attraction	LV0049 LV0051 LV0075 LV0062 LV0097	LV0071 LV0045
Latvian Rural Development National Strategy Plan for 2007-2013	Improvement of quality of life in rural areas and promotion of diversification of economic activities by improving the competitiveness of agricultural and forestry sector with promotion of knowledge and improvement of human potential	LV0047	LV0081

### ***Conservation of European heritage priority***

Six projects have been approved from the both Financial Mechanisms which comply with the aim of the priority – to improve preservation, protection, study and availability of culture heritage in Latvia by facilitating development and diversification of culture heritage economic activity forms. Please find below information about projects' compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 3 - Projects' compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
1. Training craftsmen in restoration	2
2. Restoration of historic centres of Latvian towns	3
3. Establishment of an Art-Nouveau centre in Riga	0
4. Documentation and preservation of Soviet period non-conformist heritage	2
5. Restoration of wooden architecture	3

### **Main benefits:**

- four projects supported envisage restoration of culture heritage buildings in different regions of Latvia; three of them (LV0033, LV0091, LV0094) are related to preservation of wooden architecture;
- museum infrastructure developed and modernized varying and improving services provided by museums and thus attracting new visitors, including such target groups as youth, tourists, as well as physically disabled persons;

- within the framework of two projects cooperation with foreign experts is foreseen in order to train restorer and craftsmen thus preparing qualified specialists who will be able to continue the work also after completion of the project to ensure preservation of these and other culture heritage objects;
- the goal of two other projects (LV0034, LV0092) is to ensure preservation and availability of nonconformist art heritage, as well as activate the meaning of art in society.

In the result of project implementation preservation, study and popularization of culture heritage in Latvia is facilitated, sustainable and wholesome functioning of culture heritage objects for the interests of society is facilitated. Implementation of all projects is oriented towards citizens in regions, as well as increasing interest of local and foreign tourists in culture and history of cities and regions of Latvia.

Direct target groups:

- museums and their employees;
- restorers and craftsmen;
- citizens in regions.

Indirect target groups:

- society of Latvia;
- local and regional tourists.

The objective and expected results of projects are in compliance with following national or regional strategic documents:

*Table 4 - Compliance with national or regional strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
Latvia's National Development Plan 2007-2013	Improve preservation, protection, study and availability of culture heritage in Latvia paying special attention to society education on the role of culture heritage in sustainable development of the country	LV0033 LV0091 LV0034 LV0092 LV0093 LV0094
National Culture Policy Guidelines 2006-2015 "National Country"	Strengthen national identity and unity of civil society in Latvia based on national culture values and facilitate balanced development of culture processes and availability of culture in the whole territory of Latvia	LV0033 LV0091 LV0034 LV0092 LV0093 LV0094
National Programme "Culture" (2000-2010)	Ensure preservation, study and inclusion of national heritage in today's culture circulation, as well as facilitate establishment of culture centres out of Riga. Oriented towards ensuring wholesome culture environment in all Latvia	LV0033 LV0091 LV0034 LV0092 LV0093 LV0094
Kurzeme Region Development Strategy (till 2013)	Increase availability of culture and facilitate development of tourist attraction infrastructure (renovation and arrangement of old towns, culture heritage objects, establishment of new tourist attraction objects etc.)	LV0033
Zemgale Planning Region Development Programme for 2008-2014	Establishment of qualitative life environment, including preservation and development of culture heritage and creative environment	LV0091
Vidzeme Planning Region Development Programme for 2007-2013	Develop culture infrastructure and services, renovate and arrange culture environment and preserve historic traditions in culture	LV0094
Latgale Planning Region Territory Planning 2006 - 2026	- Spatial development perspective - Region Territorial Planning Guidelines	LV0093

### **Health priority**

Seven projects have been approved from the both Financial Mechanisms which comply with the aim of the priority – improvement of public health popularizing healthy way of life and facilitating disease prevention, increasing the quality, effectiveness and availability of health care services, as well as facilitating public awareness and involvement in health improving measures. Please find below information about projects' compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 5 - Projects' compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
1. Reduction of mortality and spread of communicable diseases	1
2. Reduction and prevention of lifestyle-related diseases	0
3. Improvement of mental health care	1
4. Improvement of technical and professional capacity of health care institutions	7

Projects envisage complex approach to solution of current problems – performing reconstruction of premises, procuring equipment, training personnel, developing and implementing health prevention programmes. Within one project it is planned to build and arrange a new building to ensure that the hospital complies with modern requirements, to improve the quality of provided health care services, as well as work conditions for employees. Implementation of these projects will increase the range of hospital services and create a demand for additional specialists – it means a benefit to citizens, for example, spreading of infectious diseases will be limited, the time needed to receive the doctor's opinion will be reduced, the number of jobs in hospitals will be increased.

#### Direct target groups:

- employees of hospitals, who in the result of trainings will receive new qualitative knowledge, abilities and practical skills;
- clients of hospitals' ambulatory divisions.

The direct target group has been chosen on the basis of their interests and needs to participate in the project – a wish to broaden their view and get possibility to acquire new qualification.

#### Indirect target groups:

- employees and clients of hospitals, because the projects will result in a possibility to provide informative materials and best practice examples;
- patients and general public, because the projects will result in a possibility to provide qualitative medical services to all citizens.

The objective and expected results of projects are in compliance with following national strategic documents:

*Table 6 - Compliance with national strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
Action Plan for Implementation of Hospital and Stationary Health Care Service Provider Development Programme 2005-2010	- Improve quality of provided health care services - Ensure availability of rational health care service to patients	LV0027 LV0029 LV0079 LV0084

Hospital and Stationary Health Care Service Provider Development Programme	<ul style="list-style-type: none"> <li>- Ensure further development of integrated health care system optimizing the number of service providers and their location</li> <li>- Improve quality of provided health care service, cost efficiency and rational availability to patients</li> </ul>	LV0025 LV0026 LV0027 LV0028 LV0029 LV0079 LV0084
Guidelines “Improving Mental Health of Citizens 2006–2016”	Define development of the mental health sector and public actions aimed at improving public mental health in Latvia	LV0084
Action Programme for Implementation of the Public Health Strategy 2004–2010	Establish operative, computerized mental health service information system for effective organization and planning of psychiatric help	LV0084
Action Programme for Implementation of the Public Health Strategy 2004–2010	Ensure measures for reducing the spreading of antimicrobial resistance and infectious diseases, including nosocomial diseases	LV0025
Programme “Development of Human Resources in the Field of Health Care 2006–2015”	Ensure human resources and their development in the health care sector in long term	LV0029
Latvia’s E-health Strategy	Ensure introduction of national e-health standards	LV0028 LV0027 LV0026 LV0025

### ***Children with special needs priority***

Four projects have been approved from the both Financial Mechanisms which comply with the aim of the priority – to increase integration into society of those children, who have physical or mental health problems and require special care and treatment as well as to improve their life quality. Please find below information about projects which comply with the aim of the sub-priority of respective priority defined in the Annex 2 of the MoU:

*Table 7 - Projects’ compliance with sub-priorities of respective priority*

Sub-priorities	Number of projects
1. Improved access and treatment of children with special needs in the health care system	2
2. Integration of children with special needs in the educational system	2

#### Main benefits:

- established or improved premises for children with special needs (improved accessibility and improvement of living conditions);
- trained personnel for work in multidimensional centres for children with special needs;
- trained parents of children with special needs;
- ensured rehabilitation services for children with special needs.

#### Direct target groups:

- children with special needs;
- families of children with special needs;
- personnel of multidimensional centres for children with special needs;
- teachers who work with children with special needs;
- NGOs which work with children with special needs.

The results of implemented projects are important for all society of Latvia. Within the priority the integration of children with special needs into society is improved in complex way by establishing multifunctional centre for children with special needs at national and regional level (Zemgale, Kurzeme and Vidzeme). The objective and expected results of projects are in compliance with following national, regional or local strategic documents:

*Table 8 - Compliance with national, regional or local strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
Concept „Equal Opportunities for Everyone” (2003-2010)	Provide the disabled with education opportunities that corresponds their capabilities	LV0030 LV0065 LV0095 LV0031
Concept “Equal Rights for All”	Integrate all persons with disability to in the society (including labour market)	LV0030 LV0065 LV0095 LV0031
Guidelines „Children Friendly Latvia”	Ensure equal opportunities for disabled children and children with special needs to have wholesome life in the society, more specifically, to ensure medical, rehabilitation and social services for the disabled children and children with special needs	LV0030 LV0065 LV0095 LV0031
Operation Program „Human Resources and Employment” on Infrastructure (2007 – 2013) - promotion of social inclusion	Integrate children with special needs in the all-round education system	LV0030 LV0065 LV0095 LV0031
“Latvia - Appropriate Country for Children”	Decrease and avoid the reasons for disability, to ensure as early as possible discovery of disability, medical and social care and rehabilitation for children with special needs	LV0030 LV0065 LV0095 LV0031
Society Integration Program	Integrate people with disabilities into the society and ensure accessible public infrastructure	LV0030 LV0065 LV0095 LV0031
Zemgale Planning Region Development Programme 2008 – 2014, „Educated, Creative and Competitive Individual”	Facilitate development of the educational institution infrastructure and facilities	LV0030
Ventspils City Development Programme 2007-2013	Ensure adequate services for disabled persons and integration of respective persons into the society	LV0095

### ***Human recourse development and education priority***

Ten projects have been approved from the both Financial Mechanisms which comply with the aim of the priority – development of human resources by means of strengthening education and training at municipal, regional and national level and building administrative or public service provision capacity of municipalities or their institutions, as well as involving them into democracy building measures. Please find below information about projects’ compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 9 - Projects’ compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
--------------	--------------------

1. Improvement of education, training and lifelong education systems	10
2. Strengthening of civil society and society integration in accordance with the priorities set out in the national programme for civil society development, including language training	0
3. Support to education programmes in multi-media field and environmental protection	10

Seven projects are being implemented in the higher education field (LV0040, LV0042, LV0044, LV0063, LV0086, LV0088, LV0089) with the aim to prepare new study courses or study programmes, develop training materials, train academic personnel, as well as improve material-technical basis to ensure the study process. Within the framework of three projects (LV0040, LV0044, LV0063) training of the academic personnel has been started – seminars, conferences and working groups have been held; within four projects (LV0040, LV0042, LV0044, LV0063) the work has been started on development of study materials; within two projects (LV0042, LV0063) the technical basis was prepared – room repairs, procurement of software and hardware, preparatory work for renovation.

In elementary education from June 2009 one project is being implemented (LV0087), envisaging development and implementation of new multimedia training supplementary aid in the elementary school. In the life-long learning field six projects are being implemented (LV0040, LV0042, LV0043, LV0087, LV0088, LV0090) envisaging training of employees of central and local government institutions, heads and employees of enterprises in different fields – innovations and entrepreneurship, environment protection and public health, creativity. One project is being implemented in the further education field envisaging building capacity of teachers of vocational schools and teachers of adult vocational further education, therefore facilitating vocational further education in Vidzeme planning region. In the field of informal education one project is being implemented envisaging development of informal educational programme for pupil and student.

It is planned to develop training programmes in the multimedia field within seven projects (LV0040, LV0043, LV0044, LV0063, LV0086, LV0087, LV0089), including five projects in the higher education field, one project in the elementary education field and one project in the vocational further education field.

It is planned to develop and implement training programmes in the environment protection field within four projects (LV0042, LV0044, LV0087, LV0090). It is planned to develop multimedia materials in the environment protection field within three projects – two in the higher education (LV0042, LV0044), one in the elementary education (LV0087).

Direct target groups:

- students of higher educational establishments;
- academic personnel of higher educational establishments;
- employees of central and local government institutions;
- pupil of general schools;
- teachers of general schools;
- teachers of vocational schools and teachers of adult vocational further education;
- heads and employees of enterprises.

Projects approved within the priority comply with the key goals in the education sector:

- to improve quality of higher education;
- to promote development of creativity and innovations;
- to promote development of life-long learning education;

- to promote development of e-education;
- to promote development of environment education.

The objective and expected results of projects are in compliance with following national strategic documents:

*Table 10 - Compliance with national strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
Latvia's National Development Plan 2007-2013	<ul style="list-style-type: none"> <li>- Ensure qualitative and available pre-school and elementary education, as well as mandatory secondary and competitive higher education</li> <li>- Improve offer of higher education to the job market developing inter-disciplinary and inter-university study programmes</li> <li>- Modernize education infrastructure</li> <li>- Achieve qualitative acquisition of general knowledge and skills, including in natural science, environment science and mathematics</li> </ul>	LV0040 LV0042 LV0043 LV0044 LV0063 LV0086 LV0087 LV0088 LV0089
Long-term Policy Guidelines "State Culture Policy Guideline 2006 – 2015"	<ul style="list-style-type: none"> <li>- Develop and use full potential of culture for lifelong education of society facilitating development of the knowledge society based on human values</li> <li>- Improve cooperation between culture and economy for promotion of cultural diversity in Latvia and sustainable development of creative economy (strategic goal)</li> </ul>	LV0063 LV0086 LV0088 LV0089
Action plan 2007 – 2009 for implementation of the education system computerization programme "Information and Communication Technologies for Education Quality"	<ul style="list-style-type: none"> <li>- Facilitate educated and creative personality increasing knowledge and skills of students in application of information and communication technologies</li> </ul>	LV0040 LV0042 LV0043 LV0044 LV0063 LV0086 LV0087 LV0088 LV0089
Education Development Guidelines 2007 – 2013	<ul style="list-style-type: none"> <li>- Broaden the further education offer of universities, their branches and adult educational establishments related to regional development fields</li> <li>- Improve competitiveness of higher education and ensure preparation of high qualification specialists (masters, doctors) according to current requirements</li> </ul>	LV0040 LV0042 LV0043 LV0044 LV0063 LV0086 LV0087 LV0088 LV0089

### ***Schengen priority***

Five projects have been approved which comply with the aim of the priority – to build capacity of Latvian public administration institutions in order to ensure effective compliance with requirements of the Schengen Convention. Please find below information about projects' compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 11 - Projects' compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
Strengthening police-cooperation in order to prepare for membership in the Schengen information system	5

Main benefits:

- improved Schengen information system and penalty register;
- developed ITIL methodology and improved and optimized SIRENE information system functionality;
- trained SIRENE office workers and employees of services involved in SIS application;
- interactive on-line dictionary (English, French, Spain and Latvian) established;
- regional classrooms of the State Police College of Latvia technically equipped;
- information technology infrastructure of diplomatic and consular missions of Latvia improved.

Implementation of projects ensures effective functioning of involved service divisions and improvement of system users (employees of the Ministry of Interiors, law-enforcement institutions, as well as employees of diplomatic and consular missions of Latvia which is an important aspect in ensuring compliance with international requirements in the Schengen area.

Development of ITIL methodology, optimization of SIRENE information system functionality, provision of technical equipment for regional classrooms of the State Police College of Latvia and improvement of information technology infrastructure of diplomatic and consular missions of Latvia are directly linked with ensuring safety of the European Union external borders, and equipping of the above mentioned institutions with technical means is an important pre-condition for safety of all countries under the Schengen Convention.

Direct target groups:

- employees of the Information Centre of the Ministry of Interiors;
- employees of the SIRENE office of the State police;
- employees of the services involved in the SIS application;
- employees of the State Police College who are the training personnel;
- employees of diplomatic and consular missions of Latvia.

The objective and expected results of projects are in compliance with following national strategic documents:

*Table 12 - Compliance with national strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
Strategic development document "Latvia's Foreign Policy Guidelines 2006 – 2010"	- Facilitate accession of Latvia to the Schengen area	LV0039
Strategic planning document "Performance Strategy of the Ministry of Interiors 2007–2009"	- Maintenance and management of information systems - Organize and implement cooperation of the State Police with national offices of Europol, Interpol and Sirene in related areas	LV0035 LV0036 LV0037 LV0038
Action Plan for Compliance with the Schengen Requirements <i>acquis</i>	- Remove border control on internal borders - Cooperate with police services of Schengen countries to avoid and investigate criminal offences - Ensure establishment of similar database for all divisions of contractual parties using hardware unit - Ensure maintenance, update and performance of the database system - Ensure personal data protection related to automatic processing of personal data transferred in the result of application of the Convention	LV0039 LV0037 LV0038 LV0036 LV0035

***Judiciary priority and Technical assistance in implementation of Acquis communautaire priority***



Nine projects have been approved which comply with the aim of the priority – to ensure assistance for development of the judiciary field. Within the priority Technical assistance in implementation of Acquis communautaire is approved and being implemented one project „Technical assistance in implementation of Acquis communautaire”. Please find below information about projects’ compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 13 - Projects’ compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
1. Improved standard of prison buildings and training of personnel	6
2. Educational programmes in prisons	2
3. Improved health care and health information for prison inmates	0
4. Preventive action to reduce youth criminality	1
5. Competence building in the courts to enhance EU regulations	0
6. Combating and preventing organized crime	2
7. Improved competence programmes and physical conditions for asylum seekers and illegal immigrants	0
8. Strengthening of the probation system	3

Projects related to improvement of the execution of criminal punishment are of high importance in the implementation of prison system reform and establishment of new convict re-socialization model in Latvia. In the result of implemented projects professional qualification of employees of prisons and probation institutions, as well as training system in these institutions will be improved. Implementation of these projects will create favourable environment for effective re-socialization of prisoners and convicts, and in the result of it there is a possibility that the recurrence of criminal offences will be avoided and convicts or prisoners will be able to fully integrate in the social life. Also the capacity of law-enforcement institutions – police, customs, border guards, prosecutor’s office, courts – will be facilitated and quality of services will improve.

Direct target groups:

- convicts, prisoners and former convicts having new possibilities and motivation for successful performance of re-socialization, useful use of the time of imprisonment developing skills of prisoners and convicts, getting new knowledge and experience;
- employees of prisons and probation institutions who have increased their professional qualification and improved training systems, as well as studied best foreign experience with the help of projects;
- law-enforcement institutions – police, customs, border guards, prosecutor’s office, courts – and citizens of Latvia who in the result of project implementation will have access to science-based, objective, qualitative forensic results;
- judges, practicing lawyers, employees of public administration institutions working with transposing the European Union legislative acts.

In the result the safety of the whole society will improve, social and economic discrepancies will be reduced and thus indirect target group of projects will be all citizens of Latvia.

The objective and expected results of projects are in compliance with following national or regional strategic documents:

*Table 14 - Compliance with national or regional strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects
--	---------------------------	---------------------

Prison Development Concept	- Facilitate solutions to residence condition problems of all categories of prisoners (incl. solution to problems related to provision of rooms, buildings and work of prisons)	LV0020 LV0019 LV0067 LV0069
Education Policy Guidelines for Convicts 2006–2010	- Achieve integration of prisoner education in the national education system - Ensure education rights of convicts - Facilitate integration of former convicts in the society	LV0020 LV0024
Performance Strategy of the Ministry of Justice 2007–2009	- Reduced number of criminal offences; - Protected victim and restored justice; - Convict punished in a fair, fast and effective manner and re-socialized	LV0020 LV0024 LV0022 LV0021 LV0019 LV0067 LV0069 LV0068
Re-socialisation Concept of Former Convicts	- Decrease recurrence of criminal offences among former prisoners	LV0020 LV0024 LV0021 LV0019 LV0067 LV0068
Policy Guidelines for Sentence Enforcement and Detention of Minors for 2007–2013	- Ensure minor care in prisons according to child's needs and binding international standards - Ensure corresponding re-socialization of minor convicts (correction of social behaviour and social rehabilitation) done by properly trained specialists - Ensure involvement of all minor convict care institutions according to their competences, involving also the non-governmental sector - Decrease threat to the society caused by among minors	V0019 LV0067
Informative report “Basic Principles, Goals, Priorities and Actions in 2007 – 2013 Related to Latvia’s Membership in the European Union”	- Ensure active and continuous involvement in the EU decision preparation and making processes	LV0009
Zemgale Development Strategy 2003–2010	- Ensure pre-conditions for educated society creation processes and open possibilities to citizens of Zemgale for successful competition in the global job market	LV0020 LV0080

***Regional policy and development of economic activity priority***

Five projects have been approved which comply with the aim of the priority – to facilitate even development of the territory of Latvia taking into account different features and possibilities and preserving particular features of each territory. Please find below information about projects’ compliance with sub-priorities of respective priority defined in the Annex 2 of the MoU:

*Table 15 - Projects’ compliance with sub-priorities of respective priority*

Sub-priority	Number of projects
1. Local and regional development promotion programmes	7
2. Development of public-private partnership	2
3. Support of sustainable economic development	7
4. Institutional strengthening of regional development bodies and institutions, involved in public-private partnership project implementation and promotion	4
5. Strengthening research and assessment capacity on regional development	4
6. Competence building on financial management and audit in the municipalities	0

7. Networking and sharing of experience on local development between regional development bodies	1
8. Networking between Latvian and Norwegian institutions and local governments	5

Main benefits:

- facilitated development of regional and local planning documents;
- city planning improved by developing PPP;
- cooperation networks established among municipalities, higher education and research institutions;
- development centres established to promote entrepreneurship;
- institutional capacity of regional development institutions strengthened related to implementation and management of PPP projects;
- studies carried out in the context of regional development;
- establishment of cooperation network between Latvian and Norwegian institutions and local municipalities involving partners from the Norwegian municipalities and scientific institutions, as well as planning organization of best practice and experience exchange measures involving Norwegian experts.

Direct target groups:

- educational establishments, including universities and scientific institutions (researchers, training personnel, students);
- policy makers;
- regional and local governments, employees (territory planners, project managers, specialists of municipal development planning);
- potential investors from the private sector;
- potential entrepreneurs, new entrepreneurs, SMEs, business launchers, large, stable local companies;
- youth, especially secondary school pupils;
- citizens of municipalities.

The objective and expected results of projects are in compliance with following national, regional or local strategic documents:

*Table 16 - Compliance with national, regional or local strategic documents*

National, regional or local strategic document	Respective objective/task	Respective projects	
Latvia's National Development Plan 2007-2013 (NDP)	- Prepare work force according to the job market demand;	LV0054	
	- Support training of employees to improve their qualification or ensure re-qualification within enterprises or employers' organizations	LV0055 LV0056 LV0057	
	- Establishment of new competitive enterprises	LV0058	
	- Development of science and research	LV0059	
	- Develop cooperation between the public, non-governmental and private sectors	LV0076 LV0077	
	- Improve polycentric development creating new possibilities for regions	LV0078 LV0083	
	Regional Policy Guidelines	- Bringing the level of development of Latvia and its regions to the level of European countries	LV0054 LV0076
		- Ensure development and implementation of regional development planning documents	LV0077 LV0078 LV0083
Public and Private Partnership Promotion Guidelines		- Meet effectively the public needs offering innovative solutions and ensuring wider accessibility to public services with the help of PPP	LV0057
		Kurzeme Region Development Strategy	- Invest in human resources and develop innovation culture

2004–2013		
Zemgale Planning Region Development Strategy 2003 – 2010	- Increase living standards in Zemgale region by improving attractiveness of the region - Facilitate balanced development of Zemgale region facilitating availability of infrastructure and services	LV0056 LV0058
Entrepreneurship Development Programme in Zemgale 2006 – 2011	- Ensure qualitative infrastructure for entrepreneurship development - Increase competitiveness of regional enterprises and their production and services - Strengthen business activities and facilitate PPP project development	LV0056 LV0077
Latgale Towns Development Strategy	Facilitate renewal of city environment (improvement of spatial/physical quality of city environment)	LV0057
Liepaja Town Development Programme 2002 – 2010	Development of planning documentation	LV0055
Ventspils Town Development Strategy 2005 – 2013	Development of planning documentation	LV0055
Jelgava Town Development Strategy 2004 – 2010	Provide the town with modern and sustainable living environment	LV0058
Cesis Town Development Programme 2008 – 2014	Create the city environment favourable to entrepreneurship	LV0059

### **Partnerships with donorstate**

Partners from Latvia and Norway were welcomed and encouraged to participate in projects, therefore now certain number of partners are actively involved in the activities of approved projects. Please find the assessment of the effects on the bilateral relations with the donorstate in the Appendix 3.

### **Assessment of the impact of projects on the cross-cutting issues**

**Sustainable development – environmental aspects** - will be ensured in following way:

- Elaborated and implemented strategic documents and programmes in the field of environment education will develop knowledge level of the society about environment protection issues;
  - Elaboration of environment management system will facilitate reduction of energy and resources costs;
  - Usage of environment-friendly technologies and effective utilization of resources will stimulate reduction of CO<sup>2</sup> emissions;
  - Construction works will be agreed with the Regional Environmental Board of the Republic of Latvia which will evaluate potential impact of reconstruction works to the environment and issue its technical regulations;
  - Any residual or extracted material from the construction will be reused, recycled, treated and/or deposited in an environmentally sound manner;
  - The elaborated activity plans on tourism development in nature parks will improve nature resources management and effectiveness of use of the nature park territory;
  - Elaboration of improved legislation in the field of surveillance of air pollution caused by tractor techniques will help to prevent air pollution in the nearest future;
  - By protecting and ensuring good conditions for species and biotopes;

- The purchased equipment for implementation of professional education programmes will help to observe modern requirements on energy savings.

**Sustainable development – economical aspects** - will be ensured in the following way:

- Cooperation network between several health care service providers will promote health care service accessibility and quality, as a result health of society will be improved;
- Cooperation between education and research institutions, entrepreneurs and local governments for development of entrepreneurship and innovations in the region, in order to facilitate spatial development and innovation activities and economic growth, by increasing number of work places and number of new and competent companies;
  - Business incubator which will improve environment of local entrepreneurship;
  - Investments in infrastructure in order to solve economic problems;
  - Seminars in lifelong learning field for entrepreneurs and staff of local governments;
- Establishment of *Environment Modelling Centre* will facilitate implementation of different economic activities in territorial planning. Such centre will work also in the fields of science and research by stimulating economic growth;
  - Establishment of *Vidzeme Continuing Education Centre* will create a possibility for Vidzeme region inhabitants to obtain professional growth;
  - Development of new study courses and programmes will create preconditions for the raise of Latvian inhabitants` education level;
  - Due to better social and health care, and education, children with special needs will be able to integrate in working life much better;
  - Local governments will contribute financial and human resources to established multifunctional centres, thereby ensuring the economical sustainability of these centres;
  - As the parents will have safe and appropriate place where to leave their children during working day, they will have more chances to reintegrate in labour market (part time work);
  - Investments in sustainable re-socialisation system of prisoners in Latvia would bring direct benefits to economics as 370 prisoners will be involved in the long-term professional training activities;
  - Developed and to diversified service of tourism will have positive influence on economical situation;
  - Developed and advanced infrastructure and collections of museums will have positive influence on economical situation by increased number of tourists and museum visitors.

**Sustainable development – social aspects** - will be ensured in the following way:

- Improvement of quality of diagnostic radiology services will provide accessibility of such services for all groups of population in respect of age, gender and place of living;
- Strengthening of human capacity which will help to improve provision of public services and planning;
- Maintenance of effective and environmentally friendly city infrastructure will ensure good living standards for present and future generations;

- Development of new study courses will facilitate social dialogue between state, local governments, private and NGOs sector in order to secure that the study content corresponds with current economic situation and needs of Latvian inhabitants;

- Provision of different studies and work programmes for convicts, as well as provision of re-socialization of former convicts, will improve reintegration of such persons into the society;

- Increasing quality of life for one of the least advantaged social groups – children with special needs and their families;

- Access to free medical and social services on regular basis will help to improve health of children with special needs;

- Promotion of tolerance towards children with special needs;

- Continuation of social dialogue between municipalities and NGOs involving also parents of children with special needs in this dialogue;

- Access possibilities to materials of the cultural heritage will guarantee a continuous cultural education of the society and the development of the social environment.

**Gender equality** will be ensured in following way:

- Exclusion of any kind of negative discrimination towards any gender both at projects' management level or activities' implementation level;

- The training of target groups and publicity measures will be targeted at both sexes without any restrictions;

- As far as women in Latvia are still involved in child care at much greater extent than men, implemented projects will help to provide opportunities for women engagement in social activities and part time jobs while their children will be in the established children centres;

- The complex social rehabilitation program is planned to apply mainly for the rehabilitation of the former male convicts; however, it will be possible to apply the program also for the rehabilitation of the former female convicts.

**Good governance** will be ensured in following way:

- Selection of project management team in compliance with qualifications and competences;

- Provision of transparency in the management of projects and implementation of activities;

- Access possibilities to information about projects' implementation and achieved results by ensuring publicity activities;

- Application of requirements of national legislation, as well as application of conditions set out in Grant Agreements and Cooperation Agreements;

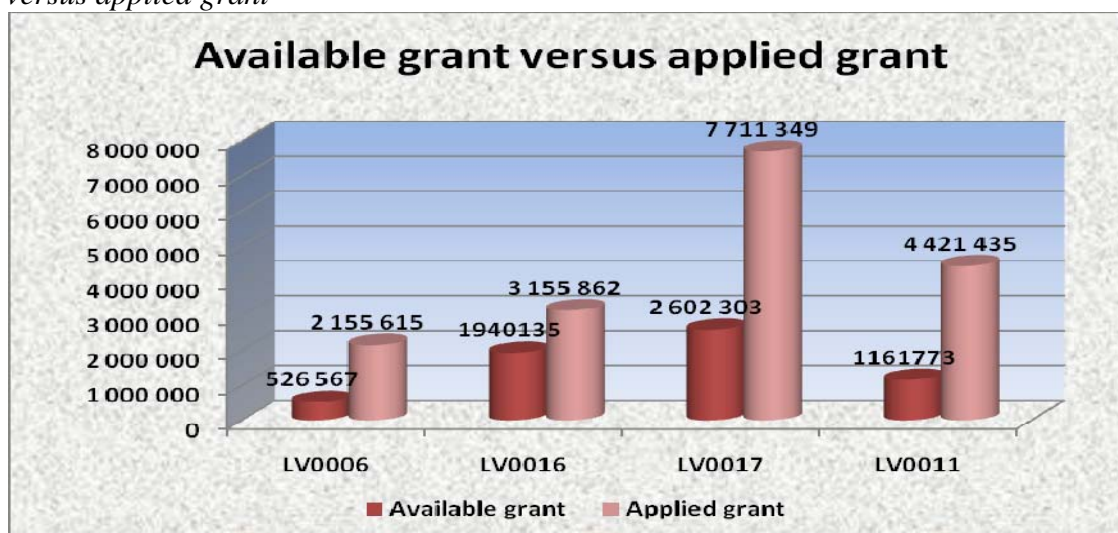
- Purchase of goods and services is done according to the national procurement legislation;

- Projects' compliance with national, regional and local strategic planning documents.

### 3. Progress made towards implementation of programmes and block grants

Almost all OCs for subprojects within programmes/block grants have been completed during the reporting period. Only within the Scholarship block grant the APA will announce two more OCs in September and December 2009. Main attention of Intermediaries was focused on publicity and OCs announcement activities, then evaluation of received subprojects and signing of implementation contracts with approved promoters of subprojects. During the reporting period only one programme - PPP programme - requested to prolong implementation of the programme till April 2011. Please find main publicity activities held within programmes/block grants in the Appendix 2 as well as statistical data of OCs for subprojects concluded till the end of reporting period in the Appendix 4. The graph below shows available grant versus applied grant and it can be concluded that in all programmes/block grants applied grant is much greater than the available grant:

*Graph 1 - Available grant in OCs for subprojects within programmes/block grants versus applied grant*



#### **Description of the overall benefit of the Financial Mechanism`s priority sector in question, including the impact on the respective target groups**

##### **Seed money facility (SMF)**

The aim of the SMF is to support institutions in preparation of qualitative project applications, therefore the target groups of the SMF were institutions willing to prepare project applications and claim to receive financing from the individual projects` OCs. The SMF was completed in November 2008; and all supported subprojects were successfully implemented. Based on framework of these subprojects individual project applications were prepared by promoters and in total 24 subprojects out of 33 within the SMF approved subprojects applied for a grant in the 2<sup>nd</sup> OC for individual projects. 8 of them were approved and received a grant from EEA Financial mechanism: LV0070, LV0079, LV0094 and from Norwegian Financial mechanism: LV0076, LV0068, LV0080, LV0086, LV0087.

The SIF within OCs received 45 applications from NGOs, 43 from private companies, 38 from local governments and 15 from state institutions. The division of subprojects approved within the block grant is as follows:

- 11 - sub-projects implemented by NGOs;
- 8 - by municipalities or their institutions;
- 5 - by private companies,
- 5 - by public administration institutions or state founded educational institution;
- 4 - by Planning Regions.

The SIF has ensured supervision over 33 supported sub-projects by reviewing 30 informative reports and making appropriate advance payments, ensuring 3 on spot checks of subprojects, introducing 59 implementation contract amendments and by reviewing and approving 33 project completion reports. All supported projects have been implemented successfully. In total a grant in amount of EUR 525 950 has been allocated for approved projects. On the basis of the information provided in the project completion reports and decisions taken by the SIF about eligible expenditure in subprojects, it can be concluded that subprojects have acquired 94% or EUR 494 754 of available grant for sub-projects.

### **NGO fund**

Target groups of “NGO activity support measure” and “NGO capacity strengthening measure” were NGOs to contribute to development and strengthening of civil society. Subprojects are being implemented by local, regional and national organizations, therefore the target groups is both towns and rural areas. NGOs act in the fields related to protection of the environment, gender equality, people with special needs, socially vulnerable persons, representatives of different nations etc. In “NGO project measure” projects are being implemented directly oriented towards needs of the target group and solving social problems in such fields as protection of the environment, people with special needs, youth, minorities, persons facing the social exclusion risk etc. The objective and expected results of the fund are in compliance with following national strategic documents:

*Table 17 - Compliance with national strategic documents*

Document	Respective objective/task
State Programme “Society Integration in Latvia”	<ul style="list-style-type: none"> <li>- Facilitate civil participation – participation of individuals in social and national life supporting establishment and performance of NGOs and stimulating involvement of individuals in the NGO work.</li> <li>- Strengthen links between individuals and social groups and between individuals/social groups and state.</li> </ul>
Guidelines for Civil Society Strengthening Policy 2005–2014	<ul style="list-style-type: none"> <li>- Increase in the number of persons in Latvia who build the social capital through formal and informal cooperation in favour of their or public goals.</li> <li>- Increased effectiveness of participatory of citizens, informal groups and public organization in policy processes at municipal, state administration and European Union level.</li> <li>- Develop environment for sustainable purposeful work of NGOs.</li> </ul>

35 sub-projects approved in the “NGO activity support measure” are being implemented successfully. Implementation of operational programmes of 2009 continues. All operational programmes of 2007 have been implemented and all completion reports have been approved. 28 operational programmes have been implemented in 2008. Within the reporting period 26 completion reports or 93% of completion reports have been approved.

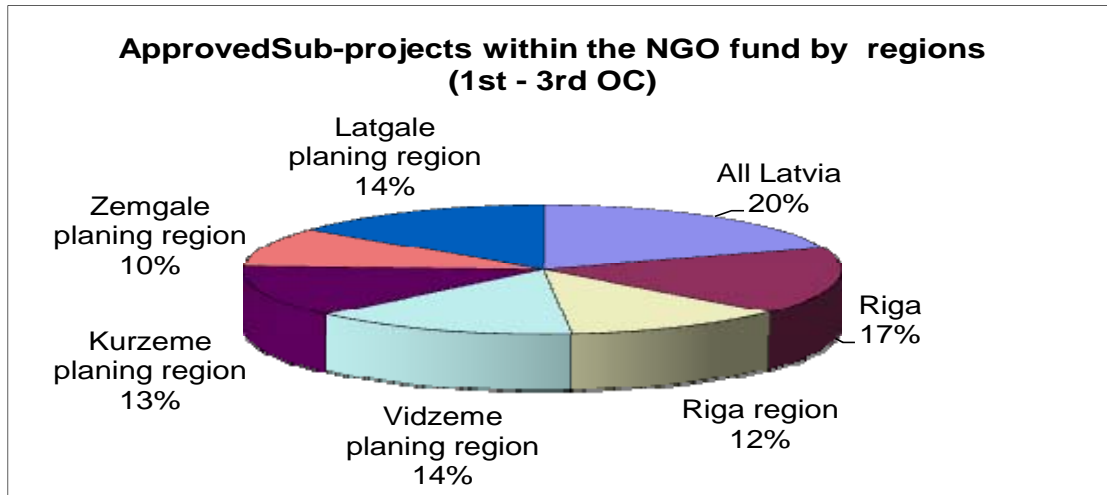
Implementation of 20 subprojects approved within the 1<sup>st</sup> OC of the “NGO capacity strengthening measure” has been finalized and project completion reports have been approved. 24 subprojects approved in the 2<sup>nd</sup> and 3<sup>rd</sup> OCs are being implemented successfully. One of projects approved within the 2<sup>nd</sup> OC has been completed and its completion report has been approved during the reporting period.



Implementation of 23 subprojects approved within the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> OCs of the “NGO project measure” continues. Implementation of 4 subprojects approved in the 1<sup>st</sup> OC and 1 subproject approved in the 2<sup>nd</sup> OC has been completed, their completion reports have been approved during the reporting period.

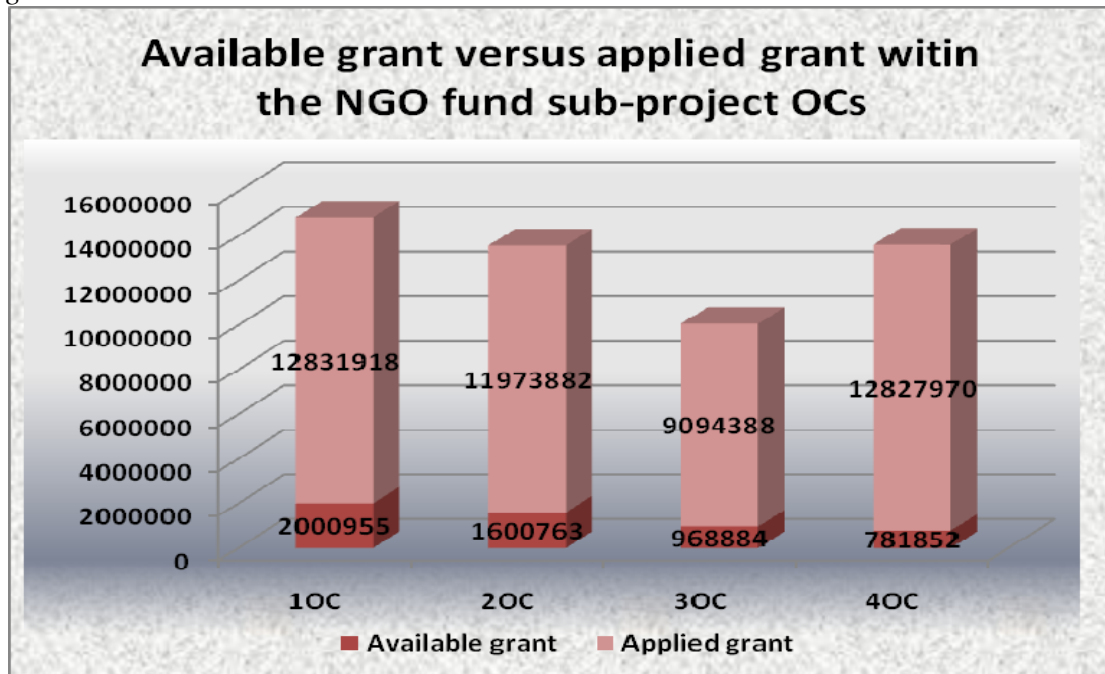
The graph below shows approved subprojects in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> OCs within all three measures by regions:

*Graph 2 - Approved subprojects within NGO fund (1<sup>st</sup> - 3<sup>rd</sup> OC)*



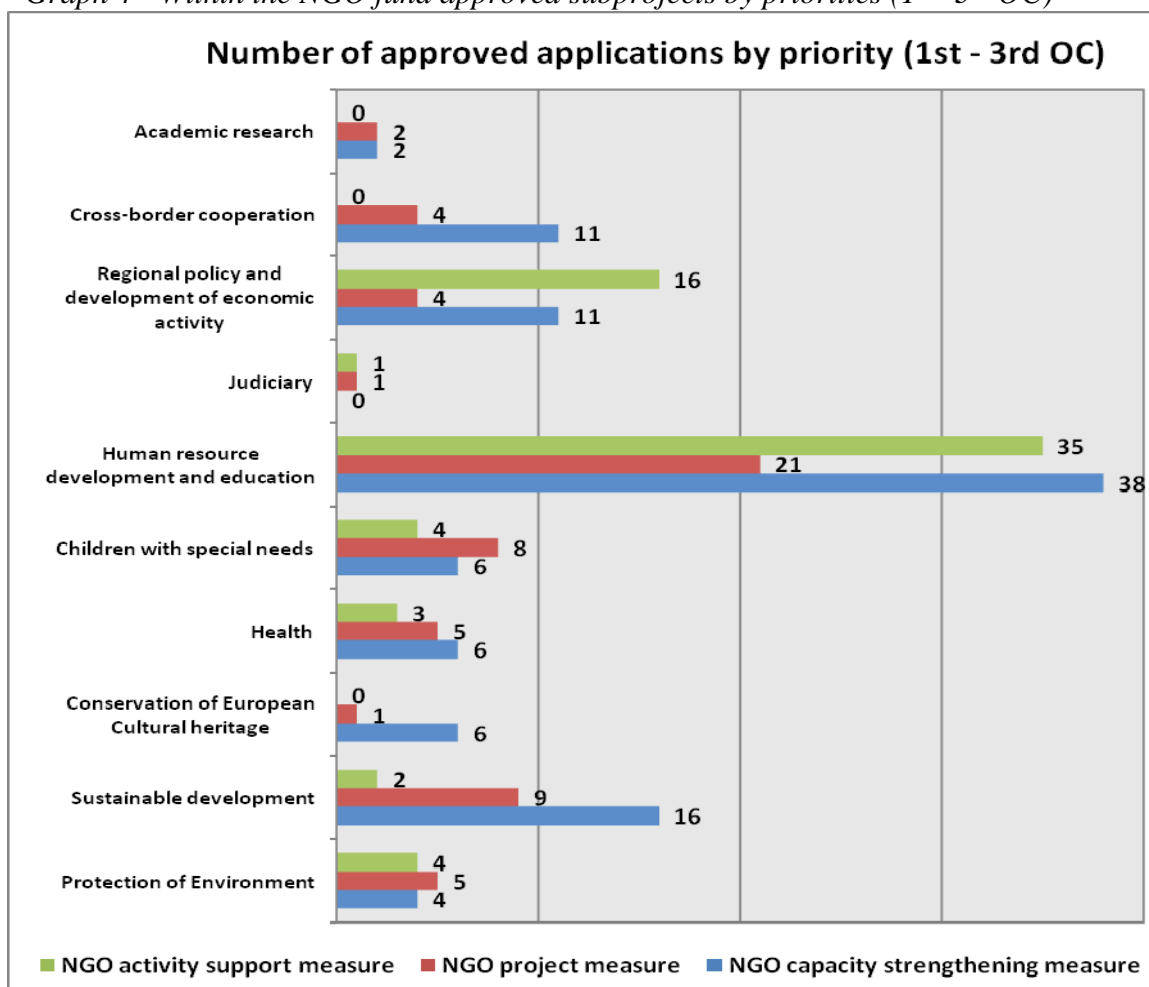
Subprojects` applicants were very active in all 4 OCs. As it can be seen in the graph below the applied grant is noticeably greater than the available grant:

*Graph 3 - Available grant within the NGO fund`s OCs for subprojects versus applied grant*



The graph below shows all priorities in which NGO sub-projects take part implementing activities. Some sub-projects are counted in more than one priority, because subproject`s activities can overlap a number of priorities:

Graph 4 - Within the NGO fund approved subprojects by priorities (1<sup>st</sup> - 3<sup>rd</sup> OC)



The data shows that most subprojects were approved in priority *Human resources development and education* – 35 applications in “NGO activity support measure”, 21 in “NGO project measure” and 38 in “NGO capacity strengthening measure”. In the second place is priority *Regional policy and development of economic activity* with respectively 16, 4 and 11 sub-project applications, it was followed then by priorities *Sustainable development* and *Children with special needs*.

For the next programming period 2009–2014 the SIF has proposed following recommendations:

- Until now the biggest number of projects has been submitted in “NGO project measure” and “NGO activity support measure” which could continue also in the next period if modified according to results of the final evaluation and discussions with representatives of NGO sector.
- Within “NGO project measure” it would be necessary to focus support fields to avoid the double financing risk (for example, with Swiss-Latvian Cooperation Programme NGO fund financing, EU international programmes for informal education, youth, culture, environment etc. projects and other national grants) and to increase the impact of the Financial Mechanism on achievement of particular goals, as well as to avoid creation of unjustified expectations in project applicants and to decrease the number of refused projects, therefore decreasing administrative work of the Intermediary. So it would be necessary to set smaller number of

particular priorities on which the NGO fund would focus in particular period of time.

- “NGO capacity strengthening measure” should not be separated as an independent programme. Instead it should be included as a component of “NGO project measure” or “NGO activity support measure”. This programme could be replaced with a programme at a new quality level which would focus on regional NGOs development, organizational consolidation and establishment and strengthening of mutual cooperation nets, integration of Latvian organizations in international cooperation nets.

### **Scholarship block grant (SBG)**

Mobility helps to disseminate and improve knowledge, as well as to promote cooperation between Latvia and donorstates. Target groups are students of universities in Latvia, prospective/new pedagogic students and academic and administrative personnel of schools and universities, as well as administrative personnel in other state and municipal institutions in the field of education. The objective and expected results of the SBG are in compliance with following national strategic documents:

*Table 18 - Compliance with national strategic documents*

Document	Respective objective/task
National Development Plan 2007–2013	Facilitate development of educated and creative person.
Performance strategy of the Ministry of Education and Science 2007–2009	Ensure qualitative and available education.
Education Development Guidelines 2007–2013	Promote education possibilities throughout the whole life.

Having evaluated previous implementation of the SBG from the performance indicator perspective it can be concluded that there are considerable difficulties only regarding the *Mobility for Teacher Assistantships* in which until now only 3 sub-projects were received indicating that planned results will not be achieved within this mobility neither in respect of the number of scholarship holders, nor in respect of the number of received applications. Having evaluated this situation during the 5<sup>th</sup> OC after consultations with the FP and the FMO the APA channelled part of financing initially planned for this Mobility to the *Mobility for Teachers, University Lecturers, and Education Management Staff* where there is larger interest, thereby ensuring acquisition of the SBG financing in sufficient amount. Regarding the *Student Mobility* and *Mobility for Teachers, University Lecturers, and Education Management Staff*, although the planned number of applications has not been received yet, the initially planned number of scholarship holders has already been achieved by the end of the 5<sup>th</sup> OC in April 2009.

### **Short term expert fund (STEF)**

Subprojects are oriented at exchange of knowledge, experience, information and best practice between Latvia and EEA-EFTA countries. More than 20 exchange of experience visits are planned. 30 different partners are involved in subprojects. The block grant contributes to capacity building of public sector institutions and social partners. Within subprojects studies are carried out, 80 working groups, seminars and conferences are organized. Development of 10 feasibility studies, different documents, methodological materials, guidelines is ensured. Target groups are specialists and entrepreneurs in municipalities, citizens of towns outside Riga and in rural areas. Subprojects cover specific target groups, for instance, persons for hearing

disorder, environment protection specialists, tourists, insolvency administrators etc. The SRDA within the OC received 50 applications from NGOs, 40 from state institutions and 25 from local governments. The objective and expected results of the STEF are in compliance with following national strategic document:

*Table 19 - Compliance with national strategic documents*

Document	Respective objective/task
National Development Plan 2007-2013	<ul style="list-style-type: none"> <li>- Cooperation between state, municipalities, NGOs and social partners including building capacity of non-governmental sector and other institutions and organizations, establishment of cooperation networks.</li> <li>- Development of human resources creating pre-conditions to improve competitiveness of regions and state in general.</li> </ul>

**Promotion of development of public and private partnership in Latvia (PPP programme)**

The programme has positively influenced establishment of PPP which was the first step for each subproject applicant in implementation of the PPP project. Public and private sector cooperation often can ensure better management and more flexible access to capital. Subprojects are being implemented in the following fields – judiciary, education, entertainment and recreation, social care, sports and health care, transport and communication, public administration, protection of environment and arrangement. LIAA within the OC received 14 applications from local governments and 9 from state institutions. The objective and expected results of the programme are in compliance with following national, regional or local strategic documents:

*Table 20 - Compliance with national, regional or local strategic documents*

Document	Respective objective/task
Ogre District Development Programme 2005–2012; Riga Planning Region Development Programme 2005–2011; Transport Development Guidelines of the Republic of Latvia 2007–2013; National Development Plan 2007–2013	Reduce traffic intensity, increase traffic safety and decrease the number of traffic accidents.
National Development Plan 2007–2013; Latvian Common Social Integration Memorandum; Performance Strategy of the Ministry of Welfare 2007–2009	Improve quality of continuous social care and social rehabilitation services and availability of social services to persons with serious mental disorder.
National Development Plan 2007–2013; Limbazi District Development Programme; National Culture Policy Guidelines 2006–2015	Facilitate development of local human resources and culture environment.
National Development Plan 2007–2013; Limbazi District Development Programme; National Sports Development Programme 2006–2012	Create conditions for formation of healthy, physically and mentally developed person.
National Development Plan 2007–2013; Riga Long-Term Development Strategy till 2025; Kurzeme Planning Region Strategy; Convicts Education Policy Development Guidelines 2006–2010; Prison Infrastructure Development Concept	Use more efficiently national resources for execution of detention punishment, improve prison capacity and public safety, create safe environment for employees of prisons, as well as create conditions for complete realization of prisoner re-socialization.

Taking into account crisis situation in the state difficulties have arisen regarding receipt of pre-financing for the state budget institutions for implementation of sub-projects. This resulted in delayed launching of subprojects. Also several state budget institutions were forced to annul signed implementation agreements or to refuse implementation of sub-projects until signing of the agreements. Many state and municipal institutions were interested in the implementation of the 2<sup>nd</sup> activity of the PPP project – development of tender documentation, which was unfortunately

impossible within this programme, because within the framework of one PPP project it was possible to apply for only one activity (development of economic and financial justification or development of tender documentation). Therefore whether the promoters of subprojects will continue implementation of the PPP project will depend on potential attraction of financial resources for other PPP project activities.

**Cross-border cooperation programme (CBC programme)**

Implementation of subprojects will result in balanced and sustainable social and economic development of borderland regions of Latvia. The programme will positively influence establishment and development of cooperation networks between borderland regions of Latvia and its neighbouring countries. It will provide support for further use of potential of borderland regions in Lithuania, Estonia, Russia and Belorussia.

All subprojects contain activities within the following priority areas: protection of the environment, sustainable development, human recourse development and education, as well as development of economic activities, conservation of cultural heritage, indirectly referring also to children with special needs. Subprojects are oriented towards sustainable development of environment and tourism in regions; improvement of water quality in borderland areas and long-term solving of problems related to river pollution; improving knowledge of space technology regional specialists in the field of small satellite construction; joint regional development planning; increasing effectiveness of municipal work; increasing competitiveness and competences of entrepreneurs promoting development of cooperation and knowledge-based entrepreneurship; organized culture education and man-to-man cooperation measures.

Target groups are public, regional and municipal institutions and their employees, scientific and research organizations, NGOs and entrepreneurs, environment specialists, children and youth, and other citizens of regions and general society. By summarizing the data about applicants it was clarified that state institutions submitted 10 applications, local governments – 14, NGOs – 10 and private companies – 1. Whereas the division of subprojects approved within the framework of the programme is as follows: 3 sub-projects implemented by state institutions, 6 by local governments and 1 by the NGO.

The objective and expected results of the programme are in compliance with following national strategic documents:

*Table 21 - Compliance with national strategic documents*

Document	Respective objective/task
National Development Plan 2007-2013	<ul style="list-style-type: none"> <li>- Educated and creative person.</li> <li>- Technological distinction and flexibility of enterprises.</li> <li>- Education of science and research.</li> </ul>
Latvian Sustainable Development Strategy till 2030	Cooperation and a strategic principle of sustainability model: sustainability model requires integrated solution of economic, environment and social issues, therefore both vertical and horizontal cooperation mechanisms become of special importance.

Within the CBC and PPP programme there are no sub-projects approved with partners from donorstate. Please find the assessment of the effects on the bilateral relations with the donorstate within programmes/block grants in the Appendix 3.

**Assessment of the impact of the programmes/block grants on the cross-cutting issues**

**Sustainable development – environmental aspects** - will be ensured in following way:

- Any residual or extracted material from the construction will be reused, recycled, treated and/or deposited in an environmentally sound manner.
- Researches in the environmental field facilitate protection of environment, new technologies and development of life sciences.
- Within PPP programme – by development of feasibility studies for building or reconstruction of different infrastructure objects.

**Sustainable development – economical aspects** - will be ensured by results of subprojects due to improved education, social and health care possibilities. Within CBC programme – by promoting:

- development of favourable environment for entrepreneurship;
- cooperation between entrepreneurs and creators of local governments` politics and specialists;
- development of regions due to increased attraction for investments in innovative and to CBC targeted solutions;
- local governments` work efficiency due to facilitation of accessibility of services provided by local governments for their inhabitants.

**Sustainable development – social aspects** - will be ensured by increasing quality of life for social groups and promotion/continuation of the social dialogue between elaborators of politics in national, regional and local governments` level and the society, because development of many researches and political instruments is based on wide consultations and dialogue between social partners and within the development of politics involved participants.

**Gender equality** will be ensured by exclusion of any kind of negative discrimination towards any gender both at programmes`/block grants` and sub-projects` level.

**Good governance** will be ensured in following way:

- Access possibilities to information about implementation and results of projects for the entire society at funds as well as subprojects level.
- Purchase of goods and services is done in compliance with national procurement legislation.
- Provision of transparency in the management of funds. During subprojects` evaluation principles for prevention of conflict of interests and corruption are taken into account.
- Application of requirements of national legislation, Grant Agreements, Cooperation Agreements and internal normative acts of Intermediaries.

#### 4. Commitments made and disbursements effected

From the date when the MoU was signed – November 2004 - till the end of reporting period the cumulative commitment ceilings for Latvia constitute 31 834 215 euro. Calculation of commitment ceilings is made taking into account the donorstate's management costs (5%) and costs for appraisal, monitoring and ex-post evaluation (1,5%) (taking into account the FMO's decision to reduce this percentage from 3% to 2% and afterwards to 1,5% expressed in the letter dated 31 August 2007 and 15 April 2009).

Actual commitments of funds and individual projects constitute 31 834 093 euro by 30 June 2008. Please find detailed breakdown of commitment ceilings between funds and individual projects in Appendix 5. Comparing actual commitments made with cumulative commitments it can be concluded that actual commitments almost correspond to cumulative commitment ceilings (distinction/shortage – 122 euro). This distinction nearly squares as the actual commitment of the EEA Financial Mechanism is less for 62 euro.

Please find disbursements effected from the date when the MoU was signed till the end of the reporting period in the Appendix 6. By 31 August 2009 approximately 15.4% from the commitment has been disbursed to Latvia by donorstete.

There are some circumstances, which effected actual disbursements received from the FMO:

- mostly only first and second PIRs of individual projects of the 1<sup>st</sup> OC were approved and following disbursements were made;
- first approved individual projects from the 2<sup>nd</sup> OC started only in May 2009.

The main obstacle which delayed request and reception of disbursements was time consuming procedure of PIRs' review in Latvia. Unfortunately the PIRs' review time is often postponed, because many adjustments of PIRs and additional supporting documents are requested by the CFCA from the promoter. Therefore actual time spent for the total review and approval of PIRs could take up to 6 months. The FP together with the CFCA and the Paying Authority has elaborated proposals for simplification of the Financial Mechanisms' management system (including speed up of PIRs' approval process at national level). Proposals shall be concealed with the MoF during September/October 2009.

## 5. Summary of audits

According to the national normative acts within the management of the Financial Mechanisms there are following types of controls and audits:

- on spot check carried out by the CFCA, the Intermediary and the IB;
- system audit of the Financial Mechanisms management and control carried out by the Internal Audit Structures of institutions involved within the management of the Financial Mechanisms;
- control of programmes, block grants, individual projects and subprojects financed by the Financial Mechanisms carried out by the Internal Audit Department of the MoF;
- selective control on eligibility of expenses presented in reports carried out by the CFCA or its authorized auditor company.

Please find more detailed information regarding on spot checks for funds and individual projects carried out by the CFCA and IBs and on spot checks for subprojects carried out by the Intermediaries in the Appendix 7. On-spot checks were carried out by the Intermediaries only within some funds - LV0006 and LV008. For other funds such checks were not carried out, because subprojects were approved only recently. Considering that applicants of subprojects of the LV0014 are students (individuals) on spot checks are not foreseen within this block grant.

The list of carried out system audits is included in the Appendix 7 as well as summaries of audit reports received in the FP are presented in the Appendix 8.

Within the reporting period three controls of individual projects (LV0021, LV0030 and LV0052) and one control of subproject (“NGO Fund” subproject ““Two sides in one” – ensuring the basic activity, popularization and expositions of the Society “More Museum””) were carried out by the Internal Audit Department of the MoF. Please find summary of respective audit reports attached to this report in the Appendix 8.

Within the reporting period one selective control on eligibility of expenses presented in reports regarding project LV0006 was carried out by the CFCA’s authorized auditor company “Auditing and Management Consultations”. The respective report is attached in the Appendix 8. The CFCA has no plans to carry out such selective checks till the end of 2009.

Within the reporting period two external monitoring visits were carried out by the donorstate for projects LV0021 (14 May 2009) and LV0055 (25 May 2009). Two more external monitoring visits are planned for the block grant LV0008 and the project LV0069 in the last quarter of 2009.

In compliance with the national legislation the control and audit plan is elaborated within the calendar year. Therefore information about planned controls and audits for the next reporting period is available only for the period September-December 2009. The control and audit plan for the year 2010 will be known in February 2010. Latvian control and audit plan for the period September - December 2009 is presented in the Appendix 9.



## 6. The work plan for the next reporting period

Latvian action plan including publicity and information activities for the next reporting period is presented in the table below:

Table 22 – The work plan

Scope	Task	Quarter			
		Sept. 2009	IV 2009	I 2010	II 2010
Implementation of the 1 <sup>st</sup> OC for individual projects	Signing of three-sided project implementation agreement between the IB , the CFCA and the project promoter (LV0053)	X			
	The PA sends to the FMO the PIRs	X	X	X	X
	The PA sends to the FMO the PCRs				X
Implementation of the 2 <sup>nd</sup> OC for individual projects	Signing of GAs	X			
	Signing of three-sided project implementation agreements between the IBs , the CFCA and the project promoters	X	X		
	The PA sends to the FMO the PIRs			X	X
Calls for subprojects' proposals	Announcement of the 7 <sup>th</sup> OC within the SBG	X			
	Announcement of the 8 <sup>th</sup> OC within the SBG		X		
Optimization of the implementation system	Elaboration of the amendments of the Memorandum of Understanding between the Kingdom of Norway and the Republic of Latvia		X	X	X
	Elaboration of the draft amendments of the law “ <i>Law of the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism</i> ” and relevant secondary legislation; approval by the Cabinet of Ministers	X	X	X	X
	The approval of draft law “ <i>Law of the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism</i> ” in the Saeima			X	X
Publicity	Press releases (about progress of projects' implementation and achieved results)				
	- Judiciary	X	X		X
	- Conservation of European heritage			X	
	- Protection of the environment and Sustainable development	X	X	X	X
	- SBG				X
	- NGO fund	X		X	
	- STEF	X	X	X	X
	Seminars				

	– NGO fund (for projects` applicants)		X	X	
	- Health (about progress of projects` implementation)	X	X	X	X
	Web pages (about progress of projects` implementation; publication of relevant normative acts and methodology)				
	– Judiciary <a href="http://www.tm.gov.lv">www.tm.gov.lv</a>			X	
	– Schengen <a href="http://www.iem.gov.lv">www.iem.gov.lv</a>	X	X	X	X
	– Conservation of European heritage <a href="http://www.km.gov.lv">www.km.gov.lv</a>	X	X		X
	– Protection of the environment and Sustainable development <a href="http://www.vidm.gov.lv">www.vidm.gov.lv</a>	X	X	X	X
	– Health <a href="http://www.vm.gov.lv">www.vm.gov.lv</a>	X	X	X	X
	– Regional policy and development of economic activity <a href="http://www.rapl.gov.lv">www.rapl.gov.lv</a>	X	X	X	X
	– SBG <a href="http://www.apa.lv">www.apa.lv</a>	X	X	X	X
	– PPP programme <a href="http://www.liaa.gov.lv">www.liaa.gov.lv</a> ; <a href="http://www.em.gov.lv">www.em.gov.lv</a> ; <a href="http://www.rapl.gov.lv">www.rapl.gov.lv</a> ; <a href="http://www.ppp.gov.lv">www.ppp.gov.lv</a>	X			
	– NGO fund <a href="http://www.lsif.lv">www.lsif.lv</a>	X	X	X	X
	– STEF <a href="http://www.vraa.gov.lv">www.vraa.gov.lv</a>	X	X	X	X
	– CBC <a href="http://www.rapl.gov.lv">www.rapl.gov.lv</a>	X	X	X	X
	Conferences				
	- Within PPP programme				X

## Conclusions

- The FP considers that during the reporting period substantial progress in the implementation of the Financial Mechanism in Latvia has been achieved. All main actions of the FP and other institutions responsible for the implementation of the Financial Mechanism in Latvia in the reporting period were concentrated on the national evaluation of applications from the 2<sup>nd</sup> OC - preparation of information and documentation for evaluation of applications from the FMO side (replays on Requests for Additional Information, Detailed Appraisal Reports), provisions of actions related with procedure of signing of the GAs and the Cooperation agreements. Huge workload was also done in monitoring implementation of the 1<sup>st</sup> OC projects – review of PIRs, GA amendment requests and monitoring/audit reports.

- It has taken between 4 to 6 months for the IBs to evaluate all 140 individual projects' applications from the 2<sup>nd</sup> OC. The time spent for evaluation of applications in respective IB depended on number of received applications in respective field. The FP succeeded to forward all prioritized and reserve applications to the FMO during November/December 2008 thereby facilitating timely review of applications since all grant decisions had to be taken till the end of April 2009. Therefore total time spent for evaluation of applications took 7 to 11 months, which is quicker than in the previous OC - even up to 14 months, although the length of evaluation could be considered as still too long.

- Two OCs announced for individual projects financed from both Financial Mechanisms resulted in large number of applications (358) submitted to IBs and high over-subscription rate - in average five times more. More than a half of applications received were submitted by local governments and state institutions - 64%, whereas NGOs and social partners were represented with 19% of all received applications and private companies – with 17%. 25% of all received applications were rejected during the administrative check. From 66 approved projects 59 are being implemented by local governments and state institutions, while 4 projects - by private companies and 3 – by NGOs. It can be concluded that the Financial Mechanism for private companies are in reality unattractive, because even if the company is allowed to apply for the grant up to 60% usually due to the revenue generation within the project the grant is reduced significantly and in most cases the applicant refuses to implement project with such a small grant rate. Besides that projects submitted by the private companies usually need to be coordinated with the EC in respect of state aid, which even more prolongs and complicates the approval process.

- During reporting period 17 OCs within five programmes/block grants were lunched and successfully closed. The over-subscription rate varied a lot starting from none in the SBG and going up to even 18 in the NGO fund's Project Measure. There will be no more OCs for subprojects launched, except the SBG, in the next reporting period.

- Partners from Latvia and Norway were welcomed and encouraged to participate in projects. As a result 32% of all within individual projects' OCs submitted applications had partnerships with donorstates. From approved individual projects nearly 40 % are with direct or indirect partnerships from donorstaes. This can also be explained by Latvia's geographic, historical and economic ties build over the years between Latvia and Norway.

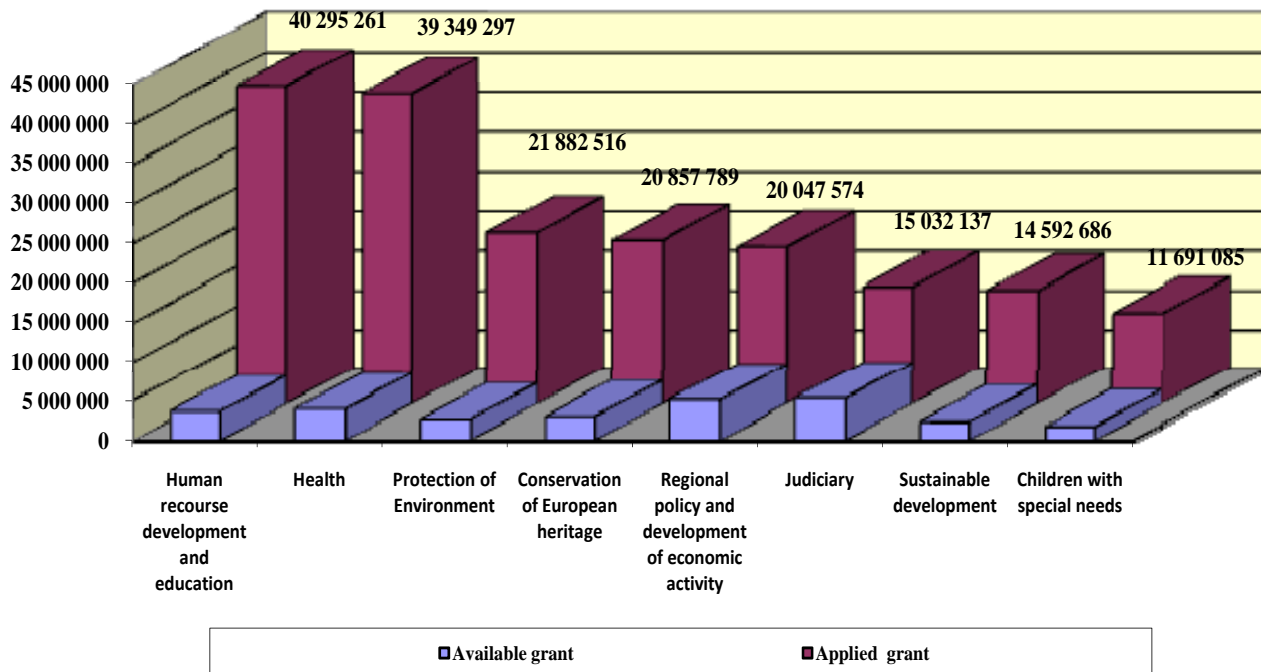
- By the end of commitment deadline all funds available for Latvia from the Financial Mechanism were successfully committed. By 31 August 2009

approximately 15% from the commitment has been disbursed to Latvia by donorstete. The substantial disbursements have not been received yet, because only major part of the first PIRs and couple of the second PIRs of projects from the 1<sup>st</sup> OC have been disbursed, whereas projects of the 2<sup>nd</sup> OC are in implementation only for couple of months and the first PIRs will be filled in by promoters only in the 4<sup>th</sup> quarter of 2009.

## Statistical data regarding OCs for individual projects

358 applications in total for € 183 748 345 were received from applicants during OCs: during the 1<sup>st</sup> OC 218 applications were received in total for €116 860 419 and during the 2<sup>nd</sup> OC - 140 applications in total for € 66 887 926.

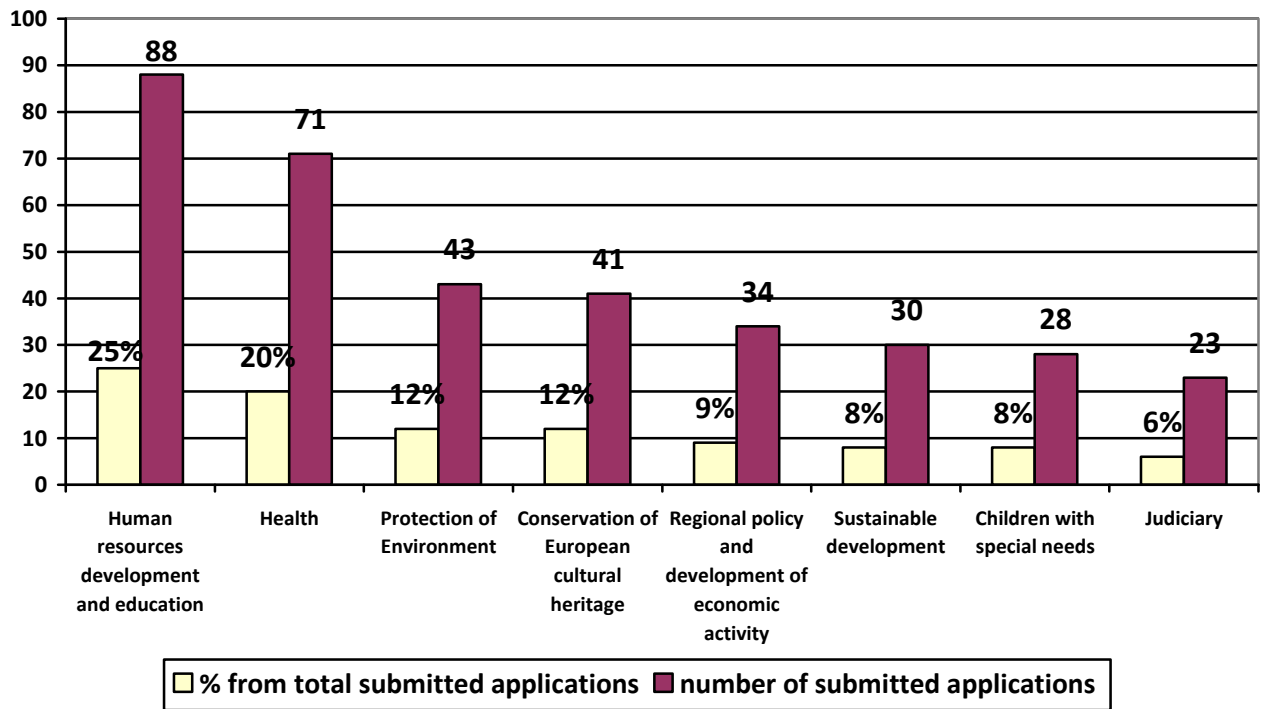
### Available grant versus applied grant by priorities (EUR)



The data shows that the most attractive priority for the applicants was *Human resources development and education* priority where 88 applications were received for total value of € 40 295 261, which shows that 25 % of all applications were submitted within this priority. A wide range of activities were supported under projects of *Human resources development and education* priority like improvement of technical base for the study and research process, support of education programmes, development of e-learning opportunities, strengthening of human resources capacity in educational institutions, development of study and research environment and strengthening of cooperation network between educational institutions and project partners.

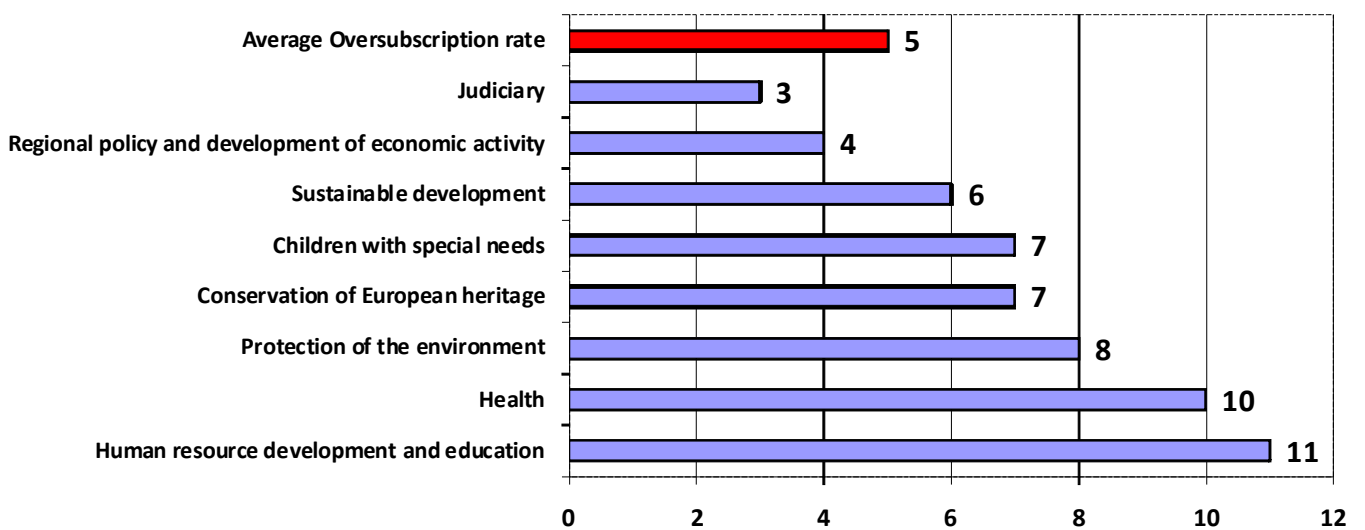
Very close to the top was *Health* priority with 71 applications for total value of € 39 349 297, while *Protection of environment* priority received 43 applications for total value of € 19 517 042 and took the third place.

### Number of the submitted applications by priority



The total requested amount of grant 5 times exceeded the available amount of grant. *Human resources development and education* priority had the highest oversubscription rate - 11, while the lowest oversubscription rate had *Judiciary* priority – 3 due to the specifics of this field.

### Oversubscription rate per priority

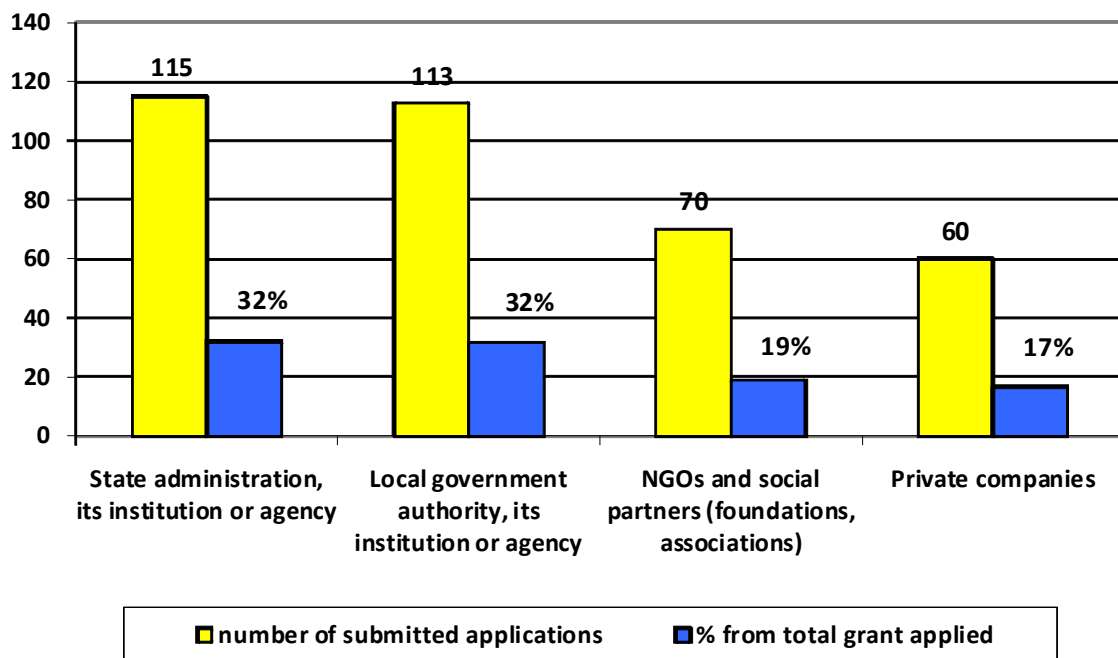


By summarizing the data about applicants it was clarified that more than a half of applications received were submitted by local governments and state institutions, i.e., in total 228 applications or 64%. NGOs and social partners were represented with 70 applications or 19% of all received applications. The private companies have submitted 60 applications or approximately 17% of all received applications.

The applicants from state institutions and local governments dominate over other applicants' categories like NGOs and private companies during both OCs. The greatest interest of local governments and state institutions was observed in *Human resources development and education* and *Health* priorities, moreover local governments dominates the most in *Regional policy and development of economic activity* priority. This tendency is quite argumentative because local governments are responsible for the development of sustainable regional and economical policy and *Regional policy and development of economic activity* priority's funding gives such opportunity through promotion of local development programmes, strengthening of administrative capacity, promotion of public-private partnership projects and sharing of experience on local development with project partners.

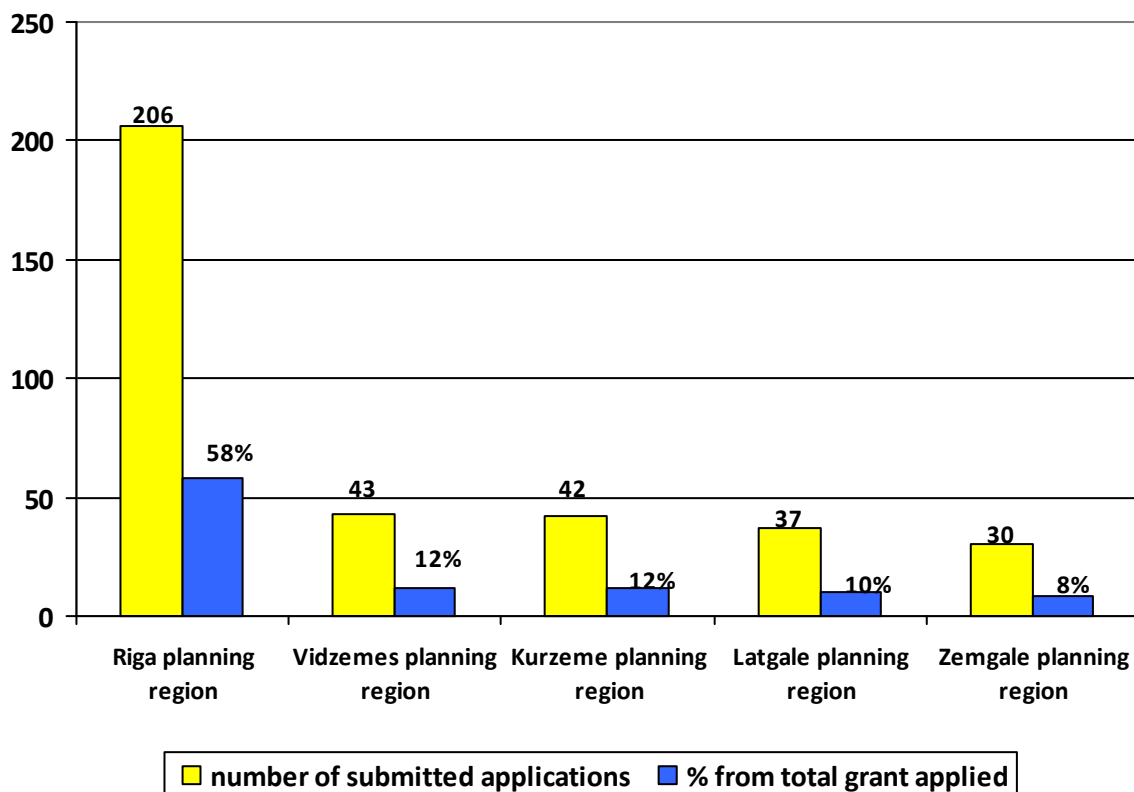
The most of applications from private companies were submitted in *Protection of the environment* priority and were focused on its two subpriorities: "Development of electric and electronic equipment waste management system" and "Encouraging the use of renewable energy".

**Submitted applications by applicants**



The next chart shows distribution of grant assistance within the territory of Latvia, the breakdown of data by 5 planning regions - Riga, Vidzeme, Kurzeme, Latgale and Zemgale - was used.

### Submitted applications by planning region

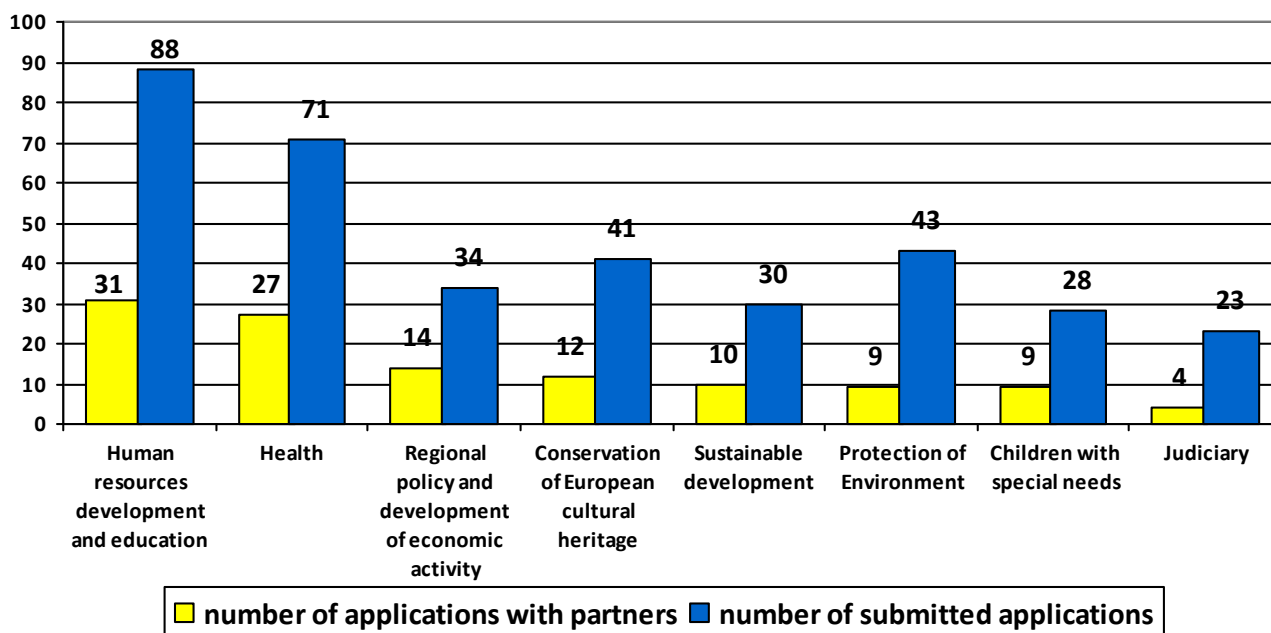


The results of open calls show that 58% of the applications were received from Riga planning region. The reason of such allocation of grant assistance could be explained by historical approach to spatial development of Riga city as a monocentric city. Riga is defined as the main administrative, industrial, financial and transportation centre in Latvia, thus Riga versus the rest regions of Latvia has an important advantages in attracting EU funding and now also EEA and Norwegian grants. Furthermore, the most of state institutions, private companies and NGOs have the legal addresses in Riga, which was taken into account in summarizing of data for previous chart.

The data shows that partnerships between Latvia and donorstates are planned in 116 applications which is 32% of all submitted applications. The highest number of applications with partnerships was within *Health* priority – 9 %, then *Human resources development and education* priority – 8% and *Regional policy and development of economic activity* priority – 4%. From approved individual projects nearly 40 % are with direct or indirect partnerships from donorstaes. The relatively high number of partnerships could be explained by Latvia’s geographic, historical and economic ties build over the years between Latvia and Norway and efforts of the Royal Norwegian Embassy in Riga in distribution of partnerships idea and its support to potential applicants in funding of partners.

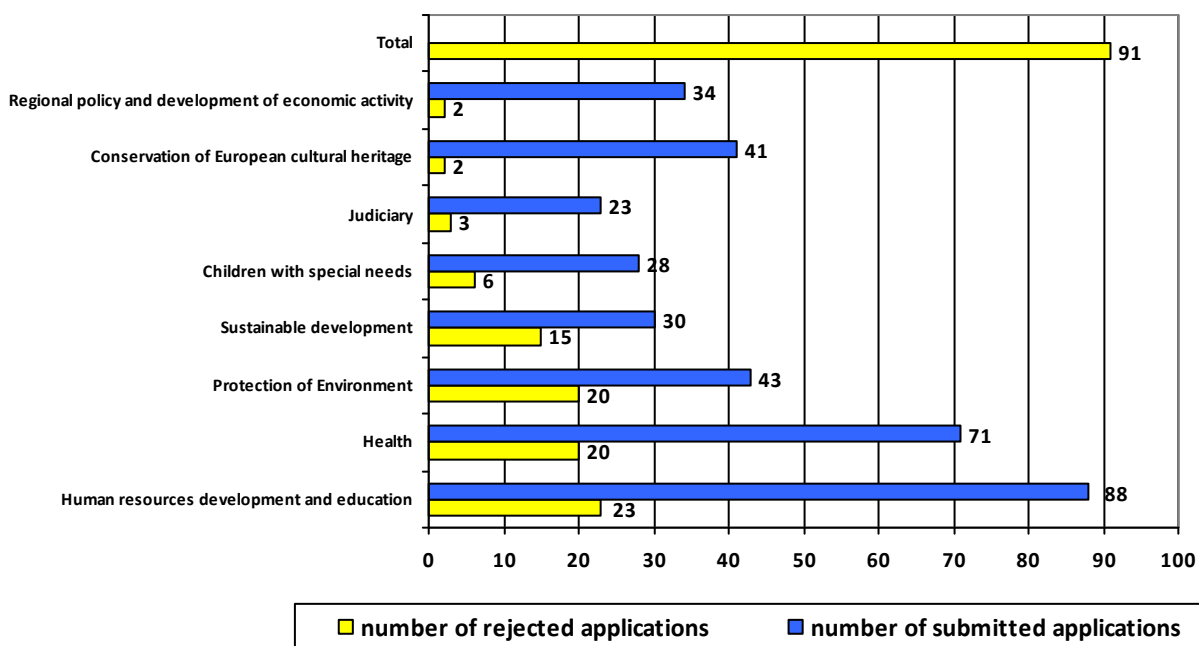


### Number of the submitted applications with partners from donorstates by priority



All applications were examined and evaluated by the IBs in accordance with the administrative criteria. The number of applications rejected in the administrative evaluation within the 2<sup>nd</sup> OC is even higher as in the 1<sup>st</sup> OC (the 1<sup>st</sup> OC – 24%, the 2<sup>nd</sup> OC – 31%). By summarizing the results of both OCs it was clarified that in total 91 applications or 25% of all submitted applications were rejected during the administrative check. *Human resources development and education* priority had the greatest number of the rejected applications – 23, while *Health* and *Protection of Environment* priorities were in the second place each with 20 rejected applications.

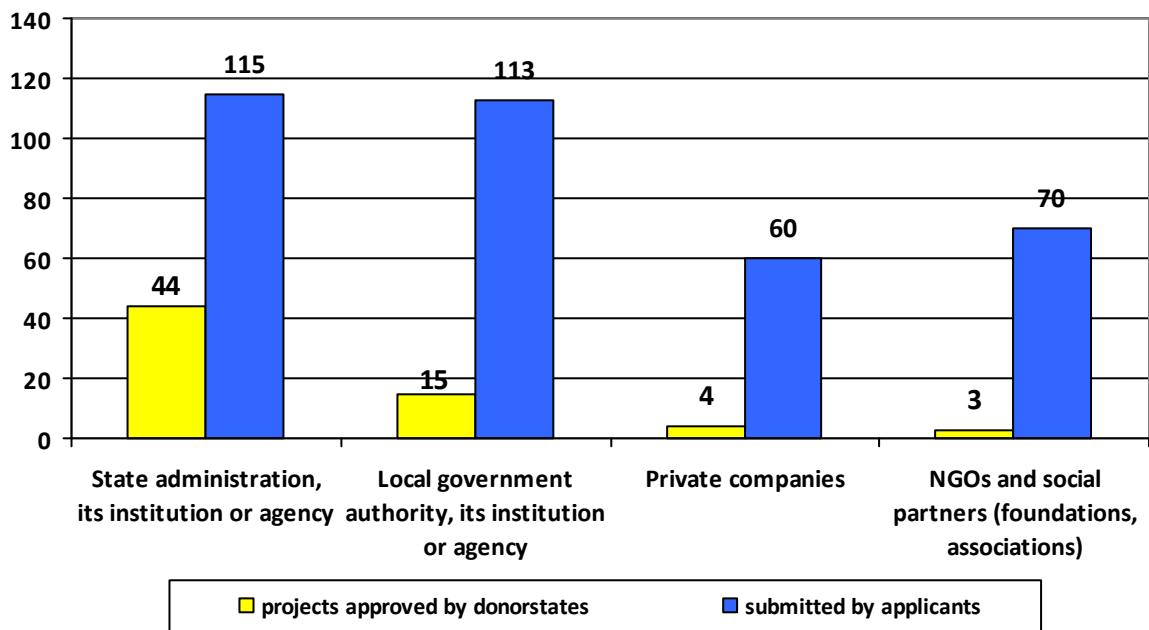
### Number of applications rejected during administrative check



By end of December 2008, 71 applications in total have been forwarded to the FMO. Of these, 66 applications have been approved by donorstates (38 in the 1<sup>st</sup> OC and 28 in the 2<sup>nd</sup> OC), 2 projects were rejected and promoters of 3 projects have themselves refused to implement the projects.

From 66 approved projects in the OCs 59 projects for a total grant of € 30 692 401 are being implemented by local governments and state institutions, while 4 projects for total grant of € 720 528 are being implemented by private companies and 3 projects for a total grant of € 1 146 551 – by NGOs.

**Number of the approved projects by applicants**



### Information and publicity activities

Time	Type of activities	Short description of activities
III quarter of 2008	<i>Press releases</i>	Press release spread to mass media about the: 1) announcement of the 3 <sup>rd</sup> OC within the NGO fund; 2) announcement of the OC within the PPP programme; 3) announcement of the OC within the CBC programme 4) activities within the STEF.
	<i>Printed materials</i>	Booklets about the STEF for the 2 <sup>nd</sup> OC prepared and disseminated by the SRDA.
	<i>Seminars</i>	Informative seminars for potential applicants about the: 1) 3 <sup>rd</sup> OC of the NGO fund organized by the SIF; 2) OC of the PPP programme organized by the IDAL.
	<i>Web page</i>	Information about the announcement of the: 1) 3 <sup>rd</sup> OC and results of the 2 <sup>nd</sup> OC within the SBG published on <a href="http://www.apa.lv">www.apa.lv</a> ; 2) OC within the PPP programme published on <a href="http://www.ppp.gov.lv">www.ppp.gov.lv</a> ; 3) OC within the CBC programme published on <a href="http://www.raplm.gov.lv">www.raplm.gov.lv</a> ; 4) submitted individual projects and evaluation process within the priority “Human resource development and education” published on <a href="http://www.izm.gov.lv">www.izm.gov.lv</a> . English version of SIF home page <a href="http://www.lsif.lv">www.lsif.lv</a> about SMF, NGO fund and Civil society block grant developed. Improvement of home page <a href="http://www.tm.gov.lv">www.tm.gov.lv</a> section “Foreign financial assistance” about the priority “Judiciary”.
IV quarter of 2008	<i>Press releases</i>	Press release spread to mass media about: 1) submitted sub-projects of the 3 <sup>rd</sup> OC within the NGO fund; 2) the 2 <sup>nd</sup> OC of the STEF.
	<i>Printed materials</i>	Booklets about the SBG prepared and disseminated by the APA.
	<i>Seminars</i>	Informative seminars for potential applicants about the: 1) 4 <sup>th</sup> OC of the SBG organized by the APA in the regional universities; 2) 2 <sup>nd</sup> OC of the STEF organized by the SRDA; 3) OC of the PPP programme organized by the IDAL; 4) OC of the CBC programme organized by the MoRDLG in all planning regions.
	<i>Web page</i>	Information about: 1) the announcement of the SBG 4 <sup>th</sup> OC in the <i>Mobility for teachers, university lectures and education management stuff</i> published on <a href="http://www.apa.lv">www.apa.lv</a> ; 2) the announcement of the 2 <sup>nd</sup> OC within the STEF has been published on <a href="http://www.vraa.gov.lv">www.vraa.gov.lv</a> (web page of the SRDA); 3) subprojects’ results within the SMF published on <a href="http://www.lsif.lv">www.lsif.lv</a> ; 4) seminars organized within the CBC programme published on <a href="http://www.raplm.gov.lv">www.raplm.gov.lv</a> ; 5) submitted individual projects’ evaluation process within the priority “Judiciary” published on <a href="http://www.tm.gov.lv">www.tm.gov.lv</a> and “Schengen” published on <a href="http://www.iem.gov.lv">www.iem.gov.lv</a> .
I quarter of 2009	<i>Press releases</i>	Press release spread to mass media about the: 1) results of the 3 <sup>rd</sup> OC and announcement of the 4 <sup>th</sup> OC of the NGO fund; 2) 2 <sup>nd</sup> OC results of the STEF; 3) supported individual projects of the 2 <sup>nd</sup> OC within the priority “Judiciary”.
	<i>Seminars</i>	5 informative seminars about the 4 <sup>th</sup> OC for potential applicants of the NGO fund and 4 informative seminars about the OC of the Civil society block grant organized by the SIF.

	<i>Web page</i>	Information about the: 1) supported subprojects of the NGO fund published on <a href="http://www.lsif.lv">www.lsif.lv</a> ; 2) announcement of the SBG's 5 <sup>th</sup> OC and its results published on <a href="http://www.apa.lv">www.apa.lv</a> ; 3) OC within the PPP programme published on <a href="http://www.liaa.gov.lv">www.liaa.gov.lv</a> , <a href="http://www.em.gov.lv">www.em.gov.lv</a> , <a href="http://www.raplm.gov.lv">www.raplm.gov.lv</a> and <a href="http://www.ppp.gov.lv">www.ppp.gov.lv</a> ; 4) supported individual projects of the 1 <sup>st</sup> OC within the priority "Human resource development and education" published on <a href="http://www.izm.gov.lv">www.izm.gov.lv</a> and "Schengen" published on <a href="http://www.iem.gov.lv">www.iem.gov.lv</a> .
	<i>Other</i>	APA represented the SBG in the International Exhibition for Education „School 2009”.
II quarter of 2009	<i>Press releases</i>	Press release spread to mass media about the: 1) OCs of the NGO fund; 2) SBG in the newsletter of APA - "ESI Latvija" ( <i>Be in Latvia</i> ); 3) supported individual projects of the 2 <sup>nd</sup> OC within the priority "Regional policy and development of economic activity" in the largest newspaper of Latvia - "Diena".
	<i>Seminars</i>	Informative seminars for potential applicants about the: 1) 4 <sup>th</sup> OC of the NGO fund organized by the SIF; 2) 6 <sup>th</sup> OC of the SBG organized by the APA.
	<i>Web page</i>	Information about: 1) implemented sub-projects within the NGO fund published on <a href="http://www.lsif.lv">www.lsif.lv</a> ; 2) the announcement of the SBG's 6 <sup>th</sup> OC within the <i>Mobility for teachers, university lectures and education management stuff</i> published on <a href="http://www.apa.lv">www.apa.lv</a> ; 3) materials from conference within the STEF published on <a href="http://www.vraa.gov.lv">www.vraa.gov.lv</a> ; 4) supported individual projects of the 2 <sup>nd</sup> OC within the priority "Conservation of European heritage" published on <a href="http://www.km.gov.lv">www.km.gov.lv</a> , "Human resource development and education" published on <a href="http://www.izm.gov.lv">www.izm.gov.lv</a> , "Schengen" published on <a href="http://www.iem.gov.lv">www.iem.gov.lv</a> and "Judiciary" published on <a href="http://www.tm.gov.lv">www.tm.gov.lv</a> with short descriptions about supported projects.
	<i>Other</i>	1) SRDA organized conference "Mazs projekts lielai idejai" ( <i>Small project for a huge idea</i> ) about the STEF; 2) Information about STEF published in mass media – Latvian Radio, LTV 7 (Latvian television).
III quarter of 2009	<i>Press releases</i>	2 press releases spread to mass media about activities of the NGO fund.
	<i>Web page</i>	Information about: 1) supported subprojects of the ARBG and SBG published on <a href="http://www.apa.lv">www.apa.lv</a> ; 2) the STEF published on <a href="http://www.vraa.gov.lv">www.vraa.gov.lv</a> ; 3) activities of the CBC programme published on <a href="http://www.raplm.gov.lv">www.raplm.gov.lv</a> ; 4) supported individual projects of the 2 <sup>nd</sup> OC within the priority "Health" published on <a href="http://www.vm.gov.lv">www.vm.gov.lv</a> ; 5) last activities of the individual projects within the priority "Schengen" published on <a href="http://www.iem.gov.lv">www.iem.gov.lv</a> , "Protection of the Environment"/"Sustainable development" published on <a href="http://www.vidm.gov.lv">www.vidm.gov.lv</a> , "Regional policy and development of economic activity" published on <a href="http://www.raplm.gov.lv">www.raplm.gov.lv</a> , "Conservation of European heritage" published on <a href="http://www.km.gov.lv">www.km.gov.lv</a> .
	<i>Other</i>	Ministry of Health supported promoters of the individual project within the priority "Health" to organize conferences and seminars.

**Assessment of the effects on the bilateral relations with the  
donorstate  
Individual projects**

Priority	Description of bilateral relations
Protection of the environment	<ul style="list-style-type: none"> <li>• National Diagnostic Centre of Food and Veterinary Service and National Institute of Nutrition and Seafood Research (LV0047)</li> </ul> Activities: assistance in implementation of methods for analysis of dioxins in fish products.
Sustainable development	<ul style="list-style-type: none"> <li>• Latvian Fish Resources Agency and Norwegian Institute of Aquaculture Research (LV0045)</li> </ul> Activities: exchange of experience in aquaculture approach into fish and crayfish resource management, elaboration of training programmes and materials.
Conservation of European heritage	<ul style="list-style-type: none"> <li>• Kuldiga Town Council with Norwegian Craft Development (LV0033)</li> </ul> Activities: exchange of experience visits, consulting and trainings organized, training programme elaborated.
Health	<ul style="list-style-type: none"> <li>• Pauls Stardins Clinical University Hospital with Norwegian Institute of Public Health (LV0025)</li> <li>• Hospital of Traumatology and Ortopedic with Hospital Organiser AS; Valcon (former Protec Innovation AS) (LV0026)</li> <li>• Riga Eastern Hospital and National Telemedicine Centre (North Norwegian University Hospital) (LV0029)</li> </ul> Activities: exchange of experience with Norwegian hospitals and health care institutions about provision of health care services, exchange of experience about use of IT in management of hospitals and health care services.
Human recourse development and education	<ul style="list-style-type: none"> <li>• University of Latvia with Upsala University and Oslo University (LV0044)</li> </ul> Activities: conferences, working groups, exchange of experience visits organized, cooperation established in university education and continuing education fields.
Schengen	Within the project LV0037 there is <u>indirect partnership</u> established between Latvian (The State Police) and Norwegian state institutions. Two training visits to SIRENE bureau of Norway were made.
Judiciary	<ul style="list-style-type: none"> <li>• Latvian Prison Administration and Country Governor of Hordaland (LV0020)</li> </ul> Activities: exchange of experience on re-socialization system in Norway. <ul style="list-style-type: none"> <li>• State Probation Service of Latvia and National Mediation Service of Norway (LV0024)</li> </ul> Activities: exchange of experience in probation and prison administration fields. <ul style="list-style-type: none"> <li>• Zemgale Planning Region and National Norwegian Crime Prevention Council (LV0080)</li> </ul> Activities: exchange of experience about inter-institutional cooperation in juvenile delinquency prevention which will be used for development of inter-institutional cooperation model in local governments of Zemgale region.           There is also <u>indirect partnership</u> established between: <ul style="list-style-type: none"> <li>• State Forensic Science Bureau of Latvia and Forensic Science Department of Kingdom of Norway (LV0022)</li> </ul> Activities: exchange of information between both institutions <ul style="list-style-type: none"> <li>• Latvian Prison Administration and institutions with competence in criminal cases (LV0019)</li> </ul> Activities: exchange of experience visits to Norway.
Regional policy and development of economic activity	<ul style="list-style-type: none"> <li>• Zemgale Planning Region and Spydeberg Kommune (LV0056)</li> </ul> Activities: exchange of experience, organization of seminars, conferences and study visits. The experience of Norwegian partner is essential for the project's results and economic development of Zemgale region. <ul style="list-style-type: none"> <li>• Cesis District Council and Ostfold County Council (LV0059)</li> </ul> Activities: exchange of experience in the field of entrepreneurship and innovations. The expertise, knowledge and experience of Norwegian partner are relevant for successful set-up and further cooperation with the Vidzeme Center for Innovation and Entrepreneurship. <ul style="list-style-type: none"> <li>• Zemgale Planning Region and Sivatech AS (LV0077)</li> </ul> Activities: transfer of knowledge and experience in the field of Business Garden establishment and management.

### Programmes/block grants

Title	Description of bilateral relations
SBG	<p>There is <u>indirect partnership</u> foreseen, because all three motilities take place in the donorstate. Within the <i>Student mobility programme</i> cooperation between home and donorstate's universities is necessary, therefore following cooperation agreements between universities were signed:</p> <ol style="list-style-type: none"> <li>1. Riga Technical University with Norwegian University of Science and Technology and Ostfold University;</li> <li>2. University of Latvia with Norwegian University of Science and Technology and University of Bergen;</li> <li>3. University of Agriculture with Norwegian University of Life Sciences;</li> <li>4. Vidzeme University College with Buskerud University College.</li> </ol> <p>Activities: studies, exchange of experience, conferences, teaching practice, taking part in professional courses.</p>
STEF	<ol style="list-style-type: none"> <li>1. Latvian Prison Association with Ile prison</li> <li>2. Zemgale Planning Region with Blefjell Sykehus (hospital)</li> <li>3. Latgale Planning Region with North Trondelag University College</li> <li>4. State Probation Service with Norwegian National Mediation Centre</li> <li>5. Association of entrepreneurs of Mersrags region with Norwegian International Risk Assessment centre</li> </ol> <p>Activities: Expert work, working visits, implementation of new methods, exchange of experience, transfer of best practices and development of methodology. In 3 sub-projects establishment of <u>indirect partnership</u> is also foreseen.</p>
NGO fund	<ol style="list-style-type: none"> <li>1. Society "Oleru muiza" with Society "Friends of Land Museum" realize sub-project "To understand a wooden house". Activity: informative seminar.</li> </ol> <p>8 sub-projects have <u>indirect partnership</u> with Norwegian institutions:</p> <ol style="list-style-type: none"> <li>1. Society "Centre for Education Initiatives" with lecturer Gunvor Sønnesyn - director of the Institute of Applied Pedagogy</li> <li>2. Society Rehabilitation Center „Mēs esam līdzās” (<i>We are beside you</i>) with the NGO ULOBA center</li> <li>3. Society "The House of Fairy Tales UNDINE" with Dokka Delta Wetland center</li> <li>4. Society "Farmers Parliament" with expert from Skjetlein Resource Center</li> <li>5. Society „LATVIANS ABROAD - Museum and Research Center" with director of Norwegian Emigrant Museum</li> <li>6. Society "Zalais Virziens" (<i>Green Direction</i>) with Norwegian Forum for Environment and Development</li> <li>7. Children and Youth Union „Liepājas Jaunie Vanagi" (<i>Liepaja New Hawks</i>) with IFM-SEI</li> <li>8. Society "Liepājas Neredzīgo biedrība" (<i>Liepaja Blind Association</i>) with Rogaland Blind Association</li> </ol> <p>Activities: exchange of experience, guest lectures and experts' visits, creativity workshops.</p>
SMF	<p>9 sub-projects have <u>indirect partnership</u> with Norwegian institutions:</p> <ol style="list-style-type: none"> <li>1. "Diplomatic service medical centre" Ltd. with Aker University</li> <li>2. Riga Stradins University with Bekkadal Consultancu&amp;Engineering Services (Trondheim)</li> <li>3. Society "Contra Cancrum Coli" with Norwegian Rikshospitalet (dr.Lars Aabakken)</li> <li>4. „Baltic Computer Academy" Ltd. with Telemark University College</li> <li>5. Food and Veterinary Service's National Diagnostics Centre with National Veterinary Institute</li> <li>6. State Probation Service with Minister of Justice and the Police of Norway</li> <li>7. Charitable fund "Ceribu bura" (<i>The Sail of Hopes</i>) with Sarpsborg Prison</li> <li>8. Zemgale Planning Region with SIVATECH AS</li> <li>9. Zemgale Planning Region with Industrial Development Corporation of Norway</li> </ol> <p>Activities: exchange of experience, guest lectures and experts' visits.</p>

## Subprojects' OCs calendar and statistics

Title of programme/ block grant	Available funds for subprojects EUR	Announcement of OC		Number of applications		Oversub- scription rate
		Beginning	End	Received	Approved	
<b>Seed money facility</b>	526 567	23.03.2007	23.05.2007	141	33	4.1
<b>NGO fund; 1<sup>st</sup> Open call</b>						
NGO activity support measure (1 <sup>st</sup> measure)	947 821	23.03.2007	24.05.2007	88	18	4.6
NGO capacity strengthening measure (2 <sup>nd</sup> measure)	421 254	23.03.2007	24.05.2007	69	20	3.7
NGO project measure (3 <sup>rd</sup> measure)	631 880	23.03.2007	23.05.2007	108	9	11
<b>NGO fund; 2<sup>nd</sup> Open call</b>						
1 <sup>st</sup> measure	652 943	18.10.2007	18.12.2007	64	10	6
2 <sup>nd</sup> measure	315 940	18.10.2007	18.12.2007	43	15	3
3 <sup>rd</sup> measure	631 880	18.10.2007	10.01.2008	108	10	11.2
<b>NGO fund; 3<sup>rd</sup> Open call</b>						
1 <sup>st</sup> measure	337 003	01.08.2008	30.09.2008	66	7	9.9
2 <sup>nd</sup> measure	210 627	01.08.2008	30.09.2008	56	10	5.7
3 <sup>rd</sup> measure	421 254	01.08.2008	30.09.2008	78	9	10.8
<b>NGO fund; 4<sup>th</sup> Open call</b>						
1 <sup>st</sup> measure	168 501	13.03.2009	13.05.2009	75	<i>in evaluation</i>	12.8
2 <sup>nd</sup> measure	105 313	24.04.2009	03.08.2009	95	<i>in evaluation</i>	14.3
3 <sup>rd</sup> measure	508 038	24.04.2009	24.07.2009	175	<i>in evaluation</i>	18
<b>PPP programme</b>	1 940 135	14.08.2008	14.11.2008	23	14	1.6
<b>CBC programme</b>	2 598 085	17.09.2008	17.12.2008	35	10	3.5
<b>Short term expert fund</b>						
1 <sup>st</sup> Open call	582 386	12.05.2008	09.06.2008	56	15	3.8
2 <sup>nd</sup> Open call	551 754	29.10.2008	01.12.2008	59	13	4.1
<b>Scholarship block grant; 1<sup>st</sup> Open call</b>						
Student mobility to continue or finish their studies in the EEA-EFTA countries (1 <sup>st</sup> measure)	560 000	28.03.2008	28.04.2008	30	29 (5 later refused)	n/a
Mobility for teachers, university lecturers and education management stuff (2 <sup>nd</sup> measure)	35 000	28.03.2008	28.04.2008	9	9	n/a
Teacher assistantships in schools in the EEA-EFTA countries (3 <sup>rd</sup> measure)	89 851	28.03.2008	28.04.2008	0	0	n/a
<b>Scholarship block grant; 2<sup>nd</sup> Open call</b>						
2 <sup>nd</sup> measure	51 504	03.06.2008	03.07.2008	20	20 (1 later refused)	n/a
<b>Scholarship block grant; 3<sup>rd</sup> Open call</b>						
1 <sup>st</sup> measure	362 346	03.09.2008	03.10.2008	13	13 (1 later refused)	n/a
2 <sup>nd</sup> measure	51 784	03.09.2008	03.10.2008	15	15	n/a
3 <sup>rd</sup> measure	89 851	03.09.2008	03.10.2008	0	0	n/a
<b>Scholarship block grant; 4<sup>th</sup> Open call</b>						
2 <sup>nd</sup> measure	59 554	05.12.2008	05.01.2009	16	16	n/a
<b>Scholarship block grant; 5<sup>th</sup> Open call</b>						

1 <sup>st</sup> measure	840 746	03.03.2009	03.04.2009	98	96 (4 later refused)	n/a
2 <sup>nd</sup> measure	139 016	03.03.2009	03.04.2009	81	76 (1 later refused)	n/a
3 <sup>rd</sup> measure	89 851	03.03.2009	03.04.2009	3	3	n/a
<b>Scholarship block grant; 6<sup>th</sup> Open call</b>						
2 <sup>nd</sup> measure	49 884	02.06.2009	02.07.2009	27	27	n/a
<b>Scholarship block grant; 7<sup>th</sup> Open call</b>						
1 <sup>st</sup> measure	195 146	1.09.2009	1.10.2009			
2 <sup>nd</sup> measure	35 000	1.09.2009	1.10.2009			
3 <sup>rd</sup> measure	48 451	1.09.2009	1.10.2009			
<b>Scholarship block grant; 8<sup>th</sup> Open call</b>						
2 <sup>nd</sup> measure	35 000	12.2009	01.2010			



### Commitments made by 30 April 2009

Field	LV00	Project title	Commitment date	Commitment (EUR)
<b>Individual Projects</b>				
Judiciary	20	Resocialisation of inmates in Zemgale prisons	27.12.2007 26.06.2008	1 018 233
	24	Strengthening of Human Resource Capacity of Probation System and Prison System of Latvia	12.02.2008	739 497
	22	Strengthening the Judiciary in Latvia by Improving Capacity of the State Forensic Science Bureau of Latvia in Order to Comply with Best Practice and International Quality Standards	07.01.2008 12.03.2008	621 329
	21	Development of the complex program on resocialisation of the former convicts in Latvia during years 2008 - 2010	14.03.2008	430 807
	19	Elaboration of Prison Building Standards	28.04.2008	1 088 425
	67	Renovation of living corps of Cesu Correctional Institution of Juveniles	03.02.2009	815 299
	68	Development of Supervision and Treatment System for Sex Offenders in Latvia	16.01.2009	614 274
	69	National information system of prisoners in Latvia	22.01.2009	552 497
	80	Preventive Measures for Decreasing Youth Delinquency in Zemgale Region	02.02.2009	301 184
Technical Assistance for Acquis Communautaire	09	Technical assistance for implementation of Acquis communautaire	12.02.2008	469 884
Health	29	Improvement of the Diagnostic Radiology Digital Image Transmission System and Service Accessibility in Primary and Secondary Health Care	19.02.2008	747 668
	25	Introduction of Laboratory Based Early Warning System and Infection Control Mechanisms for Containment of Multiresistant Nosocomial Pathogens in Latvian	29.02.2008	326 035
	26	Care Organiser	28.04.2008	583 494
Children with Special Needs	30	Development of Multidimensional Support Centre for Children with Special Needs in Jelgava	26.11.2007	339 999
	95	Establishment of multifunctional support centre for children with special needs	08.04.2009	149 094
Conservation of European Heritage	33	Restoration of Kuldiga District Museum and Establishment of Wooden Architecture Restoration Craftsmen Workshop	13.12.2007	471 682
	91	Diversification of Adolfs Alunans Memorial Museums' services and restoration of museums' wooden building	19.03.2009	310 739
Human Resources Development and Education	44	Development of environmental science study content and study materials	28.04.2008	468 398
	63	Establishment and Development of New Media Art Education in Liepaja	28.11.2008	636 558
	86	Development of new media art education in Liepaja	10.02.2009	338 676
	87	Elaboration of innovative, interactive multimedia studying software for Latvia's comprehensive schools	25.02.2009	296 756
	88	The support system in researching and enhancing creativity for the human resource development in Latvia	30.04.2009	250 604
	89	Development of e-learning environment for modernization of learning process in Jazeps Vitols Latvian Academy of Music	13.02.2009	373 867

	90	Elaboration of the environmental education programs and "green" school in the Natural History Museum of Latvia	19.03.2009	256 831
Regional Policy and Development of Economic Activity	54	Promoting the utilization of the research potential of local universities for regional development in Latvia	21.10.2008	552 500
	55	Capacity building of planning and project development in Kurzeme planning region	10.12.2007	453 321
	56	Capacity Building of Zemgale Region for Strengthening the Economic Activities and Cooperation with Norwegian Institutions	13.12.2007	439 263
	58	Implementation of public private partnership in street maintenance in Jelgava City	27.12.2007	340 000
	57	Development of PPP in Daugavpils Fortress	13.12.2007	431 428
	59	Vidzeme Center for Innovation and Entrepreneurship: Innovation through Partnership	29.07.2008	1 274 835
	76	Development of community facilities system model in the Kurzeme region	03.02.2009	359 954
	77	Promotion of Zemgale region borderland business activity	06.04.2009	572 066
	78	Establishment of the center for spatial and regional developments research in Kurzeme	22.02.2009	734 995
	83	Development of ports in Kurzeme region	16.04.2009	388 649
Schengen	39	Enhancing the information technologies of visa sections of diplomatic and consular representations of the Republic of Latvia, facilitating the introduction of SIS II	14.03.2008	1 099 518
	37	Optimization of the Schengen Information system functional operation	17.03.2008	250 000
	38	Equipment of regional classrooms of Latvia State Police College	26.03.2008	250 000
	36	Implementation of support process management system of National Schengen information system and SIRENE office technology and information resources according to ITIL standarts	15.04.2008	479 240
	35	Improvement of Register of Punishment of the Republic of Latvia	26.03.2008	802 400
Sustainable Development	45	Promotion of Sustainable Management of Fish and Crayfish Resources in Inland Waters and Environmentally Friendly Aquaculture 711/2007	01.02.2008	560 527
	52	Sustainable use and management of nature resources in the NATURA 2000 territories - popular and potential tourism destinations in Latvia	28.01.2008	208 777
Protection of the Environment	47	Improvement of existing control system of dioxins and polycyclic aromatic hydrocarbons in fish products 714/2007	12.02.2008	249 999
	53	Secondary Usage of Biofuel – Vegetable Oil Products in the Cogeneration Plant in Riga	04.03.3008	153 592
	62	Implementation of earth heat demonstration project and extension of experience in Riga region	15.12.2008	471 461
	97	Introducing Heat Pumps for Heat Supply in Riga City: Setting-up a Demonstration Object	21.04.2009	272 650
<b>Total:</b>				<b>22 547 005</b>
<b>Funds (Annex B of MoU)</b>				
Regional Policy and Development of Economic Activity	16	Promotion of development of public and private partnership in Latvia	11.07.2007	1 795 068
Cross-border Cooperation	17	Cross-border cooperation programme	28.09.2007	2 329 890

				<b>Total:</b>	<b>4 124 958</b>
<b>Funds (Annex C of MoU)</b>					
Annex C	08	NGO fund	17.01.2007	2 510 106	
	06	Seed money facility	09.01.2007	227 985	
	07	Technical assistance fund for 2006-2011	20.10.2006	580 997	
	14	Scholarship block grant	11.07.2007	745 812	
	11	Short term expert fund	15.06.2007	1 097 230	
				<b>Total:</b>	<b>5 162 130</b>
				<b>TOTAL (Individual Projects and Funds):</b>	<b>31 834 093</b>

**Disbursements effected by 31 August 2009**

Project number	Type of disbursement	Disbursement (EUR)	
		Date	Amount
LV0006	advance	25.07.2007	2 486
LV0008	advance	25.07.2007	49 731
LV0006	interim	01.11.2007	195 221
LV0008	interim	01.11.2007	200 195
LV0006	interim	17.04.2008	4 463
LV0008	interim	17.04.2008	272 812
LV0007	interim	16.05.2008	27 225
LV0052	advance	26.06.2008	20 878
LV0021	advance	22.08.2008	43 081
LV0011	interim	01.09.2008	168 189
LV0017	interim	24.09.2008	9 812
LV0016	interim	01.10.2008	25 903
LV0008	interim	20.10.2008	556 404
LV0007	interim	11.11.2008	53 266
LV0014	interim	11.11.2008	145 300
LV0011	interim	22.12.2008	10 801
LV0059	advance	16.01.2009	127 484
LV0055	interim	11.02.2009	10 078
LV0029	advance	11.02.2009	74 766
LV0044	advance	11.02.2009	46 840
LV0017	interim	17.03.2009	318 818
LV0058	interim	17.03.2009	17 377
LV0030	interim	17.03.2009	7 357
LV0025	advance	17.03.2009	32 604
LV0054	advance	31.03.2009	55 250
LV0056	interim	31.03.2009	95 765
LV0063	advance	14.04.2009	63 656
LV0033	interim	14.04.2009	20 395
LV0011	interim	21.04.2009	236 583
LV0008	interim	21.04.2009	281 841
LV0016	interim	05.05.2009	187 290
LV0009	interim	26.05.2009	9 224
LV0014	interim	26.05.2009	136 636
LV0026	advance	10.06.2009	58 349
LV0022	interim	10.06.2009	400 592
LV0089	advance	01.07.2009	37 386
LV0087	advance	01.07.2009	29 675
LV0091	advance	17.07.2009	31 074
LV0035	interim	17.07.2009	3 185
LV0036	interim	17.07.2009	6 692

LV0039	interim	17.07.2009	132 224
LV0045	interim	17.07.2009	29 479
LV0025	interim	17.07.2009	20 296
LV0016	interim	31.07.2009	10 441
LV0030	interim	31.07.2009	48 445
LV0088	advance	31.07.2009	25 061
LV0057	interim	22.07.2009	2 319
LV0078	advance	22.07.2009	73 500
LV0014	interim	12.08.2009	238 405
LV0017	interim	19.08.2009	20 853
LV0044	interim	19.08.2009	47 260
LV0055	interim	19.08.2009	127 171
LV0086	advance	19.08.2009	33 867
LV0097	advance	19.08.2009	27 265
<b>Total:</b>			<b>4 911 323</b>

## List of audits for July 2008–August 2009

### System audits carried out by the internal audit structures of institutions involved in the management of the Financial Mechanism

The auditor	Date of Audit	Title	Status of Audit Report
SRDA	15.-19.09.08.	STEF control and management system	Please see the summary in the Appendix 8
SIF	15.10.- 03.12.08	SMF conclusion of projects and post evaluation control	In the approval process
SIF	30.10.- 31.12.08	Accomplishment of projects of the NGO Fund programme "NGO capacity strengthening"	In the approval process
Ministry of Education and Science	11.03.- 14.08.08	Implementation of Financial Mechanisms	Please see the summary in the Appendix 8
Ministry of Justice	06.01.- 09.04.09	Compliance and efficiency audit on the implementation management system of LV0021	Please see the summary in the Appendix 8
Ministry of Justice	06.01.- 18.05.09	Compliance and efficiency audit on implementation management system of LV0009	Please see the summary in the Appendix 8
Ministry of Justice	19.01.- 21.04.09.	Compliance and efficiency audit on the implementation management system of LV0020	Please see the summary in the Appendix 8
Ministry of Interior	19.-31.01.09	Implementation of IB's Functions Related to Management of the Financial Mechanism	Please see the summary in the Appendix 8
MoRDLG	22.01.- 18.03.09	Implementation and monitoring of the Financial Mechanism's priorities	Please see the summary in the Appendix 8
Ministry of Interior	01.-28.02.09	Financial Mechanism. Monitoring of Project Implementation. Systematization and Storage of Documents	Please see the summary in the Appendix 8
Ministry of Justice	26.02.- 14.05.09	Compliance and efficiency audit on the implementation management system of LV0019	Please see the summary in the Appendix 8
Ministry of Justice	25.02.- 16.06.09	Compliance and efficiency audit on the implementation management system of LV0022	Please see the summary in the Appendix 8
IDAL	23.03.- 27.04.09	Compliance of the Financial Mechanism Management and Control System with External Legislative Acts	Please see the summary in the Appendix 8
SIF	04.03.- 23.04.09	Performance audit on the NGO Fund programmes "NGO project programme" and "NGO support programme" subprojects in 2008	In the approval process
State Police	10.08.- 25.09.09	System audit of LV0037	In the elaboration process
SIF	28.04.- 03.06.09	Management and control of NGO Fund management, monitoring, reporting, finance, cash flow and projects' registration system	In the elaboration process
Ministry of Justice	05.05.- 05.08.09	Compliance and efficiency audit on the implementation management system of the Ministry of Justice within the LV0007	In the elaboration process

**On spot checks of funds and individual projects carried out by the CFCA and IBs**

Project No.	Date of check	Institution	Short description of main fundamental deficiencies established
LV0006	17.12.08	CFCA	n/a
LV0008	17.12.08	CFCA	n/a
LV0014	18.-19.12.08	CFCA	n/a
LV0016	11.02.09	CFCA	n/a
LV0030	27.05.09	CFCA	n/a
LV0036	29.07.09	CFCA	n/a
LV0052	12.08.09	CFCA	Preparation of report in process
LV0026	21.08.09	CFCA	Preparation of report in process
LV0007	11.08.-11.09.09	CFCA	On spot check in process
LV0021	11.-24.02.09	Ministry of Justice	<ul style="list-style-type: none"> <li>- The control on registration of contributed employees' working hours in the project is not ensured.</li> <li>- The record keeping on project is not foreseeable and structured.</li> <li>- The project indicator "Number of former convicts having completed full reintegration cycle" could not be accomplished considering that the clients of rehabilitation was decreased for 50% from planned within year 2009.</li> <li>- Common procedure of registration of clients is not elaborated considering that indicated number of clients which were involved in the project differs within the different reports.</li> </ul>
LV0019	19.03.-02.04.09	Ministry of Justice	n/a
LV0024	01.06.-20.08.09	Ministry of Justice	Preparation of report in process
LV0055	02.06.09	MoRDLG	n/a
LV0058	25.08.09	MoRDLG	Preparation of report in process

**On spot checks of subprojects carried out by the SIF within LV0006**

Title of the subproject	Date of check	Short description of main fundamental deficiencies established
Development and implementation of presence and distance education programs for children's with special needs in math's, physics, chemistry and biology	10.19.08	n/a

**On spot checks of subprojects carried out by the SIF within LV0008**

Title of the subproject	Date of check	Short description of main fundamental deficiencies established
Activity Support for the House of Fairy Tales UNDINE	17.04.09	n/a
Strengthening Organisational Network for Gender Equality Policy and Women's Rights Advocacy in Latvia	24.04.09	n/a
Long-term activity of the Valmiera Region Community Foundation for development of community philanthropy	21.04.09	n/a
Let's keep by the roots	22.04.09	n/a
Support for initiatives of the Latvian Green Movement for promotion of sustainable development and advocacy of interests	30.10.-26.11.08	<ul style="list-style-type: none"> <li>- It was established that the accounting of the sub-project is not accordingly with agreement of sub-project financing.</li> <li>- In the repeated on spot check</li> </ul>

		was established that deficiencies were eliminated.
Activity of the Liepaja NGO Support Centre in the name of transparency, involvement, equality and justice	23.09.08	n/a
Activity Support for Zemgale NGO Support Centre	11.09.08.	n/a
Support for Public sports club "Spriditis"	19.11.08	n/a
Integration of inhabitants of Latgale region into the European society	26.11.08	n/a
„Program for a WOMAN in a civil society”	01.-03.12.08	The decoration works of premises were not carried out within activity no 5.1.
„Program for a WOMAN in a civil society”	07.01.09	Within the repeated on spot check was established that activity 5.1 is realised.
Unity of society	02.02.09	n/a
“YMCA Liepaja” – youth organization for the YOUTH	03.02.09	n/a
Launching and raising capacity of Association “Management of project cycles”	28.01.09	n/a
Exchange of information and promotion of cooperation for increasing efficiency of energy resource use and facilitation for changing consumer patterns in the Baltic States	19.01.09	n/a
Raising consumers' awareness for a healthier choice of daily goods	19.01.09	n/a
Accessible nature for people with motional and perceptual disabilities	17.04.09	n/a
To understand a wooden house	20.08.09	n/a

#### **On spot checks of subprojects carried out by the SRDA within LV0011**

Title of the subproject	Date of check	Short description of main fundamental deficiencies established
Development of the architectural and lightning parts of the detail design of multifunctional public building in Garden of Destiny (Liktendarzs)	18.06.09	n/a
Investigation of the Livu coast's cultural history, ancient crafts, life stories for the future development of Northern Kurzeme	13.08.09	Preparation of report in process
Active senior – basis for development	27.08.09	Preparation of report in process



## Summaries of audit reports

### I Summary of system audits carried out by the internal audit structures of institutions involved within management of the Financial Mechanism

#### *Summary of report on the block grant STEF control and management system audit (LV0011)*

24.10.2008. No.13-1-01 (14)

According to the work plan for 2008 of the Internal Audit Division of the SRDA Head of the Audit Division J. Lībiņa conducted audit on the STEF control and management system. In the time period September 15-19, 2008 in the audit planning participated Auditor of the Audit Division Z. Prūse.

#### **Audit Objective:**

Give assurance to the management that the SRDA procedures and internal regulations, as well as job descriptions for employees are developed according to the corresponding legislative requirements ensuring common and transparent control and management system for receipt and evaluation of applications for the STEF, signing contracts for implementation of sub-projects, making payments and their monitoring.

#### **Audit Scope:**

Audit was conducted according to the procedure regulating the internal auditing developed on the basis of internal audit professional practice standards.

During the audit the control and management system for the STEF was evaluated to ensure that management functions in the administration of the Financial Mechanisms in the SRDA are performed. Processes of announcing open call for the STEF sub-project applications, receipt and evaluation of sub-project applications and decision making were evaluated.

Job descriptions of employees involved in the performance of the STEF management functions, internal legislative acts and procedures were analysed. During the audit negotiations were held with employees and heads of structural units involved in processes.

#### **Limitation on the Audit Scope:**

During the audit processes of signing contracts for implementation of sub-projects, making payments and their monitoring were not checked.

#### **Summary:**

Performance of the STEF management functions were checked in the following fields:

- compliance of internal legislative acts, job descriptions developed by the SRDA with the STEF management function;
- announcement of the open call for the STEF sub-project applications;
- receipt and evaluation of the STEF sub-project applications, performance of the secretariat function.

In general, in the SRDA the internal control system to ensure the STEF management function has been established and works, although some irregularities have been identified in the internal control system but they do not influence significantly performance of the control and management system.

#### *Summary of report on the Internal Audit No. 06-04/8.3.3./08 “Implementation of the Financial Mechanisms”*

Riga

August 14, 2008

#### **Legal Justification of the Audit**

According to the work plan of the Internal Audit Department of the Ministry of Education and Science approved by the State Secretary of the Ministry of Education and Science on January 28, 2008 the Head of Structural Fund Audit Division of the

Internal Audit Department G. Salmane-Lipčika performed the audit No. 06-04/8.3.3./08 “Implementation of the Financial Mechanisms”.

### **Audit Objective**

Gain assurance that administration of the Financial Mechanisms resources is done according to requirements of the legislative acts regulating implementation, monitoring, evaluation and control of the Financial Mechanisms in the Ministry of Education and Science as an intermediate body and in the APA as a block grant intermediary.

### **Scope of the Audit**

During the audit the auditor analysed and evaluated compliance of system’s internal control measures with legislative acts in the time period from January 1, 2006 till June 30, 2008. During the audit compliance of the Ministry of Education and Science and the APA with requirements of external legislative acts of the Republic of Latvia referring to administration of the Financial Mechanisms – development of tender regulation, announcement of the tender, evaluation, performance of checks, as well as financial planning was checked. Analysis of requirements of external legislative acts in developed internal legislative acts was carried out.

Application of conditions regarding implementation of the technical assistance fund according to requirements of the contract signed between the Ministry of Education and Science and the MoF, the CFCA on implementation of the technical assistance fund was checked. In cooperation agreements signed by the APA implementation of intermediary’s obligation regarding the provision of separate financial account and carrying out separate accounting was checked.

Sample check was carried on 20 project applications out of 56 submitted on the basis of the regulation of the first open call announced by the Ministry of Education and Science to evaluate the process of receipt, attribution of ID number, evaluation, information of project application and managing authority about the results according to requirements of internal and external legislative acts.

Sample check was carried out on 15 project applications out of 39 submitted on the basis of the regulation of the open sub-project call for scholarship block grants announced by the APA to evaluate the process of receipt, attribution of ID number, evaluation, information of project application and managing authority about the results according to requirements of internal and external legislative acts.

During the audit repeated check of administrative and quality criteria was not carried out. Administration of administrative expenditure of the APA was not checked, which would include the check of justifying documents. Administration of project applications submitted on the basis of the regulation of the second open call in the Ministry of Education and Science and administration of academic research project applications was not checked because their deadlines are June 12, 2008 and 12 August, 2008, respectively.

### **Summary**

1. Internal control system established by the Ministry of Education and Science for the administration of the Financial Mechanisms works and implementation of necessary functions is ensured, however in separate cases weaknesses have been identified due to noncompliance with corresponding legislative acts, and separate improvements shall be introduced in the system.
2. Internal control system established by the APA for the administration of the Financial Mechanisms works and implementation of necessary functions is ensured, however in separate cases weaknesses have been identified due to noncompliance with corresponding legislative acts, and separate improvements shall be introduced

in the system.

### *Summary of the internal audit report (LV0009)*

Nr. 1/2009

May 14, 2009

#### **Legal Justification of the Audit**

The audit was conducted according to the Annual Plan 2009 of the Internal Audit Unit of the Ministry of Justice adopted on December 15, 2008. Senior Desk Officers I. Semeņuka and B. Krūmiņa conducted the compliance and efficiency audit on implementation management system of the Financial Mechanism's priority "Technical assistance for implementation of Acquis Communautaire".

#### **Objective of the Audited System**

Implementation and monitoring of the Financial Mechanism's priority "Technical assistance for implementation of Acquis Communautaire" is done in compliance with the legislative requirements.

#### **Control Objective**

Ensure that implementation of the Financial Mechanism's priority "Technical assistance for implementation of Acquis Communautaire" is done in compliance with the project goal, allocated budget and set deadlines.

#### **Audit Objective**

Provide assurance to the Ministry of Justice that the established management and control system for administration of the Financial Mechanism's priority "Technical assistance for implementation of Acquis Communautaire" is efficient and complies with the legislative requirements.

#### **Audit Scope and Applied Checking Methods**

- analysis of regulating legislative documents,
- analysis of reports related to the Project implementation,
- analysis of job descriptions of responsible officials involved in the Project management,
- interviews with persons responsible for the Project implementation in structural units of the Ministry of Justice:
  1. Project Department. Interviews with responsible officials both as with intermediate body and final beneficiary,
  2. Financing Department,
  3. Procurement and Contract Division of the Administrative Department,
  4. IT Division of the Administrative Department.

#### **Audit Summary**

On June 18, 2008, the tripartite Cooperation Agreement No. 1-6.2/5 "Cooperation Agreement No LV0009 on the Implementation of the Individual Project "Technical assistance for implementation of Acquis Communautaire"" was signed between the CFCA, Ministry as an intermediate body and the Ministry as a final beneficiary. Amendments to the Cooperation Agreement No 1 "Amendments to the "Cooperation Agreement No LV0009 on the Implementation of the Individual Project "Technical assistance for implementation of Acquis Communautaire"" were signed on November 24, 2008.

The Project "Technical assistance for implementation of Acquis Communautaire" is being implemented within the Financial Mechanism priority "Technical Assistance". Total eligible expenditure of the Project is EUR 522 805. Co-financing of the Financial Mechanism does not exceed EUR 469 884 or 85% of total eligible expenditure of the Project. The final beneficiary provides financing in amount of EUR 82 921 or 15% of total eligible expenditure of the Project set in the Agreement.

Project is being implemented in the time period from June 18, 2008 till January 31, 2011.

The goal of the Project is to ensure coordination and control system for transposing of the European Union law. To achieve the goal nine activities have been set for establishment of electronic documentation information system for transposing the European Union law providing public administration institutions with a possibility to use the data base in their daily work; carry out three researches on problems related to transposing of the European Union legislative acts; implement four training courses for public administration employees on transposing of the Acquis Communautaire.

The audit was conducted on the time period from June 2008 till January 2009.

Interim report No.1 submitted to the CFCA on the time period from the Project launching date till December 31, 2008. The financing used and accounted for in the interim report in amount of EUR 10 852 corresponds to the expenditure registered in the accounting documentation. 85% of the above mentioned sum or EUR 9 224 is the part of the Project co-financing.

In general, having evaluated information provided during the audit it was concluded that the Project implementation monitoring and control system in the Ministry has been established according to external legislative acts regulating the Financial Mechanism, internal legislative acts of the Ministry, and requirements of the Grant Agreement on the project LV0009 and the Cooperation Agreement.

According to the Cooperation Agreement and Order of the Ministry within the framework of the Project the Ministry performs both functions of the final beneficiary and intermediate body. The Project Management Committee monitors activities and processes of the Project to ensure their compliance with the goal of the Project. Ministry as a final beneficiary ensures implementation of the project and achievement of goals; ensures separate accounting; provides information stated in the Cooperation Agreement about the Project implementation to the CFCA and intermediate body. However, the Ministry as an intermediate body ensures monitoring of the Project implementation and compliance with conditions of the field policy; considers and coordinates progress part of the last Project interim report on the current year received from the CFCA.

According to the Project implementation plan it was planned to launch the Project in June 2008, however actually it was launched in July. Order of the Ministry on establishment of the Project Management, Management Group and Management Committee were issued only in July 2008.

### ***Summary of the internal audit report (LV0021)***

No.2/2009

March 18, 2009

#### **Legal Justification of the Audit**

The audit was conducted according to the Annual Plan of the Internal Audit Unit 2009 of the Ministry of Justice adopted on December 15, 2008. The Head of Internal Audit Unit I. Ozola and Senior Desk Officer B. Krūmiņa conducted the compliance and efficiency audit on implementation management system of the project No.21–5.1/11 “Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010” co-financed within the framework of the Financial Mechanism priority “Judiciary” of the sub-system of international financial mechanism system.

#### **Objective of the Audited Entity**

Implementation and monitoring of the individual project No.21–5.1/11 “Development of the complex program on re-socialisation of the former convicts in Latvia during

years 2008-2010” co-financed within the framework of the Financial Mechanism priority “Judiciary” is done in compliance with the legal requirements.

#### **Control Objective**

Ensure that implementation of the individual project No. 21–5.1/11 “Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010” co-financed within the framework of the Financial Mechanism priority “Judiciary” is done in compliance with the project goal, allocated budget and set deadlines.

#### **Audit Objective**

Provide assurance to the Ministry of Justice that the established management and control system for administration of the individual project No.21–5.1/11 “Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010” co-financed within the framework of the Financial Mechanism priority “Judiciary” is efficient and complies with the legal requirements.

#### **Audit Scope and Applied Checking Methods**

- analysis of application of legislative acts regulating the monitoring process in case of international financial mechanism projects in the Ministry of Justice;
- analysis of job descriptions and management contracts of responsible officials in the Project Department of the Ministry of Justice;
- analysis of correspondence, orders and contracts included in the Computerized Recordkeeping System of the Ministry of Justice;
- interviews with responsible officials in the Project Department of the Ministry of Justice;
- interviews with responsible officials in the society “Integration for Society”;
- on-spot-check of individual project No.21–5.1/11 “Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010” co-financed within the framework of the Financial Mechanism priority “Judiciary”.

#### **Audit Summary**

On August 6, 2008, the Cooperation Agreement No.LV0021 was signed between the CFCA, the Ministry and the Society on implementation of the individual project “Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010”. Term for the project implementation is set from August 6, 2008 till June 30, 2010.

According to the Cooperation Agreement total eligible costs are EUR 506 832.00. Co-financing of the financial mechanism does not exceed EUR 430 807.00, i.e., 85% of total eligible costs of the Project. Beneficiary provides financing in amount of EUR 76 025.00 or 15% of total eligible costs set in the Cooperation Agreement.

Initial goal of the Project is to reduce number of crimes and develop complex program on re-socialisation in Latvia.

Project activities foresee establishment of Project management in the Social Rehabilitation Centre “Ratnieki” (hereinafter – SCR) provision of living conditions for 40 former convicts and control over them, application of programme for solution of psychological and social problems, restoration of professional skills of former convicts or implementation of programme for acquisition of skills, building of administrative and workshop, improvement of SCR territory, presentation of SCR performance results in prisons and organisation of publicity activities.

Information about the Project progress is included in the interim report No.1 of the Society on the time period between August 6, 2008 and September 30, 2008, which at the moment of the check was not approved yet because the project coordination

process was going on. The sum specified in the interim report No.1: EUR 3955.37/ LVL 2782.61; the sum on which the sample check was done: EUR 3955.37 / LVL 2782.61 for the time period between August 6, 2008 and September 30, 2008. Eligible costs included in the interim report No.1 related to accommodation expenditure and wage payments comprise LVL 2561.85, but non-eligible costs are LVL 220.76 (inaccurate wage payments LVL 180.03 and non-eligible share of accommodation expenditure LVL 40.73).

Having evaluated information collected during the audit process it was concluded that the Project implementation monitoring and control system in the Ministry was established according to the requirements of legal acts regulating monitoring of the Financial Mechanism, Ministry's internal legal acts as well as requirements set forth in the Grant Agreement on financing of the individual project No.21-5.1/11 "Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010" and in the Cooperation Agreement.

Controls established by the Society do not ensure implementation of the Project according to the Grant Agreement and the Cooperation Agreement requirements, thus causing risk that Project goals will not be accomplished completely. During the audit process it was identified that activities to accomplish performance results of Project goals were not planned, risks influencing achievement of Project goals were not identified, and several irregularities in the accounting were admitted. It was also identified that deadlines and conditions for budget execution specified in the Annex II "PIP" of the Grant Agreement were not met, which caused the fact that Project launching was delayed by one month.

During the audit performance process it was identified that the Society has not ensured appropriate control to avoid overlapping of financing provided by the SPS and Project financing.

Functions of the intermediate body in the Ministry were delegated to the PD. Controls established by the PD ensure monitoring of the Project implementation part according to the legal acts regulating monitoring of the Financial Mechanism, Ministry's internal legal acts, as well as responsibilities set in the Grant Agreement and the Cooperation Agreement.

### *Summary of internal audit report (LV0020)*

No. 3/209

April 14, 2009

#### **Legal Justification of the Audit**

The audit was conducted according to the Annual Plan of the Internal Audit Unit 2009 of the Ministry of Justice adopted on December 15, 2008. Senior Desk Officer of the Internal Audit Division M. Kocēna conducted the compliance and efficiency audit on the management system for implementation of the individual project Nr. LV0020 "Resocialisation of inmates in Zemgale prisons" co-financed within the framework of the Financial Mechanism priority "Judiciary", with participation of auditors of the Internal Audit Division of the Latvian Prison Administration (hereinafter – LPA).

#### **Objective of the Audited System**

Implementation and monitoring of the Project is in compliance with the legislative requirements.

#### **Control Objective**

Ensure that implementation of the Project is done in compliance with the project goal, allocated budget and set deadlines.

#### **Audit Objective**

Provide assurance to the management of the Ministry that the established management and control system for administration of the Project is efficient and complies with the legislative requirements.

#### **Audit Scope and Applied Checking Methods**

Study of external and internal legislative acts. Interviews and negotiations with employees and officials. Sample check of documents.

#### **Audit Summary**

Financial Mechanism's priority "Judiciary";

Project: "Re-socialisation of inmates in Zemgale prisons";

Total eligible costs of the project: EUR 1197921.00.;

Co-financing of the Financial Mechanism: EUR 1018233.00;

Co-financing of the final beneficiary: EUR 179688.00;

Co-financing of the Financial Mechanism does not exceed 85% of total eligible expenditure of the Project. Financial beneficiary ensures 15% of total eligible expenditure set in the Agreement. Project is being implemented in the time period from September 17, 2008 till March 31, 2011.

The goal of the Project is to facilitate resocialisation of inmates in Zemgale prisons and eliminate existing obstacles for implementation of educational measures in Jelgava and Jēkabpils prisons.

To achieve the goal of the Project eight activities have been set aimed at development of motivation programmes in the above mentioned prisons, attracting social work specialists, implementation of professional and vocational education programmes, improving classrooms and material-technical basis.

The audit was conducted on the time period from September 2008 till February 2009.

According to the sub-clause 4.4.1 of the Agreement, in December 2009, the LPA submitted to the CFCA the interim report No.1 on the time period from the Project launching date till November 30, 2008. The financing used and accounted for in the interim report in amount of EUR 6470 corresponds to the expenditure registered in the accounting documentation. 85% of the above mentioned sum or EUR 5500 is the part of the Project co-financing.

Having evaluated information provided during the audit it was concluded that the Project implementation monitoring and control system in the Ministry has been established according to external legislative acts regulating the Financial Mechanism, internal legislative acts of the Ministry, and requirements of the Cooperation Agreement.

Project Department (hereinafter – PD), as an intermediate body, ensures monitoring and control of the Project. Controls established by the PD ensure progress of the Project and compliance with conditions for execution of the Agreement. In the PD, during the audit, job descriptions were updated and duties were set according to external legislative acts and the Agreement.

In the LPA the Management Group and working group have been established, meetings are held on regular basis, Minutes of the meetings are available, however improvements should be introduced. Record keeping of the Project is separated.

According to the Agreement conditions in the LPA potential risks during the Project implementation process have not been assessed and identified, persons responsible for the risk management have not been appointed.

In general, accountancy of the Project is separated from the accountancy of the institution, Project accountancy description has been approved, however for some accounting documents the storage time is set shorter than prescribed in the Agreement.

Due the fact that the financing was not received on the time, planned procurements have not been held and contracts have not been signed in the 4th quarter of 2008, all Project activities have been delayed. The received financing has been used only in amount of 13%, and half of it has been used for wages.

Activities performed in the 4th quarter of 2008 have not ensured implementation of the Project according to the Project goal, allocated budget and set deadlines to achieve planned performance indicators in this period.

According to the external legislative acts and sub-clause 8.2 of the Agreement, by signing it the Director of the LPA confirmed that internal control system has been developed and works, although in separate instances the internal control should be improved.

### *Summary of the internal audit report (LV0022)*

No. 4/2009

June 4, 2009

#### **Legal Justification of the Audit**

The audit was conducted according to the Annual Plan of the Internal Audit Unit 2009 of the Ministry of Justice adopted on December 15, 2008. Senior Desk Officer of the Internal Audit Division M. Kocēna conducted the compliance and efficiency audit on the management system for implementation of the individual project No LV0022 “Strengthening the Judiciary in Latvia by Improving Capacity of the State Forensic Science Bureau of Latvia in Order to Comply with Best Practice and International Quality Standards” co-financed within the framework of the Financial Mechanism priority “Judiciary”.

**Objective of the Audited System** – Implementation and monitoring of the Project is in compliance with the legislative requirements.

**Control Objective** – Ensure that implementation of the Project is done in compliance with the Project goal, allocated budget and set deadlines.

**Audit Objective** – Provide assurance to the management of the Ministry that the established management and control system for administration of the Project is efficient and complies with the legislative requirements.

#### **Audit Scope and Applied Checking Methods**

1. Study of external and internal legislative acts.
2. Interviews and negotiations with four employees and officials.
3. Sample check of documents.

#### **Audit Summary**

Financial Mechanism`s priority: “Judiciary”;

Project: “Strengthening the Judiciary in Latvia by Improving Capacity of the State Forensic Science Bureau of Latvia in Order to Comply with Best Practice and International Quality Standards”.

According to the Agreement LV0022 planned Project expenditure is EUR 730975, including co-financing of the Financial Mechanism in amount of EUR 621329 or 85% of total eligible expenditure of the Project. However, the final beneficiary ensures EUR 109646 or 15% of total expenditure.

Project is being implemented in the time period from July 1, 2008 till November 30, 2009.

Goal of the Project – provide law enforcement institutions with scientific-based, qualitative and objective forensic results.

To achieve the Project goal it is planned to improve planning and decision making in the Bureau establishing electronic control system, train quality management



specialists, procure new equipment and introduce new expertise methods. Seven activities have been set for implementation of the Project.

The audit was conducted on the time period from July 2008 till March 2009.

According to the sub-clause 4.4.1 of the Agreement, in January 2009, the SFSB submitted to the CFCA the interim report No.1 on the time period from the Project launching date till December 31, 2008. The financing used and accounted for in the interim report in amount of EUR 471288 corresponds to the expenditure registered in the accounting documentation. 85% of the above mentioned sum or EUR 400595 is the part of the Project co-financing. According to the information provided by the SFSB at the time the audit was finished the Project was implemented by 83%.

Internal controls established for implementation of the Project, activities and measures performed have ensured implementation of the project according to the Project goal, allocated budget and set deadlines achieving performance indicator of corresponding period.

### ***Summary of report on the internal audit report (LV0019)***

No. 5/2009

April 29, 2009

#### **Legal Justification of the Audit**

The audit was conducted according to the Annual Plan of the Internal Audit Unit 2009 of the Ministry of Justice adopted on December 15, 2008. The Head of Internal Audit Unit I. Ozola, Senior Desk Officer B. Krūmiņa and Senior Inspector of the Internal Audit Division of the Latvian Prison Administration conducted the compliance and efficiency audit on implementation management system of the project No LV0019 (No. 21-5.1/3) "Elaboration of Prison Building Standards" co-financed within the framework of the Financial Mechanism priority "Judiciary" of the sub-system of international financial mechanism system.

#### **Objective of the Audited Entity**

Implementation and monitoring of the individual project No LV0019 "Elaboration of Prison Building Standards" co-financed within the framework of the Financial Mechanism priority "Judiciary" is done in compliance with the legal requirements.

#### **Control Objective**

Ensure that implementation of the individual project No. LV0019 "Elaboration of Prison Building Standards" co-financed within the framework of the Financial Mechanism priority "Judiciary" is done in compliance with the project goal, allocated budget and set deadlines.

#### **Audit Objective**

Provide assurance to the Ministry of Justice that the established management and control system for administration of the individual project No LV0019 "Elaboration of Prison Building Standards" co-financed within the framework of the Financial Mechanism priority "Judiciary" is efficient and complies with the legal requirements.

#### **Audit Scope and Applied Checking Methods**

- analysis of application of legislative acts regulating the monitoring process in case of international financial mechanism projects in the Ministry of Justice;
- analysis of correspondence, orders and contracts included in the Computerized Recordkeeping System of the Ministry of Justice;
- interviews with responsible officials in the Project Department of the Ministry of Justice;
- interviews with responsible officials in the Latvian Prison Administration;
- analysis of job descriptions, contracts of responsible officials in the Latvian Prison Administration and Project documentation;

- on-spot-check of individual project No LV0019 “Elaboration of Prison Building Standards” co-financed within the framework of the Financial Mechanism priority “Judiciary”.

### **Audit Summary**

In general, having evaluated information provided during the audit it was concluded that the Project implementation monitoring and control system in the Ministry has been established according to external legislative acts regulating the Financial Mechanism, internal legislative acts of the Ministry, and requirements of the Grant Agreement on the financing of the individual project “Elaboration of Prison Building Standards” (hereinafter – Grant Agreement) and the Cooperation Agreement.

Controls established in the LPA ensure Project implementation according to the Grant Agreement and Cooperation Agreement, although during the audit irregularities were identified in separate Project administration fields: planning is not done to eliminate factors hindering implementation of the 2nd activity “Reconstruction Works”, responsible persons have not been appointed and information procedure for identification of potential risks has not been established, several irregularities were identified in the procurement process and working hour registration process in the work places of officials involved in the Project. It was disclosed that terms set in Annex II “Project implementation plan” to the Grant Agreement have not been complied with and budget for construction works is not used sufficiently due to changes made to the planned construction work amount within the Project.

Having started the audit the PD asked for additional on-the-spot check in Cēsis to assess compliance of the construction with the guidelines developed within the framework of the Project and sufficiency of the Project management control. During the audit it was detected that construction works have not been started and therefore auditor were not able to give assessment on compliance of the object with the guidelines developed within the framework of the Project, in the LPS it was found that the Project implementation control is sufficient in Cēsis Minor’s Monitoring Centre.

Functions of the intermediate body in the Ministry have been delegated to the PD. Controls established by the PD ensure monitoring of the Project implementation progress part according to external legislative acts regulating the Financial Mechanism, internal legislative acts of the Ministry, and requirements of the Grant Agreement and Cooperation Agreement.

### ***Summary of Audit No. 5-1/1-2009***

#### ***“Implementation of Intermediate Body’s Functions Related to Management of the Financial Mechanism”***

### **TIME OF THE AUDIT**

Audit was performed in the time period from January 19, 2009 till February 20, 2009.

### **AUDITORS**

Senior Desk Officer L.Černoriža of the Administration Audit Division, Internal Audit Department, Ministry of Interiors (hereinafter – MoI) (hereinafter – auditor).

### **CONTACT PERSONS**

I. Čodare – Deputy Head of the European Affairs and International Cooperation Department of the MoI;

J. Zvilna – Deputy Head of the International Project Coordination Division, European Affairs and International Cooperation Department, MoI.

Contact persons are liable for correctness and genuineness of the information and documents provided.

### **GOAL AND KEY OBJECTIVE OF THE AUDIT**

The goal and key objective of the audit is to gain assurance that implementation of functions of the Ministry of Interiors related to management of the Financial Mechanism complies with legislative requirements.

#### **SCOPE OF THE AUDIT**

To achieve the goal of the audit interviews were carried out with officials of the European Affairs and International Cooperation Department (hereinafter – EAICD), information about announcement of the project tender, organisation of the project evaluation process, implementation of necessary activities in the draft cooperation agreement coordination process, coordination and approval of Project interim reports, availability of projects approved within the priority “Schengen” implemented using the Financial Mechanism and their compliance with legislative requirements was analysed.

The audit was performed on the time period from May 01, 2004 till December 31, 2008.

*Audit scope limitation* - during the audit management of the Financial Mechanism – ensuring monitoring and control of project implementation in the MoI – was not evaluated because according to the Audit Plan of the Internal Audit Department for 2009 fulfilment of this function will be evaluated during the audit “Monitoring of Project Implementation. Systematization and Storage of Documents”.

#### **CONCLUSIONS**

1. MoI has ensured evaluation of individual projects according to legislative requirements, however submitted projects have not been evaluated according to strategic planning documents linked to joining the Schengen Convention as it is stated in the Regulations of the Cabinet of Ministers No. 145 adopted on 27.02.2007 “Regulation of limited tender within the Financial Mechanism Priority “Schengen”” because specific criteria were not set for the priority “Schengen”.
2. Cooperation agreements were signed and information of society about the projects implemented within the priority “Schengen” with the Financial Mechanism co-financing was done according to legislative requirements.
3. Existing description of the internal control system for implementation of the Financial Mechanism Priority “Schengen” cannot ensure implementation of functions set in legislative acts, because necessary internal procedure / control measures regulating evaluation of the progress part of the project interim report have not been developed. There is a risk that information provided in reports of the State Police, Information Centre of the MoI and Ministry of Foreign Affairs will not be checked appropriately/correctly.

#### **RECOMMENDATIONS:**

1. To ensure fulfilment of the Financial Mechanism management functions internal procedures regulating evaluation of the progress part of the project interim report shall be developed and approved.
2. Information on the web site of the MoI about the projects implemented with co-financing of the Financial Mechanism shall be supplemented with project implementation places.

#### *Summary of Audit No. 5-1/6-2009*

#### *“Financial Mechanism. Monitoring of Project Implementation. Systematization and Storage of Documents”*

#### **TIME OF THE AUDIT**

Audit was performed in the time period from March 11, 2009 till March 31, 2009.

#### **AUDITORS**

Senior Desk Officer L.Černoriža of the Administration Audit Division, Internal Audit Department, Ministry of Interiors (hereinafter – MoI) (hereinafter – auditor).

#### **GOAL AND KEY OBJECTIVE OF THE AUDIT**

The goal and key objective of the audit is to gain assurance that the project implementation monitoring process and storage of documentation in the Ministry of Interiors comply with legislative requirements.

#### **SCOPE OF THE AUDIT**

To achieve the goal of the audit interviews were carried out with officials of the Budget Planning and Analysis Division of the Finance Management Department (hereinafter – FMD) and International Project Coordination Division of the European Affairs and International Cooperation Department (hereinafter – ELSSD), information provided about the project implementation process, activities performed in the monitoring process of allocated state budget resources utilization, storage of documentation and its compliance with legislative requirements was analysed.

The audit was performed on the time period from March 01, 2008 till March 01, 2009.

#### **KEY FINDINGS:**

1. MoI has collected information about the dates when cooperation agreements were signed, budgets of the projects, final payment dates and project procurement plans. According to the project procurement plan submitted by the ELSSD during the audit it is planned to carry out 27 procurements to ensure project activities, including in the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2008 – 20 procurements and in the 1<sup>st</sup> quarter of 2009 – 7 procurements. The MoI has not collected information about implementation of the project procurement plan and implementation of project activities.
2. During the monitoring process the ELSSD cooperated with the persons involved in the project management in the State Police, Information Centre of the MoI and Ministry of Foreign Affairs, as well as responsible persons of the Ministry of Finance. Cooperation is done by telephone or electronically and, if necessary (according to the request of the Ministry of Finance), also in writing, but results of information exchange / activities performed have not been collected and it burdens traceability of the project implementation process.
3. Management and organization of the project implementation monitoring process does not facilitate provision of information by project implementers to the MoI about the implementation process of the Financial Mechanism co-financed projects.
4. During the audited period the State Police and Information Centre of MoI have submitted to the Ministry reports on nine months of 2008 and 2008, accordingly. Information about the corresponding time period was checked comparing to Treasury's data on particular period, gathered and analysed. In the prescribed procedure the FMD reported to the Minister and State Secretary on the results of analysis.
5. According to the report prepared by the FMD on the Ministry's budget 2008 execution, the financing allocated for implementation of four projects in amount of Ls 281 094 has been acquired according planned goals only in amount of Ls 36 478 or 13% of planned expenditure. Project expenditure goals were not achieved in the planned amount and time mainly due to prolonged preparation and performing of the procurement procedure (development of procurement documentation).
6. In the description of the internal control procedure it is stated that in the individual project implementation stage the ELSSD shall evaluate the progress part of the last project interim report of the current year and sent

the interim report to the CFCA, without specifying how, according to what criteria and in what procedure the progress part of the project interim report shall be evaluated.

**CONCLUSIONS:**

1. Monitoring of the project implementation done by the MoI is not continuous, analysis of project implementation results in the Ministry is done partially, namely, according to the request of the Ministry of Finance, because the Ministry has not set procedure for monitoring of approved project implementation in the Financial Mechanism priority “Schengen”. There is a risk that the MoI cannot ensure provision of true and complete information to the Ministry of Finance by means of monitoring reports prepared according to specific procedure.

2. MoI has ensured monitoring of utilization of the state budget resources allocated for implementation of the State Police’s and Information Centre’s of the MoI projects according to legislative requirements, but activity of the Ministry as an intermediate body in the monitoring of utilization of state budget resources allocated for implementation of the Ministry’s of Foreign Affairs project was insufficient to ensure common approach to monitoring of utilization of allocated state budget resources.

3. In the Ministry, documentation in paper related to the Financial Mechanism are stored in the procedure prescribed in the legislative acts, but electronic storage of documentation is not systematic because requirements for the storage of documents has not been set.

**RECOMMENDATIONS:**

1. To ensure continuous and effective monitoring of the project implementation within the Financial Mechanism priority “Schengen” a procedure shall be set for organization and carrying out of the monitoring process in the MoI.
2. Evaluate necessity of the existing electronic documentation storage (5 folders), set requirements for storage of the Financial Mechanism electronic documents.

***Summary of the Audit No. 6-01/RAPLM-12.1-09/1  
“Implementation and Monitoring of the Financial Mechanism`s priorities”***

Responsible institution	MoRDLG
Financial Mechanism	Norwegian Financial Mechanism - NFM
Audited entities	MoRDLG Department of Development Mechanisms (hereinafter – DDM), Division of National and Foreign Assistance Mechanisms (hereinafter – DNFAM)
Audit objective	Audit performed to provide assurance to the management of the MoRDLG that the established internal control system for implementation and monitoring of NFM priorities is sufficient.
Key findings and conclusions	Summary of implementation of intermediate body’s functions in the NFM period 2004 – 2009: In the time period 2004 – 2009, functions of the NFM intermediate body were performed and monitored according to the Order. DNFAM functions are clearly defined and separated, and duties of DNFAM employees are set in job descriptions; For the NFM period 2004 – 2009 the Ministry has developed internal regulatory acts regulating implementation of NFM projects and the Regulation of the 2nd open call has been approved by the Cabinet of Ministers; Commission for evaluation of individual project applications for the 2nd open call within the NFM priority “Regional Policy and Promotion of Economic Activities” has been established on 19.06.2008. From 20.06.2008 till 18.09.2008 six meetings of the Commission were held; Intermediate body submitted quarterly reports to the FP on non-

	<p>compliances, as well as prepared annual monitoring report on the time period from April 2007 till June 2008, which was sent to the Ministry of Finance as the FP;</p> <p>On the web site of the MoRDLG the NFM section has been established where information about the Mechanism, financing available within the 1st and 2nd call, answers on questions of project applicants can be found.</p>
Opinion on the effectiveness of the internal control system	<p>The NFM implementation and monitoring system established in the MoRDLG as an intermediate body works good and in compliance with legislative requirements, no irregularities have been identified threatening the work of the system. It is necessary to specify risk evaluation methodology for on-the-spot checks. During the draft audit report coordination process recommendations regarding the layout and availability of information on the web site of the MoRDLG were implemented.</p>

***Summary of Audit No.pi6/2009/l “Compliance of the Financial Mechanism Management and Control System with External Legislative Acts”***

**Audit objective**

According to the plan for 2009 of the Internal Audit Division of the state agency “Investment and Development Agency of Latvia” (hereinafter – IDAL) the audit “Compliance of the Financial Mechanism Management and Control System with External Legislative Acts” was performed by the senior desk officer G. Konrads of the Internal Audit Division in the time period from 23.03.2009 till 27.04.2009.

The objective of the audit was to check compliance of the Financial Mechanism management and control system with applicable legislative acts.

**Planned scope of the audit and work done**

During the audit the internal control system ensuring implementation of the Financial Mechanism programmes (NFM) in the IDAL was checked. Inter alia, functions and tasks set in regulations of structural units, as well as duties set in job descriptions of employees ensuring achievement of system’s goals were checked.

During the audit internal regulatory acts which shall ensure complete and continuous implementation of the NFM were checked. During the audit it was not possible to gain assurance about the whole internal control system because the responsible structural unit had not developed necessary internal regulatory acts at the moment of the audit.

The audit was performed in the Financial Mechanism Unit (hereinafter – NFMU) of the Structural Fund Implementation Department (hereinafter – SFID). During the audit controls and detailed checks were performed.

The audit was performed and planned to gain sufficient assurance that internal control system established in the IDAL in all key aspects comply with legislative requirements and operates effectively.

**Conclusions**

On the basis of audit findings it can be concluded that initially the NFM internal control system did not ensure timely launching of the NFM, however by appointment of other responsible persons further implementation of the NFM was successful which means that improvements were introduced in the internal control system. In addition it should be noted that currently the NFM implementation internal control system works good.

To facilitate successful implementation of the NFM it is important to prolong contract term for the programme “Promotion of public and private partnership development in Latvia”, coordinate and agree on necessary internal regulatory acts and introduce

necessary amendments to internal regulatory acts to ensure on-the-spot checks of sub-projects.

We would like to draw attention to findings described in this report and recommendations provided which should be introduced.

## **II Summary of project audits carried out by the Internal Audit Department of MoF**

### *Summary of report on the Financial Mechanisms` block grant`s “NGO Fund” subproject ““Two sides in one” – ensuring the basic activity, popularization and expositions of the Society “More Museum”” audit*

#### **Audit objective**

Provide assurance about performance of the internal control system, established for implementation of the Financial Mechanisms (hereinafter – NFM) project and eligibility of reported expenditure according to requirements of the Financial Mechanisms and the Republic of Latvia, expenditure supporting documents and traceability of expenditure.

#### **Scope**

<i>Block grant:</i>	NGO Fund
<i>Project:</i>	““Two sides in one” – ensuring the basic activity, popularization and expositions of the Society “More Museum””
<i>Total sum of the project:</i>	EUR 30 430.49
<i>SIF grant:</i>	EUR 27 380.49
<i>Advance payment to the SIF final beneficiary:</i>	EUR 15 880.67

The audit was performed in the SIF and society “More Museum” (hereinafter – Society) on the project implementation period from September 4, 2007 till August 4, 2008.

*The following was checked during the audit:*

- > Financing Agreement No. 2007.NVOF2.1./2-2/09 signed on September 21, 2007 (hereinafter – Financing Agreement) between the final beneficiary – Society and Block Grant Intermediary – SIF;
- > bills and other documents justifying eligibility and compliance of expenditure;
- > established Project management system, including administrative, technical and financial, document registration and storage system;
- > compliance with publicity, procurement, environmental, gender equality and sustainable development requirements;
- > planned and achieved results of the Project;
- > Project implementation process, including changes in the scope, time etc.;
- > traceability of audit stages;
- > risk of double financing.

#### **Time of the audit, auditors**

The audit was started on August 4, 2008 and finished on September 5, 2008. The audit was conducted by the Senior Desk Officer of the European Union Financed Programmes and Projects Audit Division of the Internal Audit Department of the Ministry of Finance L. Seisuma.

During the audit interviews were held with the Head of Special Programme Project Management Division of the CFCA - A. Rumba and Head of Special Programme Financial Management Division A. Prišcepova, Deputy Head of the SIF Monitoring Division J. Šaicāne, Project Manager A. Bule and Senior Accountant E. Turka, as well as Society’s

Chairman of the Board, Project Manager A. Brača and Head of “D. Martuzānes birojs” Ltd.  
– Project Account D. Martuzāne.

### **Conclusions**

1. At the moment of the audit total amount of the expenditure was EUR 22 223.96, including eligible expenditure EUR 7729.41 considered as such according to budget estimate and procurement performed, procurement expenditure in amount of EUR 14 364.31, as well as EUR 130.24 exceeding the budget estimate at the moment of the audit considered as non-eligible expenditure.
2. In general, the management and control system for implementation of the CFCA, SIF and Society’s project has been established and it works, although it was identified that the SIF has not developed separate procedures for management of NFM block grant, it is done according to PHARE programme manual supplemented with separately developed forms.
3. At the moment of the audit, 4 advance payments were made to the SIF final beneficiary in amount of EUR 15 880.67 according to Clause 4.3 of the Financing Agreement.
4. The Society, submitting the 1st and 2nd Informative Report, has not complied with Financing Agreement, Supplement 2, Clause 2.L stating that the final beneficiary shall add to the report detailed information about the expenditure incurred till the end of particular reporting period.
5. Procurement No. 2007/11/01 made by the Society “Repair of premises in More Museum” does not comply with requirements of the CoM Regulations No. 179 “Regulations on the procedure for the projects financed by the contracting authority”, therefore the auditor hold an opinion that expenditure of the Procurement No. 2007/11/01 “Repair of premises in More Museum” in amount of EUR 14 364.31 shall be deemed as non-eligible expenditure.
6. Simultaneously with the NFM project, the Society is also implementing the project co-financed by the state agency “Tēvijas sargs” “Two sides in one” – co-financing of More battle museum exposition popularization as a culture history, education and tourism object”, where the activities included are similar to activities indicated in the signed Financing Agreement.
7. The Society has signed contracts with employees involved in the project – employment contracts and agreements on voluntary work; however assessment of voluntary work of three employees in money contradicts with the Financial Agreement.

### **Recommendations**

1. CFCA shall assign a task to the SIF to carry out a control to ensure that expenditure incurred by the final beneficiary in the Procurement No. 2007/11/01 “Repair of premises in More Museum” in amount of EUR 14 364.31 is deducted from the eligible expenditure of the project (see Conclusion No. 5).
2. To avoid possible risk of double financing the CFCA shall assign a task to the SIF, at receiving Completion Report, to gain assurance that activities have not been covered from the resources of the state agency’s “Tēvijas sargs” co-financed project (see Conclusion No. 6).
3. CFCA shall request the SIF, draw attention of the Society, that in future informative reports shall be supplemented with detailed information about the expenditure incurred till the end of particular reporting period according to requirements of the Financing Agreement (see Conclusion No. 4).
4. CFCA shall assign a task to the SIF to ensure assessment and accounting of



voluntary work of employees involved in the Society's project according to requirements of the Financing Agreement (see Conclusion No. 7).

***Summary of report on the Financial Mechanisms co-financed project "Sustainable use and management of nature resources in the NATURA 2000 territories - popular and potential tourism destinations" audit (LV0052)***

**Audit Objective**

Provide assurance about performance of the internal control system, established for implementation of the Financial Mechanisms co-financed project "Sustainable use and management of nature resources in the NATURA 2000 territories - popular and potential tourism destinations", and eligibility of reported expenditure according to requirements of the Financial Mechanisms and the Republic of Latvia, expenditure supporting documents and traceability of payments.

The audit was performed in the Latvian Rural Tourism Association "Lauku ceļotājs" (hereinafter – LRTA "Lauku ceļotājs") and in the "Latvijas Dabas fonds" (hereinafter – "LDF").

**Time of the audit, auditors**

The audit was started on 19.02.2009 and finished on 24.03.2009. The audit was conducted by senior desk officers N. Voroncova and E. Klarka of the Ministry of Finance, Internal Audit Department, European Union Financed Programmes and Projects Audit Division.

During the audit interviews were held with the Deputy Head of Special Programme Project Management Division of the Special Programme and Project Department of the CFCA I. Skangale, President of the LRTA "Lauku ceļotājs" – Project Manager A. Ziemele, Chief Accountant of the LRTA "Lauku ceļotājs" – Project Accountant K. Pētersone, "LDF" Project Manager B. Strazdiņa and "LDF" Project Financial Assistant Z. Pulkstene.

**Conclusions**

1. Total audited sum for the time period from 21.05.2008 till 30.09.2008 is LVL 34 097.00, including:
  - 1) **LVL 31 803.00** considered as eligible expenditure;
  - 2) **LVL 2294.00** non-eligible expenditure included in the interim report No. 1.
2. In general, Project finance accounting system ensures accounting and traceability of all financial transactions made within the Project.
3. With 10 employees out of 11 involved in the Project implementation employment contracts have been signed, and with one employee an enterprise contract has been signed. The time worked within the Project has been recorded in the time recording tables for each employee, except one employee working on the basis of enterprise contract. In the one exceptional case a work delivery and receipt act is prepared every month for the work done.
4. Both the LRTA "Lauku ceļotājs" and "LDF" ensured Project identification in the accounting system. On 05.01.2009, the LRTA "Lauku ceļotājs" updated the chart of accounts providing separate accounts for Project accounting, and the Project can be identified by the code attached. For the Project financial accounting the "LDF" made sub-accounts in the chart of accounts.
5. Payments made by means of bank transfers – the LRTA "Lauku ceļotājs" from the Treasury account designated specially for this purpose, the "LDF" – from the Fund's account.
6. In general, payments refer to the Project, are made timely and supported with documents.

7. During the audit in the LRTA "Lauku ceļotājs" auditors did not gain assurance that terms for documentation storage will be observed according to requirements of the Cooperation Agreement, because the LRTA "Lauku ceļotājs" has not developed classification of cases.
8. In general procurements made within the Project – "Bus rent", "Computer", "Digital camera", "Car rent" and "Project employee and expert competition" comply with corresponding requirements; however it was identified that the LRTA "Lauku ceļotājs" has not set terms for storage of documentation.
9. LRTA "Lauku ceļotājs" and "LDF" have complied with publicity requirements set in the Cooperation Agreement.
10. Project implemented complying with principles set in the gender equality policy and guidelines.
11. Project implemented complying with sustainability policy and guidelines.

### **Recommendations**

CFCA shall set tasks to ensure that the LRTA "Lauku ceļotājs" carries out storage of documentation according to Clause 7.1.6 of the Cooperation Agreement, namely, till 30.04.2021.

### ***Summary of report on payment request and disbursement eligibility audit within the Financial Mechanism Individual Project "Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010" (LV0021)***

#### **Audit Objective**

Provide assurance about performance of the internal control system, established for implementation of the Financial Mechanism (NFM) project, and eligibility of expenditure according to requirements of the Financial Mechanisms and the Republic of Latvia, expenditure supporting documents and traceability of expenditure.

#### **Time of the audit, auditors**

The audit was started on January 15, 2009 and finished on February 20, 2009. The audit was conducted by senior desk officers L. Seisuma and N. Voroncova of the Ministry of Finance, Internal Audit Department, European Union Financed Programmes and Projects Audit Division.

During the audit interviews were held with the Head of Special Programme Project Procurement and Contracting Division of the CFCA M. Jākobsone, Chairman of the Society – Project Leader J. Kapustins, Accountant of the Society – Project Accountant J. Levenšteine.

#### **Conclusions**

1. In the result of the audit **LVL 2560.33** recognized as eligible expenditure, but **LVL 222.28** – as non-eligible expenditure comprising incorrectly paid wages in amount of **LVL 180.03** and non-eligible proportion of household expenditure **LVL 42.25**.
2. In general, Project finance accounting system established by the Society ensures accounting and traceability of all financial transactions made within the Project.
3. Storage of Project documentation in the Society is not ensured according to requirements of the Cooperation Agreement.
4. Both the CFCA and Society partially complied with requirements of the Cooperation Agreement regarding submission and coordination of the progress report, because they did not observe Clauses 5.5 and 5.6 of the Cooperation Agreement stating that the CFCA shall check the Project interim report and send comments to beneficiary within 17 working days, but the beneficiary shall within 10 working days after the receipt of comments

- eliminate established non-compliances and submit to the CFCA updated documents; the said documents submitted with 4 and 6 days delay.
5. In general, procurements made by the Society comply with requirements of the Grant Agreement.
  6. Publicity requirements complied with placing a plate with the logotype of the Financial Mechanism at the entry in the Society's building.
  7. Project implemented partially complying with principles set in the gender equality policy and guidelines.
  8. Project implemented complying with sustainability policy and guidelines.

### **Recommendations**

1. CFCA shall perform control to ensure that non-eligible expenditure in amount of **LVL 222.28** included in the Society's Project interim report No. 1 on the time period from August 6, 2008 till September 30, 2008 are deducted from the Project eligible expenditure (see Conclusion 1).
2. CFCA shall entrust the Society with a task to update developed methodological material "Organization of accounting and financial flow within the Project No. LV0021 "Development of the complex program on re-socialisation of the former convicts in Latvia during years 2008-2010"" ensuring that all Project-related documentation is stored till April 30, 2011 according to conditions of the Cooperation Agreement (see Conclusion 3); the CFCA shall ensure that the task is fulfilled.
3. CFCA shall in future comply with Clause 5.5 of the Cooperation Agreement prescribing the Project interim report coordination procedure (see Conclusion 4).
4. CFCA shall entrust a task to the Society to comply with Clause 5.6 of the Cooperation Agreement prescribing Project interim report submission process (see Conclusion 4).

### ***Summary of report on the Financial Mechanism Co-financed Individual Project "Development of Multidimensional Support Centre for Children with Special Needs in Jelgava" audit (LV0030)***

#### **Audit Objective**

Provide assurance about performance of the internal control system, established for implementation of the Financial Mechanism co-financed individual project "Development of Multidimensional Support Centre for Children with Special Needs in Jelgava", and eligibility of reported expenditure according to requirements of the Financial Mechanisms and the Republic of Latvia, expenditure supporting documents and traceability of expenditure.

#### **Time of the audit, auditors**

The audit was started on 16.01.2009 and finished on 09.02.2009. The audit was conducted by the Deputy Head of European Union Financed Programmes and Projects Audit Division of the Internal Audit Department of the Ministry of Finance A. Bogdanova and senior desk officer of the aforesaid Division E. Klarka.

During the audit interviews were held with the Senior desk officer - Senior Project Manager of Special Programme Project Management Division of the CFCA D. Meijere, Acting Head of Jelgava City Council (hereinafter – JCC) Development and City Planning Unit Project Management Sector – Project Manager S. Liepiņa and Deputy Head of Finance Division – Project Accountant I. Krīgere.

#### **Conclusions**

1. Total sum audited for the time period from 21.04.2008 till 30.09.2008 is **LVL 5242.10/ EUR 7452.40**, including:

- expenditure considered as eligible, as of 10.02.2009, in amount of **LVL 4912.88/ EUR 6984.43**;
  - auditors do not provide opinion on eligibility of the VAT in amount of **LVL 329.22 / EUR 467.97**.
1. Contracts signed with 5 JCC employees involved in the Project implementation (1 employment contract and 4 additional agreements to signed employment contracts).
  2. The time worked within the Project has been recorded in the time recording tables for each employee.
  3. No separate account set in the JCC chart of accounts; common accounts in the JCC chart of accounts used for the Project resource accounting. In the accounting transactions related to Project implementation can be identified according to the Project title.
  4. All payments made via bank transfers from the Treasury account designated specially for this purpose and refer to the Project.
  5. In classification of JCC cases for 2008 terms for documentation storage set according to requirements of the Cooperation Agreement.
  6. Procurement No. JD 2008/12 "Development of technical project for reconstruction of children and youth camp "Lediņi"" carried out according to the Public Procurement Law and service contract with the winner of the tender SIA "Birojs T22" in amount of LVL 11 876.60, including VAT 18% LVL 1811.68, signed according to results of the procurement procedure.
  7. Within the framework of the project the JCC have complied with publicity requirements set in the Cooperation Agreement.
  8. Project implemented complying with principles set in the gender equality policy and guidelines.
  9. Project implemented complying with sustainability policy and guidelines.

**Recommendations** - N/A

### **III Certified auditor's report on selective control on eligibility of expenses of LV0006**

#### ***Auditor report by LTD "Auditing and Management Consultations" for the CFCA***

It was carried out an audit on eligibility of the expenses for period 01.03.2007 – 30.11.2008 included in the project interim reports (including eligibility of the expenses within the sub-projects) (hereafter – Reports) of the Cooperation Agreement No. LV0006 "On block grant "Seed Money Facility" implementation and payment of co-financing of the Financial Mechanisms (hereafter – Cooperation Agreement) signed on 18 July 2007 between the CFCA and the SIF (hereafter – Co-financing receiver). Management of Co-financing receiver is responsible for preparation of financial reports. Base on carried out audit, we are responsible for providing of the statement of auditor regarding respective financial reports. Besides, we are auditing the actions of the Co-financing receiver regarding fulfilment of Cooperation Agreement (including on spot checks of sub-projects), compliance with terms of the Cooperation Agreements and requests of the normative acts of the Republic of Latvia stipulated in the Cooperation Agreement, and compliance with principles stipulated in the guidelines elaborated by the FMO and approved by the Financial Mechanism Committee and the Norwegian Ministry of Foreign Affairs.

Auditing was carried out accordingly International Standards on Auditing concerning Report audit and auditing of compliance. Respective standards determines that the planning and carry out of auditing shall be done in order to get confidence that the Reports does not contain material errors and that the Co-financing receiver has observe terms of the Cooperation Agreements and requests of the normative acts stipulated in the Cooperation Agreement. Selective control on amount included in the Report and supporting document was carried out within the auditing. Auditing included as well the evaluation of content of the management's assumptions taken within the process of the preparation of the Reports, principles of accountancy and

financial reports. We consider that the carried out auditing gives the sufficient justification on submission of the statement.

In our consideration:

- (a) Reports ensures obvious and real confidence on project's eligible expenses for period from 01.03.2007 till 30.11.2008 accordingly cash principle accountancy and terms of Cooperation Agreement; and
- (b) the Co-financing receiver in all relevant aspects has observed terms of the Cooperation Agreement and requirements of the Public Procurement Law.

We confirm that following transactions were executed:

Total costs of the Co-financing receiver, EUR	Non-eligible costs of the Co-financing receiver, EUR	Eligible costs of the Co-financing receiver, EUR	Total sum of the state budget and other financing, EUR	Disbursement request from funding of the FM
(1+2)	(1)	(2)	(3)	(4)
533 605	263	533 342	80 001	-82 571*

\* including remaining amount in bank account.

This report is foreseen only for objective mentioned in the first paragraph of this report and information for you and it shall not be used for any other purposes.

/signature/ Zigrīda Šneidere

Certified auditor, Certificate No. 110

Member of the board of "Auditing and Management Consultations" LTD

Licence No 79

In Riga, in Latvia on 20.02.2009

**Control and audit plan for September-December 2009**

The auditor	Time of audit	Title
CFCA	September	On spot check of LV0033
CFCA	September	On spot check of LV0056
CFCA	September	On spot check of LV0019
CFCA	September	On spot check of LV0020
CFCA	September	On spot check of LV0022
CFCA	September	On spot check of LV0045
CFCA	September	On spot check of LV0059
CFCA	September	On spot check of LV0057
MoRDLG	September	On spot check of LV0056
MoRDLG	September	On spot check of LV0057
Ministry of Justice	September	On spot check of LV0022
SRDA	September	On spot check of LV0011 sub-project "The perspectives of the renewable energy resources"
IDAL	September	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Reconstruction and maintenance of centres of social care „Stella Maris” and „Mezciems” in Riga”"
IDAL	September	On spot check of LV0016 sub-project "Substantiation of maintenance of infrastructure in territory of national park of Razna"
SIF	September	On spot check of LV0008 sub-project "Support for participation of the Latvian Fund for Nature in society involvement and decision-making processes in the field of nature protection"
SIF	September	On spot check of LV0008 sub-project "Activity Support for the Union "Farmers Parliament”"
SIF	September	On spot check of LV0008 sub-project "Liepaja Association of Blind – impulsive force for development of equal society in Liepaja"
SIF	September	On spot check of LV0008 sub-project "Our stability and development – for the civil society of Kurzeme region"
SIF	September	On spot check of LV0008 sub-project "The informed and active civil society program for the development of the society in Jaunsvirlauka municipality"
SIF	September	On spot check of LV0008 sub-project „Program for a WOMAN in a civil society"
SIF	September	On spot check of LV0008 sub-project "Gender equality promotion in economical and social environment, developing NGOs activity in Latvia"
SIF	September	On spot check of LV0008 sub-project "Active – youth policy in Bauska district"
SIF	September	On spot check of LV0008 sub-project "Promoting positive change: organizational support to Transparency International Delna"
SIF	September	On spot check of LV0008 sub-project "Support of development of civil society in Cesu area"
SIF	September	On spot check of LV0008 sub-project "Strengthening capacity of the "Latvian Apartment Owner Association”"
Ministry of Interior	September	System audit on evaluation of the implementation of projects LV0035 and LV0036 in the Information Centre of the Ministry of Interior
IDAL	September/ October	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction of traffic optimization in objects of district of Ogre - bridge of road transport and pedestrians under railroad Riga – Daugavpils”"
Ministry of Health	September/ October	System audit on implementation of the Financial Mechanisms
Ministry of Environment	September/ November	System audit on management and monitoring of the Financial Mechanisms co-financed projects
CFCA	October	On spot check of LV0029
CFCA	October	On spot check of LV0058
MoRDLG	October	On spot check of LV0059
SRDA	October	On spot check of LV0011 sub-project "Development of the environmental strategy in

		Ogre amalgamated area”
SIF	October	On spot check of LV0008 sub-project “Activity Support for Jurmala Defence Society”
SIF	October	On spot check of LV0008 sub-project “Long-term action plan and work programme of the NGO „Parents for Jurmala””
SIF	October	On spot check of LV0008 sub-project “Activity Support for Daugavpils District Partnership”
SIF	October	On spot check of LV0008 sub-project “Activity support programme of Preili NGO Centre for strengthening the civil society in Preili district”
SIF	October	On spot check of LV0008 sub-project “Development of Latvian Diaspora Museum „Latvians Abroad””
SIF	October	On spot check of LV0008 sub-project “We are beside!”
State Police	October/ November	System audit of LV0038
Ministry of Justice	October/ November	On spot check of LV0020
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction and maintenance of main Regional library of Limbaži””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction and maintenance of local council hall of Adaži””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction and maintenance of multifunctional complex of sport and wellness of City of Limbaži””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of documentation and training of employees for Public and private partnership project „Construction and maintenance of prison of Olaine””
IDAL	October/ November	On spot check of LV0016 sub-project “Substantiation of finances and economics and development of related documentation for training of employees for Public and private partnership Project „Construction and maintenance of custody spaces of Skirotava and Kurzeme””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction and maintenance of swimming pool in City of Livani””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for Public and private partnership Project „Construction of new buildings, arrangement of existing infrastructure and maintenance of centre of social care „Kisi””
IDAL	October/ November	On spot check of LV0016 sub-project „Development of financial and economical substantiation for public and private partnership project „Developments of infrastructure and maintenance for universities – RTU, LU, RSU and LJA””
MoRDLG	October/ November	On spot check of LV0017 sub-project “Visualisation of Latvian and Belarusian folklore traditions in the context of cross-border art bridge creation”
SIF	November	On spot check of LV0008 sub-project “Philanthropy development in Latvia 2009 – 2011”
CFCA	November	On spot check of LV0025
CFCA	November	On spot check of LV0047
MoRDLG	November	On spot check of LV0054
SRDA	November	On spot check of LV0011 sub-project “Development of sustainable science centre in the Mersrags’ region”
CFCA	December	On spot check of LV0014
Ministry of Justice	December	On spot check of LV0009
SRDA	December	On spot check of LV0011 sub-project “Development of insolvency law’s commentaries”