



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

***Strategic Report on Implementation of
the Norwegian Financial Mechanism
2009–2014 in Latvia
April – December 2012***



Riga, May 2013

Glossary of Acronyms

AA – the Audit Authority
AAR – Annual Audit Report
Bilateral Fund - Fund for Bilateral Relations at National Level 2011-2017
CA – the Certifying Authority
Capacity-Building Programme – Programme LV07 “Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities”
CC – the Cooperation Committee
CoM – Cabinet of Ministers (Latvian Government)
Correctional Services Reform Programme – Programme LV08 “Reform of the Latvian Correctional services and Police Detention Centres”
DPP – the Donor Programme Partner
Decent Work Programme – Global Fund for Decent Work and Tripartite Dialogue
Description of the MCS – Description of the Financial Mechanisms 2009-2014 Management and Control System of Latvia
EC – European Commission
EEA – the European Economic Area
EFTA – European Free Trade Association
EU – European Union
Financial Mechanisms – the EEA Financial Mechanism and the Norwegian Financial Mechanism
FMO – the Financial Mechanism Office
FP – the National Focal Point
Innovation Programme – Programme LV06 “Green Industry innovation Programme”
IMF – International monetary fund
Law – the Law on Management of the Financial Mechanisms 2009 – 2014
LIDA – Latvian Investment and Development Agency
MCS - Financial Mechanisms' Management and Control System
MoE - the Ministry of Economics
MoEPRD – the Ministry of Environmental Protection and Regional Development
MoES - the Ministry of Education and Science
MoF – the Ministry of Finance
MoI - the Ministry of Interior
MoJ – the Ministry of Justice
MoU – the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009– 2014
NGO – Nongovernmental organization
OC – Open call
PA – Programme Agreement
PIA – Programme Implementation Agreement
PMCS – Programme management and control system
PO – Programme Operator
PP – Programme Proposal
PMB – the Procurement Monitoring Bureau
Programme Regulations – CoM Regulations on implementation of respective Programme

Regulation – the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014

Scholarship and Research Programme – Programme LV05 “Norwegian-Latvian Research Support Fund and Scholarship Programme”

SACD – the State Aid Control Department of the MoF

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

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1 Executive summary

According to the Article 2.2, Paragraph 1, of the Regulations the MoF, acting as the FP for the implementation of the Financial Mechanisms in Latvia, has prepared the “*Strategic Report on the implementation of the Norwegian Financial Mechanism 2009-2014 in Latvia April – December 2012*”. Before submission to the donor states according to the requirement set out in the Article 4.4, Paragraph 4, of the Regulations the Strategic Report has been approved in the written procedure on 26 March 2013 by the Monitoring Committee of the Financial Mechanisms. All comments and proposals received from the Monitoring Committee were taken into account within elaboration process of the Strategic Report.

The Strategic Report will be discussed during the Annual Meeting with representatives from the donor states planned for 29 May 2013.

This document aims to present the process of the preparation and the implementation of the Financial Mechanisms in Latvia, displays actual situation and describes activities planned for the next reporting period – the year 2013.

2 Assessment of impact at national level

The Baltic States, especially Latvia were amongst the worst hit countries by the global financial crisis. Shortly after Iceland went bankrupt on October 2008 and after taking over one of the largest banks of Latvia by the state the government of Latvia made a decision to enter the IMF and EU supported International Loan Programme to cope with the crisis in the country, but in return it was forced to adopt very strict austerity measures imposed by the IMF. In the result the Latvian GDP fell by 18% in 2009 causing the unemployment rate to grow as high as nearly 20% in 2010, showing little signs of recovery. However by the end of 2010 some signs of stabilization in the Latvian economy could be already observed.

The International Loan Programme for Latvia was planned in the total amount of 7.5 billion euro, but in view of the fact that the economic and financial situation in the country stabilized and improved, Latvia did not use in full the available loan. Within the framework of the Programme Latvia has used in total 4.4 billion euro.

In June 2012 the IMF recognized Latvia's accomplishments in bringing order to the country's economy, encouraging Latvia to complete three more tasks – to join the Eurozone, to promote economic competitiveness and to reduce social inequality, which are high on political agenda of the country.

Besides, at the end of 2012 Latvia made a pre-term repayment of the reminder of the loan, which allowed successful closure of the programme and signalled stable economic growth in the country.

National Development Plan

In December 2012 the government of Latvia adopted the National Development Plan 2014-2020¹, which determines most important medium-term priorities, areas of actions, objectives and indicators for their implementation. The Financial Mechanism will contribute to some of the priorities defined in the Plan, in particular to:

- **Research and Innovation** by Scholarship and Research Programme and Innovation Programme;
- **Growth of the National Economy** by Innovation Programme;
- **Human Securitability** by Correctional Services Reform Programme and Decent Work Programme;
- **Growth for Regions** by Capacity Building Programme.

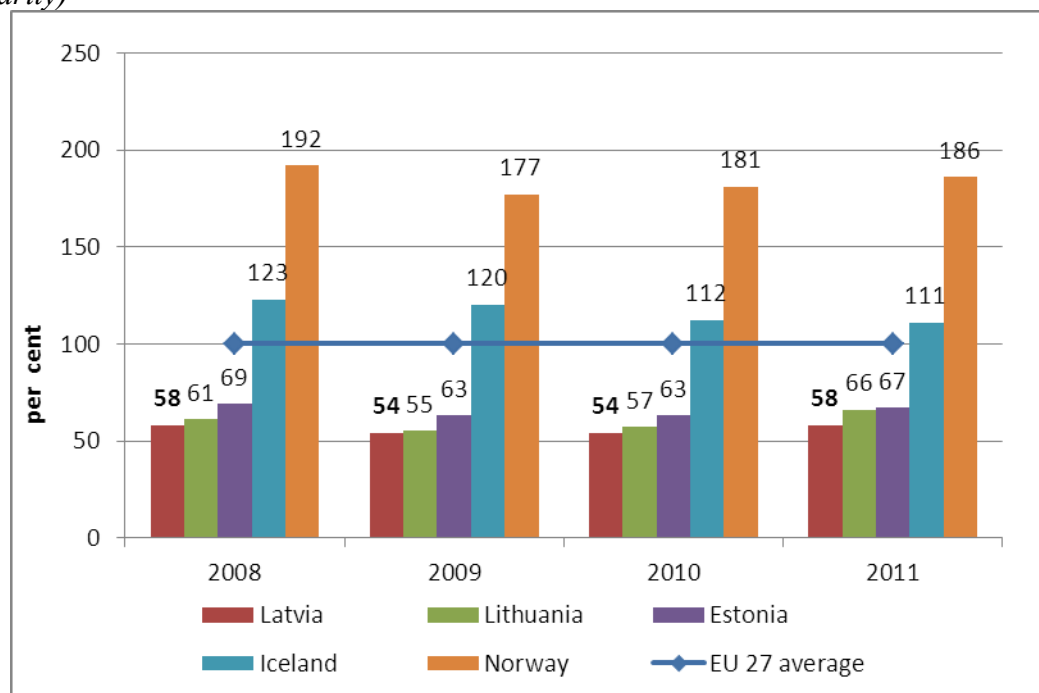
It can be concluded that all programmes comply with the priorities set in the Plan, in particular cases one programme can even comply with more than one priority.

Gross Domestic Product

GDP per capita based on purchasing power parity allowing comparing the level of well-being of the populations of different countries and the rate of economic growth shows that Latvia is the third poorest EU country following Bulgaria and Romania. Its GDP per capita even though regained the pre-crisis level, still constitutes about a half of the average EU 27 and is about one third of the Norwegian volume of GDP per capita.

¹ http://www.nap.lv/images/NAP2020%20dokumenti/NDP2020_English_Final.pdf

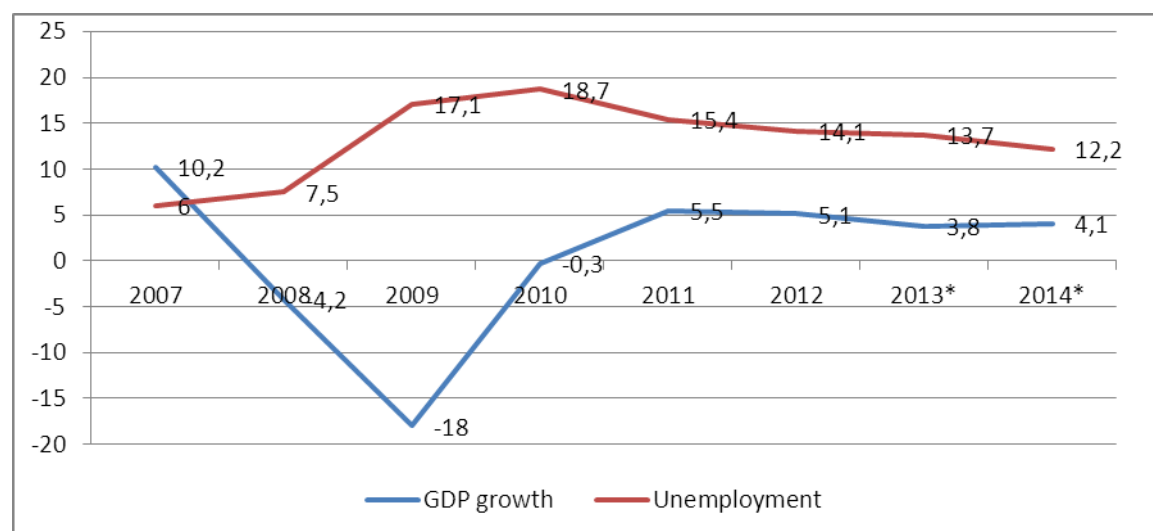
Chart 1 GDP per capita (% of average for EU-27, According to Purchasing Power Parity)



Source: Eurostat

Nevertheless, according to the Central Statistical Bureau of Latvia, in 2012 the GDP in comparable prices grew by 5.2% making Latvia the fastest growing economy in the European Union in 2012.

Chart 2 Actual GDP growth rate and unemployment dynamics (%) in Latvia over the period 2007-2012 and forecast for 2013 and 2014



Source: The Central Statistical Bureau of Latvia

* EC's economic forecast for Latvia

According to the statistics the largest contribution to growth in 2012 came from domestic trade, manufacturing, construction and transport sector, together accounting for two-thirds of GDP increase. It is primarily these branches that are expected to continue to determine the GDP dynamic. Considering data on 2012, the Ministry of

Finance estimates that the GDP at current prices will reach the pre-crisis level in 2013. The GDP growth forecast for 2013 has been set at 3.7 per cent. Being a small and open economy Latvia's economic growth is to a great extent dependant on the processes in other countries with which it has close economic ties. Considering that Latvia's largest export partners are it's neighbouring countries Lithuania and Estonia, which also are on the path of a rapid post-crisis economic growth, as well as Germany, which is a large and stable economy, there are good perspectives to achieve the forecasted growth level. The continuous rapid growth of the Latvian economy depends on a favourable external market situation, but considering the gradually improving labour market situation and increasing average wages in the country an increasing domestic consumption would also contribute to overall economic growth. The latest retail trade indicators already show optimistic trends².

Table 1 GDP growth rate dynamics (%) in the beneficiary countries and Norway over the period 2008-2012

Country	2008	2009	2010	2011	2012
Norway	0	-1.7	0.7	1.2	3.2
Bulgaria	6.2	-5.5	0.4	1.7	0.8
Cyprus	3.6	-1.9	1.3	0.5	-2.3
Czech Republic	3.1	-4.5	2.5	1.9	-1.1
Estonia	-4.2	-14.1	3.3	8.3	3.5
Greece	-0.2	-3.1	-4.9	-7.1	-6.4
Hungary	0.9	-6.8	1.3	1.6	-1.7
Latvia	-3.3	-17.7	-0.9	5.5	5.2
Lithuania	2.9	-14.8	1.5	5.9	3.6
Malta	3.7	-2.7	2.7	1.6	1.0
Poland	5.1	1.6	3.9	4.3	2.0
Portugal	0.0	-2.9	1.9	-1.6	-3.2
Romania	7.3	-6.6	-1.1	2.2	0.2
Slovakia	5.8	-4.9	4.4	3.2	2.0
Slovenia	3.4	-7.8	1.2	0.6	-2.3
Spain	0.9	-3.7	-0.3	0.4	-1.4

Source: Eurostat

Unemployment

Registered unemployment rate continued to decrease in 2012 and at the end of the year was 10.5% of the economically active population or 14.1% of population between 15 and 75 years of age. The number of the unemployed has dropped by 20.1% during 2012. By the end of 2012 the lowest unemployment rate was in Riga region – around 6.8% of the economically active population, while in Kurzeme region the registered unemployment rate was around 11%, in Zemgale region – around 12% and in Vidzeme region – around 13%. The highest unemployment rate remains in Latgale region – around 21% of the economically active population. During the 2012

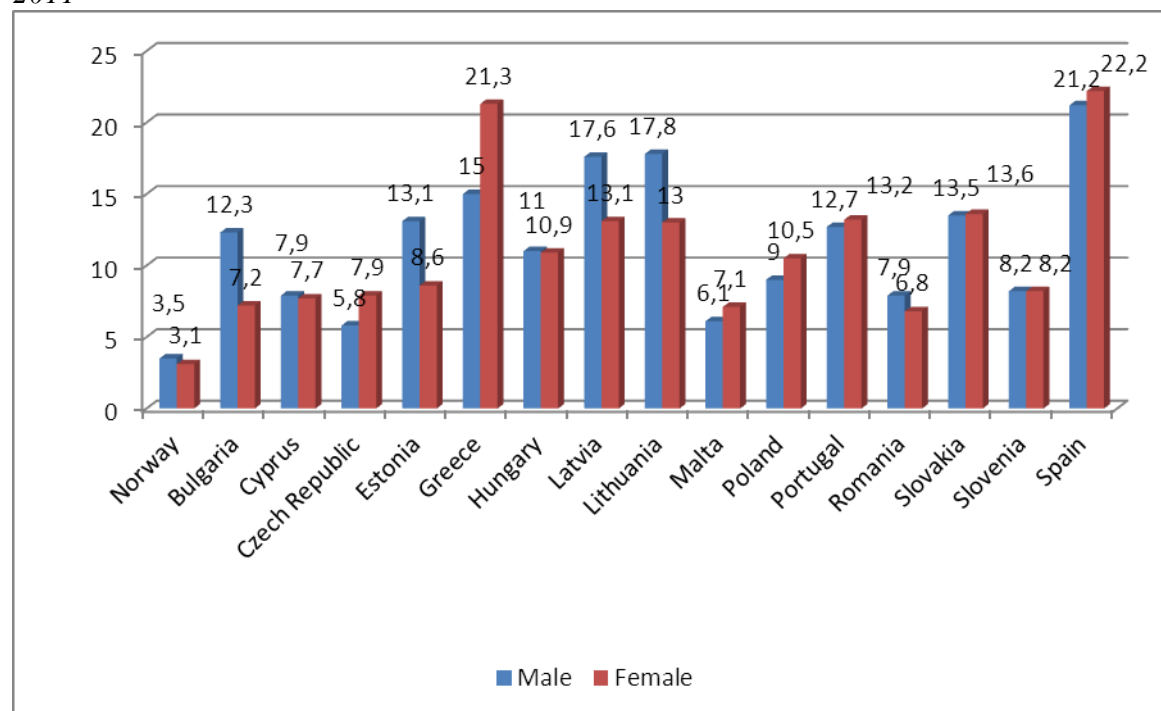
² Central Statistical Bureau of Latvia „Retail trade turnover in December 2012”, 30.01.2013

the number of registered unemployed in all regions kept decreasing - in Riga region it has dropped by 27.4%, in Kurzeme region –by 20.2%, in Zemgale region –by 20.2%, in Vidzeme region –by 14.9% and in Latgale region –by 11.9%.

The chart in the Annex 6.4 of this Report clearly shows that the global financial crisis reached its peak in Latvia in 2009-2010. This was the time the economy of Latvia reached the lowest point and the unemployment reached the second highest position in the EU after Spain. However, already by the end of 2011 the first signs of recovery became obvious. Even though some sceptics tend to lessen the significance of the positive employment statistics by attributing the reduced unemployment rate indicators to the vast numbers of emigration, yet the growing GDP figures cannot be denied. Besides one should also consider the share of shadow economy that also increased during these years. According to latest data of the National Work Inspection nearly 3 000 illegally employed persons have been detected during the Inspection's on-the-spot controls in 2012 alone, which reveals the fact that there is still a relatively large share of the so-called unregistered employment in Latvia. It is still quite common that people officially register as unemployed yet continue working illegally, thus getting both the unemployment benefits and salary.

Looking at the unemployment from a gender-based perspective it appears that in some countries like Bulgaria, Estonia, Latvia and Lithuania there is a higher male unemployment exceeding female unemployment by 4.5%-5%, while in other countries, especially Greece, the Czech Republic, Portugal and Spain female unemployment is dominant. In Latvia male unemployment exceeded female unemployment by 4.5% in 2011, while in Greece it was quite the opposite – male unemployment was by 6.3% lower than female unemployment. Also in Norway male unemployment indicator slightly dominates female unemployment indicator, even though by only four per cent points.

Chart 3 Unemployment rate by gender in the beneficiary countries and Norway in 2011

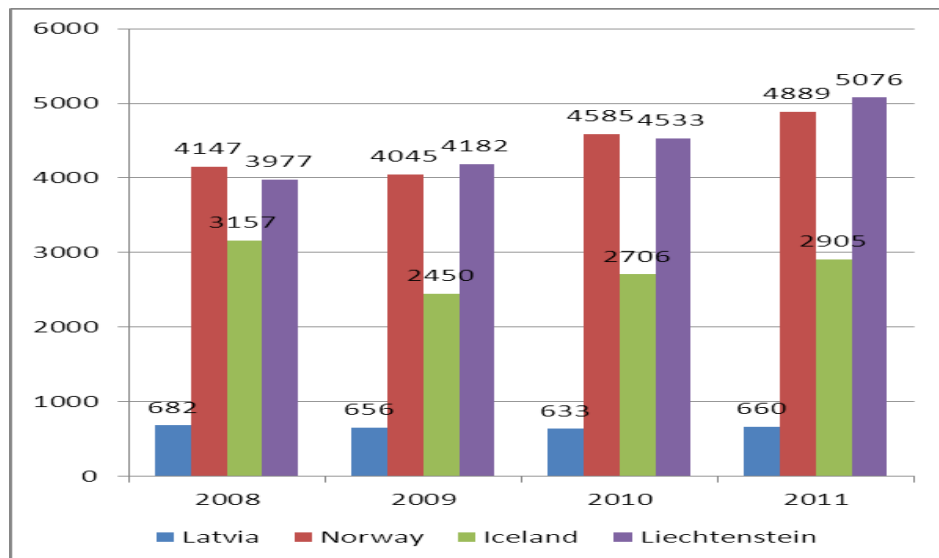


Source: Eurostat

Labour costs

Disparities between Latvia and the donor states become the most evident when it comes to salaries. It is also clear that the salaries cannot directly be compared between the donor states and Latvia as the cost of living and tax load also greatly differs in these countries, nevertheless the significant difference is obvious and undeniable. On the other hand the low labour costs make Latvia more competitive and more attractive to potential investors who look for opportunities to expand their business. At the same time nearly 40% of the Latvian population are at risk of poverty or social exclusion³, which to a large part can be attributed to the consequences of the crisis, as well as the severe austerity measures taken to remedy the economy. A large number of the population have left Latvia for a search of a better life. Before the global crisis broke out one of the most popular destinations for the Latvian expatriates was Ireland and UK, but when crisis hit Europe, many Latvians have found their homes in Germany and Norway as well.

Chart 4 Comparison of average gross monthly wages in Latvia and the donor states, EUR



Even though the nominal figures for wages in Latvia look dramatic compared to those of the donor state, the trend shows that Latvia is getting out of the crisis and is approaching the pre-crisis level. The average salary figures show that the worst situation in Latvia was around 2010, when its economy reached the lowest mark. Nevertheless Latvia has managed to reorganize its economy and is now the fastest growing economy in the European Union. The average gross monthly wage reached and even slightly exceeded the pre-crisis level by the end of 2012 reaching 684 euro. It is expected that the average gross monthly salary in Latvia in 2013 will reach the level of 709 euro, which would be the highest level ever since re-gaining its independence.

Table 2 Average gross monthly wages by genders in Latvia and the donor states over the period 2008-2012, EUR

³ Eurostat News release STAT/12/171 3 December 2012 „At risk of poverty or social exclusion in the EU27. In 2011, 24% of the population were at risk of poverty or social exclusion”

Average wages, EUR	Latvia*			Norway**			Iceland***			Liechtenstein****		
	total average	male	female	total average	male	female	total average	male	female	total average	male	female
2008	682	700	593	4629	4982	4181	2649	2905	2112	5113	5589	4498
2009	656	733	615	4792	5131	4344	2468	2649	2088	5113	5589	4498
2010	633	683	556	4982	5335	4534	2555	2736	2193	5066	5514	4534
2011	660	703	586	5172	5538	4724	2736	2934	2334	5066	5514	4534
2012	684	727	586	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

*Central Statistical Bureau of Latvia

** Statistics Norway

*** Statistics Iceland

**** Liechtenstein Amt Für Statistik

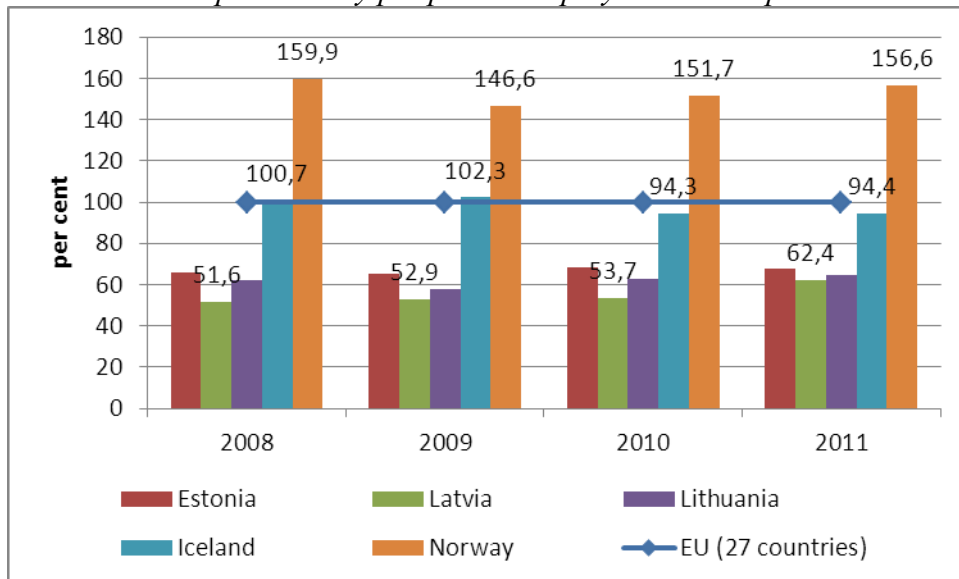
The average annual national currency exchange rate of the respective year was used for calculation of amounts into euros:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00033&plugin=1>

Productivity

As regards labour productivity the statistics show that in comparison to the average EU-27 the indicator for Latvia has been constantly increasing even during the period of the global economic recession.

Chart 5 Labour productivity per person employed over the period 2008-2011



Source: Eurostat

In 2008 in Latvia productivity per one employed person was 51.6 % of the respective indicator in the EU-27. For comparison in Estonia this indicator was 65.8%, in Lithuania – 62.1%. The lowest indicators of productivity in the EU-27 were among the newest Member States – Bulgaria 36.5%, Romania – 47.7%. In 2011 the labour productivity in Latvia had increased to 62.4% of the respective indicator in the EU-27. Over the 4 years period this indicator has increased in all 3 Baltic States, yet Latvia presents the steepest leap among them. Estonia has progressed from 65.8% in 2008 to 68% in 2011, whereas Lithuania from 62.1% in 2008 to 64.8% in 2011.

Economic cooperation between Latvia and Norway

Importance of economic relations between Norway and Latvia increased substantially during the last 10 years. It is confirmed by both the increased amount of foreign trade for more than 3.5 times and substantial growth of Norwegian foreign direct investments in Latvia.

Norway has been one of the 10 biggest trade partner states in last 5 years, by constituting on average 2.5% from total export amount of Latvia. Amount of export to Norway increased more than 3.5 times within last 10 years and in 2012 it increased by 18% if compared with export data of 2011. Mainly wood and metal goods are exported to Norway. Each of mentioned groups constitutes around 20% from total export to Norway and 3% from total export of wood and metal goods of Latvia. More than half of import (60%) constitutes import of mineral products (mostly electrical energy), but amount of services' import is comparatively low.

In 2012 the Norwegian investments in Latvia were on the 5th place if compared by accumulated direct investment amounts in Latvia. The Norwegian direct investments are mostly concentrated in sectors like financial brokerage (for example, one of the biggest banks in Latvia – JSC “DNB bank”), wholesale trade and retail trade (for example, Narvesen, Statoil Fuel & Retail, Moller Auto), as well as agriculture and forestry.

2.1 Cohesion

The first overall objective is to reduce social and economic disparities within the EEA. The above reflection on the macroeconomic disparities between the donor state and Latvia clearly justifies the need for cohesion. Considering the size of the financial mechanism to Latvia as well as the areas of support the impact to the Latvian economy would be difficult to measure, nevertheless the contribution of the grants should not be undermined. Even though the largest contribution to GDP growth in 2012 came from domestic trade, manufacturing, construction and transport sector, and these branches are expected to continue to determine the GDP dynamic, the sectors supported by the grants would also have their impact. The areas determined for the grants support are important for development of a cohesive society in Latvia and to promote reduction of economic disparities.

Each programme will contribute to achievement of the overall objective in its own way.

Innovation Programme will contribute to achievement of following outcomes:

- 1) Realization of the business opportunities of greening the European economy;
- 2) Increased green job creation and entrepreneurship.

It is envisaged that support will be channelled for creation and development of knowledge intensive enterprises. Support to such enterprises would lead to creating and securing green jobs and would set ground for stable and sustainable development of „green” industries in Latvia. Thus the programme will have a positive effect on reducing economic and social disparities in the EEA by stimulating economic activity in knowledge intensive sectors and co-operation between private sector and scientific institutions. The programme is designed to improve situation in technology intensive industries in Latvia by motivating and encouraging people to engage in business activities related to „green” industry development and supporting further development of the existing enterprises. Technology incubator will be created to provide support to enterprises specializing in technology intensive industries with aims to make efficient use of material and energy resources. In addition participation of scientific institutions in the programme will ensure significant intellectual capacity that could possibly lead to notable innovations in „green” technology area. It is expected that within the programme new innovative products and technologies will be created that will have positive impact on „green” industry development.

Capacity Building Programme will contribute to achieving the following outcome:

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

The programme is designed to increase institutional and human resources capacity at public, regional and local institutions responsible for regional development in Latvia by cooperating and sharing experience with similar institutions in Norway. The institutional capacity will be built and human resources development will be ensured at public, local and regional level authorities involved in regional development planning and policy implementation. Cooperation among public, local and regional authorities in Latvia and Norway will be enhanced. In the result of the programme, social and economic disparities in the EEA will be reduced and the bilateral relationships between Norway and Latvia will be strengthened.

Correctional Services Reform Programme will contribute to achievement of following outcomes:

- 4) Overcome challenges connected to growing prison populations and prison overcrowding;
- 5) Increased application of alternatives to prison;
- 6) Increased focus on vulnerable groups in prison;
- 7) Improved competences of both inmates and prison staff.

The programme will foster improvement of the situation in the Latvian Correctional Services. Considering the fact that prison population rate in Latvia is the highest in Europe and prison sentences in Latvia are long, a large number of population (i.e. prison inmates) does not take part in normal economic or social processes in society during their prison sentence. Besides, conditions in prisons have received criticism of international human rights institutions. Approximately 60 % of inmates serve their sentence in prison repeatedly, which indicate that re-socialization process during their previous sentence has not been effective or was not suitable for specific needs of an inmate. Due to the imprisonment, inmates have lost significant social and professional skills and abilities necessary for a law-abiding life, which reduces the inmate's possibilities after release to integrate back into normal social and economic processes of society. A minimization of the above mentioned negative impact of imprisonment could be reached through reducing the length of prison sentences, by reducing prison population and by providing intensive re-socialization during the prison sentence. With support provided by the programme, activities towards reducing the time spent in prison and reducing overcrowding (i.e. electronic monitoring) will stimulate faster return of prisoner to society and integration into normal social and economic processes.

The programme will seek to introduce new forms of re-socialising measures like drug addiction treatment programs in prison. The content of re-socialization measures must be suitable for different inmate needs including vulnerable groups like addicts, etc., as well as adequate training of staff is needed. Important precondition for effective re-socialization of inmates is condition of their health. Addicts or inmates with severe diseases are not able to participate effectively in the re-socialization process, thus a qualitative health care system (inc. treatment of addictions) in prison is a precondition for effective re-socialization of an inmate. Therefore, support for the vulnerable groups of inmates and addiction treatment will facilitate a faster and more successful return of inmates to normal social and economic processes, as well as training activities for prison staff will be provided.

Risks at National level

To ensure qualitative risk management of the Financial Mechanism implementation within the MoF a *Risk Management Group* for the *EU Structural Funds, Cohesion Fund, Financial Mechanisms and Swiss Programme* was established in 2011. The main tasks of the group are:

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

Risk management includes the following steps:

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

To obtain a systematic, integrative and evaluative view of the risk management system a Risk Register was created. It contains information on risks, controls,

monitoring and responsible persons and includes strategic, financial, compliance and operational risks. It is updated and monitored biannually.

A number of risks could impede efficient implementation of the Financial Mechanism. The FP has defined a strategic risk – achievement of programmes' outcomes and outputs. All programmes' outcomes and outputs have been approved by the CoM as an *Indicative Target Profile* (in March 2013 together with quarterly report on implementation of EU Funds, Financial Mechanisms and Swiss Programme). The FP in cooperation with POs will ensure regular monitoring progress on achievement of the programmes' outcomes and outputs.

Another major risk – not reaching the objective of social and economic cohesion in the framework of the Financial Mechanism – is due to the relatively small amount of funds made available through the Financial Mechanism which could not be sufficient to create a visible improvement in reducing social and economic disparities.

Another risk that could impede acquisition of programmes' funding is infringement and error of procurement procedures, especially in cases of construction works where there is a high competition in the market and appeal procedures are often lodged after publication of results, which could result in delayed implementation of project level activities. To reduce the risk of procurement appeals the PMB will be involved in ex-ante verification of procurement documentation (see the Chapter 3.2 of this Report, section *EU legislation – Public procurement*).

Also issues regarding staff resignations of institutions involved in the Financial Mechanism's management or project promoters may also arise during implementation period, hindering efficiency until proper replacements are in place.

As regards risks that could impede achieving bilateral objectives in programmes and projects, the most significant risk relates to availability of the donor partners for their actual involvement in projects. Since there are many beneficiary countries most of the DPPs and project donor partners must share their attention among several countries at once making it difficult to concentrate on a particular project. Some POs have found it difficult to reach the prospective donor project partners even during the programme preparation phase. For example, in one pre-defined project of the Correctional Services Programme it was decided to exclude that particular partner from the list of the project partners. To avoid occurrence of similar situations in programmes' implementation phase the POs will ensure inclusion of specific conditions in the Partnership Agreements stipulating actions to be taken in case of a partners' limited or zero availability.

Risks at Programme level

Programme level Risk Management Strategy shall be described in Programme's MCS and annually reported in programme Annual Report. In general the POs have defined risks mostly in following areas for which the risk mitigation plan in each programme is in place:

- insufficient number of qualitative project ideas;
- availability of donor project partners;
- achievement of project results;
- lack of co-financing for projects;
- low participation of target groups and stakeholders due to lack of capacity or financial resources;
- long public procurement procedures;
- political and legislative changes, including changes in state aid rules since 2014;

- shortage of project implementation time (Correctional Services Programme and Innovation programme – more information is provided in the Chapter 4 of this Report).

2.2 Bilateral relations

Another overall objective is to strengthen bilateral relations between the donor state and the beneficiary countries in the priority sectors.

The FP in consultations with the Royal Norwegian Embassy in Riga, the FMO and the involved national level institutions has determined priorities to be supported from the Bilateral Fund at National Level. According to the latest Work Plan submitted for approval of the donor state there will be three main priorities supported:

- an international seminar on abolishing of administrative arrests in the second part of 2013;
- several bilateral cultural activities in the context of Riga – The European Capital of Culture 2014;
- bilateral events during the Latvian presidency of the Council of European Union in 2015. Specific topics to be covered under this priority to be discussed during the Annual meeting.

The programme level bilateral fund will be used to foster partnerships in the specific programme areas and to promote partnerships on project level. As during the reporting period the programmes have just been approved by the donor state and no actual projects have been started in 2012; the bilateral relations have been strengthened through the CC meetings, while discussing the forms of partnerships. Detailed list of activities financed from the Bilateral Fund during 2012 please find in the Annex 6.3 of this Report.

All of the approved programmes held their opening events in the reporting period, where the DPP representatives were also present sharing their ideas for bilateral cooperation within programmes and projects.

In Innovation Programme cooperation with Norway will be strengthened as the programme will be implemented in partnership with the Innovation Norway, donor state entity with a similar aim of supporting entrepreneurial activity as the programme operator – the MoE in Latvia. The DPP will provide their experience and knowledge gained from implementation of similar programmes and will assist in promotion of the programme in Norway. The Norwegian Industrial Development Corporation SIVA will play a significant role in the programme as they are experienced in creation of technology incubators and have implemented a similar project in Ogre, Latvia. In addition cooperation between enterprises will be encouraged by providing support for visits to Norway and to Latvia and by organizing events for transfer of knowledge, networking, etc., under the programme bilateral fund.

In Capacity Building Programme bilateral relationships will be strengthened at both - programme level by a close cooperation with Norwegian local and regional authorities and - project level with participation of Norwegian public, regional and local institutions. Several experience exchange events are planned in order to obtain the experience and good practice of Norwegian public, regional and local administrative authorities. Latvian experts of public institutions, regions and local governments responsible for and/or involved in dealing with the above subjects, will take part in experience exchange events. Representatives of Norwegian public, regional and local administrative authorities participating in the programme implementation will be involved as experts during the trainings, drafting of studies/reports, etc.

In Correctional Services Programme it is planned to develop a close partnership between the Latvian and Norwegian Correctional Services. The Council of Europe is also involved as a partner in the programme. A number of study visits and training

courses will be undertaken. The best practices in the area of correctional services will be studied and advanced to be introduced in Latvia.

In 2013 the MoJ together with the DPP will organise from the Bilateral Fund supported conference “*Abolition of Administrative Arrest in Latvia: Challenges and Benefits*”.

Summary on donor partnerships pre-defined projects within each programme please find in the Annex 6.1 of this Report.

3 Management and implementation

3.1 Management and control systems

National-level

The FP according to Article 4.1 and 4.8 of the Regulation has submitted to the FMO the Description of the MCS accompanied by the AA report and opinion about its compliance on 8 June 2012. As a result of the compliance audit a number of deficiencies were identified, which, together with recommendations and actions to address them were summarized in the Deficiencies Elimination Plan attached to the Compliance Audit Report. It was concluded that the MCS established by the FP, the CA and the AA in all key aspects has been established according to evaluation criteria except the compliance with the evaluation criteria that will be achieved after the implementation of recommendations provided in the Deficiencies Elimination Plan.

As well as taking into account that horizontal CoM Regulations were not developed at the time of compliance assessment that did not allow the AA to get an assurance on the following evaluation criteria:

- the MCS has been established taking into account proportionality for efficient achievement of the Financial Mechanisms' goals, however, it will be possible to evaluate it fully only after the implementation of recommendations provided by the AA;
- compliance of the POs, programme partners and Implementing Agencies will be checked within the framework of respective programmes' MCS compliance audits.

Follow-up of assessment results is reflected by the AA in the AAR for the period 28 April 2011 – 30 June 2012. In the result the AA concluded that till 18 December 2012 out of 29 recommendations:

- 16 were implemented;
- 2 were partly implemented;
- 11 were not yet implemented.

The AA evaluated the impact of non-implemented and partly implemented recommendations on the proper functioning of the MCS and concluded that recommendations are mostly medium and low impact because:

- 1) implementation of programmes and projects were not yet started;
- 2) only limited amount of expenditures were certified – only within the TAF;
- 3) the MCS, which was developed for the implementation of the TAF, functions effectively and no errors were found.

More detailed information is included in the AAR which the AA submitted to the donor states on 19 December 2012.

The deadline for fulfilment of those recommendations is tied to the approval of all horizontal CoM Regulations. Within reporting period only one *CoM Regulations on the Financial Mechanisms' Monitoring* were not adopted, this task was accomplished on 29 January 2013.

One partly implemented recommendation is addressed by agreement with the FMO on the PIA replacement with following national legislative acts – FMs' Management Law, the *CoM Regulations on the Financial Mechanisms 2009-2014 Management* and the *CoM Regulations on the Financial Mechanisms 2009-2014 Monitoring*. The final FP's statement that the above mentioned Latvian legislative acts include all

conditions of the PIA set in the Paragraph 3 of Article 5.8 of the Regulation was submitted to the FMO by the FP's letter No.16-6-01-1/8111 dated 18 December 2012. The second partly implemented recommendation regarding proportionality for efficient achievement of the Financial Mechanisms' goal will be implemented after all recommendations set in the Deficiencies Elimination Plan will be eliminated.

From 11 not yet implemented recommendations 7 are under responsibility of the FP and 4 under responsibility of the CA. These are mainly tasks related to the elaboration or updating internal guidelines for different aspects of implementation of the Financial Mechanisms. From 7 recommendations under responsibility of the FP one recommendation was implemented on 15 March 2013 when the MoF Guidelines on the MCS of the EU funds and other foreign assistance funds, including the Financial Mechanisms was amended.

According to the deadlines stated in the Deficiencies Elimination Plan all relevant FP's internal guidelines should be updated or elaborated by 14 May 2013 and for the CA's internal guidelines – by 14 April 2013. The AA will ensure the follow-up of the implemented recommendations set in the Deficiencies Elimination Plan. Accordingly, all AA's recommendations on the Description of the MCS compliance will be finally implemented.

In accordance with the CoM "*Procedures for Ensuring the Functions of the Audit Authority in the Management of the Financial Mechanisms for the Period of 2009-2014*" the FP shall submit to the AA the updated Description of the MCS till 31 August each year starting from 2013 till 2017. Accordingly, the FP will submit to the AA the first updated Description in the next reporting period – till 31 August 2013. Within reporting period the composition and procedures of the working groups established within the MoF or its subordinated institutions was updated:

- *EU Structural Funds, Cohesion Fund, Financial Mechanisms and Latvian-Swiss Cooperation Programme Risk Management Group* (the order of the MoF No.365 of 6 June 2012);
- *Work Group On Application of Financial Corrections in Projects Financed from the EU Funds, Cohesion Fund, Financial Mechanisms and Latvian-Swiss Cooperation Programme*" (the order of the MoF No.414 of 31 July 2012);
- *Work group On Performance of Ex-ante Procurement Checks, Solution of Established Problems and Updating of Ex-ante Procurement Checks Methodology* (the order of the PMB No.1-2/77 of 22 February 2013).

In order to ensure cooperation between departments of the MoF for fulfilment of the FP's functions the following internal rules of the MoF are in place:

- *How the MoF Ensures Implementation of the Financial Mechanisms' Project LV01 "TAF 2011-2017" in Cooperation with the CA and the PMB* (adopted on 20 February 2012);
- *On Implementation of the Financial Mechanisms' Project LV01 "TAF 2011-2017"* (updated on 19 February 2013).
- *On Cooperation during the Internal Audit Process in the MoF and Subordinated institutions* (adopted on 20 April 2012).

In order to ensure effective operation of the Financial Mechanisms' MCS and cooperation between EU funds departments of the MoF the number of internal guidelines are in place regulating implementation of the EU funds and other foreign assistance funds, including the Financial Mechanisms, in the following issues:

- on commencement of the implementation of the Financial Mechanisms` (updated on 5 November 2012);
- how the FP ensures appraisal of the PPs and conclusion of PAs (approved on 7 November 2011);
- how the FP ensures management and monitoring of the Financial Mechanism (approved on 22 February 2013);
- on preparation of the MoF's quarterly informative report for the government of Latvia on the acquisition of the EU and other foreign assistance funds (updated on 19 June 2012);
- on planning of the state budget resources for the EU and other foreign assistance funds co-financed projects, handling of budget requests and monitoring of used budget resources (updated on 12 December 2012);
- on updating of the MCS (updated on 15 March 2013);
- on risk management (approved on 7 September 2012);
- on establishment and evaluation of the potential irregularities (approved on 30 October 2012);
- on making financial corrections within projects (approved on 21 June 2011).

Programme level

The POs started elaboration of the PMCS only after approval of the PPs by the donor state. By the end of January 2013 all PPs were approved. It is planned that PMCS will be submitted to the AA for its assessment for:

- Correctional Services Reform Programme on June 2013;
- Innovation Programme on May 2013
- Capacity-Building Programme on May 2013;
- Scholarship and Research Programme on July/August 2013.

3.2 Compliance with EU legislation, national legislation and the MoUs

National legislation

The main legal act in Latvia which regulates Financial Mechanisms' implementation, management and monitoring is the Law, which is in force since 24 February 2012. The Law sets the implementation system of the Financial Mechanisms and functions of institutions involved in the Financial Mechanisms' management in Latvia.

In order to describe in more detail implementation procedures and functions of institutions involved in the management of the Financial Mechanisms following CoM Regulations were adopted:

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

In respect to replacement of the PIA with national legislative acts the situation is as follows. According to the national legal system the functions and responsibilities of the state institutions are determined in legislative acts or interinstitutional understandings (agreements). In general horizontal responsibilities and functions which are mandatory to several state institutions (all POs in Latvia are state institutions) should be determined in the legislative acts instead of the interinstitutional understandings. Additionally, the requirements for elaboration of legislative acts stipulate that functions which are mandatory and horizontal for several state institutions should be determined in documents with equal level of legal importance.

Accordingly with reference to the discussions held at the previous Annual Meeting in Riga on 23 May 2012 and following correspondence with the FMO, the FP proposed application of the exceptional case set in Paragraph 2 of Article 5.8 of the Regulation, stipulating replacement of PIA with national legislative acts of similar effect and content. All provisions for PIA which are set in the Paragraph 3 of Article 5.8 of the Regulation are covered by following horizontal national legislative acts for the Financial Mechanism:

- Law;
- Financial Mechanisms' Management Regulations;
- Financial Mechanisms' Monitoring Regulations.

Final FP's statement that above mentioned Latvian horizontal legislative acts include all conditions of the PIA set in the Paragraph 3 of Article 5.8 of the Regulation and warranty that the obligations of all POs in Latvia, as specified in the above mentioned legislative acts, are valid and enforceable under legislation of the Republic of Latvia was submitted to the FMO by the FP's letter No.16-3-01-1/811 dated 18 December 2012.

In respect to the challenges which Latvia is facing the FP could mentioned that each PO has to elaborate the CoM Regulations about respective programme's implementation, including the OC guidelines and project evaluation criteria.

According to national legal system all conditions to third persons (in this case project promoters) shall be issued as legal acts at least approved by the CoM. In order to be more user friendly for final beneficiaries the OC guidelines are usually drafted separately for each specific OC within one programme. Therefore it could turn out that several CoM Regulations are drafted for implementation of one programme. For example, for the Innovation Programme two Programme Regulations will be elaborated – the first regulating general programme’s implementation conditions, pre-defined project and small grant scheme and the second one – the OC guidelines for separate outcome „Realization of the business opportunities of greening of the European economy”.

On 26 February 2013 the Regulation for the Capacity-Building Programme was approved by the CoM. It is planned that the Programme Regulations for the Innovation Programme, the Capacity-Building Programme and the Correctional Services Reform Programme will be adopted in the second quarter of 2013. As the Scholarship and Research Programme was approved only in January 2013, the respective Programme Regulations will be adopted in second half of 2013.

The FP confirms that elaborated legal acts regulating implementation, management and monitoring of the Financial Mechanism are in line with the MoU. As well as all institutions involved in the Financial Mechanism’s management are set in the Law and the Description of MCS in accordance with the Article 4 and 5 and the Annex A of the MoU. The FP confirms that within reconciliation procedure of the Programme Regulations the compliance with the Annex B of the MoU will be checked.

EU legislation – State aid

In order to provide monitoring of the state aid issues the institution responsible for the state aid issues in Latvia – SACD of the MoF has been involved in the programme reconciliation procedure at national level.

Firstly within national approval process of the PPs all of them were submitted for evaluation to the SACD. Afterwards the SACD will be involved by providing the opinion on the Programme Regulations with regards to state aid issues.

Within reporting period the SACD provided opinion on the Innovation Programme Regulations draft. As well as the PO of the Innovation Programme and the FP participated in the meeting on 27 June 2012 in Norway with the DPP “Innovation Norway” on state aid issues as respective DPP has experience with managing of the incubators. As well as the PO and the SACD of the Innovation Programme participated in Estonian FP’s organised *State Aid workshop* on 9 August 2012 for all POs of the beneficiary countries which will implement programmes in the programme area “Green Industry Innovation”.

EU legislation – Public procurement

In previous Financial Mechanisms’ period all irregularities were detected as infringement of public procurement procedures within projects (except on which was fraud case). Accordingly the FP considered solution to minimize irregularity cases related to public procurement in this Financial Mechanisms’ period. The FP consulted with the PMB for its involvement in the management and implementation system of the Financial Mechanisms as it was involved in EU Funds implementation system.

The obligations of the PMB related to the Financial Mechanisms are set in the Article 12 of the Law as well as in the Chapter 2.6 of the MCS. The PMB will ensure the following functions:

- perform selective risk based ex-ante checks of procurement documentation and procedure of public procurement within projects;
- provide for institutions involved in the Financial Mechanisms' management consultations and opinion on public procurement issues related to projects co-financed by the Financial Mechanisms.

More detailed procedure of selective ex-ante procurement checks are set in the Chapter VII of the *Financial Mechanisms' Management Regulations*. Regulations foresee at the programme level that:

- the PO shall submit the programme's procurement plan to the PMB within one month after approval of the programme and once in a year the procurement plan shall be updated;
- ex-ante procurement checks of the programme administration's costs (management, programme bilateral Fund and complimentary actions) will be carried out by the PMB.

Regulations foresee that at the project level:

- the project promoter shall submit the project's procurement plan to the PO within 5 working days after conclusion of the Project Contract and shall update it annually;
- the PO shall submit information on procurements within projects which fall under the PMB competence checks;
- ex-ante procurement checks of the projects will be carried out by the PMB and the PO;
- the PMB will ensure following selective ex-ante procurement checks:
 - within the pre-defined project for procurements falling under the Public Procurement Law;
 - where the planned amount of the public construction contract exceeds 500 000 lats (around 351 400 euro);
 - where the planned amount of the public contract on supply of goods or services exceeds 150 000 lats (105 400 euro);
- the PO within the calendar year shall carry out selective ex-ante checks at least 40 % of procurements under threshold set in the Public Procurement Law:
 - procurements starting from 3 000 lats (around 2 200 euro) for contracts on supply of goods or services;
 - procurements starting from 10 000 lats (7 000 euro) for public construction contracts.

In order to ensure functions of the PMB it has elaborated:

- *Procedure how the PMB Carries out Ex-ante Procurement in Projects and Verifies Ex-ante Procurement Checks Carried out by the POs and the Agencies* (adopted on 28 September 2012);
- *Methodology of Ex-ante Controls to be Carried out by the POs and the Agencies for Projects' Procurement Documentation and Procedure of Public Procurement* (adopted on 1 November 2012).

Whereas in order to exchange experience and solve questions related to public procurement ex-ante checks, the representatives of the FP, the POs, the Implementing Agencies, the AA and the CA are included in the composition of a specific work group "*On Performance of Ex-ante Procurement Checks, Solution of Established Problems and Updating of Ex-ante Procurement Checks Methodology*" (the PMB order No.1-2/77 adopted on 22 February 2013). The meetings of the work group is held quarterly. The first meeting was held on 29 November 2012.

3.3 Status of programmes from April till December 2012

Progress in programmes' approval

During the reporting period the donor state had approved all programmes proposed by Latvian authorities, except a proposal for the Scholarship and Research Programme which was approved on 23 January 2013. Please find below detailed information:

Table 3 Summary of the programmes

Title of programme	PO	Approval date	Grant, mil. EUR	Grant rate, %	Co-financing, mil. EUR	Co-financing rate, %
TAF	MoF	19.10.2011	691 000	100	0	0
Capacity-Building Programme	MoEPRD	11.09.2012	4 992 000	88,42	653 781	11,58
Correctional Services Reform Programme	MoJ	12.11.2012	13 056 000	85	2 304 000	15
Innovation Programme	MoE	20.08.2012	11 328 000	90	1 258 667	10
Scholarship and Research Programme*	MoES	23.01.2013	4 992 000	90	554 667	10
Decent Work Programme	Innovation Norway	19.10.2011	384 000	100	0	0
Total			35 520 000	92%	4 771 115	8%
Grand Total			40 291 115			

** Programme is supported by both Financial Mechanisms*

CC meetings

During reporting period several CC meetings were held in which the revised programme proposals were presented to the DPPs, the implementation of bilateral fund on programme and projects' level and timeline for further actions relating with the implementation of programme and its projects was discussed:

- on 23 April 2012 and on 5-6 December 2012 for Correctional Services Reform Programme;
- on 4 October 2012 for Capacity-Building Programme.

The participation of the FP's representative in the observer status was ensured in all CC meetings.

OCs undertaken

The projects proposals will be selected through OCs in the following programmes: Scholarship and Research Programme, Innovation Programme and Decent Work Programme. Only pre-defined projects are supported under the Capacity-Building Programme and Correctional Services Reform Programme.

On 20 October 2011 the first OC for project proposals was announced under the Decent Work Programme with the deadline till 31 March 2012, the OC was launched simultaneously in all 12 countries receiving the Financial Mechanism support. From Latvia 8 applications were received and evaluated, 6 of them deemed eligible and were further assessed. The assessment process resulted in 4 approved individual projects. Taking into account that after the first OC projects were approved in total for 374 759 EUR or 97,6 % from the total grant available for Latvia, further no OCs will

be announced. Please find below the summary of results from OC according to data provided by the Innovation Norway:

Table 4 Summary of results from OC in Decent Work Programme

N	Project title	Project promoter	Donor state partner	Approval date	Total eligible costs, EUR	Grant, EUR	Co-financing, EUR
1.	Enhanced understanding of Decent Work for teachers	Latvian Trade Union of Education and Science Employees	n/a	26.09.2012	131 128	118 015	13 113
2.	Improvement of sectorial social dialogue in Latvia	Employers' Confederation of Latvia	n/a	26.09.2012	123 000	110 000	13 000
3.	Social dialogue and decent work in Latvia	Latvian Builders Trade Union	Norwegian United Federation of Trade Unions (Fellesforbundet)	02.10.2012	51 938	46 744	5 194
4.	To strengthen TU capacity in tripartite dialogue	Free Trade Union confederation of Latvia	Norwegian Confederation of Trade Unions	25.10.2012	111 500	100 000	11 500
Total approved grant						374 759	
Total available grant						378 240	
Leftover						3 481	

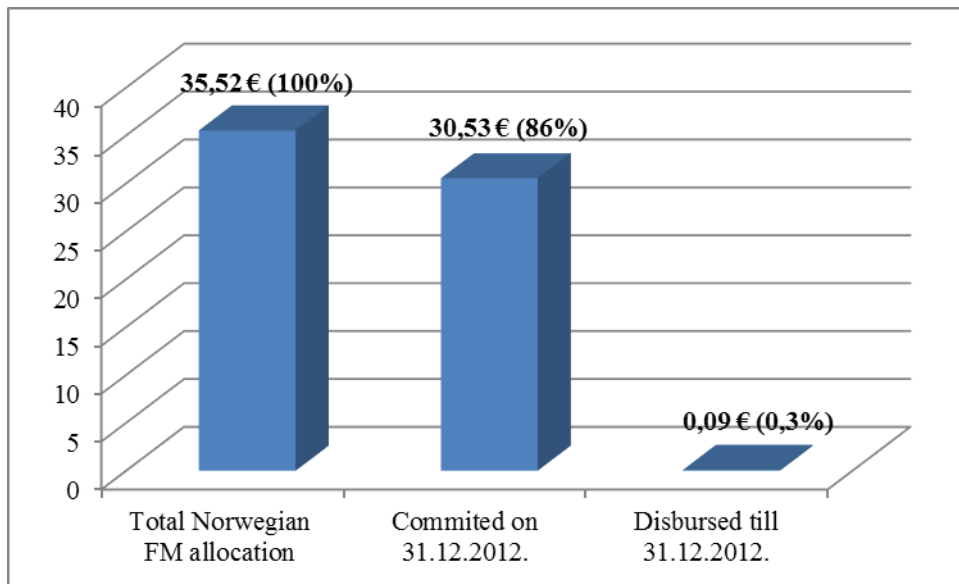
In October 2012, in Riga during the Financial Mechanisms' launching event a workshop was organised where successful applicants presented their projects. Implementation of all 4 approved projects started in January 2013 with 2 years implementation period. All Project contracts were signed till the end of January 2013 as well as advance payments have been made.

More detailed information about each programmes' implementation progress, where POs are Latvian institutions, is included in the Chapter 4 of this Report.

Commitments and disbursements made

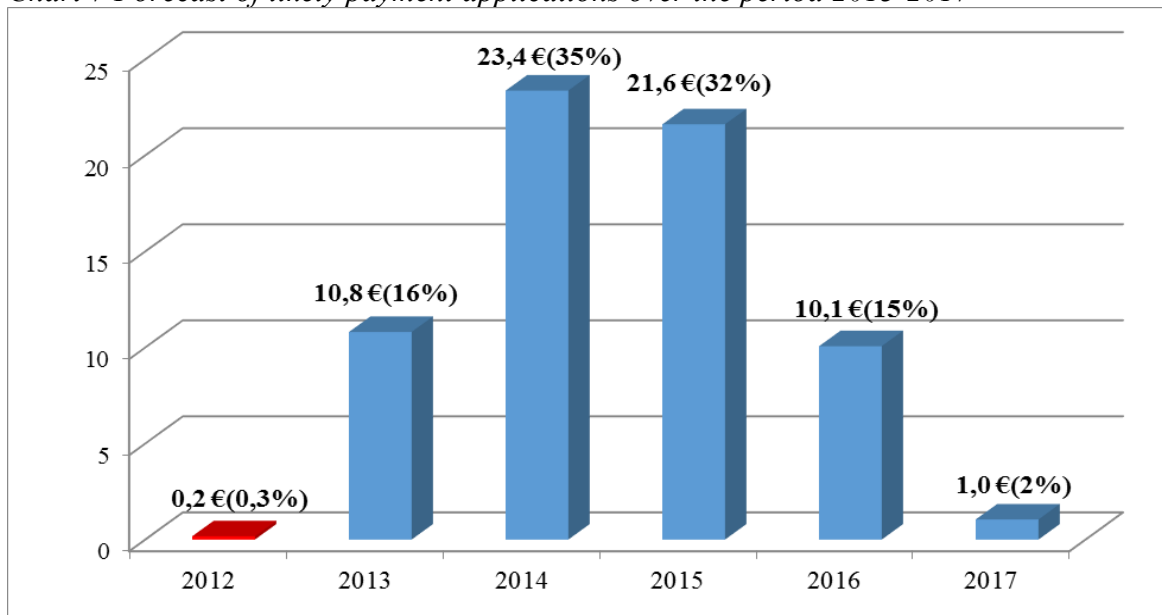
No disbursements have been made in the reporting period within the programmes. It is agreed that the first IFR of the programmes shall be submitted to the FMO on or before 15 July 2013 covering the period September 2012 - April 2013. Thereby first disbursements within the programmes will be received on or before 15 August 2013. Since on 19 October 2011 the agreement on the implementation of the TAF was signed, the first disbursements in amount of 91 078 euro have been received already for the funds spent till 31 December 2012.

Chart 6 Financial data



In total 67 094 750 euro (excluding Decent Work Programme) from both Financial Mechanisms is available for implementation of programmes. As can be seen in the chart below, in 2012 Latvia had received the disbursements in the total amount of 173 023 euro. The major payments to the project promoters are planned to be in the mid-phase of implantation of programmes. Please find bellow the CA's likely payment applications data submitted to the FMO by 20 February 2013 according to the Article 8.5 of the Regulations:

Chart 7 Forecast of likely payment applications over the period 2013-2017



Please find the detailed financial flow of each programme in the Annex 6.5 of his Report.

3.4 Irregularities

According to the Annex A of the MoU in Latvia the FP shall elaborate and implement a reporting system on irregularities in the framework of the Financial Mechanism. It shall be responsible for the preparation and submission of irregularities reports.

The FP has established following national legal acts, documents and files for detection, evaluation and reporting on the irregularities:

- Regulation of the CoM “*Financial Mechanisms 2009-2014 Monitoring Regulations*”, including procedure on evaluations, controls, submission and review of reports on irregularities and recovering the expenditures unduly paid” (adopted on 29 January 2013);
- internal procedure “*Procedure how the FP detects and evaluates possible irregularities and information provided by the institutions involved in the management of EU Funds, Financial Mechanisms and Swiss Programme about irregularities they have detected in the projects` implementation*” (adopted on 30 October 2012);
- internal procedure “*Guidelines on application of Financial Corrections in EU financed projects, including Financial Mechanisms*” (adopted by the FP on 21 June 2011);
- decree on establishment of “*Irregularity working group*” (adopted on 31 July 20120);
- “*Register of Irregularity Cases*”, which will be regularly updated.

The roles and responsibilities of the FP in relation to irregularities are stipulated in the Regulation, in particular Article 11.3 thereof. In addition, the FP will ensure that all reports on irregularities and measures taken to prevent irregularities are reviewed.

The investigation of the irregularity case and the decision on applicable Financial Correction must be taken by the body which has detected an irregularity. If such decision is taken, the PO shall not include the expenditures recognized as unduly spent in the programme’s Interim Financial Report or Final Report.

In case when additional help with the received irregularity report is needed, the FP can suggest discussing the case within the Irregularity Working Group, which is comprised from representatives of the PMB, the CA, the AA and the FP (EU Funds Monitoring Department and EU Funds Management Systems Department). The aim of internal discussions is to solve unclear issues, to share experience and to align the approach in the application of the Financial Corrections.

Besides the reporting on irregularities to the FMO, the FP quarterly reports to the government of Latvia, about all detected irregularities by submitting an informative report on progress in the acquisition of EU Funds and other foreign assistance funds, inc., the Financial Mechanism.

There are no irregularities detected in the reporting period.

3.5 Audit, monitoring, review and evaluation

Single evaluation for the whole implementation period of the Financial Mechanism will be carried out by the FP's outsourced evaluation company as one of the TAF activities. The objective of the evaluation will be to evaluate effectiveness of the Financial Mechanism's contribution in Latvia; as well as to elaborate constructive conclusions and recommendations for further effective contribution from the Financial Mechanism in the development of respective priority areas (if such contribution will be allocated).

Within the reporting period one project audit for the TAF (2 Interim Financial Reports for period 28 April 2011 – 30 June 2012) was carried out. No errors or non-eligible expenditures were found. More detailed information is included in the AAR which the AA submitted to the donor state on 19 December 2012.

The AA has elaborated its plan for the period July 2013 – June 2014 as the AAR should be prepared based on audits carried out during this period according to the Article 4.6., Paragraph 1(e), of the Regulations (please see the Audit Plan in the Annex 6.2 of this Report).

Within the reporting period there were no system audits of programmes carried out by the internal audit structures of the POs. For the next reporting period there is one system audit planned for Capacity-Building.

As the first PP's were approved only in fall 2012 there were no audits, monitoring, reviews or evaluations of the programmes carried out by the FP, the AA or the CA within the reporting period.

According to information provided by the POs there were no on-spot checks of projects carried out by the POs within reporting the period as the first OC will be launched only in 2013 and pre-defined projects were not started as they were in evaluation process.

For next reporting period project on spot checks within programmes are planned to be held starting from the fall 2013.

3.6 Information and publicity

On 26 March 2012 the FP received confirmation of approved Communication Strategy 2009-2017. According to the strategy national Communication Management Group, which is responsible for provision and coordination of the communication process of the financial mechanism in Latvia, have gathered two times in 2012 to discuss about opening events and publicity requirements as well as exchange experience for further events.

Communication Strategy defines the period from October 2011 till December 2012 as programme launching stage. During this stage different activities have been implemented, such as provision of information for mass media, production of informative materials and souvenirs, maintenance of websites and organization of the Financial Mechanisms' launching event.



It was held on 3 October 2012 in Riga during “Norwegian Days 2012”. It was jointly organized by Norwegian Embassy in Riga and the FP. It was opened by the Ambassador of Norway to Latvia Mr. Jan Grevstad and the Minister of Finance Mr. Andris Vilks. The FP presented general information about the opportunities provided by the programmes. It was followed by presentations of programme areas by each of the POs.



The official part of the event was held at the Latvian Academy of Music in Riga and was enriched by a jazz concert by Hank Mobley Tribute Band formed by six musicians: 3 Latvian and 3 Norwegian.



The FP is pleased about the good attendance (~180 participants from NGOs, different institutions etc.) of the event.

As well as representatives of mass media were presented and event was reflected in the national media of Latvia – news agencies and Internet portals.

Within reporting period the FP has distributed information (press releases) in the mass media, social media (twitter.com) and specific list of other recipients, has updated and published the information (press releases and short news) on the national website of the Financial Mechanism: www.norwaygrants.lv. Distributed releases are as follows:

- **25.05.2012.** Donor state is satisfied with Latvia's progress in implementation of EEA/Norwegian Grants;
- **29.08.2012.** Donor state approved the first Financial Mechanism Programme - Innovation Programme;
- **12.09.2012.** Donor state approved the next Financial Mechanism Programme – Capacity-Building Programme;
- **19.09.2012.** The launching event of the new EEA/Norwegian Grants period has been announced;
- **09.10.2012.** The CoM approved Regulations on Management of the EEA/Norwegian Grants 2009-2014;
- **05.11.2012.** OC for projects submitted under Decent Work programme has been closed;
- **12.11.2012.** The next Financial Mechanism's Programme is approved - Correctional Services Reform Programme;
- **12.12.2012.** The launch of Correctional Services Reform Programme.

The POs have prepared the Programme Communication Plans, using the “*Guidance for the POs for development of Communication Plan for programmes*” as well as have published information about programmes on their websites. In order to inform target groups about the Financial Mechanism, the POs have published and distributed dedicated informative materials – leaflets and souvenirs.

Two POs have organized Launching Events in Riga during 2012:

- for Innovation Programme it was held on 3 October during Financial Mechanisms' launching event in Riga. Participants of the seminar discussed several thematic topics, such as global trends and local specifics of green industry, effective supporting policies, innovative development and related current activities in Latvia, as well as experience of Norway. Knowledge was shared and practical examples were given by Norwegian and Baltic entrepreneurs, scientists and representatives from the PO;
- for Correctional Services Reform Programme it was held on 13 December. Participants of the event had the opportunity to follow presentations of the three pre-defined projects of the programme, getting insight into overcrowding problems in prisons and Latvian State police detention centres. Alternatives to imprisonment were presented, for example, the pilot project for electronic surveillance.

It was informed that upon construction of the prison block in Olaine prison a re-socialization programme aimed at vulnerable groups will be implemented. Competences of both inmates and prison staff will be improved in all of the pre-defined projects;

In each of the launching events the Ambassador of Norway to Latvia and representatives from the FP, and respective line ministries were presented.

Information and publicity activities planned in 2013 are included in the Work Plan for 2013 in the Chapter 3.7 of this Report.

3.7 Work plan

Work plan for the period January-December 2013 is presented in the table below:

Table 4 Work plan

Scope	Task	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Management of FM	1. The FP ensures that the last horizontal (national level) normative act regulating the monitoring of FM is approved by the CoM	14.02.			
	2. The POs elaborate and ensure the approval of Programme Regulations in the CoM regulating implementation of respective programme, including OCs' guidelines and evaluation of pre-defined projects	LV07-26.02.	LV05 LV06 LV08		
	3. The Monitoring Committee assesses the Strategic Report 2012	20.03.			
	4. The FP submits to the FMO the description of MCS of respective PO and their functions			LV06 LV07 LV08	LV05
Implementation of Programmes	1. The FP ensures signing of all four PAs between Latvia and donor state	LV07 LV06 -21.02. LV08 -06.03.	LV05		
	2. Assessment of pre-defined projects	LV08	LV07 LV06 LV08		
	3. Signing pre-defined Project Contracts	LV08	LV07 LV08	LV06	
	4. Launch of the OCs		LV05	LV06	LV05
	5. Signing OCs Project Contracts			LV05	LV06
	6. Submission of first programme IFRs to the FMO			15.07.	
Bilateral relations	1. International conference " <i>Abolition of Administrative Arrest in Latvia: Challenges and Benefits</i> " organized by the MoJ within the Bilateral Fund at national level				x
	2. The POs organise kick-off meetings, match making events for donor partner search		LV05 LV06		
	3. Pre-defined project promoters sign Partnership Agreements	LV08	LV07 LV08		
	4. Implementation of Complementary Actions				LV05 LV07
	5. The POs organize CC meetings	LV07 LV08	LV05 LV06	LV07 LV08	LV06
Information activities	1. The FP organises public opinion poll for potential project promoters and society in order to determine current situation and aims in communication and information field		x		
	2. The FP updates information on www.norwaygrants.lv	x	x	x	x

	3. The FP and all POs provide communication with media (press releases, interviews, social media, press conferences etc. about programme opening events, open calls, pre-defined projects, informative seminars and other issues)	x	x	x	x
	4. Radio broadcast about Grants and programmes organised by the FP and the POs				x
	5. Programmes' launching events where potential project promoters from Latvia can get useful information and meet with potential project partners from donor state		LV05 LV07		
	6. Informative seminars and conferences for potential project promoters	LV06	LV06	LV05	
	7. The POs update information on programme websites about programme opening events, OCs, pre-defined projects, informative seminars and other issues	x	x	x	x
	8. Promotion materials and souvenirs about programme for potential project promoters and general public ensured by the POs	LV06	LV05		

4 Reporting on programmes

Correctional Services Programme

The programme was approved on 12 November 2012. In the end of 2012 harmonisation of the draft PA was ensured. On 28 November 2012 through written procedure a set of criteria was approved by the CC meeting for appraisal of 3 pre-defined projects. On 5-6 December 2012, appraisal of the pre-defined projects was discussed at the Cooperation Committee meeting between the PO and the DPP. On 13 December 2012 the launching event of the programme was organised in Riga.

Due to delay in the approval of the programme and since the pre-defend Project Contracts have not yet been signed, ~ one year delay is estimated for *Olaine prison project*; ~ 6 months delay is estimated for *Alternatives to imprisonment project* and *State Police detention centres standards` improvement project*.

According to Article 7.14 of the Regulation in exceptional cases where further delays are justified the donor state can extend the period of eligibility of expenditures in projects to 30 April 2017. Therefore, it was agreed during the CC meeting to submit to the FMO the prolongation request so that implementation of 3 pre-defined projects could take place until 30 April 2017.

None of the three pre-defined Project Contracts between the PO and the project promoters have been signed in 2012. At the same time, the project promoters have commenced negotiations on the Partnership Agreements, and a couple of agreements were signed by the State Probation Service:

Table 5 Overview of signed and negotiated Partnership Agreements

Project “New unit at Olaine prison”		
Partner	Poland Central Board of Prison Service	Not signed
	Correctional Service of Norway Staff Academy (KRUS)	Not signed
	Oslo Prison	Not signed
Project „ Increasing the application of alternatives to imprisonment”		
Partner	Oslo Probation Office	Signed on 17 October 2012, amendments to the Agreement approved on 15 March 2013
	Prison Administration of Latvia	Signed on 27 November 2012
	Ministry of Justice of the Republic of Estonia	Signed on 11 September 2012
	European Organization for Probation	Signed on 17 September 2012
	Correctional Service of Norway Staff Academy (KRUS)	Removed from the project due to partner’s lack of interest in the project. Agreement will not be signed
	Ila Detention and Security Prison of Norway	Signed on 8 November 2012
	Court Administration of Latvia	Signed on 8 November 2012
Project “Improving standard of Latvian State police detention centres”		
Partner	Estonian Police and Border Guard College	Not signed
	Central Public Order Police of Estonia	Not signed
	Council of Europe	Not signed, partnership negotiations with the Council of Europe have been started

Innovation programme

The programme was approved on 20 August 2012, but the practical implementation was started by the launch event on 3 October 2012. The representatives from the PO,

the LIDA, pre-defined project promoter and different Norwegian institutions – Innovation Norway (DPP), Norwegian University of Life Sciences, Industrial Development Corporation of Norway (SIVA) and Norway business incubator PRONEO participated in the event. The general conditions of the programme as well as the cooperation possibilities were presented.

Elaboration of the Programme Regulations has been started in the 4th quarter of 2012. It is planned to elaborate 2 Programme Regulations– the first regulating general programme's implementation conditions, pre-defined project and small grant scheme and the second one – the OC guidelines for separate outcome „*Realization of the business opportunities of greening of the European economy*”.

During September-December 2012 the PO and the DPP had communication with pre-defined project promoter on preparation of a Business Plan for legal entity of the Green Technology Incubator, reallocation of financing within pre-defined project, planned number of small grant scheme's applicants and re-design of programme bilateral fund activities.

In order to ensure pre-eligibility condition set in the point 2.2 of the Annex 1 of the PA which states that an external expert shall evaluate the pre-defined project “*Green Technology Incubator*” and small grant scheme, the pre-defined project promoter shall elaborate complete pre-defined project application, including Business Plan. In compliance with national legislation a private person can submit a project application only if there is a respective legal act, therefore the PO first of all shall elaborate Programme Regulations defining pre-defined project's and small grant scheme project's conditions, its submission and evaluation procedure. They will be approved by the CoM by March/May 2013. Subsequently final pre-defined project application will be evaluated by the PO in the second quarter of 2013. Also launching of the OC under the small grant scheme is delayed as it is related to *Green Technology Incubator* start-up. It is planned that pre-defined project will start in the 3rd quarter of the 2013; the OC could be launched in June 2013 and the OC under the small grant scheme - in September 2013.

The funds of programme bilateral fund were not used in 2012 as it is planned only in 2nd quarter of the 2013 to organise matchmaking events for potential project promoters and project donor partners separately for the OC and small grant scheme.

Capacity-Building Programme

The programme was approved on 11 September 2012. The Programme Regulation was approved by the CoM on 26 February 2013. The launching event will be held in April 2013.

The assessment of 4 pre-defined project applications and signing of Project Contracts is planned for the 2nd quarter of 2013; therefore the implementation of the projects' activities will start in the 3rd quarter of 2013.

Implementation of programme bilateral fund was started in the end of 2012 when 4 visits of project promoters to Norwegian partners were held in Oslo in order to discuss the pre-defined project applications, activities and budget allocation for each partner.

Please find below dates and participants of these bilateral meetings:

- on 5-6 December 2012 between the pre-defined project “*Smart governance and performance improvement of Latvian municipalities*” promoter (Latvian Association of Local and Regional Governments) and the partner - Norwegian Association of Local and Regional Authorities;
- On 6-7 December 2012 between pre-defined projects “*Increasing territorial development planning capacities of planning regions and local governments of*

Latvia and elaboration of development planning documents” and “Implementation of regional policy actions in Latvia and elaboration of regional development measures” promoter (MoEPRD) and partners - Norwegian Ministry of Local Government and Regional Development; Oppland, Østfold and Aust-Agder county;

- On 6-7 December 2012 between the pre-defined project *“Integration of specially protected nature territories of Latvia in spatial plans”* promoter (Nature Conservation Agency) and partners - Norwegian Ministry of Local Government and Regional Development, Oppland and Østfold County.

Scholarship and Research Programme

As the programme was approved on 23 January 2013, within reporting period no activities were carried out.

The PO in cooperation with the SEDA works on elaboration of Programme Regulations which are planned to be approved by the CoM in the 2nd quarter of 2013.

Under Scholarship Component two OCs will be launched: the first - in the 2nd quarter of 2013 making available 50% of available grant; the second - in the 4th quarter of 2013 making available the rest of available grant.

Under Research Component only one OC will be launched in the 2nd quarter of 2013.

5. Summary listing of issues and recommendations

Within the reporting period all four PPs were approved by the donor state. And the last one was approved on 23 January 2013. Accordingly Latvia is one of the first beneficiary countries whose all programmes were approved by the donor state.

All legislative acts establishing and regulating the horizontal (overall) implementation, management and monitoring of the Financial Mechanism in Latvia were adopted within reporting period. The last horizontal CoM Regulations of the Financial Mechanisms' overall monitoring were approved on 29 January 2013. In 2013 the work will continue – all POs need to approve in the CoM programme level regulations, setting procedures for implementation of a particular programme, evaluation/implementation of pre-defined projects and OC guidelines for projects to be approved within a particular programme.

The description of the MCS was elaborated and submitted to the donor states in due time according to terms set by the Regulation. The AA report states that the MCS has been established taking into account proportionality for efficient achievement of the Financial Mechanism goals, however, it will be possible to evaluate it fully only after the implementation of recommendations provided by the AA.

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

For example, a special matchmaking event for private sector was organised in October 2012 together with Innovation Programme launching event. Norwegian experience in supporting green industry innovation: clusters, incubators, research institutes cooperating with companies were presented by the following Norwegian institutions – Innovation Norway (DPP), Norwegian University of Life Sciences, Industrial Development Corporation of Norway (SIVA), Norway business incubator PRONEO. As well as already existing partnership cases in business were presented:

- example of Norwegian industrial activity in Saldus by Haddal/Jets (Norway);
- example of cooperation in the development of energy saving systems by the AIWELL (Norway).

The FP would like to present examples of good practices, like:

- involvement of the SACD (responsible department with the MoF in the state aid matters) in the programme reconciliation procedure at national level thereby minimizing non-compliance to state aid regulation;
- involvement of the PMB (national institution regulating/monitoring procurement procedures) in the selective ex-ante procurement checks thereby minimizing irregularity risk related to procurement procedures within projects;
- within NGO Fund established “2 loop system” for selection of projects thereby minimizing amount of unsatisfied applicants. In the OCs it is foreseen that a lot of project applications will be received therefore only best ideas will be forwarded for submission to the final project selection phase in order to

- minimize administrative burden and costs of the PO as well as NGOs' costs for preparation of a final project application;
- most of POs are planning to organise matchmaking events for fostering cooperation between potential project promoters and donor project partners;
- programmes' outcomes and acquisition of state budget financing for 2013 and planned budget financing flow for further years was approved as target profile by the CoM in March 2013.

As well as the FP would like to outline that regular workshops at the FMO and trainings in beneficiary countries (in Latvia on 5 March 2013) is a good and valuable practice to share experience and to solve issues together with donors and other beneficiary countries.

The following outstanding issues remain to be accomplished in 2013:

- Work Plan of the Bilateral Fund to be approved by the donor state;
- all four Programme Agreements to be signed between the donor state and Latvia (the task has been accomplished by April 2013);
- Programme Regulations (including, OC guidelines) need to be adopted by the CoM.

6. ATTACHMENTS TO THE STRATEGIC REPORT

Annex 6.1

Summary on donor partnership projects within each programme

Title of Programme (No)	Title of pre-defined project	Objective of pre-defined project	Title of Donor partner from Norway	Main activities of Donor partner
Norwegian Financial Mechanism				
Capacity-Building (LV07)	1.Smart governance and performance improvement of Latvian municipalities	Establishment of a sustainable performance improvement system for Latvian local governments	Association of Local and Regional Authorities (KS)	<ol style="list-style-type: none"> 1. Advise Latvia's experts on development of methodology and indicators; 2. Contribute to preparation of task descriptions and work tasks for project experts; 3. Contribute to feasibility studies of current data in Latvia, including the development of data collection, processing and analysis methods; 4. Advise on development of questionnaires and selection criteria for local governments; 5. Advise establishment of local expert/coordinator network and development of a training plan for local governments. 6. Facilitate experience exchange through arranging and coordinating study tours to Norway. 7. Promote direct cooperation links between Latvian and Norwegian local governments.

	2. Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents	The objective of the project objective is to strengthen territorial development planning capacity of Latvian local governments and planning regions and to elaborate drafts of regional and national territorial planning documents.	1. Ministry of Local Governments and Regional Development of Norway 2. Oppland County 3. Østfold County 4. Aust-Agder County	1. Within the project, the Ministry of Local Governments and Regional Development of Norway will contribute to the achievement of project objectives and outcomes by sharing its experience and providing information about examples of good practice in regional development policy, including support measures for remote and sparsely populated territories and for areas with underdeveloped industrial base. 2. Oppland County will participate as a tutor and an advisor and will also implement specific activities targeted at the county in the Partnership Agreement. The Oppland County authority (Lillehammer) will be the base of the Norwegian project coordinator. The County will also promote the establishment of links of cooperation between Latvian and Norwegian local governments. 3. The main task of Østfold County within this project is to share its experience and knowledge on the good planning practice. Østfold will also promote the establishment of links between Latvian and Norwegian local governments and facilitate the exchange of experience by arranging study tours. 4. Aust-Agder County will implement its activities as described in the Partnership Agreement with special emphasis on the participation in the exchange of experience and training seminars for Latvian urban and regional planners. It will also provide consultative support where appropriate.
	3. Implementation of regional policy actions in Latvia and	Project aim is strengthen Latvian municipality and	1. Ministry of Local Governments and	1. Ministry of Local Governments and Regional Development of Norway will participate in

	elaboration of regional development measures	planning region capacity and support them in entrepreneurship promotion issues.	Regional Development of Norway 2. Oppland County 3. Aust-Agder County	<p>implementation of Activity 3 „The development of support measures for remote and sparsely populated areas for attracting qualified workforce and entrepreneurs” contributing with research on the support measures for remote and underdeveloped regions in Norway, and facilitating 4 Norwegian expert visits to Latvia.</p> <p>2. Oppland County will participate in implementation of:</p> <p>2.1. Activity 1 „Development of regional entrepreneurship and innovation systems” participating in 2 expert visits to Latvia;</p> <p>2.2. Activity 2 “Increasing the role of local governments in promoting entrepreneurship” hosting one visit to Norway, where experts from Latvia will visit local and regional institutions</p> <p>2.3. Activity 4 “Project management and publicity” ensuring one part time project coordinator (20%) who will coordinate the activities on the Norwegian side. Oppland County will also coordinate and implement the publicity plan on behalf of the other Norwegian partners.</p> <p>3. Aust-Agder County will participate in implementation of:</p> <p>3.1. Activity 1 “Development of regional entrepreneurship and innovation systems” participating in 1 expert visit to Latvia;</p> <p>3.2. Activity 2 “Increasing the role of local governments in promoting entrepreneurship” hosting 1 expert visit to Norway, with visit to a local municipality</p>
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				3.3. Activity 3 “The development of support measures for remote and sparsely populated areas for attracting qualified workforce and entrepreneurs” hosting 1 expert visit to Norway.
	4. Integration of specially protected nature territories of Latvia in spatial plans	Simplification of local planning system and improvement of spatial plans in terms of integrating aspect of specially protected nature territories (SPTN) according to developed methodology during project.	Oppland County	<p>Main activity by Norwegian experts is advising on methodology.</p> <p>Within the activity learning of the Norwegian experience is planned via study visits in the field of spatial planning and integration of nature protection requirements, balancing the interests of nature protection and spatial development. The deeper insight would be needed also in the Norwegian experience in the proposing the management activities for the protected areas and ways how this is incorporated within the spatial plan of the municipality and the ways how management activities are being implemented. Oppland County will participate as partners since they have extensive experience in dealing with these issues.</p> <p>Norwegian partners are also expected to participate in the workshops in Latvia aimed at training and capacity building of Latvian nature conservation experts and local development planners.</p>
Correctional Services Reform (LV08)	1.New unit at Olaine prison, including construction and training of staff	To solve problems related to the increasing prison population and overcrowded prisons, to increase attention to vulnerable groups in prison and improvement of prisoners' and prisons'	1.Prison Staff Academy (KRUS) 2.Oslo Prison	<p>1. The experience of Norwegian colleagues will be used for both training of prison specialists and adjusting other re-socialization programs, which will be implemented during the project.</p> <p>2. During the visit to Norway the feasibility material pack will be developed and also recommendations for commencing work with</p>

		employees' competencies		<p>addicted prisoners will be prepared.</p> <p>3. During the project it is planned to adapt addiction reduction program, which is implemented in Norway. Program development process will be carried out in cooperation with the Norwegian specialists.</p> <p>4. Experts of Latvian penitentiary system in cooperation with partners from KRUS and Poland will develop training seminar programme. The aim of training seminars will be to train staff of prisons and Probation service in work with addict persons.</p>
	2.Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic surveillance)	To increase application of alternatives to prison	<p>1.Oslo Probation Office</p> <p>2.Ila Detention and Security Prison of Norway</p> <p>3.European Organization for Probation;</p>	<p>1. Experts of Oslo Probation Office will participate as advisers on development of new alternative, will assist in organization of study visits to Norway, as well as participate in the Project Board Meetings.</p> <p>2. Ila prison professionals will be involved in staff training on the topic of Motivational Interviewing.</p>
	3.Improvement of the Standard of Latvian State Police Detention Centres	To improve the institutional framework by improvement of standards in short term detention centres (STDC) of the State Police in accordance with relevant international human rights instruments, including activities aimed at improving infrastructure, reducing/abolishing the current practice of administrative detention,	1.The Council of Europe;	<p>The Council of Europe's experts will provide consultations and expertise in the following activities:</p> <ul style="list-style-type: none"> - consultations on reconstruction/ renovation of the STDC's and equipment purchases including technical design; - existing legislation analysis to develop proposals to improve standards in the STDC's; - training for the STDC personnel; - participation in the final conference.

		changing the practice or returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities		
Green Industry Innovation (LV06)	Green Technology incubator	Establishment of technology incubator, what will serve as a bridging facility between green entrepreneurs and the market place	Industrial Development Corporation (SIVA) involved as co-founder of the Green Technology incubator	1.Experience exchange in creation of technology incubator and competence sharing in running of technology incubator activities as SIVA has implemented similar project in one city of Latvia – Ogre. 2.Search of donor partners at project level and support in organization of meetings, seminars and workshops. 3.Promotion activities of the Programme in Norway.
Scholarship and Research (LV05)	n/a	n/a	n/a	n/a

Annex 6.2

Monitoring and audit activities plan for 2013

No	Audited system / programme / project	Audit type	Audit period
1.	Innovation Programme (MoE and LIDA) MCS	Compliance assessment according to Article 4.8, Paragraph 4 of the Regulations	2 nd and 3 rd quarter
2.	Capacity-Building Programme (MoEPRD and SRDA) MCS		2 nd and 3 rd quarter
3.	Correctional Services Reform Programme (MoJ and MoI) MCS		3 rd quarter
4.	Scholarship and Research Programme PO's (MoES) MCS		3 rd quarter
5.	Project audit for the expenditure included in the certified Interim Financial Reports submitted to the FMO on 15.11.2012, 15.03.2013, 15.07.2013	Selective project audit according to Article 4.6, Paragraph 1(c) of the Regulations	3 rd quarter
6.	Compliance assessment follow-up and management and control system of the FP and the CA	System audit at the level of the beneficiary country according to Article 4.6, Paragraph 1(a) of the Regulations	3 rd and 4 th quarter

Annex 6.3

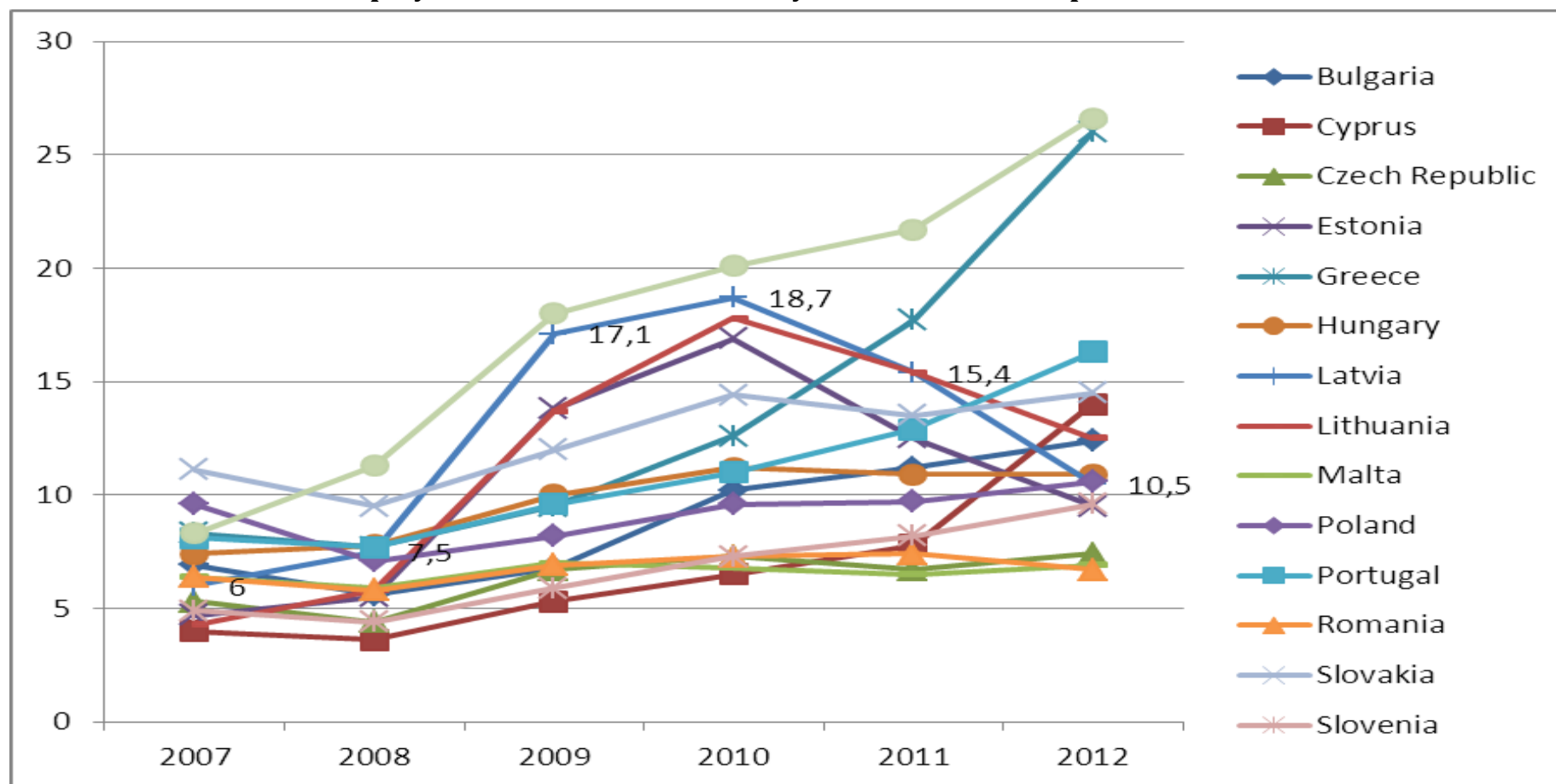
Bilateral Fund activities during 2012

No.	Event	Aim and justification of event	Date of event	Type of expenditure	Amount, EUR
		GRAND TOTAL			78 176.69
LV05		Total LV05			19 436.73
	Seminar in Oslo	Information meeting: EEA funding for research cooperation with Central Europe (Organizer: Research Council of Norway (DPP)).	24.- 25.04	travel costs and per diems	2 835.50
	Conference in Bergen	Conference/ contact seminar for education institutions in the framework of EEA/Norway Grants. The aim of the conference/ contact seminar is to create a meeting/networking place for different institutions and provide information/advice on the participation in the grant schemes (organize Norwegian Centre for International Cooperation in Education (DPP)).	25- 28.04	travel costs and per diems	2 213.04
	Launching seminar in Reykjavik	Launching event and contact seminar organised by the Icelandic DPP RANNIS for POs and potential donor partners.	2-5.10.	travel costs and per diems	4 100.83
	Seminar in Oslo	Seminar organized by the DPP- Norwegian Research Council to share experience and best practices of the Research cooperation programmes within the previous implementation period of the FMs.	29- 30.11	travel costs and per diems	1 351.79
		Total LV06			37 960.72
LV06	CC in Riga	Meeting with the DPP and approval of the programme proposal.	30.01	lunch	83.79

	Conference in Oslo	To create awareness of the EEA Grants in general and Green Industry Innovation in particular to possible stakeholders in Norway and in the beneficiary countries.	16.- 17.04	travel costs and per diems	3 962.63
	Meeting with the FMO and the DPP in Riga	Meeting with FMO, DPP Innovation Norway and the Latvian Investment Development Agency and SIVA to discuss the outstanding issues of the programme proposal, incl. bilateral aspects and to reach an agreement.	22.05	catering	174.66
	Meeting with the DPP Innovation Norway in Oslo	To discuss state aid issues in partnership projects.	27.06	travel costs and per diems	1 400.99
	Seminar in Tallinn	Seminar on state aid issues with participation of Innovation Norway.	09.08	travel costs and per diems	301.04
	Expertise	SIVA costs for programme preparation.		expert's salary	15 683.09
LV07		Total LV07			899.44
	Mission to Oslo	Meeting with representatives of Norwegian municipalities as potential partners for the pre-defined project.	18.04	travel costs and per diems	916.96
	Meeting in the MoEPRD	Introducing the partners of the pre-defined project with the Latvian counterparts and their involvement in the project, adjusting the list of project activities.	02.05	catering	195.09
	Meeting with the FMO in Riga	Meeting with the FMO to discuss administrative set up of the pre-defined project	3.-4.10	lunch and coffee break	170.74
		Total LV08			19 879.80
LV08	Mission to Strasbourg	To discuss possible involvement of the Council of Europe in project level.	04.- 06.03	travel costs and per diems	6 794.85

	Mission to Oslo	Meeting with the DPP and signing of a partnership agreement.	22.- 23.03	travel costs and per diems	1 573.71
	CC in Riga	Meeting with the DPP to discuss the programme, incl. the use of bilateral funds.	23.04	catering	222.65
	Mission to Brussels	Meeting with FMO to discuss programme proposal and pre-defined projects.	26.03	travel costs and per diems	2 094.55
	State Probations Service mission to Oslo	Meeting with the Head of the Oslo Probation Service to discuss cooperation mechanisms with the Norwegian project partners, inviting Ila prison representative. Participation at the seminar organised by the Ministry of Justice and Police of Norway on assessment of inmate risks and drafting of risk assessment report.	10.- 11.05	travel costs and per diems	745.67

Unemployment rate in the beneficiary countries over the period 2007-2012



Source: Eurostat

Annex 6.5

Financial flow of programmes (EUR)

Programme No.	Programme	Programme Total Eligible Costs	Eligible Costs Used In 2012	Unused Eligible Costs in 2012*	2013	2014	2015	2016-2017
	Total:	41 173 948	290 843	273 853	8 438 288	12 837 749	8 171 765	11 161 450
LV01	TAF	1 459 000	256 265	0	246 460	303 348	316 854	336 074
LV05	Scholarship and Research Programme	6 122 500	0	0	2 513 880	2 409 344	652 632	546 644
LV06	Innovation Programme	12 586 667	15 256	93 437	3 222 815	4 089 012	4 317 255	848 892
LV07	Capacity-Building Programme	5 645 781	3 400	18 171	1 402 208	620 506	515 855	3 085 641
LV08	Correctional Service Reform Programme	15 360 000	15 922	162 244	1 052 925	5 415 540	2 369 170	6 344 199

* Unused financing will be used in the next years.