



MINISTRY OF FINANCE
REPUBLIC OF LATVIA

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

***Strategic Report on Implementation of
the Norwegian Financial Mechanism
2009–2014 in Latvia
January – December 2015***



**Riga,
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Glossary of Acronyms

AA – Audit Authority

AAR – Annual Audit Report

BS – Beneficiary States

NBF - Fund for Bilateral Relations at National Level 2011-2017

CA – Certifying Authority

Capacity-Building Programme – Programme LV07 “*Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities*”

CC – Cooperation Committee

CoM – Cabinet of Ministers (Latvian Government)

Correctional Services Reform Programme – Programme LV08 “*Reform of the Latvian Correctional services and Police Detention Centres*”

CPCB – Corruption Prevention and Combating Bureau of Latvia

DPP – Donor Programme Partner

Decent Work Programme – Global Fund for Decent Work and Tripartite Dialogue

EC – European Commission

ES – Electronic Surveillance

EEA – European Economic Area

Embassy – Royal Norwegian Embassy in Riga

EU – European Union

FMs – EEA Financial Mechanism and Norwegian Financial Mechanism

FMO – Financial Mechanism Office

FP – National Focal Point

Incubator – pre-defined project “*Green Tehnology Incubator*” within the Innovation Programme

Innovation Programme – Programme LV06 “*Green Industry innovation Programme*”

IFR – Interim Financial Report

Development planning capacity project – pre-defined project “Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents” under Capacity-Building Programme

LIDA – Latvian Investment and Development Agency

Nature conservation project – pre-defined project “Integration of specially protected nature territories of Latvia in spatial plans” under Capacity-Building Programme

MCS - FMs` Management and Control System

MoE - Ministry of Economics

MoEPRD – Ministry of Environmental Protection and Regional Development

MoES - Ministry of Education and Science

MoF – Ministry of Finance

MoI – Ministry of Interior

MoJ – Ministry of Justice

NGO – nongovernmental organization

OC – open call

PA – Programme Agreement

PBF - Fund for Bilateral Relations at the Programme Level

PIA – Programme Implementation Agreement

PMCS – Programme Management and Control System

PO – Programme Operator

PP – project promoter

PMB – Procurement Monitoring Bureau

Programme Regulations – CoM Regulations on respective Programme`s implementation and OCs

Regulation – Regulation on the Implementation of the FM 2009-2014

Regional policy project – pre-defined project “Implementation of regional policy actions in Latvia and elaboration of regional development measures” under Capacity-Building Programme

Research and Scholarships Programme – Programme LV05 “*Research and Scholarships*”

SEDA – State Education Development Agency

SGS – Small Grant Scheme

Smart governance project – pre-defined project “Smart governance and performance improvement of Latvian municipalities” under Capacity-Building Programme

TAF – project LV001 “*Technical Assistance Fund 2011-2017*” (*inc. NBF*)

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 FMs in Latvia, has prepared the “*Strategic Report on the implementation of the FM 2009-2014 in Latvia January – December 2015*”. Before submission to the donor state according to the requirement set out in the Article 4.4, Paragraph 4, of the Regulations the Strategic Report was approved in the written procedure in March 2016 by the Monitoring Committee of the FMs. All comments and proposals received from the Committee were taken into account within elaboration process of the Report. It will be discussed during the Annual Meeting in June 2016.

The document aims to present the progress of the FM’s implementation in Latvia within pertinent socio-economic environment, incl. status of overall and specific goals` achievement, bilateral relations, the status of programmes and the results of the risk assessment exercise, as well as the activities planned for 2017.

The year 2015 was the year of launching very last OCs, signing last projects’ contracts, projects’ extensions granted by donor state in dully justified cases and focusing on active implementation of projects.

We can highlight following programmes’ results in total achieved by the end of March 2016:

- **Justice sector:** A new alternative to imprisonment – Electronic Monitoring – was introduced in Latvia and already 38 convicts have taken part in this programme. Also several trainings, workshops and peer consulting to Latvian Prison Administration’s and State Probation Service’s employees were provided on various topics, thus noticeably strengthening capacity of employees;
- **Industry innovations sector:** The Incubator launched 5 selection rounds, 81 green business ideas received pre-incubation services and incubation of 24 companies are ongoing, as well as 5 green technologies were introduced in production;
- **Regional capacity building sector:** Drafting and updating of 42 planning documents at local and regional level was completed and experience and knowledge was shared during 36 events, thus improving performance of local and regional authorities and developing integrated planning system at local and regional level;
- **Scholarships and research sector:** 39 commenced scholarship and research projects will facilitate research-based knowledge development in Latvia, experience exchange between donor state and will increase application of research results through research cooperation between Latvia and donor state.
- **Use of NBF and PBFs:** several strategic level events were successfully organized:
 - *Latvian Presidency in the Council of the EU* activities: 4 mayor events;
 - Strategic partnership and experience exchange event in Daugavpils where Latvian and Norwegian municipalities established closer contacts and learned about mutual cooperation areas and financing possibilities for future joint projects;
 - International conference in the field of justice “*Cooperation with NGO’s in correctional services (probation and prisons)*” where issues concerning existing and possible involvement of NGOs in the re-socialization process both - within the institution of imprisonment and in the society - were discussed;
 - Mid-term Programme Assessment Seminar of *Capacity Building Programme* took place where the PO, DPP, PPs and project partners were brought together in order to share their experience in projects` implementation, cooperation with Norwegian Association of Local and Regional Authorities (KS), already achieved progress and main challenges.
 - Mid-term Evaluation Event of Cultural Heritage Programme took place in Latvia where all project promoters together with donor partners presented

progress/results of projects and shared their experience of bilateral cooperation;

- bilateral relations strengthening effect was achieved by input into all 4 outcome types determined by the donor states: Extent of cooperation, Shared results, Improved knowledge and mutual understanding, Wider effects.

2. Assessment of the effect of the Grants

2.1 Cohesion and relevant policy developments

Most substantial achievements in 2015 were – good governance of the Latvian Presidency of the EU Council (the Presidency), small but steady Latvia's economic growth, and launching EU Funds 2014–2020 planning period – thus showing economic and financial development of Latvia.

The Presidency lasted January–June and was very important challenge and opportunity for Latvia. Latvia succeeded to put into practice the Investment Plan for Europe on 25 June. This is an excellent example of good and operative cooperation between EU member states thus demonstrating that important decisions could be taken fast. Launching the Plan will provide the substantial incentives for economic growth what will directly impact EU member states, enterprises and inhabitants, thus reducing economic and social disparities within Latvia and EEA. The governance of the Presidency was very well assessed at the EU level.

As well as some changes at political level took place – from July the new president of Latvia – Mr. Raimonds Vējonis – was appointed by the Parliament of Latvia (*Saeima*). In December the Prime Minister (Mrs. Laimdota Straujuma) announced her decision of resignation and new Government was established on 11 February 2016, which consists of previous coalition of political parties – the Green and Farmer parties' alliance (*Zaļo un Zemnieku savienība*), the Unity (*Vienotība*), and the National Alliance (*Nacionālā apvienība*). The new Prime Minister – Mr. Māris Kučinskis – represents the Green and Farmer parties' alliance. The principal aim of the new Government is introduction of reforms in education and health sectors, as well as actions on growth of the national economy, improvement of life quality of individuals and families. The leading principles are sustained - growth of Latvian economy, fiscal accountability, macroeconomic stability and sustainable development.

EU Cohesion policy and other foreign financial assistance are most important EU investment policies, which make relevant impact for beneficiary states. The macroeconomic disparities between the donor state and Latvia still clearly justifies the need for cohesion. Considering the size of the FMs 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 FMs is of great value both in financial (investment) terms in targeted areas as well as providing intangible value – added as mutual knowledge spill-overs and strengthened bilateral relations in various sectors. The programmes are important for development of a cohesive society in Latvia and to promote reduction of economic disparities. Each programme contributed to achievement of the overall objective – reduction of social and economic disparities within the EEA – in its own focused and complementary way.

Launching of EU Funds 2014-2020 planning period is the most relevant incentive for Latvian economic growth, which will foster the creation of new job places, supporting competitiveness of enterprises and improve living quality of inhabitants. EU Funds will be invested on well-grounded considerations – in line with National Development Plan 2014-2020 and complementary to priority sectors of FMs – thus ensuring effective, sustainable and expediency investment of financial resources.

Latvia's economic growth in 2015 has accelerated, despite unfavourable external environment, GDP reached 2.7% (in 2014 – 2.4%). Moreover, according to the latest forecasts in 2016 economic growth could expand by 3.0%, while in 2017 by 3.3%. It was fostered by expansion of private consumption fuelled by rising wages and declining prices for energy resources. Robust private consumption supported growth in the related sectors such as trade, accommodation and catering services, and culture/entertainment activities. Although employment growth in some sectors and regions has practically stopped, situation

in Latvia's labour market continued to improve; in 2015 the unemployment rate declined to 9.9% and hence was at the lowest level since 2008. Average monthly gross wage in 2015 continued strong growth and compared to 2014, wages increased by 6.8% (~818 EUR). Similarly to previous year, wages grew faster in the private sector where salary rose by 7.9%, while in the public sector they increased by 5.2%. Furthermore, weak inflation and tax reduction on labour fostered considerable purchasing power growth that constituted 7.4%. Annual average inflation rate in 2015 was weak, constituting 0.2% and trend is remissive. Consumer price growth was hindered by prices for goods which are determined by low oil and unprocessed food prices in the global market.

Latvia's exporters have demonstrated resistance to external shocks, compensating their losses in Russia's market (declined by 24.4% in 2015, but Russia was still third largest export market for Latvia) with new export destinations, including non-euro area countries such as Algeria and United Arab Emirates, thereby increasing exports by 1.3%. However, faster economic growth in 2015 was hampered by a fall in transportation and storage sector (decrease of Russia's freight transit flow through Latvia's ports) as well as in construction.

There are several internal and external risks for Latvia's macroeconomic growth that may either foster or hamper economic development in the mid-term. Negative risks are related to geopolitical situation in the region and further slowdown of global economic growth; consistently low investment level in Latvia as well as wage growth which exceeds productivity growth that could undermine Latvia's competitiveness. On the positive side, Latvia's economic growth might be boosted by more rapid lending expansion, stronger economic growth in the EU, especially in Latvia's main trade-partner countries. Upside risks also include European Central Bank's Quantitative easing programme, the Investment Plan launched by the EC and contribution available for Latvia within EU funds 2014-2020 and Financial Mechanisms 2014-2021.

Research and Scholarships Programme

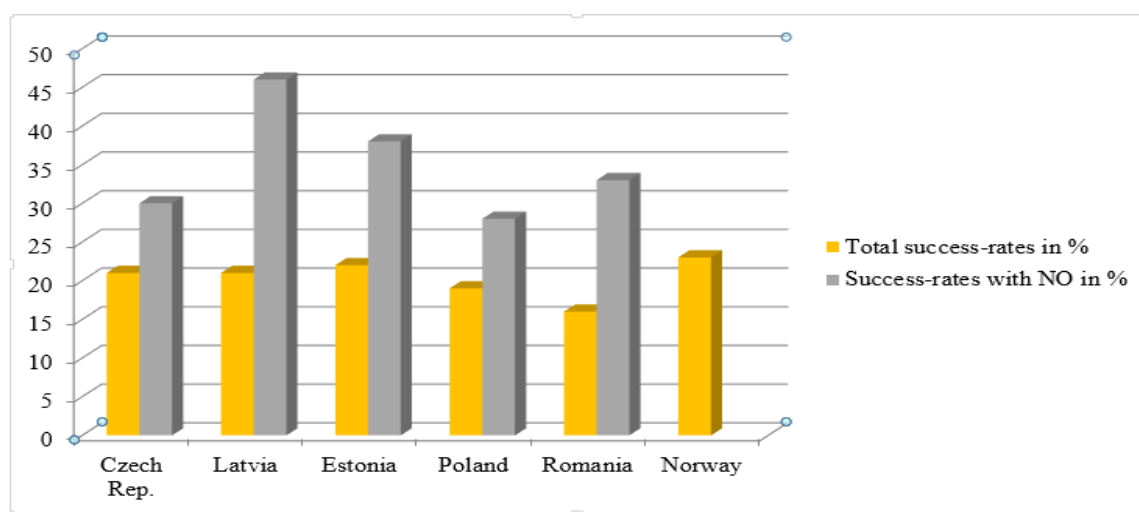
Despite low state budget funding in Research and development (R&D) field, Latvia in the last years showed good achievements in science, which only reaffirms the high potential of Latvian scientists. For example, scientists of Latvia's Institute of Organic Synthesis received *the Academy Award* for last year's remarkable achievements in science. EU Funds' and FMs' financing in education and research plays significant role in this sector by raising an efficiency and quality of the studies and research work. In a long term, the implementation of the Programme will result in facilitated economy and sustainable development, as the quality of higher education and research environment will improve by providing accessibility to better education and raise the capacities and skills of researchers to comply with the needs of national economy, which will lead to sustainable development.

The *Guidelines for the Development of Education (2014-2020)* raises such issues as internationalization of higher education and international competitiveness of education in a globalized world. To ensure the quality of higher education, activities provided by the Programme (research Activity) with established strategic partnerships are considered as relevant tools for improving internationalization and international competitiveness of higher education in Latvia.

Also Programme at some level promotes EU *Framework Programme Horizon 2020* implementation in Latvia, as the applicants, who didn't received the Programme's grant could easily participate in *Horizon 2020* by making small amendments in their project applications. It is obvious from the statistical data that Latvia is among first five countries with successfully submitted projects across all parts of *Horizon 2020*. Universities are in first place in terms of the overall number of eligible applications, followed by the private sector and research organisations. In the chart below you can see the success rate of projects, when Norway enters solely or together with one of EU States. Latvia and Norway tandem is

very strong which can be explained by successfully established contacts during Programme's preparatory visits, as well as large amount of projects, which didn't received the Programme's grant (over 60 projects), thus demonstrates opportunities for further cooperation.

Chart 1 EU 7th Framework Programme (FP) success rates



Statistics show increase of implementation of projects by Latvian scientific institutions under EU Framework Programmes: within the 5th FP (1999-2002) – received 16,6 M EUR for 179 projects; within the 6th FP (2002- 2006) – received 21,5 M EUR for 217 projects; and within the 7th FP (2007- 2013) received 48,9 M EUR for 240 projects. The 1st operational year of *Horizon 2020* has ended; and Latvia has attracted 15,3 M EUR for implementation of 66 research and innovation projects.

In general, the Programme has positively affected employment of new scientists and doctorates. Taking into account, that EU Funds 2007-2013 has ended, but 2014-2020 has just began, and state budget funding for research is insignificant, the Programme's grant is a great opportunity to keep science alive.

One of the challenges of Latvian innovation system is still insufficient cooperation between business and research sector to implement joint projects aimed at the commercialization of research results. Thus in 2015, work was continued on the development of technology transfer system in order to attract EU Funds 2014–2020. This system is designed to increase scientific institutions' income from the commercialization of publicly funded research by ensuring that researches' results are market-oriented and are transformed into a practical business. Thus following updates in the national legislation were approved by CoM in this field:

- Conceptual report *"The Implementation of New Higher Education Financing Model in Latvia"*, which defines next steps towards the implementation of this model based on: basic funding, performance-oriented funding and innovation-oriented funding. The introduction of the new model was supported by allocation performance-oriented funding: – 5,5 M EUR for 2015; 6,5 M EUR for 2016 and 6,5 M EUR for 2017.
- Informative report *"The Monitoring System of Smart Specialization Strategy"* which was designed to ensure the monitoring of impact of public investment in science, technology and innovation, as well as to comply with the conditions of the investment programme to start implementation of R&D activities within the EU Funds 2014 2020 (foreseen funding for R&D – 467,5 M EUR).

Innovation Programme

Programme has positive impact on strengthening Latvia's innovation system and has direct impact on challenges of Latvia's economy, such as: unemployment (by Incubator's provided space for work places of pre-incubation and incubation services' beneficiaries); limited financing for innovations in private sector (by the Programme's granted funding for companies in the amount 10,5 M EUR); weak knowledge-intensive economy and low productivity (by introduction of "green" technologies in production); and weak innovation performance (by elaboration and testing of new technologies within Incubator). Thus Programme will have a positive effect on reduction of economic and social disparities in the EEA by stimulating economic activity in knowledge intensive sectors leading to creation and securing of green jobs, setting ground for stable and sustainable development of „green” industries in Latvia, promoting overall innovation system as well as co-operation and technology transfer between private sector and scientific institutions.

Latvia's Smart Specialization Strategy as part of the *Guidelines for Science, Technology Development and Innovation 2014-2020* is aimed at increase of economic development through targeted support for research and innovation. Five smart specialization areas are chosen: (1) Knowledge-intensive bio-economy; (2) Biomedicine, medical technologies, biopharmacy and bio technologies; (3) Smart materials, technology and engineering systems; (4) Smart energetics; (5) Information and communication technologies. As Programme is designed to improve situation in technology intensive industries, especially introduction and development of "green" technologies in Latvia's production, its activities facilitates implementation of this Strategy.

Based on average *Innovation Performance*¹ Latvia is in "modest innovator" group (ranks in the 26th place out of 28) well below of the EU average, but nevertheless Latvia is performing almost seven times as high as the least performing country Bulgaria. At the same time, in the period 2007–2014 the average growth of Latvia's indicators constituted 3,4%, which is the highest indicator among EU Member States (the average growth in EU is 1%). **Latvia's performance level in relation to EU average has jumped from 42% in 2013 to 49% in 2014; and Latvia is close to become a "moderate innovator" group.** Improvements of Latvia's innovation performance are demonstrated also by the *Global Innovation Index Research 2015*², stating that Latvia and all other EU countries, with exception of Romania, are among world's leading innovative countries TOP 50. Latvia ranks in the 33rd place between 143 countries (Norway – 20, Estonia – 23 and Lithuania – 38). But this research also clearly underlines that the education system and research and development (R&D) are relative weaknesses of Latvia.

Main challenges in Latvia's innovation system are:

- limited research and innovation capacity of enterprises (lack of skills, funding, infrastructure);
- low level of private sector investment in R&D (27,8% of all R&D investments);
- low proportion of innovative and technology-intensive businesses (30,4% of all companies);
- lack of technology transfer and commercialization capacity of the scientific institutions;
- access to finance, especially in early stage of business development, poorly developed cooperation between industry and research sectors.

It is planned to improve Latvia's innovation system by launching EU Funds 2014-2020 for facilitation of innovations, scientific potential and entrepreneurship (investments amount to 656 M EUR). The data clearly shows that foreign financial assistance plays significant role

¹ The Innovation Union Scoreboard 2015 published by the EC for the year 2014

² Research published by Cornell University, INSEAD (a business school) and the World Intellectual Property Organization

at Latvia's R&D development. According to the latest data³ common financing for R&D in Latvia has increased and in 2014 accounted for 0,68% of the GDP (0,60% in 2013), from which the highest scale of investments in R&D are from foreign financial assistance's funding.

In innovation field for Latvia investments within EU Funds 2014-2020 will be available in 2 priorities – “*Research, development of technologies and innovations*” and “*Competitiveness of small and medium enterprises*” with the aim to ensure prospective and sustainable Latvia's entrepreneurship. Directly to Programme area 2 main support programmes can be emphasised:

- 1) *Incubators Programme* (32 M EUR) – from which largest part 25 M EUR is for regional incubators. The biggest challenge of the previous EU funds period was that incubation was necessary in all Latvia, but it was available only in some regions and in a very different quality. As in Riga market is self-governing and intervention from the state side would be obstructive; it is planned that in Riga support will be provided only by the Riga Creative Incubator. Always there will be regions where business activities are lower and regions with more successful business, thus in order to ensure the equal quality of service it is foreseen to establish single incubation network through one institution – LIDA. In the regions there will be LIDA's branch offices which will ensure full spectre of the incubation – open office premises, consultations and trainings on business related issues, support for elaboration of new products, as well as option to provide support as grant to ensure specific services which can't be provided by incubators.
- 2) *Practical Field Research Programme* (76,5 M EUR) with aim to stimulate mutual cooperation between entrepreneurs and researchers; and main focus to create necessary conditions for strengthening tech-transfer processes from research to business industries and commercialization of research results. It is planned to launch OC for projects' selection in the 1st quarter of 2016 in previously mentioned 5 areas set in the *Smart Specialization Strategy of Latvia*.

Additionally, aiming for investments to become more effective and to reduce business dependence from grants and subsidies, EC has set accent on application of financial instruments, for example, guarantee funds, loan funds, including micro-loans etc. In such case funding can constantly circulate from repayments to repeated investments in other projects, thus amount which is available for enterprises increases and accordingly public funding works as an accelerator for private sector investments. Moreover financial instruments' system helps to solve market gaps by offering possibilities for enterprises to receive funding in situations when commercial banks do not offer/grants/loans due to high risks or high administrative costs, for example micro-loans. In Latvia 126 M EUR for financial instruments are available within EU Funds 2014-2020 as part of support for facilitation of innovations, scientific potential and entrepreneurship.

Capacity-Building Programme

The activities of programme's projects are directly aimed at the contribution to the achievement of goals set in the following national level development planning documents:

- Sustainable Development Strategy 2030 which defines the long-term development priorities and spatial development perspective;
- National Development Plan 2014-2020 which aims to promote balanced and sustainable development in Latvia ensuring Latvia's competitiveness among other EU countries;

³ Source Central Statistic Bureau

- Regional Policy Guidelines 2013-2019 which sets that regional policy shall be focused upon increasing municipalities' capabilities in promotion of entrepreneurship and improvement of quality and availability of public services.

Substantial contribution to the achievement of goals set in the above mentioned documents was provided in NFM's projects – Regional policy project and Development planning capacity project by:

- 1) completion of detailed study on provision of public services in regions of Latvia based on demographic trends and;
- 2) strengthening planning regions and municipalities' capability via numerous trainings and experience sharing events with colleagues from Norwegian municipalities regarding promotion of regional entrepreneurship and innovations, public services, development of planning documents and cooperation of local communities with municipalities.

The last one also perfectly fits with objective of the programme area aimed to strengthen institutional capacity and human resources development in public authorities of Latvia through transfer of knowledge with similar authorities in Norway thus contributing to reduction of social and economic disparities in the EEA.

Following successful Norwegian example, better performance of municipalities over local development planning will be achieved through established municipalities' cooperation networks and Benchmarking Data Base, which both will serve as powerful tool for selection of appropriate solutions for municipalities' further development.

As one of regional policy support directions is promotion of public infrastructure according to "basket" of public services, the conclusion of study on provision of public services in Latvia will help to optimize the network of public services (education, health, culture, social care, sports) and to allocate investments according to current and future demographic trends.

Latvia has the 5th largest regional disparities in EU-28 and 2,3 times difference among regions of Latvia in GDP per inhabitant⁴, showing that many problems exist which need to be solved in order to reduce significant regional disparities. The most evident regional disparities are seen between Latgale Planning Region and other regions of Latvia. In order to promote economic development of this region, the CoM approved Action Plan for Development of Latgale Region for 2015-2017. Plan foresees continuing of operation of Entrepreneurship Support Centre in Latgale, which was established in accordance to the Action Plan for Development of Latgale Region for 2012-2013 and is partially financed from NFM's Regional policy project. Following this example, in 2015 in all other planning regions of Latvia similar entrepreneurship support centers were established from other resources.

Concept for development of public services in Latgale Planning Region elaborated within NFM's Development planning capacity project provided contribution to the achievement of strategic goals included in Latgale Strategy 2030 and Latgale Development Programme 2010-2017 regarding improvement of accessibility of public services for residents of Latgale.

In order to achieve reduction of regional disparities by provision of effective measures for promotion of economic activity, job creation and increase of prosperity, Sustainable Development Strategies until 2030 and Development Programmes until 2020 for 4 regions of Latvia were approved in NFM's Development planning capacity project.

Correctional Services Reform Programme

⁴ Source: Eurostat

Programme's results have significant and long term impact on Latvia's criminal punishments' policy (by introduction of ES as an alternative punishment); on correctional services' system (by improvement of re-socialization and opening of the Addiction Centre in Olaine Prison); and on short-term detention centres' (STDC) system (by reconstruction/renovation of 21 centres).

In Latvia prisons' population rate is the highest in Europe and prison sentences are long. Thus large number of population – prison inmates – does not take part in normal economic or social processes in society during their imprisonment. In the last years number of prisoners is decreasing; and it is expected that this trend will continue also in future (6'059 in 2013, 5'280 in 2014 and 4'382 in 2015).⁵ This tendency is evident of applied criminal punishments' policy reform during several last years in Latvia – reform of the early release's system, including introduction of ES system within *Application of alternatives to imprisonment pre-defined project*. ES model was launched in July 2015 and it fully comply with principles of the Council of Europe's *Recommendations on Electronic surveillance*. By reduction of number of prisoners there will be increase in number of working age persons thus contributing to the FM's objective – reduction of economic and social disparities in the EEA. As well as the decrease in number of imprisoned persons will allow to provide such a living space per prisoner as it is stated by international standards; and it shows that judges apply alternative sentences to imprisonment, thereby letting sentenced person to be involved in social and economic processes of the society while serving the sentence.

Another important problem is that approximately 60% of inmates serve their sentence in prison repeatedly, which indicates that re-socialization process during their previous sentence has not been effective or was not suitable to their specific needs. Due to the imprisonment, inmates have lost significant social and professional skills and abilities necessary for a law-abiding life, which reduces their possibilities to integrate back into normal social and economic processes of society after the release. Changes could be reached through reduction of length of prison sentences and provision of intensive re-socialization services. In 2015 improvements on substantive re-socialization work with prisoners were continued by ensuring trainings for custodial institutions' employees, especially concerning one of the most sensitive groups – prisoners with addiction problems – within the *Olaine prison's pre-defined project* and *Application of alternatives to imprisonment pre-defined project*. Custodial institutions' employees emphasize that training activities are crucial thus allowing to provide more qualitative re-socialization work with prisoners.

During 2015 STDC system has been improved by carrying out legislation, case and best practice detailed studies in order to identify the gaps in STDC work organization, to prevent and to reduce them and to improve the STDC system in general, including drafting proposals on legislation and STDC work organization amendments. All this ensures decrease of average time spent in short- term detention (4,12 days in 2013, 3,88 days in 2014, 3,48 days in 2015).⁶ The technical condition of STDCs was improved within renovation/reconstruction activity in *STDC' Standard Improvement pre-defined project*, thus reducing differences between Latvia and other countries of EU.

The following national level legislation related to the Programme area were adopted/amended in 2015:

- Amendments in several laws regarding ES came into effect “*Latvian Penalty Execution Code*”, “*Amendment to Criminal Law*”, “*Law of Criminal Procedure*” and “*Law of State Probation Service*”, as well as two new Regulations were adopted by CoM – “*Order in which a reference is made about penalty execution, and the content and amount of the information included*” and “*Order in which State Probation Service supervises persons*”

⁵ According to data of Latvian Prison Administration

⁶ Statistics compared to period - first nine months of corresponding year, according to data of MoI

that are Conditionally Sentenced, Conditionally Released before term of sentence, Conditionally released from criminal liability and persons to whom additional penalty is applied". Thus fully-fledged normative base for implementation of ES is developed.

- As a result of further development of re-socialization politics *the Guidelines for re-socialization of prisoners 2015-2020* were approved by CoM;
- Amendments in the *Regulations on the List of Objects Permitted for the Storage in the STDC* were approved by CoM and the amendments to the *Law on the Procedures for Holding the Detained Persons* was submitted to the Parliament.

2.2 Bilateral relations

By the end of reporting period **96,8% of NBF's financing has been effectively used for the aims envisaged** as can be seen in the table below:

Table 1 NBF's budget breakdown by priority measures

Measure	Expenditure used	% of total
Support to programme preparation (2011-2013)	116`854	32%
International seminar in Justice and Home affairs (fall 2013)	13`428	4%
8 activities within "Riga – the European Capital of Culture in 2014"	108`646	30%
Activities within "Latvian presidency of the Council of the EU 2015": 1.Conference "Smart Specialization Strategy: New Approaches for Partnerships among Education, Research and Industry in Regions" ⁷ (12-13 February) 2.Conference "Deinstitutionalization practices and further development of European social care policy" (15 June) 3.Public campaign „My Baltic Sea 2015" and "Multi – media Performance" (26 May – 28 June)	112`584	31%
Participation in conference "Developing trends in combating corruption, money laundering and recovering criminal assets in Europe" (October 2015)	1`486	0,4%
Leftover	11`752	3,2%
Total:	364`750	100%

In 2015 all planned activities under the **Latvian Presidency Activity** were successfully implemented with 90% financial absorption rate. About Smart Specialization Conference detailed information was provided in the previous Startegic Report.

Additionally in 2015 participation the international **Combating Corruption Conference** for 2 Latvian delegates was financed. It was organized by the MoF of Czech Republic, Government of Norway and Council of Europe. It was a forum of professional debates on major trends and challenging new standards on anti-corruption, anti-money laundering and asset recovery.

Deinstitutionalisation Conference⁸ took place in the National Library organized by the Ministry of Welfare to continue the debate on high quality social services and social inclusion. The purpose was to exchange experience among policy makers, policy implementers, social service providers and NGOs of European countries at different stages of deinstitutionalization process for mutual learning, identifying traps and transferring good practice. All together 130 participants from 17 countries were presented; and it was live-streamed (1`571 logins were registered online).

The conference was opened by the Minister of Welfare and the Ambassador of Norway to Latvia. During the conference presentations were given by 2 professors from Norwegian universities about result-oriented approach to social policy reforms and good practice in development of family-based care for children. Participants analysed challenges and best experiences of moving from institutional to community-based care system in Norway as well as in "old" and "new" EU member states.

The experience obtained allows to evaluate "Action Plan for Implementation of Deinstitutionalisation in 2015-2020" elaborated by the Ministry of Welfare and to improve the quality of reform process planning; and to organize more successfully measures for changing the attitude of the society. At the end of the conference a support to Latvia was expressed regarding already initiated changes towards deinstitutionalisation.

⁷ The conference website: <http://www.ris3riga2015.lv/>

⁸ Video from the conference: https://www.youtube.com/playlist?list=PLodeDt40MJHL3jIRt3-GvRhYqwHzt_QQI

At the end potential future cooperation areas on socio-political issues were marked: experience of socio-political reforms in Norway and Latvia, development of society-based services for target groups who are subject to the risk of exclusion, and compliance with the norms of human rights in the provision of social services. Representatives of the Parliament of the Republic of Latvia expressed active interest about the Norwegian experience in the implementation of socio-political reforms. Providers of social services, including NGOs, expressed interest in organization methods of social services and tools for development.

Baltic Sea Campaign⁹ was organised as 500 km long green expedition along the coastline of the Sea in Latvia. Additionally 38 sea pollution waste monitorings, 22 educational lessons, 5 public events and 2 media events took place. All together 600 participants took part in these activities. The aim was to make certain monitoring of the Sea coastline and to educate society about problems related with the maritime environment. Thus knowledge and understanding of environmental issues in the Baltic Sea Region were increased as well as society was involved in practical activities for the protection of the Sea.

In view of the fact that Norway has not been involved in the Keep Baltic Tidy cooperation network, within this campaign communication and popularization were performed directly to organizations and experts in Norway working with the issues of sea polluting waste or sea environment: FEE Norway, Keep Norway Beautiful, Oslofjordens Friluftsråd, Naturvernforbundet and Natur og Ungdom to explain the goals and process of the campaign information was gathered about activities and experience of particular Norwegian organizations on the topic of the sea polluting waste, as well as these organisations were asked to participate in the campaign. From Norwegian NGOs information was obtained about their participation in the popularization of the topic in the North Sea Region and their views about the cooperation.

During the Annual Baltic Sea Strategy Forum (one of the public events of the campaign) delegates from the Norwegian Contact Point of INTERREG Baltic Sea Region programme and the Norwegian Focal Point of the Baltic Sea NGO Network gave expert interviews.

The event **Multimedia Performance “Nature Concert Hall”** brought together audience of ~6 thousand persons, including youth, families with children and seniors. It included 24 educational workshops and multimedia performance, which combined several musical compositions with sound, light and dance performances. Through these activities the audience was introduced with Latvian nature and ways to participate in preservation of it.

Norwegian experts of economic processes performed analysis about the possibilities to organize such an event in Norway and other EEA countries. In the event also Norwegian photographer participated and afterwards a photography exhibition took place in Riga to show the event from the view of Norwegian and Latvian visitors.

PBF

The POs, the FP and the DPPs meet biannually during CC meetings in Latvian and in donor state where usually important decisions regarding usage of the PBFs, Complimentary Actions, project selection and evaluation, risks and monitoring, achievement of the best outcomes and outputs with available resources, necessary amendments in PAs or Programme Regulations are taken. Several POs have initiated amendments in PAs/Programme Regulations in order to allow also PO to receive the PBF's financing and to implement bilateral measures on a more strategic, programme level.

⁹ Videos from the campaign: <https://drive.google.com/folderview?id=0BwLMQZqouvnsMGF6elZabG9sSmc&usp=sharing>
Home page: <http://www.manajura.lv/en/about/>
<https://eu2015.lv/news/media-releases/2372-my-baltic-sea-2015-campaign-calls-for-action-to-restore-the-baltic-sea>

Summary on donor partnership projects in Latvia can be found in the Annex 6.3 of this Report. Whereas summary information about the measures implemented and progress achieved at programme level in 2015 divided into 4 types of strengthening bilateral relations results can be found in the table below:

Table 2 Strengthening bilateral relations results achieved in 2015

1. Extent of cooperation		
Number of submitted/approved projects during 2015 in partnership with a donor partner:		
Project calls	Number of partnership project from submitted projects/%	Number of partnership projects from approved projects/%
Innovation Programme:		
OC's 2 nd round	3 of 22 (14%)	2 of 12 (17%)
SGS's 2 nd round	3 of 19 (16%)	1 of 6 (17%)
SGS's 3 rd round	6 of 45 (13%)	5 of 14 (36%)
Total:	12 of 86 (14%)	8 of 32 (25%)
Research and Scholarships Programme:		
Scholarship OC	33 (100%)	28 (100%)
Total:	33 (100%)	28 (100%)
<p>Innovation Programme – besides close PO's cooperation with DPP the fruitful cooperation were established as well as with other stakeholders e.g. Embassy and Norwegian Chamber of Commerce in Latvia to promote business activities and innovation measures in Latvia and Norway. The best cooperation examples are – common proactive attraction of potential investors by sharing contacts, providing consultancy services, arranging study visits, providing recommendations and success stories from already working entrepreneurs. Highly appreciated continued DPP's expert work in Projects' Selection Committees – expertise on "green" and environmental impact aspects.</p> <p>Capacity-Building Programme – In May PO organized Mid-term Programme Assessment Seminar where the PO, DPP, PPs and project partners were brought together in order to share their experience in projects' implementation, cooperation with Norwegian Association of Local and Regional Authorities (KS), already achieved progress and main challenges.</p>		
2. Shared results		
<p>Innovation Programme – within the Incubator the Norwegian expertise from the Industrial Development Cooperation of Norway (SIVA) and Proneo was transferred to the receivers of pre-incubation and incubation services. As SIVA and Proneo have a long-term experience, access to knowledge base and links with different market segments in Norway, relevant business consultancy services and technical expertise to knowledge-intensive business sectors were ensured. These consultations helped project teams to adjust business model, to gain specific knowledge and expertise on how to potentially access to Norwegian and other markets.</p> <p>Within 3 OC's projects donor project partners are Norwegian Universities (University of Science and Technology and Institute of Wood Technology) which will provide research and materials' testing activities thus allow to find best technological and "green" solutions in production. As example of good cooperation – Latvia's enterprise "Ekju" Ltd held experimental studies in <i>Norwegian Institute of Wood Technology</i> to explore the opportunities to introduce new paint /tinting technology for black and grey garden furniture; and in result the technology of painting were improved thus "Ekju" Ltd are enable to produce its product in better quality. As both sides are satisfied with fruitful cooperation, it is expected that this cooperation will continue in the future. As well as shared results are facilitated in 5 SGS' projects; Main activities are related to testing (for example laboratory and field tests, development of testing methods). Norwegian partners are 2 enterprises and 3 Norwegian Universities/Institutes and it should be emphasise that one Norwegian enterprise Norsk Energi are donor partner in 2 SGS projects.</p> <p>Capacity-Building Programme – shared results were ensured via 36 practice exchange events between institutions in Latvia and Norway, incl. 23 in 2015, in the following areas: elaboration of development planning documents, establishment of linkage between development planning and budget, planning integration of management model of specially protected nature territories into spatial plans, innovation and entrepreneurship promotion in remote regions and local community cooperation. For example, it can be outlined that in June Nature Conservation Agency organized an experience exchange visit to Norway, where representatives of Nature Conservation Agency and MoEPRD gained information on legislation of Norwegian nature management, including integration of planning documents with nature preservation and management interests. Gained knowledge was used in the development and evaluation of the Conception and Methodology for Integration of Nature Protection Plans of Specially Protected Areas into Spatial Development Planning Documents of Municipalities in Latvia.</p> <p>Since the pre-defined projects are addressing different aspects of common challenges at state, regional and</p>		

local level, the PO organised 3 seminars (2014-2016) devoted to experience exchange and synergies within pre-defined projects. During these seminars PPs in cooperation with Norwegian experts/partners looked at current challenges and discussed possible input from Norway in strengthening capacity of state, regional and local level experts in Latvia for tackling identified challenges in the most effective ways.

Correctional Services Reform Programme - within the Latvian State Police Project “Improving the standard of Latvian State Police detention centres” a practical handbook/manual for the short-term detention centre personnel was developed in collaboration with the Project partner – the Council of Europe. In order to gain new knowledge on the CPT standards and other topical issues related to the short-term detention, 15 persons involved in implementation of the Project visited the Council of Europe and the European Court of Human Rights. The experience gained during the visit contributed to development of the handbook.

3. Improved knowledge and mutual understanding

Capacity-Building Programme – Experience Exchange and Partnership Strengthening Event (in Daugavpils, May) was attended by representatives of 27 institutions from Latvia and 14 institutions from Norway. Both parties had opportunity to establish closer contacts, to discuss municipalities’ role in provision of education, culture, social, entrepreneurship promotion and environmental protection services and to explore mutual cooperation opportunities in future, incl. financing possibilities for future joint projects. Due to this event, in November political-level representatives of 7 Latvian municipalities and MoEPRD visited Norway, Østfold region, in order to promote mutual strategic cooperation and discuss number of issues significant for cooperation: capacity of municipalities and development planning policy – opportunities, responsibility and support for development of entrepreneurship, youth entrepreneurship and initiatives support policy. In the result of this visit in March 2016 the cooperation statement between 7 Latvian and 4 Norwegian municipalities was signed.

11 out of 16 strategic partnerships are commenced by signing partnership contracts/cooperation statements between 5 Norwegian and 9 Latvian and state, regional and local level authorities, as well as between 1 Norwegian (Oslo International Hub) and 1 Latvian NGO (Latgale Machinery Technology Center) in following areas: local democracy and active participation of young people, promotion of entrepreneurship and innovations, tourism, arts and culture, education and school cooperation projects, etc. The concluded strategic partnerships include also future initiatives for commencement of projects at European level, for example, in URBACT programme.

Correctional Services Reform Programme – in October, the inter-institutional cooperation and mutual understanding was strengthened via international conference “*Prevention of Radicalization of Violent Extremism in Corrections*” organized by the DPP in Lillestrom, Norway. The aim was to encourage international discussion and exchange opinions on the possibilities to predict radical actions in correctional services and to prevent those in a timely manner. 5 leaders from institutions of correctional services in Latvia took part in this conference, as well as participants from other BSs (Lithuania, Poland, and Rumania), Norway and Russia.

In November PO organized 2 day bilateral conference “*Cooperation with NGO’s in correctional services (probation and prisons)*”. All together 120 participants took part which allowed to discuss existing and possible involvement of NGOs in the re-socialization process in Latvia both - within the institution of imprisonment and in the society. Also Norwegian experience on how and why to involve NGOs in re-socialization processes was widely discussed thereby improving knowledge and mutual understanding of best practices.

Innovation Programme – management groups’ members had experience exchange visit to Norway where they met relevant innovation sector’s stakeholders – Research Council of Norway, Oslo Business Region, Oslotech and Forskningsparken, Start-up Lab, Oslo Renewable Energy Environment Cluster and Seed capital fund “Sarsia Seed” with aim to increase mutual understanding in “green” innovation sector.

Research and Scholarship Programme – the first scientific publications in research projects are already under preparation, including participation of scientists from Norway. Work together on researches and scientific publications will deepen knowledge of Latvian and donorstates’ scientists and will ensure shared results on specific research issues.

4. Wider effect

Innovation programme – MoE in close cooperation with the Embassy helped to arrange Latvian high level delegation (incl. State President and the Minister of Economics) visit to Norway in May 2015 within the Latvian-Norwegian Business Forum. Delegation of Latvian enterprises, including Incubator, participated in this visit. This forum was attended by over 200 high level multi-sector business delegates and prominent guests from Latvia and Norway. Implementation of FMs and cooperation in “green” innovation area were also discussed during the visit. Thus the Norwegian and Latvian political and economic ties were strengthened.

As the added value and good results of provided pre-incubation services should be noted Latvia’s participation at the European level contest *Climate Launchpad 2015*, in which 3 best ideas (Cleantech additive preventing building materials from microorganisms by company Alina; Chemical-free water tube treatment using vacuum-ultraviolet light and titanium dioxide catalyst by company Cutting edge

technologies; Secure bike parking dock with a built in chain and electronic lock by company Bindio) from Latvia were projects from Incubator's pre-incubation activity; and Cutting edge technologies with water treatment technology got into TOP 10 at European level.

Cleantech additive preventing building materials from microorganisms created by company Alina got into TOP 100 selected companies to participate in Silicon Valley based accelerator program "Plug and Play". This supported idea was the first, which focuses on new materials and packaging within this accelerator programme; and now one of the world's best mentors for business development and wide range of fund raising measures are available for the company.

Research and Scholarship Programme – during outreach event in Brussel the POs of Research programmes from different BSs presented their research programmes and disseminated publicity materials to a wide audience – EC representatives, FMO, embassies etc. The second day of the event was devoted to sharing experience between the POs about common challenges in Research programmes' implementation, panel discussions on possible synergies and best examples on connection of programme activities with other relevant events such as Nordic Baltic conference in Tartu and Smart Specialization Conference in Riga. **Correctional Services Reform** - within the State Police predefined project the bilateral cooperation was facilitated indirectly, as both Latvia and Norway are member states of the Council of Europe – the Project partner. The support and know-how of Council of Europe were particularly important for development of Amendments to the legislative acts on short-term detention.

Taking into account the concrete results achieved in all 4 types of strengthening bilateral relations and the fact that **by now 37% of all projects from both FMs have partners from donor state**, one can conclude that cooperation history between our countries is an example of excellent bilateral relations between countries, rooted in mutual trust and respect, which allow us to look confidently in our future cooperation.

3. Reporting on programmes

3.1 Overview of programme status

Pre-defined projects

There are all together 8 pre-defined projects in implementation within 3 programmes - Innovation, Capacity-Building and Correctional Services Reform. The Incubator provided pre-incubation services for 81 approved green business ideas and started to provide incubation services for all 24 approved SGS's projects. Procurement procedures for main activities in all 4 pre-defined projects within Capacity-Building Programme, incl. 3 extended projects, were finished and capacity of municipalities and planning regions was strengthened by intensive training programmes and sharing of Norwegian and Latvian experience in fields of community involvement into territorial planning, inter-municipal cooperation, entrepreneurship promotion, management of nature preservation, benchmarking system model elaboration. Correctional Services Reform Programme had amendments in PA with shifts between existing activities/projects and adding up new activities; also all 3 projects to be completed latest by the end of 2016.

OCs

In 2015 only one last OC took place in Innovation programme under SGS's Incubation measure (the 3rd round). It was closed on 1 June resulting in 14 approved projects out of 45 submitted. As well as POs of the Innovation programme (the 2nd round of Green Technology OC and the 2nd/3rd rounds of SGS) and Research and Scholarship Programme finalized projects' approval process and signed project contracts of the last OCs.

Please find below the summary of all extended projects:

Table 3 Summary of extended projects

Programme	Pre-defined projects (PDP), OC; SGS	Total number of projects	Extended projects
Innovation programme	PDP "Green Technology Incubator"	1	1
	Support for Introducing Green Technologies into Production (the 1st OC)	3	1
	Support for Introducing Green Technologies into Production (the 2nd OC)	12	3
	SGS Incubation measure (the 1st OC)	4	4
	SGS Incubation measure (the 2nd OC)	6	5
	SGS Incubation measure (the 3 rd OC)	14	10
Capacity-Building programme	PDP "Nature conservation project" <u>Extended:</u> PDP "Regional policy project" PDP "Development planning capacity project" PDP "Smart governance project"	4	3
Correctional Services Reform Programme	<u>Extended:</u> PDP "New unit at Olaine prison, including construction and training of staff"	3	3

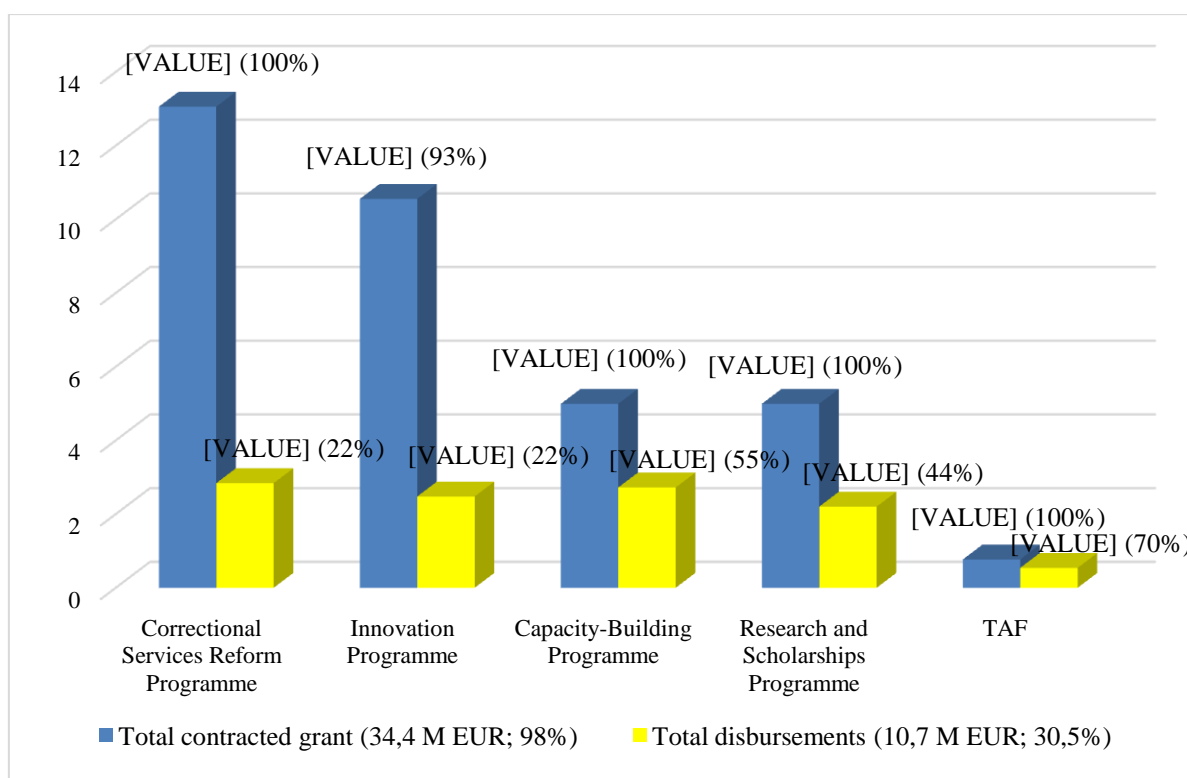
	PDP “Improving the Standard of Latvian State Police detention centres”		
	PDP “Pilot project on electronic surveillance”		
Research and Scholarships Programme	Scholarships	28	10
	Research	11	11
	Total	86	51

Commitments and disbursements made

By the end of reporting period NFM payments received from donor state constitute 10,7 M EUR¹⁰, representing 30,5% of the total allocation 35,1 M EUR (please see the chart below). The payments increased by 8,4 M EUR or 23% compared to 2014.

In 2015 absorption rates among programmes were improved, but there was still SGS/OCs' projects in 3 programmes that have been started in 2015 or those who are already running had difficulties mainly with announcement of procurements due to longer preparation time of procurement documentation and in some cases procurement procedures ended without results or their results were disputed which further delayed the signing of procurement contracts.

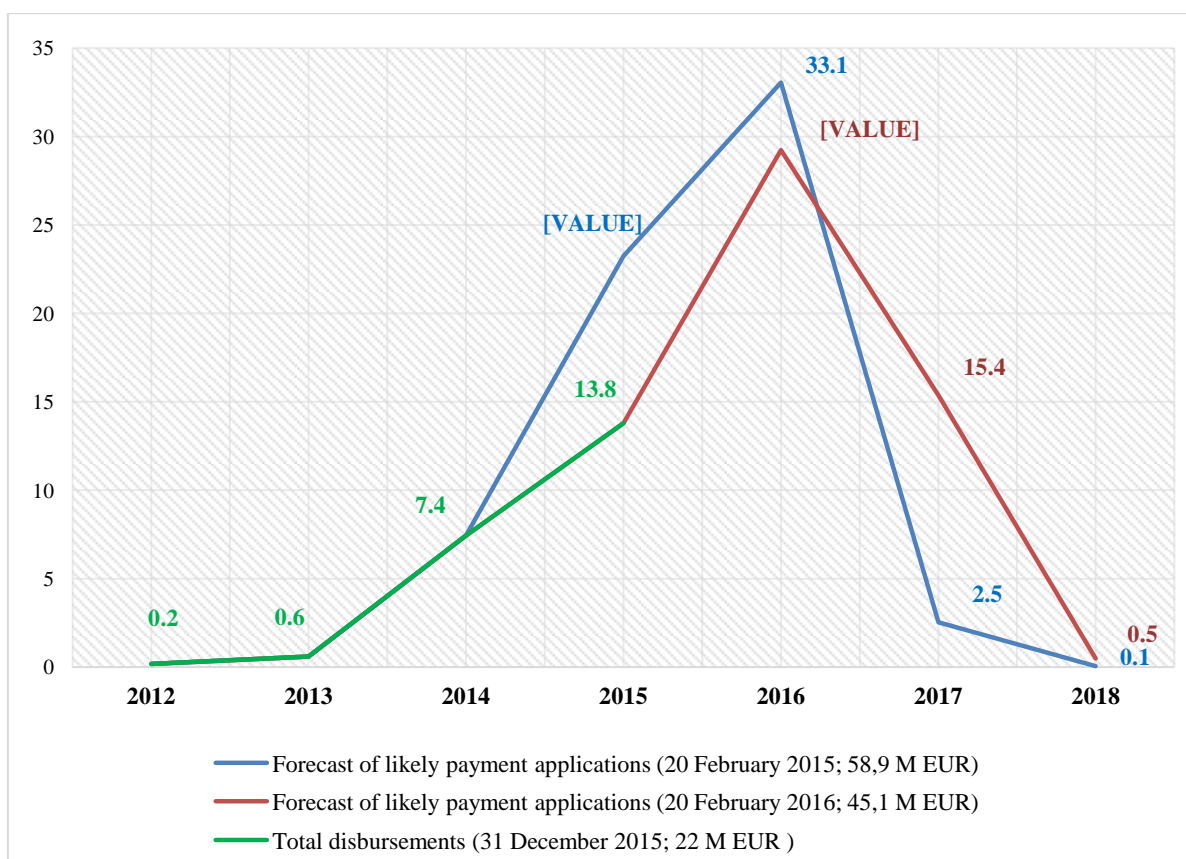
Chart 2 Financial data breakdown by programmes till December 2015, M EUR



Please find below the comparison of the Forecasts of Likely Payment Applications of both FMs submitted to the FMO in February 2015 and 2016.

Chart 3 Comparison of Forecast of Likely Payment Applications of both FMs, M EUR

¹⁰ including IFRs for Sept-Dec 2015 to be disbursed on 15 April 2016.



The various difficulties called for need for extensions of several projects (in total 68 of 342 projects of both FMs) and this had an influence on the latest Forecast of Likely Payment Application as most of payments for real works in projects are planned in 2016 and 2017 when the greatest impact on achievement of programmes' result is expected.

The following circumstances in programmes created deviations for these Forecasts:

- 1) **Correctional Services Reform Programme** – Olaine prison pre-defined project delayed development of technical project due to re-designing. Payments to ES service provider did not achieve the anticipated volume due to lower contract price, later launched provision of service and smaller number of clients. These projects were extended for 8 months, thereby payments' schedule was substantially shifted.
- 2) **Capacity-Building Programme** – 3 out of 4 pre-defined projects had delays in announcement of procurements due to longer preparation time of procurement documentation.
- 3) **Innovation Programme** – number of applications received in OC was lower than expected, thus leftovers occurred and they were transferred to the last round of SGS and the Incubator for support of pre-incubation and incubation services. As a result, part of planned projects's payments were postponed from 2015 to 2016.

3.2 Individual programme summaries

Please find summary regarding achievements of indicators of outcomes and outputs in all programmes presented in the Annex 6.10 of this Report. More detailed information on progress and achievements made in each programme please read below.

Innovation programme

Programme has three activities:

- 1) The Incubator;
- 2) SGS – support funding for start-up enterprises during early development phase;
- 3) OC – support funding for projects, which develop and implement innovative environmental products, technologies and processes in production.

2015 become very intensive year in terms of projects' selection and projects contracts' signing as 3 out of 5 Programme's calls were concluded. Good progress in achievement of Programme's outputs indicators is reached (in some cases even overreached), thus showing good trend on achievement of Programme's outcomes.

Incubator has continued to provide pre-incubation services for "green" business ideas. Totally 81 business idea was supported from 379 submitted in 5 rounds (last 2 rounds were evaluated in 2015). The interest was very high – only 21% from all submitted ideas due to lack of financing. All PPs of supported ideas by the end of 2015 received pre-incubation services. 56% of pre-incubation services' receivers were legal entities, the rest were individuals. Although the Incubator is located in Riga and mainly pre-incubation services have been provided for receivers from Riga region (49%), the receivers also were from other regions – Vidzeme (31%), Zemgale (11%), Kurzeme (7%) and Latgale (1%). Expected outcome's "*Increased green job creation and entrepreneurship*" outputs indicators "*Number of green business models defined under free pre-incubation services*" (target: 70, achievement: 81) and "*Number of companies accepted in incubator having received free pre-incubator services*" (target: 10, achievement: 69) are overreached. As the added value and good results of pre-incubation should be mentioned Latvia's participation at the European level contest *Climate Launchpad 2015*, in which 3 best ideas from Latvia were projects from Incubator's pre-incubation activity; and 1 of these ideas got into TOP 10 at European level.

According approved amendments of PA regarding reallocation of funding between Incubator's activities it is foreseen that additional 70 business ideas could receive pre-incubation services and additional incubation services will be provided as funding of SGS were increased and most of all SGS projects (19 out of 24 or 80%) were prolonged. But delays regarding elaboration and approval of the amendments in Programme Regulations (due to state aid regulations) and outstanding issues related with provision of co-financing from the Incubator's side had delayed also corresponding amendments in project contract with the Incubator, thus in a result the launching of additional funds for pre-incubation is delayed. It is foreseen that additional round could be launched in the 2nd quarter of 2016.

SGS – in order to acquire leftovers from the both rounds of OC and previous 2 rounds of SGS it was decided to organize also the 3rd round of SGS and it was closed in June. As a result from 45 submitted proposals (by 26 applications more than in the 2nd round and ~3 times exceeded available grant) 16 were approved, however only 14 projects contracts were signed as other two refused to sign the contracts.

SGS and Incubator's activities are related, as Incubator provides incubation services for SGS' PPs. First incubation services for PPs' supported within the 1st and the 2nd rounds of SGS were provided starting from March and for PPs' supported in the 3rd round started in September. Expected outcome's "*Increased green job creation and entrepreneurship*"

output indicator “*Number of companies taken up in the incubator and supported under SGS*” (target: 15, achievement: 24) is overreached by 60%. The results show strong link between Incubator and SGS, as more than half of submitted SGS’s applications have received pre-incubation services in Incubator (37 out of 71 or 52%). In general companies, which received pre-incubation services, submitted better quality applications then those which not received pre-incubation services.

Majority of SGS’ projects are micro-enterprises (22 or 92%), the rest are small enterprises. More than 2/3 of supported enterprises (16 or 67%) belong to Riga or Riga planning region. This proves that the most part of innovative entrepreneurs choose to create their start-ups in the capital of Latvia, where large share of state’s science infrastructure/potencial and available skilled workforce are consolidated. Supported beneficiaries are not only start-ups in classic comprehension, only 5 out of 24 (or 21%) were established in 2014/2015; enterprises in other groups are equally divided (2012/2013 year – 25% of enterprises; 2010/2011 – 33% of enterprises and earlier than 2010 – 21% of enterprises). This shows that enterprises in Latvia at different age are interested to create new products and technologies in order to ensure their competitiveness in the market and prevent the gradual loss of incomes.

Approved projects aim at development of different green and energy efficient products, for example, wooden-frame panels; energy efficient LED luminaires for airports; folding electric scooter; aluminum melt pump; new industrial burner designed for granules; fiber-optic transmission system; new biopolymer products and innovative heat insulation building material; biological filter system for water treatment system; bio-degradable material packaging; energy-saving and remote diagnostics technology of ventilation systems; new colorless coating with UV protection for outdoor works; 3D printing filaments from recycled raw materials etc.

Within the OC the 2nd round was closed in January. Due to widespread information campaign and lack of availability of similar findings, relatively high interest was shown by potential PPs. As a result from 22 submitted projects (by 9 projects more than in the 1st round) 15 were approved. However only 12 project contracts were signed (from the 1st OC round – 3 were signed). Approved projects aim at development of different new “green” technologies and materials, for example, elaboration of products for road cover; technologies for construction materials; technologies of waste management, ecologically clean technologies of garbage bag production, technology which neutralizes industrial wastewaters and recovers sulphuric acid, change of drying and ironing technology etc. Thus expected outcome’s “*Realisation of business opportunities of greening of the European economy*” output indicator – “*Number of projects with innovative environmental technologies supported*” with target 15 is achieved and 5 projects are already accomplished.

Capacity-Building Programme

The programme basically consists of 4 pre-defined projects:

- 1) Implementation of regional policy actions in Latvia and elaboration of regional development measures (Regional policy project);
- 2) Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents (Development planning capacity project);
- 3) Integration of specially protected nature territories of Latvia in spatial plans (Nature conservation project);
- 4) Smart governance and performance improvement of Latvian municipalities (Smart governance project).

2015 was very active year when many activities are implemented successfully, for example, programme's output indicator "Number of organized experience and knowledge exchange events" will be overachieved as 36 events are already organized instead of 15 planned, incl. 23 in 2015.

In the **Regional policy project** training seminars "Knowledge Angels" for specialists from state, regional, local, educational institutions and NGOs on how to promote and to support entrepreneurship were completed. They involved simulation games, workshops, team presentations and discussions. During 15 seminars organized in 2014-2015 more than 400 participants had an opportunity "to get into the skin" of new entrepreneur.

In order to popularize the resources of specific municipality at international level and to attract foreign investors, the support to 6 municipalities for participation in international exhibitions in Baltic States, Germany, Lithuania, Belarus and Poland was provided.

Regional Innovative Business Idea Competition for start-ups willing to commence their own business and having innovative business ideas was organized in all 5 planning regions of Latvia. 3 best ideas in every planning region (from 224 totally submitted) were chosen as winners and received financial reward. One more competition is planned in 2016.

Investment catalog for Latgale planning region was developed (<http://latgale.lv/lv/files/download?id=3374>), which will serve as an important marketing material, while taking part in investment forums and experience exchange visits. In 2015 Latgale planning region participated in the 25th International Economy Forum in Poland and Green Economy Forum in Estonia.

Altogether 6 experience exchange events have been organized to Norway, including 2 – in 2015, where representatives from state, regional and local level institutions, and NGOs exchanged experiences and best practice examples in the fields of innovation and entrepreneurship promotion, especially in remote regions.

In the **Development planning capacity project** situation analysis and scenario development simulation game training seminars "Future city" were completed (in total - 5 seminars, incl. 3 in 2015), where local governments, NGOs and informal groups of locals from municipalities reached for creative and financially simple solutions to stimulate economic activity and community participation in a particular municipality.

Community Development Training programme and Inter-Municipal Cooperation programme was finished, during which 6 pilot-communities were trained at strengthening the capacity of local communities in local planning and 50 specialists of Latvian municipalities were trained at strengthening local and regional economical cooperation clusters, governance/communication and cooperation techniques.

In order to ensure mutual coherence of decisions adopted by municipalities about territorial development planning and an annual or a medium-term budgets, the Guidelines for Establishment of Linkage between Spatial Development Planning and Budget Planning at Local Level contributing to the achievement of programme's output indicator "Number of state, regional and local authorities that have introduced territorial approach for investment planning" were prepared. The guidelines were prepared based on Norwegian Municipal Statistical Information System KOSTRA and were presented to more than 200 Latvian municipal specialists during 5 regional seminars.

In order to provide necessary support to the planning regions during elaboration of their development planning documents, detailed study on patterns of population distribution and provision of public services in Latvia was completed. Based on demographic trends, Latvian population structure and forecasts until 2020 and 2030, in the study it was analyzed the territorial distribution of education, culture, health care and social services in Latvian regions.

The programme's output indicator "Drafting and updating of planning documents at a local, regional and national level" is nearly reached (42 out of 60):

- 10 regional level planning documents were developed: 8 programmes and sustainable development strategies for Kurzeme, Zemgale, Vidzeme and Riga Planning Regions (please see the informative booklets here: <http://goo.gl/MHRBS5>) and 2 - for Latgale Planning Region: concept for public services' development in region and action plan for the development of region;
- 32 municipal level development documents were updated regarding establishment of linkage between spatial development and budget planning, introduction of territorial approach to investment planning and other development promotion aspects in local municipalities.

All above-mentioned documents will serve as groundwork for investment planning of territories, as well as a coordination of municipalities' investment needs and solutions at regional level, especially concerning issues that extends over one municipality borders.

A significant research "Challenges of Small and Medium-Sized Urban Areas, their economic growth potential and impact on territorial development in the EU and Latvia" was developed. The research was used as the main base for Riga Declaration "Towards the EU Urban Agenda" approved during Latvian Presidency.

Altogether 15 experience and best examples sharing events, incl. 6 in 2015, were organized, for example, experts of Gran municipality, Oppland County and Grimstad city visited village Jaunmarupe in Marupe municipality (close to Riga), where they very highly appreciated multifunctional center providing to local inhabitants the health, social, library and entrepreneurship support services and emphasized that this is one of best solution how to ease the life of locals.

In the **Nature conservation project** the elaboration of Concept for Integration of Nature Management Plans into Spatial Planning Documents was started and public discussions on the draft Concept were held in December 2015, presenting 3 different solutions. The proposals and comments about the Concept received from Norwegian experts were evaluated and taken into account.

In order to achieve the programme's output "Integrated planning system in local, regional and state level developed and operational", work on elaboration of 21 nature management plans for 15 Natura2000 specially protected territories continued. Since each plan is very complex document, involving various interests of several municipalities in each territory, 3-4 monitoring committee meetings were held in each territory, where involved parties (PP, municipalities, landowners, Investment and Development Agency of Latvia, JSC "Latvia's State Forests" and NGOs) and experts reviewed and discussed the progress, and public hearing meetings in 4 territories were organized.

Altogether 5 experience exchange events with Norwegian partners, incl. 2 in 2015, where experts from Latvia were introduced to Norwegian legislation and management of nature preservation, as well as integration of nature management demands, planning documents, legislation system and its practice in both countries was discussed.

One of the central on-going activities of the **Smart governance project** was operation of 4 thematic cooperation networks (strategic management; social work and access to health care; public services and housing policy; education and culture) with involvement of 44 pilot municipalities and were 44 network meetings held. Development of Benchmarking Data Base was started. Benchmarking method consists of two important elements – municipalities' cooperation networks and Data Base, which both are included at programme level as output indicators "Established networks (4) for local authority cooperation and service quality improvement" (achieved in 2014) and "Established data base for local service performance measurement" (will be achieved in 2016) and are of great importance for achievement of project objective.

In order to achieve the programmes' outcome "Enhanced capacity and quality of the services provided by local authorities", the PP organized several training activities for municipalities about strategic management of local governments, on how to conduct User Satisfaction Surveys and about calculation of Investment Attraction Index.

The final draft of the Benchlearning System Model for Latvian municipalities was elaborated in which was included the most appropriate benchmarking system model for Latvia by taking over Norwegian and Polish experience. In total 10 experience exchange events (in 2014 – 1 and in 2015 – 9) promoting mutual cooperation opportunities, particularly in the context of regional development, were held.

Correctional Services Programme

The programme consists of 3 pre-defined projects:

- 1) Increasing the application of alternatives to imprisonment;
- 2) New unit at Olaine prison;
- 3) Improving the standard of police detention centers.

All 3 projects were prolonged as procurement procedures for main activities in projects have turned out to be more complicated and time consuming than initially planned.

Within the **1st project** an introduction of electronic surveillance (ES) can be outlined as a milestone achieved in 2015. ES center was established, 7 employees to ensure monitoring of ES clients were recruited and trained, a contract for supply of EM system and its maintenance was signed. In August the 1st probation client received ES bracelet and by the end of 2015 already 38 clients took part in ES programme. At the same time profound public discussions were ongoing as information about ES, incl. demonstration of technique, was spread in the mass media and provided for the representatives of the involved institutions, e.g. judges, prosecutors, State Police officers, employees of the prisons and probation. Also trainings for involved institutions were organized in all regions of Latvia in order to promote mutual understanding of the importance and tasks of ES.

Also trainings have been organized for the employees of the State Probation Service and the Latvian Prison Administration both together and separately with a result of higher capacity of the personnel in the institutions and deeper knowledge of the specific programmes related to resocialization of individuals. Thereby the output indicator is already overreached – in total 82 seminars and supervisions have been held by the end of 2015 while target value in the PA is 72.

In the **2nd project** construction works of the New Addiction Centre in Olaine prison are in progress – the first works on the site started in May, while the complete technical design was authorized in July – so first half of the year was spent for comprehensive discussions regarding best possible solutions of design and construction processes. Construction works will be finalized in May 2016.

During summer the first recruitment round for personnel of the New Addiction Centre took place. As a result 29 candidates were chosen, incl. 15 with a professional work experience in detention centres and 14 newcomers in the field of detention. Daily trainings for staff started in October and will last for 6 months under the guidance of experts and guest lecturers. Activities are organized based on a framework developed by the working group, which included the project promoter and specialists of project's donor partner - the Correctional Service of Norway Staff Academy (KURS). Training themes includes prison studies and knowledge on how to work with addicts in insulation conditions. The second recruitment campaign was launched in January 2016.

Also during 2015 a target value (6) of output indicator "*Number of training topics developed*" was reached as the Risk and Needs Assessment of clients is elaborated, re-

socialization programmes “Minnesota/Atlantis” and “Pathfinder” are adopted for work with clients in Olaine, the Seminar Program as well as the Penitentiary System’s Staff Education Program are developed in close cooperation with KRUS and cognitive skills program “Life school - 3” is ready to be implemented in different imprisonment venues.

Also a significant progress is achieved within **the 3rd project**. Output indicators regarding reconstruction/renovation works in 10 short term detention centres (STDC) and 11 places of temporary keeping (POTK) will be reached in April 2016 as in June-July all contracts for reconstruction/renovation works were signed and by the end of 2015 the respective works in 4 POTK and 1 STDC were already finalized.

Besides that, two professional training programmes were elaborated to be implemented at the State Police College – one for the personnel of the detention places; the other – for the officials of the detention places. Also a training course for the personnel of the detention places particularly concerning the matters of human rights was elaborated. Therefore two output indicators “*Number of specialized courses*” (target – 1) and “*Number of training programmes*” (target – 2) are fully reached.

Important work is done regarding alterations of national legislation in order to implement systemic changes - amendments in national regulations related to objects permitted in the STDC are in force already thus implementing the CoE’s recommendations of smoking restrictions in venues of the detention places, while two drafts for amendments in laws (one related to police convey system, another - to installation of the video surveillance and the equipment of detention venues) were elaborated and are in the process for the Parliament’s approval.

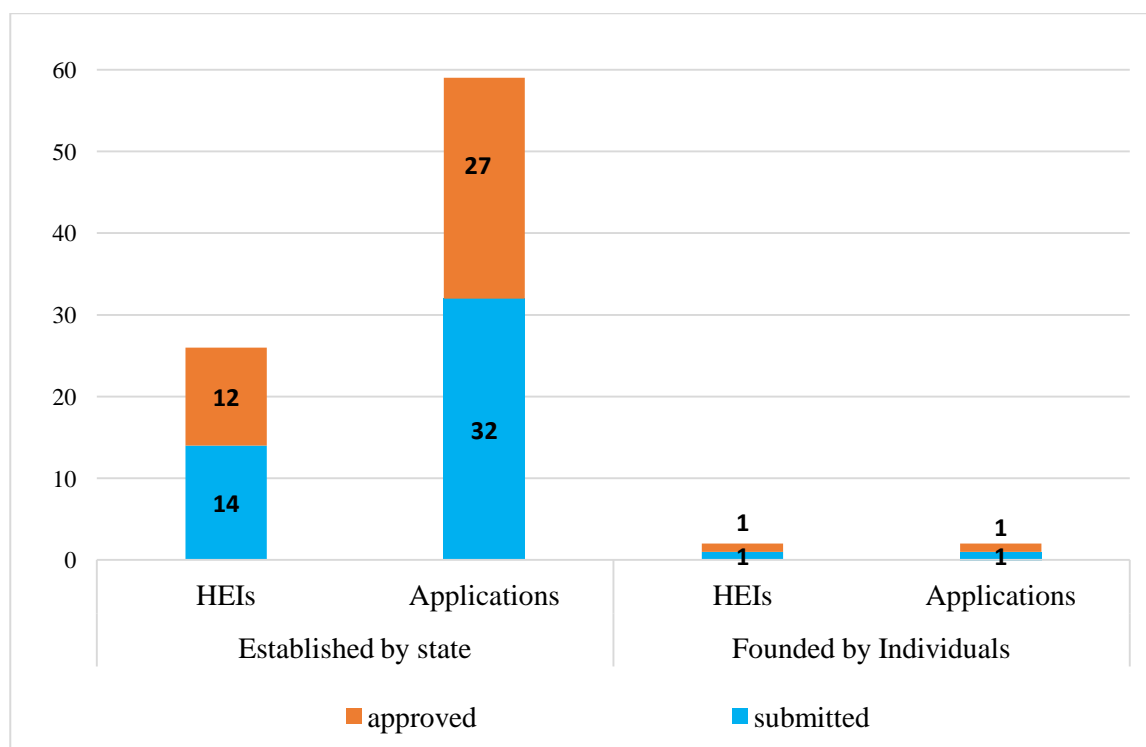
Research and Scholarships Programme

The programme consists of two main components:

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

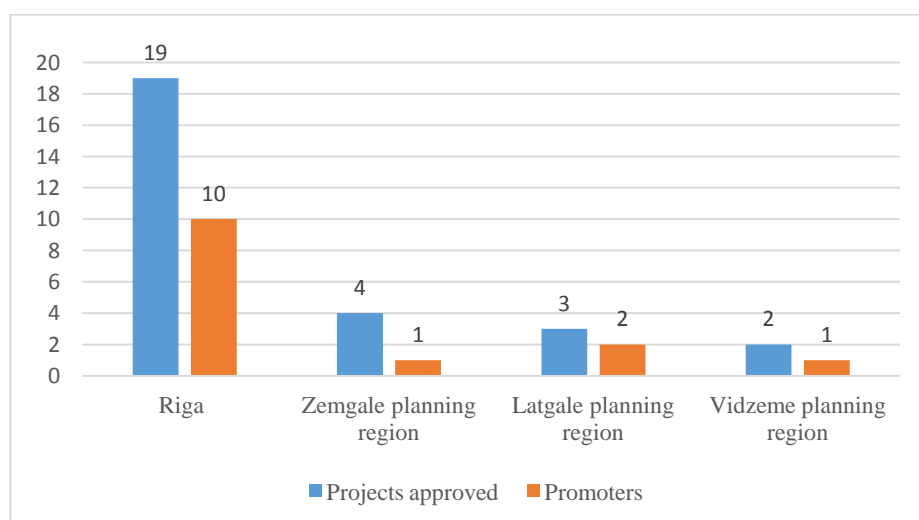
Interest level of higher education institutions (HEI’s) to participate in the **Scholarship** OC was high as the total funding requested 1,6 times exceeded the available. The interest can be justified with provided possibility of synergy between both Research and Scholarships activities, thus it was logically that the applicants within Research activity submitted the project applications in Scholarships activity as well.

Chart 4 Submitted and approved project applications by applicant status



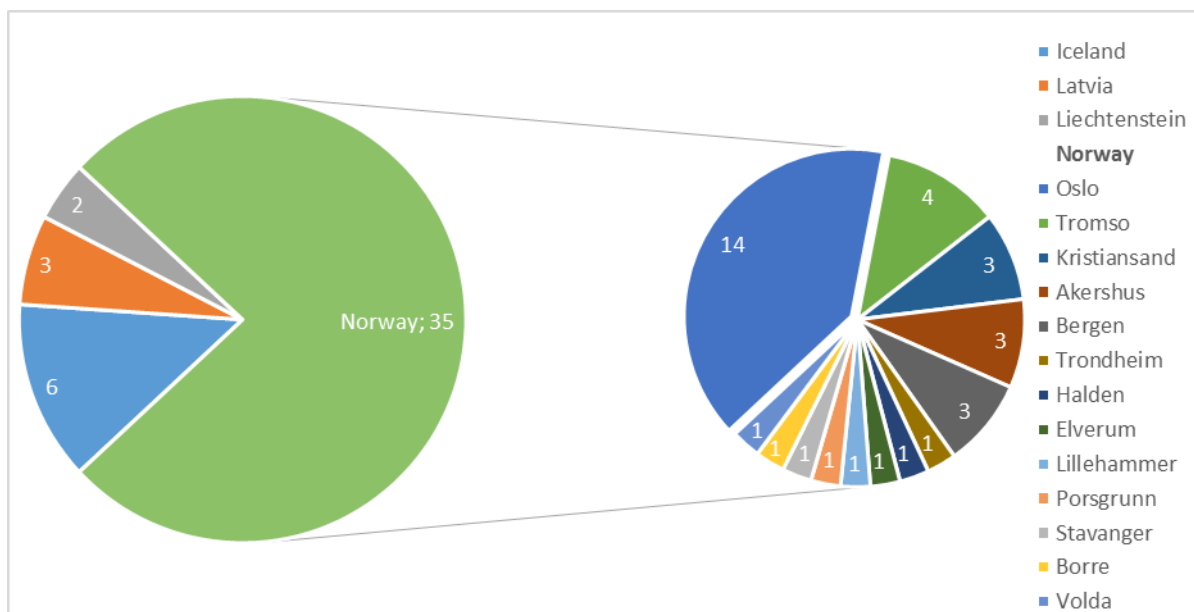
23 out of 28 projects will be implemented by HEIs in different locations of Latvia. Regional universities involved are: Latvian University of Agriculture, Daugavpils University, Rezekne Academy and Vidzeme Academy (please see the chart below).

Chart 5 Approved projects and their promoters (HEIs) divided by planning regions



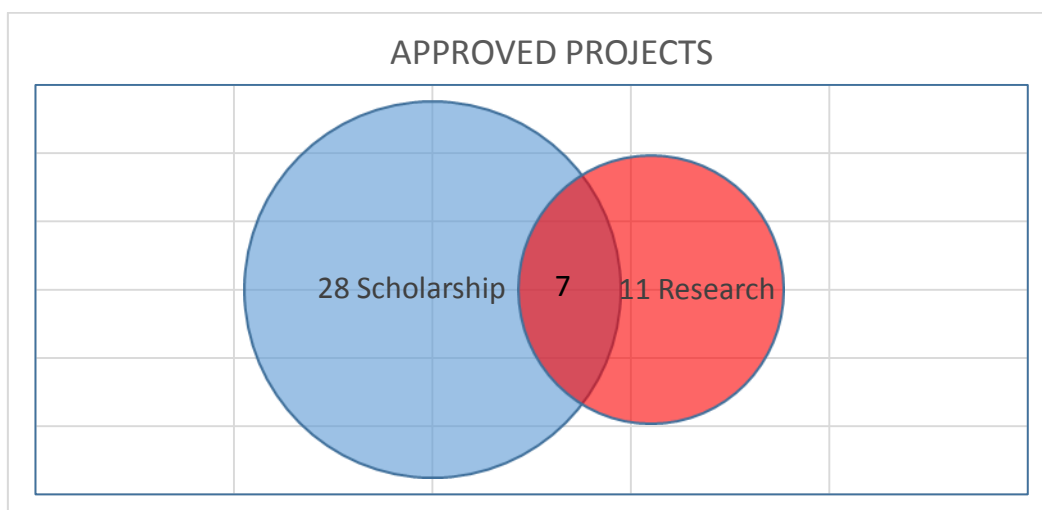
35 partners from Norway are involved in 12 Scholarship projects. Both partners from Liechtenstein are located in Vaduz. As it concerns Iceland, 4 partners are located in Reykjavik and 2 in Akureyri (please see the chart below). All partners are HEI's, there are no government or state agencies, neither non-governmental organizations.

Chart 6 Number of projects' partners by country and their location



7 of 28 scholarship projects have deep integration with research projects as donorstate project partners in scholarship projects are involved as partners also in research projects as well as scholarships are strongly based on research topics of approved research projects and some activities of research projects are complement with scholarship projects as they pursue the same targets and goals. Modes of cooperation foresee the development of courses and interdisciplinary course modules on scientific methods/theory through research, involvement of PhD, master and bachelor students from research projects by working on their assignments/thesis and writing of publications as part of research thesis and involvement of academic staff in activities of research projects to facilitate development and application of advanced methods that can be applied in teaching.

Chart 7 Synergy projects in Scholarship and Research activity



Project “Gender, culture and power: diversity and interactions in Latvia and Norway” implemented under **Research activity** has indirect contribution towards **Special Concerns** as it is aimed at the research of feminist and gender theories in connection to current social reality and European political culture and strengthening of gender research community in Latvia by using the Norwegian experience in gender research.

As regards results achieved in **Research** projects in 2015:

- the output indicator – 36 cooperating research institutions – is achieved completely;

- most of publications are in the process and first results should be known in April 2016, although 5 international publications (out of 40) were already prepared for submission;
- 2 PhD students (out of 20) were trained.

As regards results achieved in **Scholarships** projects in 2015:

- 7 HEIs' teachers (out of 22) increased their skills/competences in Norway in the fields of education and pharmacy, thereby contributing to the outcome “Increased skills/competences of staff involved in mobility”;
- although HEIs' student mobility was just started, it can be already predicted that planned results (35 student mobilities in NFM and 35 - in EEA FM) will be exceeded in total by ~120 students and ~180 academic staff mobilities. This can be explained by the fact that due to the late start of the programme the PPs cannot manage to realize the 11-month mobility for students, as originally planned, so student mobilities will be much shorter and also support to more staff mobilities will be provided.
- the output indicator regarding mobility applications received by the PO involving partners from donorstates is achieved partly – instead of 35 planned applications in each of FMs – in EEA FM were received 15 and in NFM – 18 applications. The reason for that is that the Scholarships activity started late and Latvian students had difficulties with finding free accommodations in donorstates as students from other BSs, who started mobility on time, had occupied dormitory rooms as well as due to late start of mobilities Latvian students had difficulties with free mobility places in the HEIs' of donorstates as these places are limited for foreign students.

4. Management and implementation

4.1 Management and control systems and legislation compliance

National level

There were no actual issues related to EU legislation, national legislation or amendments in the Memorandum of Understanding. The institution responsible for the state aid issues in Latvia – the State Aid Control Department of MoF – continued its involvement in the monitoring of programmes by providing comments to the amendments of the Programme Regulations (if relevant) with regards to state aid. Regarding public procurement issues PMB was involved in regular ex-ante checks of procurement documentation and procedures within programmes and projects as well as in projects' prolongation cases provided consultations regarding public procurement issues.

AA in December submitted to FMO Annual Audit Report (AAR) for the reference period July 2014 – June 2015 together with the Independent Auditor's Report that includes AA's opinion that MCS for the implementation of FMs functioned effectively during the reference period as well as assures that IFRs submitted to Donor States during the reference period are correct and underlying transactions are legal and regular. All recommendations from previous assessments of MCS are implemented.

FP updated MCS and in August submitted it to AA. Updated MCS will be reviewed by AA within next AAR reference period (July 2015 – June 2016). The major changes and updates in MCS include:

- description of newly established risk management procedure in institutions involved in implementation of FMs;
- description of the *Complaint mechanism*;
- updated list of modified procedures, guidelines and external legal acts;
- updated organisational schemes and contact information for institutions involved in the implementation of FMs.

Programme level

AA finalized follow up of the recommendations and concludes that all recommendations from PMCS compliance assessment audits have been implemented.

All POs have submitted to the AA information about updated description of PMCS regarding AAR reference period. Changes made in PMCS of Capacity-Building Programme mainly concern to updates in organizational structure, contact information and guidelines provided by FP; and thus are not considered significant by AA and have no major impact on accurate implementation of the programme. Changes made in PMCS of Correctional Services Reform Programme were assessed during the system audit. AA issued a report of the audit assignment stating that reasonable assurance was obtained that the MCS in MoJ and MoI functions however separate improvements are required. In November MoE submitted to AA updated PMCS which will be verified during next AAR reference period (July 2015 – June 2016).

AA performed system audit on the operational effectiveness of MCS in the area of public procurements, it included project samples from PMB, LIDA, MoJ and MoI. In the result reasonable assurance was obtained that system functions effectively and complies with the Regulation, however 8 recommendations were defined thus separate improvements are required. PMC, LIDA, MoJ and MoI has implemented all recommendations from the audit.

System audit on operational effectiveness of MCS in MoEPRD and SRDA as PO and the Implementing Agency of the Capacity-Building Programme was performed during the reference period. AA concluded that MCS operates efficiently and complies with the

Regulation, however separate improvements are necessary. Nevertheless the main deficiencies were eliminated within AAR reference period and reduced to acceptable risk level. Only one recommendation remained to be unimplemented by the end of 2015, however it was finalized and implemented in 1st quarter of 2016.

Risk management at national level

Risk management of FMs in FP is ensured within *Risk management Group*¹¹, which includes representatives from FP. According to the *Risk management procedure*, risks are reassessed annually in the *Risk management Group*. Accordingly the *Risk register* has been updated revising risk values and detailing implemented and regularly performed mitigation actions and special mitigation actions in order to minimize the risks.

For FMs there were 3 national level risks identified in 2015 which were reassessed in February 2016: 1) not achievement of the programmes' outcomes; 2) insufficient absorption of PBFs and 3) corruption risk. Description of risks and mitigation actions relevant to current implementation phase of the FMs are included in the Annex 6.7.1 of this Report.

Risk of not achieving programmes' outcomes has substantially decreased in 2015 due to projects' extensions maximum for 1 year by the Donor States, providing extra time for achievement of programmes' outcomes. All mitigation actions in 2015 were performed and will be continued in 2016, except action "*participation in project Selection Meetings*" as the selections of projects are already finished.

By the end of 2015 only 31% of PBF was used, however due to programmes' extensions maximum for 1 year by the Donor States, providing additional time for absorption of PBF. Thus the risk of insufficient absorption of PBF has decreased. In order to monitor the risk bilateral cooperation issues are regularly discussed bi-annual in the Communication Group's meetings between representatives from FP, Embassy, POs and Implementing Agencies as well as in the CCs' meetings between POs, DPP, Embassy and FP.

As corruption risk and risk of conflict of interest can't be fully eliminated but only mitigated by improving the system, FP continues to take proactive actions in order to ensure best possible prevention of the corruptive activities. In this regard and taking into account mitigation measures planned in the *Risk register* and also detailed in *FP's response to the Final Report of Corruption Risk Filtering* the following actions were performed in 2015:

- FP in May submitted to FMO the elaborated National FMs Risk Management Strategy¹². It was elaborated according to recommendations and conclusions received after the risk management trainings (conducted at the end of 2014) and also taking into account main principles of Donor States' Risk Management Strategy¹³. National strategy stipulates uniform principles and objective for the risk management, as well as serves as guideline for POs and Implementing Agencies in identifying and managing risks. It *inter alia* includes special description of corruption risk management and risk mitigation actions, and includes obligation for institutions, involved in the management of FMs, to carry out regular assessment of the corruption risk and the mitigation actions. It was communicated to all POs and Implementing Agencies;
- FP improved its Complaint Mechanism by implementing Complaint Register according to the best practice provided by the Transparency International¹⁴. It serves as the tool for summarizing, monitoring and controlling adequate management of

¹¹ MoF *Risk Management Group* for the *EU Structural Funds, Cohesion Fund, Financial Mechanisms and Swiss Programme*

¹² Risk Management Strategy for the EEA/Norwegian Financial Mechanisms 2009-2014 approved on 13 May 2015

¹³ Risk Management Strategy EEA & Norway Grants 2009-2014 adopted by the FM Committee on 27 February 2013

¹⁴ Received at the annual Risk Management Seminar, Tallinn, Estonia, 24-25 September 2014

complaints and in order to spot any systematic tendencies or signs that could hinder possible corruption or conflict of interest in the institutions involved in the management of FMs. Up till now no complaints were received.

The corruption risk is complex and connected both with the internal control environment in the institutions and overall political situation and anti-corruption policy in the country, thus assessing factors outside of FP is as important as actions performed by FP.

Corruption Perception Index (CPI)¹⁵ for Latvia in 2015 shows no changes comparing to 2014, receiving 55 points from 100. Nevertheless Latvia is ranked in 40th place from 167 countries, climbing up for 3 places comparison with 2014. According to the opinion expressed by the *Transparency International Latvia's department* the stagnation of the indicator is due to the problems in the management of CPCB in last years.

As CPCB has the mandate of anti-corruption policy in Latvia, the activities of CPCB are of great importance addressing corruption risk and risk of conflict of interest in the management of FMs. In July CoM adopted *CPCB's Guidelines for the Corruption Prevention and Combating for the period 2015-2020* (CPCB's guidelines), that includes strategic objectives and policy binding for the state institutions managing corruption risk as well as anticipates tasks to be carried out by CPCB and other state institution to ensure integrity and corruption prevention also foreseeing the protection of interests of EU funds and other foreign financial assistance (including FMs).

With the reference to the tasks laid down in CPCB's guidelines MoF developed and approved the *Action plan for prevention of corruption*¹⁶ defining actions to be executed in MoF to ensure proactive prevention of the corruption risk and conflict of interest. The main tasks which also have impact on corruption risk in the management of the FMs are:

- identification of sensitive positions in MoF, particularly subjected to the corruption risk;
- training on ethical issues and risk management;
- training on corruption risk in cooperation with CPCB;
- training on procurement issues in cooperation with PMB and CPCB.

As MoF is also the managing authority of EU Funds and most of the POs are also institutions involved in the implementation of them the experience and actions taken to mitigate corruption risks in EU Fund's management affects also FMs and *vice versa*. Thus it is worth mentioning that for EU Funds 2014–2020 programming period there is special focus put on corruption risk and management of it, aiming for zero tolerance towards corruption and fraud in management of EU Structural Funds. Thus Managing Authority developed *Action plan for prevention of corruption risk in the management of EU Funds* and will provide guidelines and training for subordinated institutions raising the awareness and knowledge of the corruption matters.

In October, 2015 representatives from Latvia's organizations¹⁷ took part in the conference "*Developing trends in combating corruption, money laundering and recovering criminal assets in Europe*" in Prague, Czech Republic. The Conference was one of the most important grants' events in 2015 and was organized by the NFP of the Czech Republic for representatives from all FMs' Beneficiary states. The Conference included professional debates on major trends and challenging new standards on such topics as *Anti-corruption*, *Anti-money laundering* and *Asset recovery*.

¹⁵ Annually published evaluation by the Transparency International, webpage: <http://www.transparency.org/cpi2015>

¹⁶ Ministry of Finance order No.7 approved on 8 January 2016 "Approval of the action plan for prevention of the corruption in the Ministry of Finance"

¹⁷ CPCB, association "Transparency - Transparency International", Office for Prevention of Laundering of Proceeds Derived from Criminal Activity and Economic Crime Enforcement Department

In 2016 FP will continue to perform established mitigation measures and constantly assess opportunities to strengthen internal control system in order to minimize corruption risk.

Risk management at the programme level

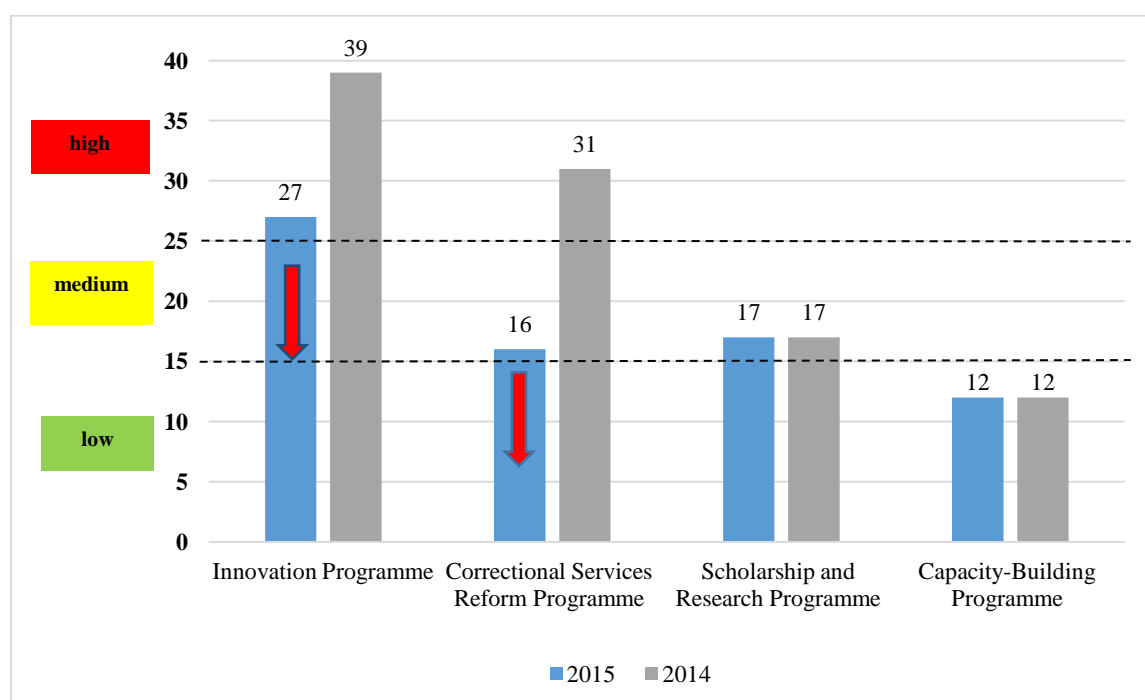
The FP evaluated risks based on regular monitoring of programmes' implementation and POs' submitted information about the risk monitoring in 2015. Please see in the Annex 6.7.2 of this Report detailed risk assessment (incl., mitigation actions) of horizontal risks for all programmes and for each programme.

The FP has identified 2 main horizontal risks at the programme level –

- 1) *Infringement and errors of procurement procedures and breaches of procurement contracts' conditions* – although this risk has been sufficiently monitored by POs/Agencies and PMB it still remains relatively high during projects' implementation phase, when the PPs may not have appropriate experience and/or sufficient understanding in public procurements' procedures, as well as negligent attitude of PPs may cause this risk.
- 2) *Lack of capacity and interest for partnerships from the donor states and PBF's activities* (except Correctional Services Reform Programme) – thus it is necessary to facilitate acquirement of this funding at all level – PPs, POs/Agencies, FP and DPPs.

In the chart below the actual risk scoring of programmes' in comparison to the previous reporting period are shown:

Chart 8 Total risk score according to the risk assessment



Compering to the previous reporting period risk levels of programmes have changed as follows:

- 1) Innovation – remained at the same level - high due to several reasons:
 - additional pre-incubation and incubation activities are threatened as amendments in Incubator's project contract are delayed due to long approval of PA's amendments at FMO (it took nearly 3 months), outstanding issues with the state aid regulations regarding donor project partner and approval of Programmes Regulation's amendments;
 - Incubator's difficulties to ensure co-financing for management costs during extended project implementation period (May 2016 – April 2017);

- additional leftovers (up to ~0,8 M EUR) due to PPs' refusal to implement projects in the middle or at the end of implementation period due to capacity problems – difficulties to ensure co-financing, insufficient experience of the start-up, shortage of implementation time, for example, re-announced procurement was ended without no results; installed equipment works improperly due to equipment manufacturer's fault.
- 2) Correctional Services Reform – decreased to moderate due to prolongation of all 3 pre-defined projects.
 - 3) Research and Scholarships – remained at the same level - moderate as projects' evaluation and signing of projects' contracts were delayed OC's, but most of all projects were prolonged.
 - 4) As most of all pre-defined projects' activities are going according to time schedule, the *Capacity Building Programme's* risk level remained low in 2015.

The FP in cooperation with POs/Agencies will ensure regular monitoring of the above mentioned high and moderate risk level programmes and will request further actions from the involved institutions.

4.2 Irregularities

As 2015 for most of projects was the year when services/goods were procured, amount of irregularities' reports received was the highest. Nevertheless, the total amount of irregularities reported in 2015 is still very low (please see the table below).

Table 3 Summary of irregularities reported in 2015 by the CA, AA and POs

Title of programme	Total programme costs, in EUR	Reported irregularities, in EUR	Reported irregularities from total programme costs (%)
1. Correctional Services Reform Programme	15 360 000	9 224	0,04%
2. Innovation Programme	12 586 667	54	0,00%
3. Capacity-Building Programme	5 645 781	3 718	0,07%
4. Research and Scholarships Programme	5 546 667	0	0,00%
5. TAF	768 000	0	0,00%
Total:	39 907 115	13 509	0,03%

The first reports with irregularities were received only in 2014 for 6 331 euro (0,02%). Accumulated irregularity amount by the end of 2015 is 19 840 euro (0,05%) which is considered as a very good result – well below standard materiality level of 2%.

In 2015 only 4% of all irregularities were detected in programme management costs mainly by the CA. Irregularities were reported to the FMO in accordance with the Chapter 11 of the Regulation and they were mainly:

- PO's mistakes in calculations of annual leave payments, payments for extra hours and salary related with non-compliance with proportionality principle and arithmetical errors.
- breach of procurement rules in the purchase of business travel organization services (in both cases financial correction of 5% was applied).

96% of all irregularities were detected at projects' level mainly by the POs – in all 3 pre-defined projects of Correctional Services Reform Programme and in 2 pre-defined projects of Capacity-Building Programme. Irregularities in the Capacity Building Programme were related with mistakes in calculation of business travel costs and reporting non-eligible project's costs as eligible ones, whereas in Correctional Services Reform Programme – also wrongly reported costs of businesses travels and breach of procurement rules in two purchases of business travel organization services (5% and 25% financial correction was applied).

Immediately after detection of irregularities the POs did the recovery procedures of irregularities – reduced the total project eligible costs and excluded irregularity amounts from project interim or/and final reports, or issued decisions about repayment of irregularity amounts, the same procedure was applied by CA on programmes' level, where respective programme's IFRs were accordingly corrected.

4.3 Audit, monitoring, review and evaluation

During the reporting period POs carried out following **projects' monitorings**:

- Innovation Programme – 15 pre-contract monitoring visits to the 2nd round of OC in order to get assurance that projects' implementation place will be appropriate for activities (contracts were signed with 12 of them) and 15 on-spot monitoring visits in order to monitor projects' implementation progress. Most findings were positive, except in 4 projects, where breaches in preparation of interim reports and publicity requirements as well as non-compliances in providing supporting documentation were found. All objections were implemented by PPs, except one which will be implemented in 2016.
- Capacity Building Programme – on-spot verifications in order to monitor all pre-defined projects' implementation progress and supporting documentation. Conclusions were positive, except Smart governance project where recommendations about implementation of agreements concluded between PP and pilot municipalities involved in cooperation networks were provided. All recommendations were implemented by PP.
- Correctional Services Reform Programme – 6 on-spot checks in all 3 pre-defined projects in order to inspect purchased electronic surveillance equipment and IT system, compliance of concluded construction contract with technical project, and to visit construction/renovation/reconstruction sites with the aim to verify actual works done with reported costs. No substantial shortcomings were identified, except where IT expert provided suggestions on improvement of ES IT system which will be implemented by April 2016.
- Research and Scholarships Programme – on-spot checks were carried out in 3 research projects where some minor inaccuracies were discovered, for example, regarding insufficient justification or supporting documents for business travels or incomplete working timetables regarding separation of project's duties from others. All insufficient information was provided and inaccuracies were rectified.

During reporting period a **system audit** by internal audit structures of PO (MoE and LIDA) was carried out in Innovation Programme in order to verify coordination of project monitoring between MoE and its subordinated institution – LIDA, starting from OC launching procedure and ending with planning of on-spot checks. No recommendations were provided as it was concluded that established Internal Control Systems in both institutions function effectively, established controls work properly and risks within the programme are properly managed and mitigated.

Other **system audit** by internal audit structures of PO (SEDA) was carried out in Research and Scholarships Programme in order to verify administration of preparatory visits within PBF. Recommendations regarding publication of business trips requirements stated in respective donorstate on SEDA's website and additional informative measures for PPs about application of correct exchange rate in Final Reports were provided. All recommendations were implemented.

Overview of various system audits and on-spot checks planned for the next reporting period please find in the Annex 6.6 of this Report.

The PMB has also continued to carry out several selective **ex-ante procurement checks**. In total 19 checks, incl. 10 in 3 pre-defined projects of Correctional Services Reform Programme and 9 in 3 pre-defined projects of Capacity Building Programme.

PMB issued only a few positive opinions without no objections, whereas almost in all cases PMB had objections which were eliminated by respective POs, Agencies or the PPs in due

deadline. Thereby during repeated checks the PMB was able to provide positive final opinions.

POs or Agencies have performed **ex-ante checks in several procurements**, which were not covered by PMB. In total 46 checks, incl. 31 in 3 pre-defined projects of Correctional Services Reform Programme, 9 in 3 pre-defined projects of Capacity Building Programme and 6 in 2 research projects of Research and Scholarships Programmes.

In almost all cases there were no objections, thus, positive, or with objections or were eliminated by PPs before repeated checks took place. Just in 3 pre-defined projects of Correctional Services Reform Programme the procurement procedures were suspended due to negative PO opinion and reannounced after elimination of all PO's objections.

4.4 Information and publicity

All communication measures and activities have been implemented in accordance with the Communication Strategy and communication plans for the programmes. As programme implementation period was extended, respective changes were made to the time schedule of the Communication Strategy.

Two meetings of the Communication Management Group have been held where the FP, the Embassy and POs discussed news and the best practises in the communication field, considered publicity-related issues, shared experience and ideas.

To inform the society about the implementation progress of programmes the latest information is regularly updated on all POs' websites as well as social networks are used as it allows to immediately receive the feedback from the target group. Besides that, POs have made special effort to communicate FMs:

- while an interactive map with detailed information about projects of *Research and Scholarships Programme* is developed (please find here: http://viaa.gov.lv/eng/international_cooperation/eea_norway_grants/projects/), posters and fact sheets about Research activity were already distributed;

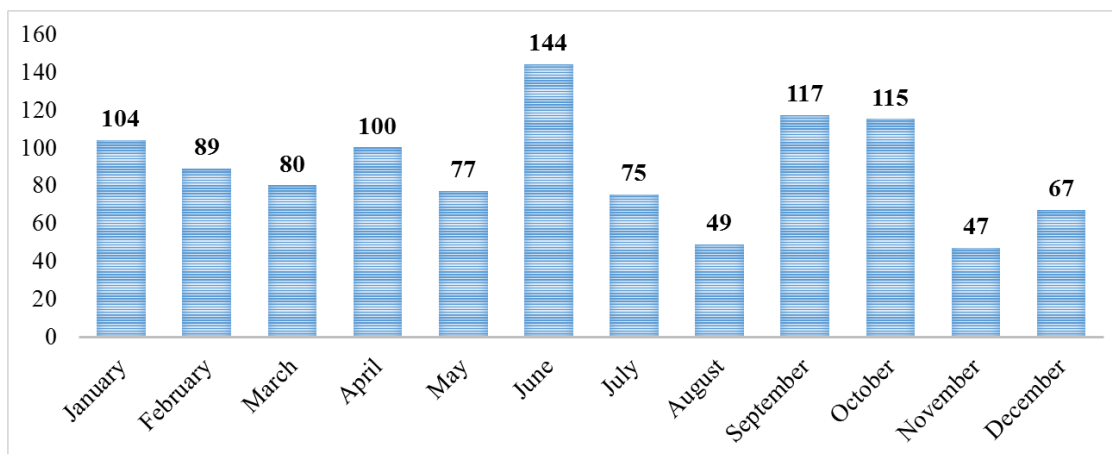
- 4 informative seminars about call for proposals under *Innovation Programme's* SGS were organized for potential project applicants;

- in May 2015 a mid-term evaluation event was held in order to inform representatives from state, planning regions' and municipalities' institutions, non-governmental organizations and other stakeholders about implementation progress of *Capacity-Building programme*, achievements and examples of the best practice in projects. Also a video material about the attraction of investments as well as business resources available in the Latgale region (the most remote region of Latvia) was made and distributed to wider society. The FP distributed information (13 press releases) in the mass media and social media (twitter.com), also information (press releases, short news, photos and videos) on national website of the FMs was published and updated on regular basis.

The number of unique visitors to the national FMs website reached 1419 per month (in 2014 – 1800 per month). More than half of them (59%) were new users. 73% of visitors are from Latvian domain. Average stay on page was 2 minutes. (Source: Google Analytics).

Results of information and publicity activities were reflected in the Media Monitoring of 2015. In total 1 064 publications/broadcasts in the Latvian press, radio, TV and on the Internet about FMs, programmes and projects were gathered. The highest level of publicity was reached in June 2015. This was due to the high publicity about *Capacity-Building Programme* as contest of innovative business ideas '*Business Express*' (LV07-0001) and results of the research about demographic impact on regional development (LV07-0002) were widely covered in the media.

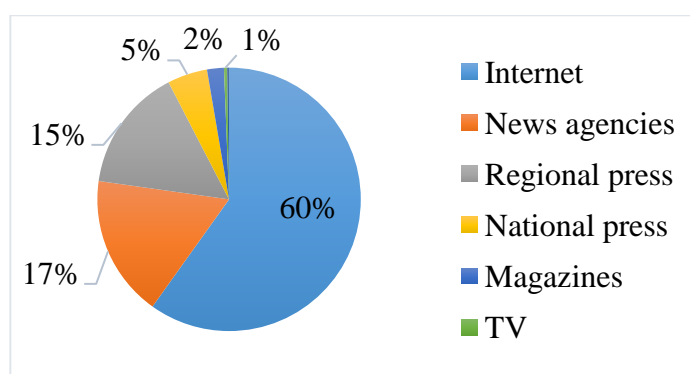
Chart 9 Number of publications/broadcasts per month in 2015



Information about implementation progress mainly was available on the internet, but still 15% of all publications were covered by regional press. This clearly shows that large part of projects' activities are targeted to regions and adequate effort is made to reach the target audience through local newspapers.

95% publications/broadcasts were in Latvian, while 5% – in Russian.

Chart 10 Number of publications/broadcasts per media type in 2015



4.5 Work plan

Since progress of January 2015-March 2016 is already included in this report, please see the work plan for the period April-December 2016 below:

Table 4 Work plan for 2016

Scope	Task	Apr-Jun	Jul-Sep	Oct-Dec
International cooperation	Bilateral conferences/events (strategic questions within specific field)	LV06 LV07 LV08	LV05 LV06 LV07	LV06 LV07 LV08
	Implementation of Complementary Actions	LV07	LV07	LV07
	CC meetings	LV06 LV07 LV08		LV06 LV07 LV08
Information and publicity	FP and all PO`s communicate with media (press releases, interviews, social media, press conferences etc.) and create/modify/update websites about programmes` events, pre-defined projects, informative seminars, project progress achieved etc. on regular basis	x	x	x
	PO`s organize informative seminars, conferences on programme`s implementation progress	LV06 LV07 LV08	LV05 LV08	LV05 LV08
	PO`s create promotion materials		LV06	LV07
	FP provides ongoing media monitoring	x	x	x
	FP conducts public opinion pool about recognition of FMs		x	

5. Summary listing of issues and recommendations

Within the reporting period **implementation of all programmes was ongoing**. After submission of programmes' IFRs covering period till the end of August 2015, the total financial acquisition of the grant was very low – 36,3%. Also several POs signalled that in certain projects delays are running out of all “red lines”. Therefore FMO's letter on “Improving results of the implementation of Programmes” allowing exceptional extension for projects beyond April 2016 up to one more year, arrived just in time. We can conclude that the need was quite urgent as for 76 projects from both FMs extension was requested.

Donor partnerships are ongoing 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 PBFs bilateral cooperation was fostered between POs and the DPPs as well as between PPs and donor project partners. We are proud to announce that 37% of FMs projects are with donor-partnerships. In 2015 all planned activities under the NBF priority “*Latvian presidency of the Council of the European Union 2015*” were successfully implemented, showing that Norwegian expertise is valuable at the level of several EU latest policies and horizontal issues.

Main tasks for 2016 are finalization of most of the projects, provision of different kind of publicity activities about the achieved results and lots of reporting in order to summarize projects' level results into the programme level outputs.

Compared to previous reporting period identified risks at national and programmes' level remained, but due to prolongation of projects/programmes, the risk values decreased substantially. **3 main risks detected** are as follows: 1) not complete achievement of programmes' outcomes in donor states' set deadline (cohesion); 2) insufficient absorption of the PBFs (bilateral); and 3) corruption risk and conflicts of interest (operational). **FP has elaborated risk mitigation actions** and will continue to ensure regular monitoring of the national and programme level risks (especially in the high risk programmes) and will request further actions from the involved institutions.

6. Attachments to the Strategic Report

Annex 6.1 Applications received, selected and contracted for each programme

Applications for LV05 Research and scholarships

	2014			2015			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Bilateral Research Cooperation	73	73	0	0	0	11	73	73	11
Scholarships	0	0	0	33	33	28	33	33	28
Total	73	73	0	33	33	39	106	106	39

Open call related outcomes:

- Increased higher education student and staff mobility between Beneficiary and EEA EFTA States
- Increased research cooperation between Norway and the Beneficiary States
- Strengthened research capacity in the Beneficiary States and increased application of research results through research cooperation between Norway and the Beneficiary States
- Increased higher education student and staff mobility between Beneficiary States and Norway

Bilateral Calls for Proposals

	2014			2015			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Preparatory visits	11	0	10	44	0	41	55	0	51
Total	11	0	10	44	0	41	55	0	51

Open call related outcomes:

- Increased research cooperation between Norway and the BS
- Strengthened research capacity in the BS and increased application of research results through research cooperation between Norway and the BS

Applications for LV06 Green Industry Innovation

	2014			2015			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in Programme Proposal			1						1
2nd Open Call: Support for Introducing Green Technologies into Production	0	0	0	22	3	12	22	3	12
Main Open Call	13	5	3	0	0	0	13	5	3
Small Grant Scheme	7	1	0	0	0	4	7	1	4
Small Grant Scheme - Second Open Call	19	3	0	0	0	6	19	3	6
Small Grant Scheme - Third Open Call	0	0	0	45	6	14	45	6	14
Total	39	9	4	67	9	36	106	18	40

Open call related outcomes:

- Realisation of the business opportunities of greening of the European economy
- Increased green job creation and entrepreneurship

Predefined project measures:

- Education and training
- Provision of services
- Research

Applications for LV07 Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities

	2013			2014			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in MoU			3			1			4
Total			3			1			4

Predefined project measures:

- Capacity-building

- Education and training
- Information and awareness raising

Applications for LV08 Reform of the Latvian Correctional services and police Detention Centres

	2013			2014			Total		
Calls for proposals	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in MoU			2			1			3
Total			2			1			3

Predefined project measures:

- Capacity-building
- Infrastructure development and provision of equipment
- Provision of services.

Annex 6.2 Donor partnership projects in each programme

LV05 - Research and scholarships

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV05-0001	Benefits and detrimental effects of sequence variants of Amyloid- β : towards the use of small peptides for aggregate dissolution therapy in dementia	No	Norway	University of Oslo	University, college or other teaching institution, research institute or think-tank
LV05-0002	Innovative approach to hull-less spring cereals and triticale use from human health perspective	No	Norway	Norwegian Institute of Bioeconomy Research	National agency
LV05-0003	Image-guided cancer gene therapy in combination with advanced chemotherapeutics	No	Norway	Oslo University Hospital	University, college or other teaching institution, research institute or think-tank
LV05-0004	Cancer-derived extracellular vesicles: function and clinical applications in prostate cancer	No	Norway	Oslo University Hospital	University, college or other teaching institution, research institute or think-tank
LV05-0005	Health and Social Indicators of Participation in Physical Activities for Children with Disabilities	No	Norway	Norwegian School of Sport Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0006	EU Policies Impact to the Transformations of the Higher Education and Research System in Norway and Latvia	No	Norway	Nordic Institute for Studies in Innovation, Research and Education	University, college or other teaching institution, research institute or think-tank
LV05-0007	Establishing of the scientific capacity for the management of pharmaceutical products residues in the environment of Latvia and Norway	No	Norway	University of Oslo	University, college or other teaching institution, research institute or think-tank
LV05-0008	Gender, Culture and Power: Diversity and Interactions in Latvia and Norway	No	Norway	Center for Gender Research at the University of Oslo	University, college or other teaching institution, research

					institute or think-tank
LV05-0009	Technology transfer in the processing of mineral resources in earlier times	No	Norway	Museum of Cultural History, University of Oslo	Other
LV05-0010	Latvian language in monolingual and bilingual acquisition: tools, theories and applications	No	Norway	UiT The Arctic university of Norway, Tromso University	University, college or other teaching institution, research institute or think-tank
			Norway	University of Oslo	University, college or other teaching institution, research institute or think-tank
LV05-0011	Rural Depopulation and the Governance of Education. Comparative Study of Latvia and Norway	No	Norway	Norwegian Institute for Urban and Regional Research (NIBR)	University, college or other teaching institution, research institute or think-tank
LV05-0012	Economics and Management Student and Teacher Mobility between University of Latvia and University of Agder	No	Norway	Universitetet i Agder	University, college or other teaching institution, research institute or think-tank
LV05-0013	Research-based Teaching of Language Acquisition (in synergy with Research activity project "Latvian language in Monolingual and Bilingual Acquisition: tools, theories and applications")	No	Norway	UiT The Arctic university of Norway, Tromso University	University, college or other teaching institution, research institute or think-tank
LV05-0014	Strengthening and transferring the intellectual capital among geographers in Latvia and Norway	No	Norway	UiT The Arctic university of Norway, Tromso University	University, college or other teaching institution, research institute or think-tank
			Norway	University of Bergen	University, college or other teaching institution, research institute or think-tank
LV05-0015	Mobility project between higher education institutions of Latvia and Norway in the field of art and design	No	Norway	Bergen Academy of Art and Design	University, college or other teaching institution, research institute or think-tank

			Norway	Oslo National Academy of the Arts (KHiO)	University, college or other teaching institution, research institute or think-tank
LV05-0016	RISEBA and University of Agder cooperation in students and staff mobility	No	Norway	Universitetet i Agder	University, college or other teaching institution, research institute or think-tank
LV05-0017	Innovative Physical Activity Measures in Health and Sport Science Studies	No	Norway	Norwegian School of Sport Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0018	Mobility in political science and sociology	No	Norway	Oslo and Akershus University College of Applied Sciences	University, college or other teaching institution, research institute or think-tank
			Norway	Ostfold University College	University, college or other teaching institution, research institute or think-tank
LV05-0019	Capacity building organizing the scholarship activities for students and academic staff at the Riga Stradiņš University	No	Norway	University of Bergen	University, college or other teaching institution, research institute or think-tank
LV05-0020	Internationalization through Student and Academic Staff Mobility in Business Administration Programs	No	Norway	Telemark University College M4	University, college or other teaching institution, research institute or think-tank
LV05-0021	Mobility in the field of Architecture and Civil Engineering	No	Norway	Norwegian University of Life Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0022	Enhancing human capital and knowledge in health science by institutional cooperation and mobility between the University of Latvia and three Norwegian universities	No	Norway	Norwegian University of Science and Technology	University, college or other teaching institution, research institute or think-tank

			Norway	University of Oslo	University, college or other teaching institution, research institute or think-tank
LV05-0023	Educational collaboration between Norway and Latvia for establishment of an effective risk assessment and control of pharmaceutical residues	No	Norway	University of Oslo	University, college or other teaching institution, research institute or think-tank
LV05-0024	Mobility of students and academic personnel of Life Sciences between Latvia and Norway	No	Norway	Institute of Basic Medical Science, University of Oslo	University, college or other teaching institution, research institute or think-tank
			Norway	University of Oslo, Institute of Clinical Medicine	University, college or other teaching institution, research institute or think-tank
LV05-0025	Educational for Sustainable Development	No	Norway	Lillehammer University College	University, college or other teaching institution, research institute or think-tank
LV05-0026	Building Bridges between Latvia and Norway in Higher Education in Chemistry	No	Norway	UiT The Arctic university of Norway, Tromsø University	University, college or other teaching institution, research institute or think-tank
LV05-0027	Student Mobility for Public Sector Innovation Research	No	Norway	Oslo and Akershus University College of Applied Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0028	Mobility scholarships for academic staff and students to expand understanding about the digital media audiences	No	Norway	NLA University College Gimlekollen Gimlekollen School of Journalism and Communication	University, college or other teaching institution, research institute or think-tank
LV05-0029	Mobility in Language, Culture and Gender Studies	No	Norway	Center for Gender Research at the University of Oslo	University, college or other teaching institution, research institute or think-tank

			Norway	The Institute of Health and Society at the University of Oslo	University, college or other teaching institution, research institute or think-tank
			Norway	UiT The Arctic university of Norway, Tromsø University	University, college or other teaching institution, research institute or think-tank
			Iceland	University of Iceland	University, college or other teaching institution, research institute or think-tank
LV05-0030	Mobility in the field of Food Technology	No	Norway	Norwegian University of Life Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0031	Mobility in the field of Information Technologies	No	Norway	Norwegian University of Life Sciences	University, college or other teaching institution, research institute or think-tank
LV05-0032	Mobility in the field of agriculture, forestry and veterinary medicine	No	Norway	Hedmark University College	University, college or other teaching institution, research institute or think-tank
LV05-0033	Innovation curricula, research and support – systematic approach within university context	No	Norway	University of Stavanger	University, college or other teaching institution, research institute or think-tank
LV05-0034	Student and Academic Staff Mobility within the EEA Grant Scholarship Activity (Architecture)	No	Liechtenstein	University of Liechtenstein	University, college or other teaching institution, research institute or think-tank
LV05-0035	Establishing of Scholarships for Language and Culture Studies in Latvia and Norway with the Focus on Studies of Monuments to Famous Persons and Their Testing for the Needs of Tourism	No	Norway	Buskerud and Vestfold University College	University, college or other teaching institution, research institute or think-tank

LV05-0036	Role of social and economic networks in territorial development	No	Iceland	University of Akureyri	University, college or other teaching institution, research institute or think-tank
LV05-0037	Student and Academic Staff Mobility within the EEA Grant Scholarship Activity (Mechanics)	No	Iceland	University of Iceland	University, college or other teaching institution, research institute or think-tank
LV05-0038	Student and Academic Staff Mobility within the EEA Grant Scholarship Activity (Information Technology)	No	Iceland	University of Iceland	University, college or other teaching institution, research institute or think-tank
			Liechtenstein	University of Liechtenstein	University, college or other teaching institution, research institute or think-tank
Projects with donor project partners 38 out of 38 (100.0%)			Planned grant amount for projects with donor project partners € 1,250,614		

LV06 - Green Industry Innovation

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV06-0007	Environmentally friendly and durable road pavement material introduction to Baltics	No	Norway	Norwegian University of Science and Technology	University, college or other teaching institution, research institute or think-tank
LV06-0014	Development of electricity audit software tool "El Port"	No	Norway	Norsk Energi	Small or medium sized enterprise (SME)
LV06-0015	Implementation of environmentally friendly production technology and new materials in SIA "Ekju"	No	Norway	Norwegian Institute of Wood Technology	Other
LV06-0027	Production of capillary tube plates in Latvia	No	Norway	Norwegian University of Science and Technology	University, college or other teaching institution, research institute or think-tank

LV06-0028	Develop a technology for the production of the silicon – aluminium alloy from the waste of the silicon production.	No	Norway	Clean Metal Processes, AS	Micro-enterprise
LV06-0029	Development of remote luminophore for light-emitting diodes.	No	Norway	Norwegian University of Science and Technology	University, college or other teaching institution, research institute or think-tank
LV06-0031	Equipment development of 4 b.e.e. Ltd product "Remote diagnostics equipment of ventilation systems"	No	Norway	Norsk Energi	Small or medium sized enterprise (SME)
LV06-0032	Development and implementation of AV RECYCLING product - cold asphalt mix.	No	Norway	Norwegian University of Science and Technology	University, college or other teaching institution, research institute or think-tank
LV06-0035	3D printing filament from the recycled plastic	No	Norway	Paper and Fiber Institute	University, college or other teaching institution, research institute or think-tank
Projects with donor project partners 9 out of 40 (22.5%)			Planned grant amount for projects with donor project partners € 2,067,189		

LV07 - Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV07-0001	Implementation of regional policy actions in Latvia and elaboration of regional development measures	Yes	Norway	Aust-Agder County	Regional or local authority
			Norway	Ministry of Local Government and Modernisation of Norway	Government ministry
			Norway	Oppland County	Regional or local authority
LV07-0002	Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents	Yes	Norway	Aust-Agder County	Regional or local authority
			Norway	Ministry of Local	Government ministry

				Government and Modernisation of Norway	
			Norway	Oppland County	Regional or local authority
			Norway	Ostfold County	Regional or local authority
LV07-0003	Integration of specially protected nature territories of Latvia in spatial plans	Yes	Norway	Oppland County	Regional or local authority
LV07-0004	Smart governance and performance improvement of Latvian municipalities	Yes	Norway	Norwegian Association of Local and Regional Authorities	Other
Projects with donor project partners 4 out of 4 (100.0%)			Planned grant amount for projects with donor project partners € 4,475,387		

LV08 - Reform of the Latvian Correctional services and police Detention Centres

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV08-0001	Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic monitoring)	Yes	Norway	Ila Detention and Security Prison	National agency
			Norway	Norwegian Mediation Service	National agency
			Norway	Oslo Probation Office	Regional or local authority
LV08-0002	New unit at Olaine prison, including construction and training of staff	Yes	Norway	Correctional Service of Norway Staff Academy	University, college or other teaching institution, research institute or think-tank
			Norway	Oslo Prison	National agency
LV08-0003	Improving the standard of Latvian State police detention centres	Yes	France	Council of Europe	International institutions council of Europe
Projects with donor project partners 3 out of 3 (100.0%)			Planned grant amount for projects with donor project partners € 11,898,094		

Annex 6.3 Donor partnership projects in Latvia

Latvia - Summary

Project grant amount total	€ 72 819 757
Number of projects	342
Number of projects with donor project partners	126
Proportion of projects with donor project partners	36,842%
Number of programmes *	7
EEA and Norway grants committed	€ 67 094 750

** Excluding Technical assistance programmes and PA22*

Annex 6.4 List of irregularities detected at programme level

Irregularity case	Irregularity status	Case opened	Case closed	Irregularity period	Followed up	Initial nature of irregularities	Amount of recovered funds	Grant amount reduced
IR-0043	Closed	30.05.14	08.08.14	2014Q1		deviation from programme agreement	2 453	2 208
IR-0045	Closed	30.05.14	08.08.14	2014Q1		deviation from programme agreement	1 205	1 065
IR-0061	Closed	21.08.14	06.11.14	2014Q2		deviation from programme agreement	114	103
IR-0070	Closed	24.11.14	05.12.14	2014Q3		deviation from programme agreement	356	356
IR-0071	Closed	24.11.14	09.12.14	2014Q3		deviation from programme agreement	312	312
IR-0096	Closed	23.02.15	18.08.15	2014Q4		deviation from programme agreement	669	602
IR-0164	Closed	29.05.15	23.06.15	2015Q1		deviation from public procurement procedures,error in payment claim	54	49
IR-0262	Closed	30.11.15	18.12.15	2015Q3		deviation from public procurement procedures	348	296
Total							5 511	4 999

Annex 6.5 List of irregularities detected at project level

Irregularity case	Irregularity status	Case opened	Case closed	Irregularity period	Followed up	Initial nature of irregularities	Amount of recovered funds	Grant amount reduced
IR-0104	Closed	23.02.15	10.04.15	2014Q4		deviation from project contract	1 222	1 080
IR-0165	Closed	29.05.15	15.07.15	2015Q1		deviation from project contract	548	466
IR-0166	Closed	29.05.15	15.07.15	2015Q1		deviation from project contract	192	163
IR-0261	Closed	30.11.15	18.12.15	2015Q3		deviation from public procurement procedures	387	329
IR-0288	In Review	17.02.16		2015Q4		deviation from public procurement procedures	3 570	3 156
IR-0289	In Review	17.02.16		2015Q4		deviation from project contract	96	85
IR-0300	In Review	17.02.16		2015Q4		deviation from public procurement procedures	1 919	1 631
Total							7 934	6 910

Annex 6.6 Monitoring and audit activities plan for 2016

No	Responsible Authority	Audit period	Audited system/ programme/ project
1.	Focal Point	IV quarter 2015 - I quarter	External assessment of effectiveness of FMs implementation system
System audits at the level of BS according to the Article 4.6, Paragraph 1(a), of the Regulations			
2.	Audit Authority	III and IV quarter	Irregularities' system at BS's level (on a sample basis)
System audits at the level of the programme according to the Article 4.6, Paragraph 1(b), of the Regulations			
3.	Audit Authority	I quarter	MCSs of Correctional Services Reform Programme and Innovation Programme.
4.	Audit Authority	III and IV quarter	MCS of Research and Scholarships Programme.
Projects audits according to the Article 4.6, Paragraph 1(c), of the Regulations			
5.	Audit Authority	II and IV quarter	Projects which expenditures were reported in programmes' IFR#7-9.
Internal audits at programme level			
6.	Internal audit of MoEPRD/SRDA	IV quarter 2015 - I quarter 2016	Monitoring on implementation of Capacity Building Programme and its projects.
7.	Internal audits of MoES	II and IV quarter	Assessment of execution of PO's functions in management of Research and Scholarships Programme and PPs – in implementation of projects.
8.	Internal audits of	I and II quarter	Assessment of execution of SEDA functions in administration of Research and Scholarships

	SEDA		Programme`s research and scholarships projects.
On-spot checks			
9.	LIDA and MoE	I, II and IV quarter	Visits to Innovation Programme`s predefined project, 3 projects of the 1 st round OC and 12 projects of the 2 nd round OC to verify projects` implementation progress.
10.	MoJ	I, II and IV quarter	Inspections at the Correctional Services Reform Programme`s all pre-defined projects: 7 verifications in Electronic surveillance pre-defined project, 8 – in Olaine prison pre-defined project and 3 – in the State Police pre-defined project in order to check project documentation, including pre-inspection of procurements, purchased equipment, comparison of performed construction works with reported costs and also to visit and to evaluate objects after reconstruction and renovation.
11.	MoEPRD /SRDA	I and II quarter	Verification of implementation progress of Capacity-Building Programme`s all pre-defined projects, compliance of expenditures with projects` objectives, implementation of Cooperation Agreements, etc.
12.	SEDA	I and II quarter	2 nd verification of implementation progress of Research and Scholarships Programme`s 9 research projects and 3 scholarships projects to assure assurance that all implementation work is done properly.
Evaluations according to the Article 9.1., Paragraph 1, of the Regulations			
13.	MoEPRD	III - IV quarter	External evaluation on the achievement of outcomes` progress in Capacity-Building programme

Annex 6.7.1 Risk assessment at the national level

No	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done	Mitigation actions planned	Planned implementation date	Responsible department
1	Cohesion objective:	Not complete achievement of programmes' outcomes in donorstates' set deadline	1	3	4	Regular monitoring of achieved programmes' outcomes as ensured by FP by performing following activities: 1) biannual participation in programmes' CC meetings; 2) regular communication with FMO and the Embassy, incl. biannual meetings on bilateral activities and publicity issues; 3) regular monitoring of planned and actual expenditures of each programme; 4) quarterly reporting to Government on the implementation progress of the Foreign Assistance (incl., Financial Mechanisms); 5) regular communication with POs and Agencies by phone/e-mails/letters/meetings; 6) close following to the updated programme implementation plans of Innovation programme, Research and scholarships programme); 7) were necessary amending the Programme Agreements.	In order to achieve planned programmes' outcomes FP will: 1) Monitor all programmes, especially high risk programmes; 2) Participate in the programmes' CC meetings; 3) Closely cooperate with Embassy and FMO on actual issues related with programmes; 4) Ensure monitoring of planned and actual expenditures of each programme; 5) Report to Latvian Government on the implementation progress of the Foreign Assistance (incl., the Financial Mechanisms); 6) Communicate by phone/e-mails/letters with POs/agencies 7) Organize meetings with POs/Agencies.	1) On a regular basis; 2) Biannually; 3) On a regular basis; 4) Monthly; 5) Biannually; 6) On a regular basis; 7) When necessary.	MoF EU Funds Monitoring Department

2	Bilateral objective:	Insufficient absorption of the PBFs	1	1	2	<p>1) Representatives of FP biannually participated in the programmes' CC meetings, in which one of the topic was regarding bilateral relations;</p> <p>2) Representatives of FP, all POs/Agencies and the Embassy biannually participated in Communication Group's meetings, where the bilateral cooperation issues were discussed;</p> <p>3) FP closely cooperated with Embassy in order to solve issues related to enhancement of bilateral cooperation;</p> <p>4) FP in close cooperation with the POs regularly monitored the progress made towards achievement of the bilateral indicators of the programmes.</p>	<p>1) FP will participate in programmes' CC meetings;</p> <p>2) FP, all POs and the Embassy will participate in Communication Group's meetings;</p> <p>3) FP will closely cooperate with Embassy on issues related to implementation of Financial Mechanisms, including bilateral relations;</p> <p>4) FP will analyze programmes' bilateral relations and its indicators carried out within elaboration of the Strategic Report.</p>	<p>1) Biannually;</p> <p>2) Biannually;</p> <p>3) On a regular basis;</p> <p>4) By submitting the Strategic Report</p>	MoF EU Funds Monitoring Department
3	Operational issues:	Corruption risk and conflicts of interest	1	2	3	<p>1) FP has implemented Complaint Register. According to suggested standard practice and taking into account a guide and a checklist provided by the Transparency International.</p> <p>2) Procedure of complaint mechanism was stipulated within the description of MCS (updates on August);</p> <p>3) On May FP has approved and submitted to FMO and POs the Risk Management strategy that includes unified risk management principles in the implementation of Financial Mechanisms elaborated according to the recommendations from the <i>Transparency International</i>.</p> <p>4) on July MoC has adopted CPCB's Guidelines for the Corruption Prevention and Combating for the period 2015-2020, that includes strategic objectives and policy binding for the state institutions managing corruption risk as well as anticipates tasks to</p>	<p>1) Maintain "Complaint Mechanism" according to the guidelines from <i>Transparency International</i>, regularly analyze complaints;</p> <p>2) Collaborate with CPCB on any particular case related to corruption and conflict of interest issues in relation to the Financial Mechanisms.</p> <p>3) Analyze and reassess corruption risk and risk of conflict of interest within the Risk management group, update <i>Risk management strategy</i> for Financial Mechanisms according to the best practice.</p> <p>4) FP will continue monitoring of all programmes.</p>	<p>1) On a regular basis;</p> <p>2) When necessary</p> <p>3) Yearly;</p> <p>4) On a regular basis.</p>	Mo F EU Funds Management and Control Department

					<p>be carried out by CPCB and other state institution to ensure integrity and corruption prevention also foreseeing the protection of interests of EU funds and other foreign financial assistance (including Financial Mechanisms);</p> <p>5) MoF has developed and approved the Action plan for prevention of corruption defining actions to be executed in MoF to ensure proactive prevention of the corruption risk and conflict of interest (also affecting Financial Mechanisms);</p> <p>6) Persons involved in governance of Financial Mechanisms are required to acknowledge lack of conflict of interest;</p> <p>7) The national and program level MCS is implemented and are regularly updated. MCS describes duties for involved institutions and persons in management of Financial Mechanisms, thus ensuring clear definition of roles and responsibilities. Opinion of AA states that the MCS is compliant with the Regulation and works effectively (updated opinion is included within AAR for the period from July 2014 – June 2015 submitted to FMO on December).</p>			
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[1] The risks should be categorized in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue

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

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

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

Annex 6.7.2 Risk assessment at the programme level

Programme	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done / planned
All programmes (horizontal risk)	<i>Operational issues:</i>	Infringement and errors of procurement procedures and breaches of procurement contracts' conditions	2	3	5	<p>2015 POs/Agencies monitored projects' procurement plans. POs/Agencies and PMB performed risk based regular ex-ante verifications of procurement documentation/process and provided consultations on public procurement issues. POs/Agencies/PPs ensured strict supervision over procurement process: competent members in procurement commission were involved; for the assessment of specific offers specialists were attracted. POs/Agencies ensured strict supervision over appropriate fulfillment of procurement agreements' conditions (conditions on contractual penalty were included; information exchange between the parties was maintained on a daily basis; regular meetings with development engineers on construction designs were taking place in construction projects).</p> <p>2016 All mitigation actions carried out in 2015 will be continued in 2016.</p>
All programmes (horizontal risk), except Correctional Services Reform Programme	<i>Bilateral outcome (s)</i>	Lack of capacity and interest for partnerships from the donor states and PBF's activities	2	2	4	<p>2015 POs' in close cooperation with DPPs during CCs' meetings agreed on improvements and additional activities in PBF. All POs/Agencies and Embassy biannually participated in FP's organised Communication Group's meetings, where the bilateral cooperation issues were discussed. POs have initiated amendments in PAs/Programme Regulations in order to provide possibilities also for POs to receive PBF's financing and to implement bilateral measures on strategic/programme level.</p> <p>2016 Actions carried out in 2015 will be continued in 2016. Several POs will organise informative events in order to attract representatives of the target groups to submit proposals for PBF.</p>

Programme	Type of objective [1]	Description of risk	Likelihood [2]	Consequence [3]	Risk Score [4]	Mitigation actions done/ planned	Total risk score for the Programme [5]
LV06 Innovation Programme	<i>Cohesion (Programme) outcomes:</i>	Not achievement of programme's outputs related to pre-incubation/ incubation and SGS' projects activities	3	3	6	<p>2015 Leftovers from previous OC's and SGS' rounds were allocated to the last round of SGS, thus in result 9 more projects were approved. PO/Agency ensured huge work to finalize projects selection and projects contracting by 15 September, in order to provide projects' prolongation option for PPs, in result 24 projects were prolonged. PA's amendments regarding allocation of leftovers to Incubator for additional pre-incubation and incubation activities were approved by FMO in December. Incubator has outscored Publicity campaign for promotion activities in order to recruit sufficient number of good enough business models for additional pre-incubation.</p> <p>2016 PO will elaborate Programme Regulations' amendments in order to ensure legal base for amendments in project contract with Incubator for reallocation of additional funding for pre-incubation and incubation. PO/Agency by the end of April will amend project contract with Incubator to reallocate additional funding for pre-incubation and incubation. Incubator in the 2nd quarter will arrange at least one pre-incubation application round for potential business models. Agency will continue to ensure strict monitoring by on-spots checks and verification of interim project reports.</p>	27
	<i>Operational issues:</i>	Refusal to prolong implementation period of Incubator due to its difficulties to ensure co-financing for	2	4	6	<p>2015 PO/Agency ensured regular communication with Incubator on co-financing issue. Agency ensured Incubator's monitoring by verification of project interim reports and on-spot checks.</p> <p>2016 Incubator's co-owners (Riga Technical University and University of Latvia) will seek solutions to provide additional financing from their own or other financial resources to provide management costs of its</p>	

		management costs during the extend pre-defined project's implementation period				representatives. Agency will continue to organize meetings with all involved stakeholders and to monitor Incubator by verification of project interim reports and on-spot checks.	
		Leftovers due to PPs refusal to implement projects in the middle or at the end of implementation period due to capacity problems of PPs (co-financing, insufficient experience of start-ups, time shortage)	3	3	6	<p>2015 Selection criteria provided additional points for a project, which shows higher readiness to start implementation (procurement documentation, sufficient resources or agreement with a bank). Before receiving an advance payment PPs had to fulfill conditions to demonstrate their capacity to implement projects. Agency ensured projects' monitoring by verification of projects' interim reports and on-spot checks. Incubator provided consultancy and tried to attract investment funds/other funding possibilities for PPs of SGS</p> <p>2016 Agency will regularly monitor projects' implementation by verifying projects' interim reports and on-spot checks, in order to identify any risks as soon as possible and react immediately. PO will propose actions and consult with DPP, FP and FMO on possible new activities to absorb leftovers.</p>	
LV05 Research and Scholarships Programme	<i>Operational issues:</i>	Lack of capacity at PO/Agency level handling with the programme management	2	2	4	<p>2015 PO's/Agency's personnel regularly participated in trainings on projects' monitoring, procurements and other issues related with implementation of the foreign financial assistance etc.</p> <p>2016 PO/Agency will continue to improve competences of human resources involved in the Programme's implementation by participation in trainings. Additional Agency's employee (part-time) will be involved in projects' monitoring with particular focus on procurements' checks.</p>	17

		PPs lack of understanding about projects' implementation conditions, which could result in leftovers	2	2	4	<p>2015 PO/Agency elaborated guidelines for PPs on procedure of projects' contracts conclusion and modification and on projects' implementation. Agency organised consultations for PPs during projects' contracting phase. Agency ensured regular monitoring of projects' implementation.</p> <p>2016 Agency will continue to provide consultations to PPs on projects implementation issues and to monitor projects' implementation.</p>	
LV08 Correctional Services Reform Programme	<i>Operational issues:</i>	Project LV08/2 – unwillingness of target group to get involved in the planned activities	1	2	3	<p>2015 PP informed target group about project's activities and ensured regular work with target group. PO approved PP's proposed amendment in project's <i>Personnel Capacity Development Activity</i> by adding the training of personnel to perform motivational interview with target group which will allow to choose most suitable solutions for involvement of prisoners in addiction mitigation programme.</p> <p>2016 PP will continue to perform activities related to motivation of target group and PO will continue to supervise implementation of these activities.</p>	16
		Project LV08/2 – delays in construction works of Olaine addiction center	1	1	2	<p>2015 PO organised regular meetings with PP to discuss and strictly monitor current progress of project. Risk is considerably minimized due to approved project's prolongation.</p> <p>2016 In February PO agreed with PMB agreed on procedure, which is in line with the public procurement regulation, to extend construction works agreement due to performance of additional works, which will be provided by other constructor. PO will strictly monitor construction works according to the terms set in the agreement.</p>	

		Negative public attitude	2	1	3	<p>2015 <i>Project LV08/1</i> - workshops and trainings were organised, where information on ES and its implementation was provided to involved target groups (employees of the service, judges and prosecutors). <i>Project LV08/2</i> - measures were implemented to inform the society about construction of the Addiction Centre in Olaine Prison and its significance for the performance of re-socialization measures. <i>Project LV08/3</i> - publicity about the needs for improvements of STDC system was performed.</p> <p>2016 <i>Project LV08/1</i> - public informative campaign on ES implementation and its advantages will be developed. Publicity measures will be continued in <i>LV08/2 and LV08/3</i>.</p>	
		Lack of capacity and/or necessary knowledge of the project management staff as well as employee turnover	1	2	3	<p>2015 PO regularly monitored work of PPs by examination of projects interim reports and invitation to participate in CC meetings. PO as an observer participated in the Projects Steering Committees meetings. If necessary, duties of the staff were redistributed or additional employees were attracted. If possible, funding for strengthening projects' teams were allocated. Projects' documentation were collected and delivered to new employees of PO and PPs, thus providing institutional memory. Administrative capacity of projects were strengthened: <i>LV08/1</i> - project manager's assistant and second lawyer hired; <i>LV08/2</i> - procurement specialists' team were set; and <i>Project LV08/3</i> - project manager's assistant.</p> <p>2016 All mitigation actions carried out in 2015 will be continued.</p>	
LV07 Capacity-Building Programme	<i>Operational issues:</i>	Insufficient interest from target group (inc. local people) to participate in projects' activities	2	1	3	<p>2015 Different publicity measures (articles in regional media, information on web-pages of PPs, PO, all planning regions and different municipalities) were performed. PPs evaluated, which issues are most relevant for target groups and ensured participation of experts in projects' activities which correspond with target groups' needs.</p>	12

						2016 PO and PPs will continue to implement activities based on feedback received from target groups regarding issues most relevant to them. PPs will ensure publicity/information activities in order to reach wider audience.	
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[1] The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion outcomes, the bilateral outcomes, or is more of an operational issue.

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

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

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

[5] Total risk score for the Programme is calculated adding up all relevant risk scores for each Programme, including defined Programme Horizontal risks (if applicable). Programme risk levels are set in 3 categories and principle of “Colors of signal lights” is used – **Low** (total risk score from 0-15); **Medium** (total risk score from 15-25) and **High** (total risk score from 25)

Annex 6.8 Annual Report 2015 under the TAF Agreement

1.OVERVIEW OF MAIN ACTIVITIES

National entities	A brief summary of the main activities carried out		
1.National Focal Point	<p>Management and monitoring of FMs.</p> <p>Participated in FMO's organized Annual communication workshop held in Prague in April and in conference "The Role of the EEA and Norway Grants in Meeting the Needs of Children at Risk – the SOS Experience" held in Brussels in September.</p> <p>Participated in CC meetings: 1) Correctional Services Reform Programme in March in Oslo; 2) Cultural Heritage Programme in April in Oslo; 3) Climate Programme in August in Bergen and Trondheim 4) Capacity-Building Programme in September in Oslo; 5) Innovation Programme in November in Oslo; and also in Research and Scholarships Programme seminar for all POs/FPs of Scholarships programmes in June in Tromso and Trondheim; and in Innovation Programme experience sharing and communication workshop for all POs/FPs of Green Innovation programmes in September in Bergen.</p> <p>Organized Annual Meeting in Riga in June.</p> <p>Maintained websites www.eeagrants.lv and www.norwaygrants.lv.</p> <p>Distributed information (press releases) in the mass media, social media (twitter.com) and for specific list of other recipients; updated and published the information (press releases and short news) on these websites.</p> <p>Performed media monitoring of the FMs.</p> <p>Submitted the IFRs # 10 -12 to FMO.</p>		
2.Certifying Authority	Participation in elaboration of amendments in legal documents, guidelines and system description, update of the internal procedures to ensure responsibilities of the CA, verification and certification of IFRs, analysis of the auditors' reports, preparation and submission of Forecast of Likely Payment Applications.		
3.Audit Authority	1. System audits	<p>Assessed the effective functioning of MCS at the level of BS and individual programmes by performing three system audits (two system audits are fully concluded and for one system audit the audit work is completed and the draft report is in the stage of contradictory procedures with the auditees).</p> <p>One follow-up audit has been started.</p> <p>In order to assess the effective functioning of the MCS at the level of the BS one system audit was carried out:</p> <ul style="list-style-type: none"> on the Operational Effectiveness of MCS of FMs in the area of procurement. <p>In order to assess the effective functioning of MCS at the level of programmes one system audit was carried out:</p> <ul style="list-style-type: none"> Audit on the Operational Effectiveness of MCS established for Climate Programme and Capacity-Building Programme in MoEPRD and SRDA. Audit on the Operational Effectiveness of MCS established for Correctional Services Reform Programme in MoJ and MoI. <p>The follow-up system was started:</p> <ul style="list-style-type: none"> on functioning of MCS established for Innovation Programme in MoE and LIDA. 	

	2.	Project audits	Assessed the expenditures which were incurred during the period from 01.01.2014 to 31.12.2014. One project audit was carried out covering 15 projects in total, from which: <ul style="list-style-type: none"> - 10 were from NGO Fund; - 2 were from Cultural Heritage Programme; - 1 was from Innovation Programme; - 1 was from Capacity-Building Programme; - 1 was from Correctional Services Reform Programme. Project audits have been carried out from 06.05.2015 to 17.12.2015.
	3.	AAR and Opinion	AAR and Opinion for the reference period from 01.07.2014 to 30.06.2015 were submitted to FMO on 28.12.2015.
	4.	Expert consultations	Several legal consultations from the experts in legal area were received when performing system and project audits.
4.Other entities (Procurement Monitoring Bureau)	Carried out: 1) ex-ante checks of 33 procurement procedures and made 64 conclusions (34 positive conclusions, 30 conclusions with objections) and 2) carried out ex-post checks of 6 procurement procedures, which were verified previously by 6 POs involved in programmes management.		
5.Entity responsible for irregularity reporting	All irregularities received from PO, CA and AA were reviewed. In total 40 reports (23 new irregularity reports and 17 follow-up reports) were submitted to FMO. The Irregularity Register maintained regularly.		

2.BUDGET OVERVIEW in EUR

Actual expenditure till 31.12.2015.	Planned expenditure till 31.12.2015.	Unused amount in EUR, %
1 027 178	1 125 550	98 372 EUR/ 8,7%
Disbursements till 31.12.2015.	Total TA budget	Absorption rate in %
953 874	1 459 000	65,38
Planned expenditure for 2016 (forecast of 17.09.2015.)	Planned expenditure for 2016 (forecast of 10.02.2016.)	Justification for changes, if any
367 586	248 411	119 175*

* The difference arose because some project's activities implementation moved from 2016 to 2017

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

Activity outsourced by national level institution	National entities	Value of the procurement EUR without VAT	Name of the provider
Media monitoring analysis	FP	16 380,00 EUR (2 280,00 EUR LV - 01)	Ltd "LETA"

Evaluation of the FMs system	FP	7 593,48 EUR	Ltd "Safega Baltija"
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4.STAFFING

National Focal Point – The Ministry of Finance				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Armands Eberhards	Head of FP, Deputy State Secretary of MoF	Main responsible authority of FP	1%	N
Diāna Rancāne	Head of EU Funds Monitoring Department	Overall management and monitoring of FMs' programmes in Latvia	10%	N
Diāna Atkauķe <i>from May 2012 till now</i>	EU Funds Monitoring Department, EEA, Head of Norway and Switzerland Projects Monitoring Division	Overall management and monitoring of FMs	80%	Y
Guntra Želve <i>from May 2012 till now</i>	EU Funds Monitoring Department, EEA, Norway and Switzerland Projects Monitoring Division, Deputy Head	Overall management and monitoring FMs (including Innovation Programme)	80%	Y
Gita Tenisone <i>from July 2012 till June 2014</i> Diāna Bremšmite <i>from June 2014 till October 2015</i> Aija Paleja <i>from October 2015 till now</i>	EU Funds Monitoring Department, EEA, Norwegian and Swiss Projects Monitoring Unit, Senior Expert	Management and monitoring of TAF activities (including NBF). Planning and monitoring of TAF budget (monthly/yearly)	50%	Y
Signe Gulbe <i>from July 2013 till now</i>	EU Funds Monitoring Department, EEA, Norway and Switzerland Projects Monitoring Division, Senior Expert	Management and monitoring of FM's programmes: NGO Fund, Cultural Heritage Programme and Correctional Services Reform Programme	100%	Y
Inga Vajevska <i>from May 2012 till now</i>	EU Funds Monitoring Department, EEA, Norway and Switzerland Projects Monitoring Division, Senior Expert	Management and monitoring of FMs' programmes: Climate Programme, Capacity-Building Programme and Research and Scholarships Programme	100%	Y
Solveiga Ozola	Director of EU funds Management system department	Supervision of department activities	1%	N

Alda Krieva	Deputy director of EU funds Management system department	Supervision of department activities	0,5%	N
Jekaterina Kapilova <i>from January 2012 till August 2014</i> Evita Loseva <i>from October 2014 till now</i>	EU Funds Management System Department EU Funds Legal Unit Legal advisor	Preparation of necessary amendments in national regulations regarding FMs. Provision of legal opinion on implementation and application of law and rules mentioned; on procedures and rules for implementation of FMs programmes and projects.	25%	Y
Gita Tenisone <i>from June 2014 till July 2015</i> Dita Tetere <i>from August 2015 till now</i>	Senior expert of EU funds Management system department	Development, coordination and amendment of national MCS; Monitoring of implementation of Programme MCS and submission to FMO; Coordination of risk management process; Analysis of MCS and system audit results and monitoring implementation of recommendations; other tasks related to MCS issues.	50%	Y
Natalja Lipina <i>from April 2014 till March 2015</i>	Senior officer of Finance and Maintenance Department	Carries out planning of TAF budget, financing plans, estimates, procurements. Prepares interim and annual reports. Participates in elaboration of regulatory documents.	15%	Y
Natalja Lipina <i>from April 2014 till now</i>	Head of Unit of Finance and Maintenance Department	Supervision of Unit activities	5%	N
Baiba Balode <i>from April 2014 till March 2015</i> Sintija Bērziņa <i>from September 2015 till now</i>	Deputy Head of Unit of Finance and Maintenance Department	Carries out planning of TAF budget, financing plans, estimates. Prepares interim reports and forecasts.	15%	Y
		Carries out planning of TAF budget, financing plans, estimates, procurements. Prepares interim reports and forecasts.	20 %	Y
Antra Bolgzde <i>from November 2011 till now</i>	Deputy Head of Unit of Finance and Maintenance Department	Carries out accounting (reports). Participates in elaboration of regulatory documents	20%	Y
Ilze Berga	Head of Unit/Chief accountant of Finance and Maintenance Department	Supervises Unit activities	3%	N
Laima Kalniņa	Senior accountant of Finance and Maintenance Department	Carry out accounting (reward, payments)	5%	N
Anta Freimane	Senior accountant of Finance and Maintenance Department		3%	N
Viktorija Grīnfelde	Head of Finance and Maintenance Department	Supervises department activities	5%	N

Ieva Pužule (Vilkaste) <i>from June 2014 till December 2015</i>	Senior officer of Communication Department	Coordinates FMs Communication Strategy; organises Communication Management group meetings, common activities and informative events for popularization of FMs; cooperates with media, ensuring information (press releases, news) and organisis media events	20%	Y
Edgars Putins <i>from November 2012 till now</i>	Leading IT administrator of Finance and Maintenance Department	Maintains web pages www.eeagrants.lv and www.norwaygrants.lv	10%	Y
CA – The State Treasure				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Karīna Zencova	European Affairs Department, Director	Participation in elaboration of amendments in legal documents, guidelines and system description, update of the internal procedures to ensure responsibilities of CA, verification and certification of IFRs, approval of the auditors' reports analysis, verification of prepared forecast of likely payment applications	25%	N
Anda Pudāne	European Affairs Department, Deputy director	Participation in elaboration of amendments in legal documents, guidelines and system description, update of the internal procedures to ensure responsibilities of the CA, verification of IFRs, analysis of the auditors' reports, preparation of the forecast of likely payment applications	30%	N
Inga Cīrule	European Affairs Department, Deputy director		30%	N
Regīna Uljanova	European Affairs Department, Senior officer		50%	Y
Audit Authority - The Ministry of Finance				
Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Nata Lasmane	Director of the EU Funds Audit Department – Head of the AA	To ensure overall management of AA. To supervise audits, including approval of the Overall audit strategy for every audit, approval of all audit reports, issuing opinions. To approve Single Audit Strategy for the whole FMs' period. To approve AAR annually on effectiveness of MCS. Issue Opinions annually on the basis of the controls and audits that have been carried out, as to whether MCS functions effectively.	1,5%	N

Olga Guza <i>from May 2012 till May 2015</i> Jeļena Keirāne <i>from November 2015 till now</i>	Chief Expert of the EU Funds Audit Department	Elaborate methodology of AA for carrying out audits and for preparation Single Audit Strategy and AAR. Manage compliance assessment audits and audits on effective functioning of MCS at the level of BS. Manage audits on effective functioning of MCS at the level of programmes. Perform risk assessment of the project in order to establish sample for auditing. Manage audits on the projects. Prepare and submit to FMO Single Audit Strategy, AAR annually on effectiveness of MCS. Prepare and submit annually to NFP annual audit plans.	50%	Y
Iļona Skorobogatova <i>from November 2012 till now</i>	Auditor of the EU Funds Audit Department	Carry out compliance assessment audits and audits on the projects. Carry out audits on effective functioning of MCS at the level of BS or at the level of programmes.	50%	Y
Svetlana Derjugina <i>from January 2015 till now</i>	Auditor of the EU Funds Audit Department		50%	Y
Jānis Gaišonoks <i>from June 2015 till October 2015</i>	Auditor of the EU Funds Audit Department	Participates in audits (in case of lack of human resources).	50%	Y

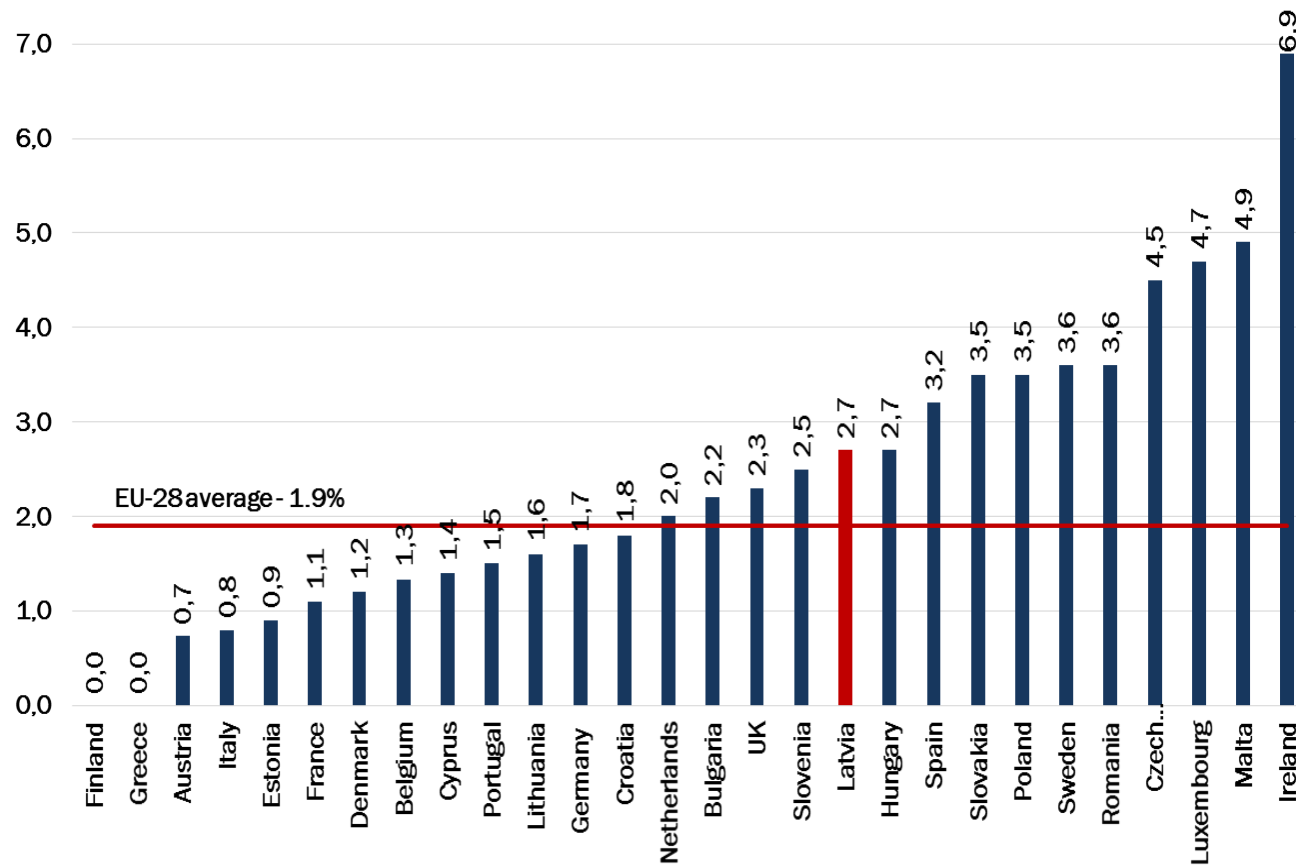
5.THE COMING YEAR 2016

National entities	Overview of the principal tasks planned to be implemented
1.FP	The principal tasks will remain the same as in 2015
2.CA	
3.AA	
4.Other entities (PMB)	
5.Entity responsible for irregularity reporting	Regular reporting will be continued in accordance with procedures set in the Regulation.

Annex 6.9 Economic background of EU, Latvia and cooperation with Norway

In 2015 the economic growth in EU continued at a moderate pace, accelerating to 1.9% in the first three quarters from 1.4% in 2014. The economic recovery was supported by low oil prices, the relatively weak exchange rate of the euro and accommodative stance of monetary policy. At the same time, negative factors including slower growth in China and other emerging market economies, the softness of global trade and high geopolitical tensions, were having a negative effect on growth. In 2016, the acceleration of economic activity is expected to be minor despite the supporting factors: GDP is forecasted to expand by 1.9%. Growth should pick up gradually in 2017 but this acceleration will depend largely on the rebound in investment. For the Latvian economy, the year 2015 has been a complicated but overall successful. Despite unfavourable external conditions, the economic growth increased up to 2.7 % compared to 2.4% in 2014 and exceeds the EU average growth rate by about 0.8 percentage points. In 2015, Latvian exporters overcame successfully the sanctions imposed by Russia and dealt with the decreasing demand in the neighbouring country, which experienced a recession. Although exports of goods to Russia decreased by 24.4%, Latvia is the only Baltic country, which has managed to increase the total amount of exports, which grew by 1.2%.

Chart 11 “Real GDP growth in the first three quarters of 2015 in EU (against the corresponding period of the previous year, %)”



Source: Eurostat

In Latvia, similarly to previous years, the largest contribution to the growth in 2015 was provided by domestic demand and sectors related to it, while exports were negatively affected by tense geopolitical situation, Russia's sanctions on food products produced in the EU as well as weak economic growth in the euro area.

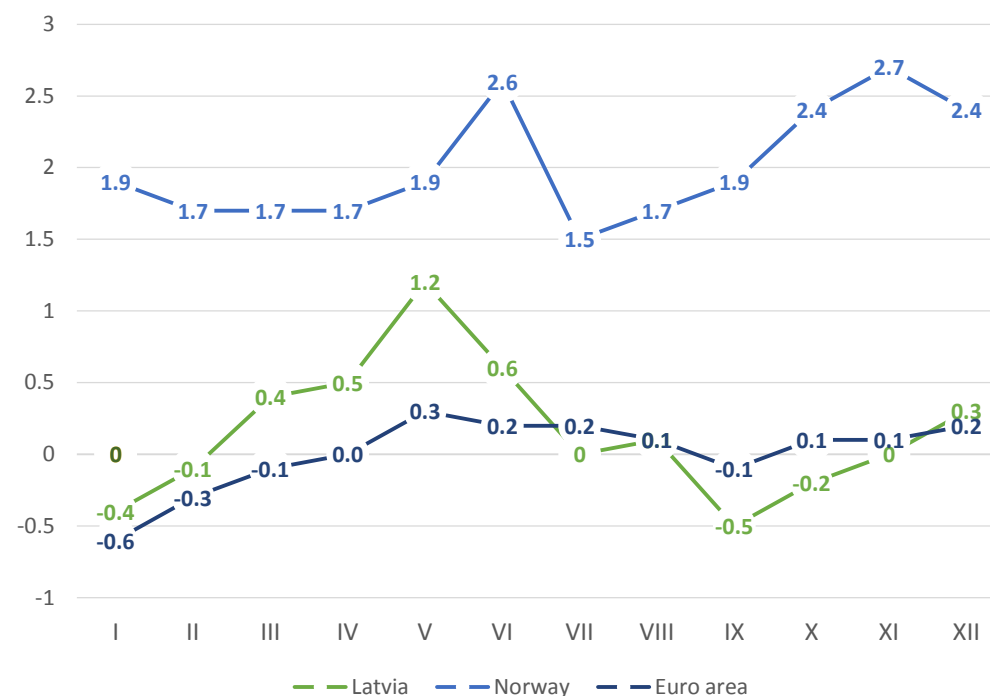
From the expenditure side, the main driver of Latvia's economic growth in 2015 has been private consumption that expanded by 3.3%. Strong growth was registered also in public consumption that increased by 3.1%, and investment growth resumed with a 2.6% increase. However, exports of goods and services developed weaker (+ 1.0%) due to geopolitical situation and exports drop to CIS countries.

From the production side, the largest contribution to GDP growth was provided by trade, manufacturing, real estate as well as agriculture and forestry sector. The accommodation and food service activities, as well as agriculture, forestry and fishing and arts, entertainment and recreation increased the most in 2015, - by 6.0%, 5.0% and 4.7% respectively.

In 2015, the value added declined only in two sectors - in construction - by 1.1%, and transportation and storage sector - by 0.1%, that was determined by economic situation in Russia and contraction of freight transit volumes via Latvia's ports.

Economic growth is related with inflation dynamics. In 2015, changes in consumer price level remained very moderate in Latvia, as a result of declining oil and unprocessed food prices in the world market. Inflation dynamics in Latvia, Norway and euro area is shown in the chart below. In December 2015 consumer prices in Latvia were by 0.3% higher than a year ago. Annual average inflation in 2015 was at a historically low level of 0.2%. Prices for goods decreased by 0.7% in 2015, while prices for services had an upward trend mainly due to price and wage convergence to the EU average level, and increased by 2.5%. In the euro area falling energy and food prices, as well as the weak economic growth that remained below potential contributed to further decrease in annual average inflation to 0.0% in 2015.

Chart 12 “Inflation rate dynamics in 2015, % (annual rate of change)”



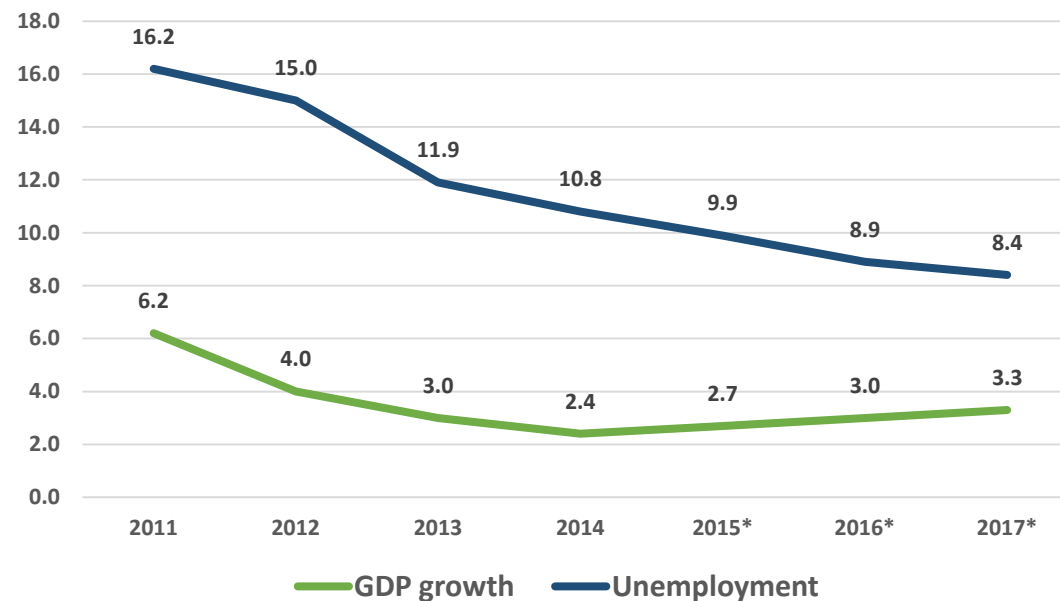
Source: Eurostat, Central Statistical Bureau of Latvia

The rapid economic growth of previous years continued to show up in rising earnings. The average gross wage in 2015 increased by 6.8% year on year, reaching 863 euro, while real wages grew by 7.4%, driven by low inflation and tax reduction on labour. In 2015 wages grew faster in the private sector where salary rose by 7.9%, while wages in the public sector increased by 5.2% year on year. The highest average gross wage still is recorded in Riga region - 925 euro, while the lowest – in Latgale region – 564 euro, demonstrating still evident regional disparities and challenges.

In 2015 the policy of lowering taxes on labour continued and personal income tax rate was decreased from 24% to 23%, while the minimum wage was raised to 360 euro. All these measures had a positive effect on real earnings, bolstering both domestic demand and private consumption, as well as business environment and investments thus reducing economic and social disparities between Latvian regions and EU. In 2016 the minimum wage is raised further to 370 euro.

Steady economic growth has a positive effect on the situation in labour market and according data of Chart 13 unemployment rates are decreasing since 2010. Following the noteworthy improvements in previous years, in 2015 improvements in the labour market slowed down a bit influenced by both lower economic growth rate and decline in the number of working age population. Still, the jobseeker rate in 2015 decreased to 9.9% - by 0.9 percentage point year on year, and was the lowest since the pre-crisis period.

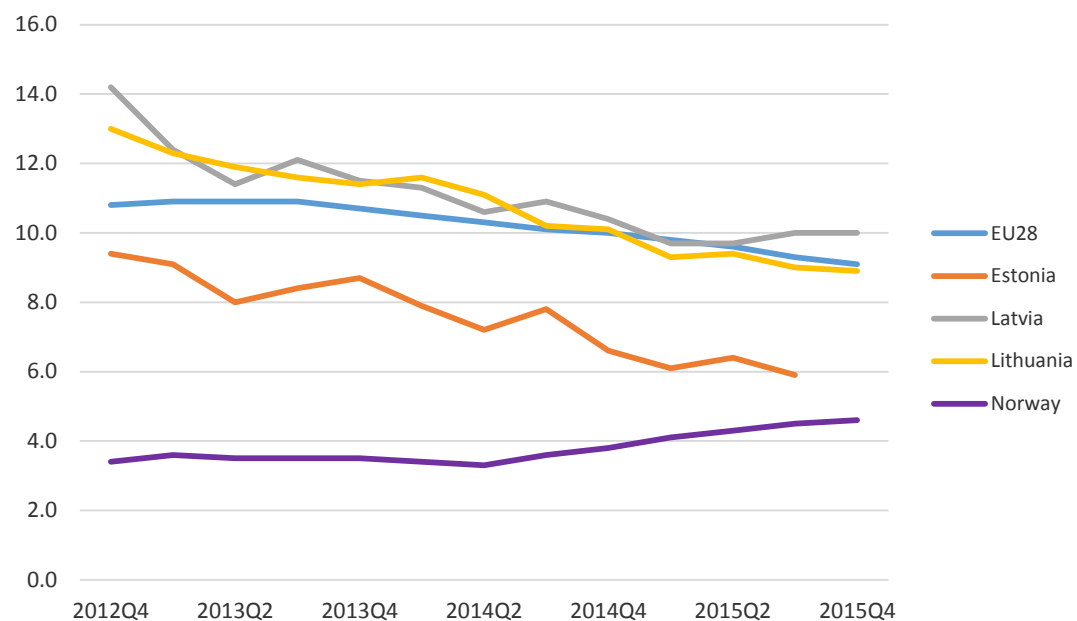
Chart 13 “GDP growth rate and unemployment dynamics in Latvia, %”



Source: Central Statistical Bureau of Latvia, Ministry of Finance forecast*

The registered unemployment rate has also been declining but at a significantly slower pace than before – from 9.0% at the end of January 2015 it has decreased to 8.7% at the end of December 2015. The highest unemployment rate still was registered in Latgale region – 18.5%, while the lowest – in Riga region - 5.4%. According to statistics data (see the Chart below) the unemployment rate in Latvia still is relatively high comparing to neighbouring countries, the EU average and Norway.

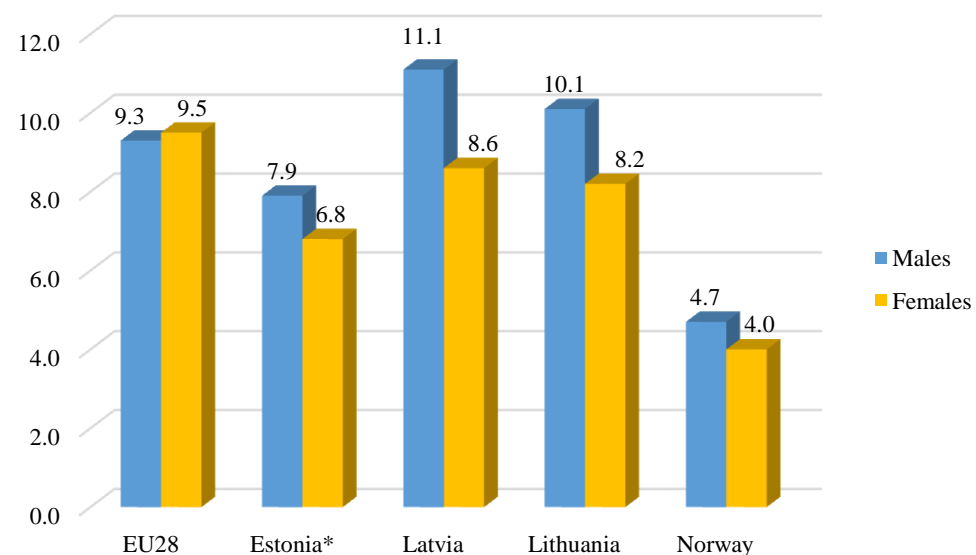
Chart 14 “Seasonally adjusted unemployment rate 2012-2015, %”



Source: Eurostat

Comparatively high unemployment is still related to cyclical factors, while features of structural unemployment are becoming more typical. Risk that part of current unemployed persons will not be able to find job in a longer term still remains, but is on a declining trend. In December 2015 the share of long-term unemployed persons (not working for more than a year) in the total number of unemployed persons accounted for 29.7%, having decreased from 33.0% a year ago.

Chart 15 “Unemployment rate by gender (2015, age 15 to 74 years), %”



Source: Eurostat * - Estonia - 2014

The statistics show (see the Chart above) that in Latvia and its neighbouring countries male unemployment exceeds female unemployment, while in EU28 in average the situation is reversed. In Norway unemployment is low for both genders, with a slightly higher rate for males.

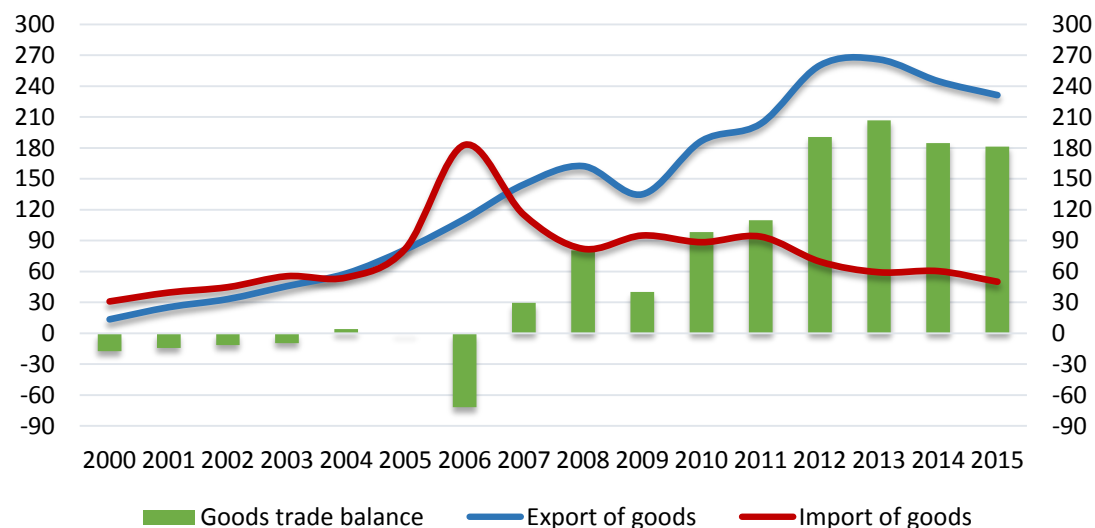
Main risks to Latvia's economic growth are still related to the geopolitical situation in the region and further slowdown of global economic growth. Other downside risks include consistently low investment level in Latvia as well as wage growth which exceeds productivity growth that could undermine Latvia's competitiveness. On the positive side, economic growth might be boosted by more rapid lending expansion and stronger economic growth in Latvia's main trade-partner countries. Upside risks also include ECB quantitative easing programme and the investment plan launched by the European Commission that could trigger faster economic growth in the EU than currently expected. As a result, economic growth is projected to be at 3.0% in 2016, accelerating to 3.3% in 2017 according to the latest Ministry of Finance of Latvia forecasts.

Economic cooperation between Latvia and Norway

Trade is important pillar of the economic relationship between our countries. Economic ties between Latvia and Norway have become noticeably stronger and tighter during the last decade, thus contributing to the development of the economy of Latvia. Exports of goods to Norway has flourished after the Latvia's accession to EU in 2004. Moreover, Norway is among the ten largest Latvia's export markets since 2006 and remains important investment partner.

Goods trade balance surplus remained almost unchanged in 2015, however both exports and imports value declined by 5.5% and 17.1% respectively if compared to the previous year. Norwegian Krone depreciation and protracted period of low commodity prices on global markets negatively affected Latvia's export development to Norway. Despite the export's decline in 2015, goods export value was 231.1 mln euro and with 2.2% share of total Latvia's goods exports value Norway was the tenth largest export market.

Chart 16 "Latvian and Norwegian foreign trade of goods 2000-2015, M EUR"

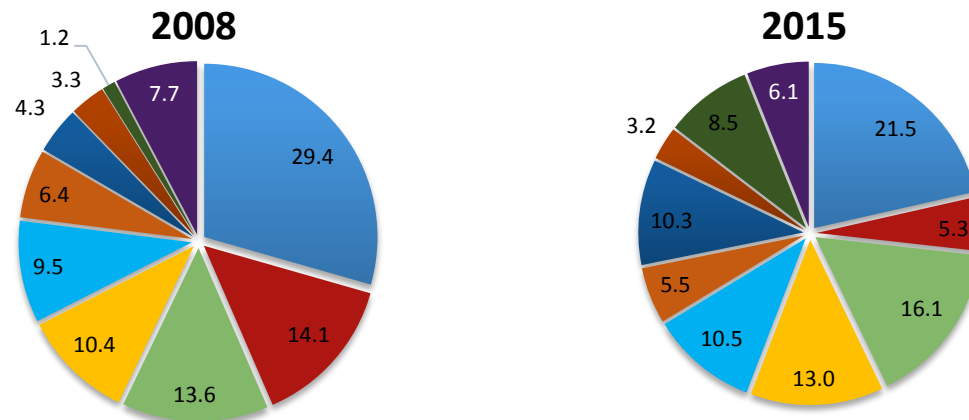


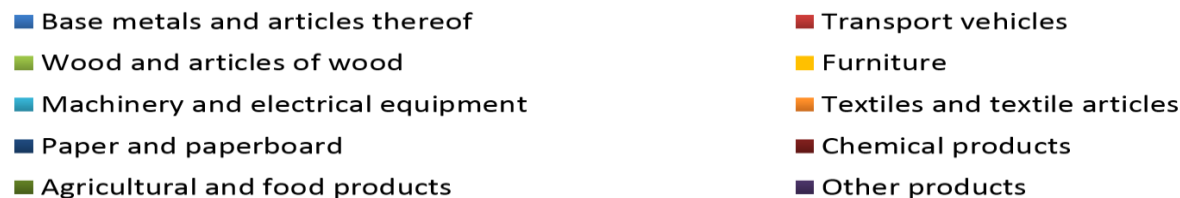
Source: Central Statistical Bureau of Latvia

In recent years, Latvia's commodity export structure to Norway became more diversified reducing the base metals and transport vehicles share in it. However, the base metals and article thereof with 21.5% share is still the largest commodity category in 2015. Due to the overproduction metal price decreased in the global markets and considerably constrained growth of metal industry in Europe overall, thereby metals exports value to Norway shrunk by 20.3% in 2015. Approximately three-fourths of total metal exports was articles of iron and steel.

The second largest export commodity category was wood and articles thereof with 16.1% share of total goods exports to Norway. Wood commodity category export value slightly decreased overall by 3.2% in 2015. It should be noted, however, that the highest decline was observed in fuel, as well as wood and timber exports, by 76.9% and 77.9% respectively. At the same time, high value added wood products such as particle board, plywood and builders' joinery and carpentry of wood showed steady increase. There are two more important export commodity categories, closely related to wood industry in Latvia, namely furniture and paper and paperboard. Furniture export value decreased by 5.8% in 2015, however the decline were compensated by the growth of paper and paperboard exports.

Chart 17 "Structure of exports, % of total exports of goods to Norway in 2008 and 2015"



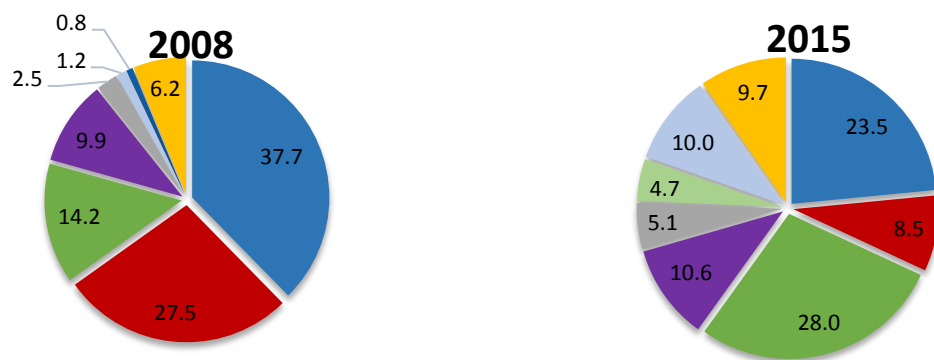


Source: The Central Statistical Bureau of Latvia

There were several rapidly growing commodity categories in 2015. The largest increase was observed in chemical products exports, which value went up by 62.5%, mostly due to the fertilisers, soap and other organic agents sharp exports increase. Considerable export value increase was observed also in textiles, machinery and electrical equipment and agricultural products, by 24.3%, 11.8% and 10.2% respectively.

Goods imports from Norway has been lower than exports contributing to positive Latvian trade balance with Norway since 2007. From 2005 until 2013, mineral products with 56.5% share on average was the largest imports goods category, but dramatic slump in 2014 by 40.9% reduced its share in total imports of goods to 24.7%. In 2015, mineral products continued to decrease, e.g., imports value fell by 21.4% compared to 2014.

Chart 18 “Structure of imports, % of total imports of goods to Norway in 2008 and 2015”

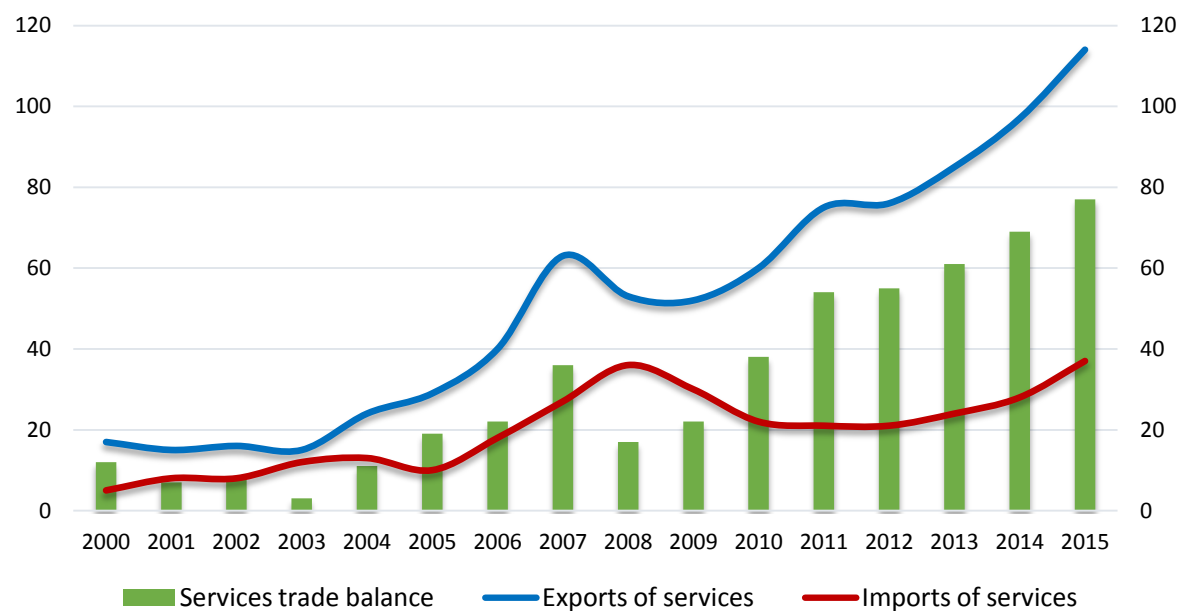




Source: The Central Statistical Bureau of Latvia

Total exports of agricultural and food products decreased by 11.5% mostly due to the fish and crustaceans imports value that in turn declined by 12.7%. At the same time, moderate imports value growth was observed in preparations of fish and meat and beverages. It should be noted that imports value decreased almost in all commodity categories. Only textiles and textile articles and transports vehicles categories achieved positive growth.

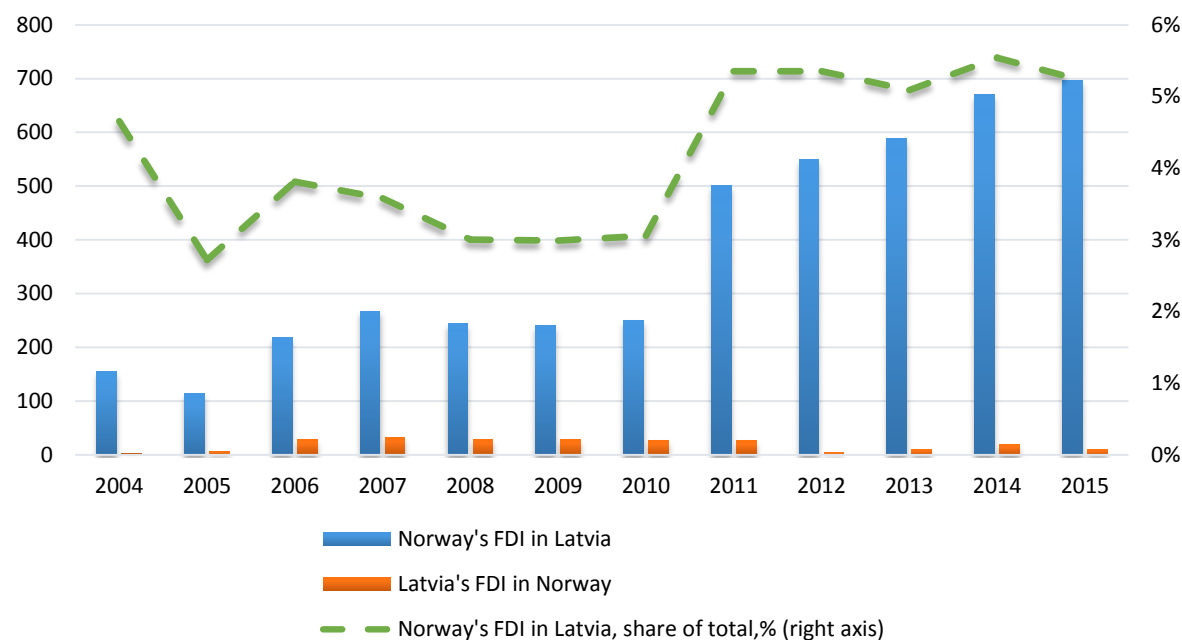
Chart 19 "Latvian and Norwegian foreign trade of services 2000-2015, M EUR"



Source: The Bank of Latvia

Since 2010, the value of services' exports to Norway grew very rapidly, on average by 14% per year. Despite the moderate and stable services exports growth to Norway, its share in total Latvian services exports remained relatively low – only 2.8% in 2015. As in previous years, tourism sector provided the largest part of services offered by Latvian companies.

Chart 20 “Foreign direct investment stock 2004-2015, M EUR”



Source: The Bank of Latvia

Norway was the sixth biggest foreign investor in Latvia by the end of 2015. Compared to 2014, inward foreign direct investment to Latvia increased by 4.1% and reached 696.7 mln euro. In terms of industry, the foreign direct investments structure is diversified. However, the leading industry, which attracted the highest Norway investors' attention, is financial and insurance industry.

Annex 6.10 Overall progress of programmes' outcomes and outputs

Annex 6.10.1 Outcomes` progress

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
1	2	3	4	5	6	7=6/5	8	9=6+8	10
LV05 Research and Scholarships									
Outcome 1: Increased higher education student and staff mobility between Beneficiary and EEA EFTA States									
Number of students with received ECTS credits	number	MoES	0	35	5	14%	61	66	Wil be measured based on projects' interim and final reports. PO considers that indicators will be overachieved.
Increased skills/competences of staff involved in mobility	number	MoES	0	22	5	23%	82	87	
Outcome 2: Increased higher education student and staff mobility between Beneficiary States and Norway									
Number of students with received ECTS credits	number	MoES	0	35	11	31%	43	54	
Increased skills/competences of staff involved in mobility	number	MoES	0	22	16	73%	82	98	
Outcome 3: Increased research cooperation between Norway and the Beneficiary States									
Number of joint publications authored by project participants from both BS and DS	number	MoES	0	38	0	0%	38	38	PO considers that indicators will be reached.

Outcome/Outcome Indicators	Measure-ment	Respon-sible institut-ion	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Outcome 4: Strengthened research capacity in the Beneficiary States and increased application of research results through research cooperation between Norway and the Beneficiary States									
Number of published international peer reviewed publications	number	MoES	0	40	0	0%	40	40	
LV06 Green Industry Innovation									
Outcome 1: Realisation of the business opportunities of greening of the European economy									
Number of environmental technologies or products successfully developed or adapted and implemented	number	MoE	0	15	4	27%	10	14	1 out of 15 project promoters was not able to arranged procurement of necessary equipment in time due to unforeseen conditions according to the national legislation. As the project promoter’s proposal for the project prolongation was submitted after 30 September 2015, the donor side it rejected; thus project promoter has refused to complete the project and it is terminated.
Estimated number of green jobs created	number	MoE	0	30	5	17%	25	30	<u>Risk:</u> Indicator’s forecast was based on projects promoters’ estimations and vill be measured according to provided information in projects final reports. Expected indicator value may not be achieved due to following obstacles: initially optimistic forecast of business development and previously unforeseen challenges in implementation in production of innovative product or technology thus making influence on establishment of green jobs.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Outcome 2: Increased green job creation and entrepreneurship									
Estimated number of green jobs created	number	MoE	0	30	0	0%	30	30	Risk: Indicator's forecast was based on projects promoters' estimations and will be measured according to provided information in projects final reports. Expected indicator value may not be achieved due to following obstacles: initially optimistic forecast of business development and previously unforeseen challenges in implementation in production of innovative product or technology thus making influence on establishment of green jobs.
Number of companies successfully commercialising their green business idea	number	MoE	0	10	0	0%	10	10	PO considers that indicator will be reached.
Number of companies accepted in incubator having received free pre-incubator services	number	MoE	0	10	10	100%	10	20	Already reached.
LV07 Capacity-Building Programme									
Outcome: Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development									
Increased satisfaction of customer/recipient/co unterparty of targeted institutions	%	MoEP RD	0%	10%	0%	0%	10%	10%	Methodology on assessment of achieved programme outcomes (methods for collecting and processing data, justification) will be finalised in 3rd Q 2016 and assessment is planned during 4th Q 2016.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Users satisfaction with local governments services increased	%	MoEP RD	0%	10%	0%	0%	10%	10%	PO considers that all indicators will be reached.
More strategic decisions based on coordinated planning system (multi-annual and multi-sectoral)	%	MoEP RD	0%	50%	0%	0%	50%	50%	
LV08 Reform of the Latvian Correctional services and police Detention Centres									
Outcome 1: Overcome challenges connected to growing prison populations and prison overcrowding									
The capacity of the prisons to be built/renovated with allocation from Norway Grants in accordance with CPT standards	number	MoJ	0	200	0	0%	200	200	The first inmates could be moved to Addicted centre of Olaine only 3rd Q 2016. PO considers that indicator will be reached.
Number of places at STDC/places of temporary keeping renovated (Pre-defined project No.3)	number	MoJ	0	348	330	95%	18	348	PO considers that indicator will be reached as renovation works in last STDC will be finished already in May 2016.
Proposals elaborated on the reduction/abolishment of existing practice in the application of the administrative arrest (Proposals for	number	MoJ	0	1	1	100%	0	1	Already reached.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
improvement of existing regulatory and legislative acts) (Pre-defined project No.3)									
Document provided that proves that 200 substandard places have been closed (Pre-defined project No.2).	number	MoJ	0	1	0	0%	1	1	Document will be provided, but it's planned that 150 out of 200 substandard prison places will be closed. One place in Addiction Centre means one place less of substandard prison places. <u>Risk:</u> Indicator will be reached partly as only 150 prisoners will be moved to Addicted centre, because staff training are delayed due to difficulties to find potential employees of Olaine prison and it's impossible to move in Addiction centre more prisoners than trained staff.
Number of substandard prison places in Latvia (Pre-defined project No.2)	number	MoJ	7796	7596 (200)	0	0%	150	150	
Document provided that proves that number of places for detainees has not been increased due to the renovation (Pre-defined project No.3)	number	MoJ	0	1	0	0%	1	1	Document will be provided until 31 August 2016.
Outcome 2: Increased application of alternatives to prison									

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Number of persons taking part in programmes as alternative to prison (Number of persons during the implementation of the project) (Pre-defined project No.1)	number	MoJ	0	260	81	31%	79	160	Risk: Indicator will be reached partly. 100 persons - clients of electronic monitoring, 60 persons - agreement between the clients involved in the companion programme and their volunteering companions. The project application was prepared on 2011 basing on statistics from 2010; since 2010 there have been some changes in Latvian criminal penalties and enforcement policy what resulted in decreasing of number of prisoners, thus initial forecasts were underestimated.
Number of participants in training activities (number of persons) (Pre-defined project No.1)	number	MoJ	0	893	1212	136%	0	1212	Already overreached.
Electronic monitoring system established (Pre-defined project No.1)	number	MoJ	0	1	1	100%	0	1	Already reached.
Outcome 3: Increased focus on vulnerable groups in prison									
Number of addicted prisoners taking part in re-socialization programmes (Pre-defined project No.2)	number	MoJ	0	210	0	0%	150	150	Risk: Indicator will be reached partly as only 150 prisoners will be moved to Addicted centre, because staff training are delayed due to difficulties to find potential employees of Olaine prison and it's impossible to move in Addiction centre more prisoners than trained staff.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Proportion of prisoners involved in the resocialization programmes who complete the treatment (Pre-defined project No.2)	%	MoJ	0	70	0	0%	70	70	Risk: Achievement of indicator depends on conditions regardless of the project promoter, the willingness of inmates to get involved in the programmes. It is difficult to forecast, but PO will try to achieve this indicator.
Proportion of prisoners involved in the programmes who do not complete the treatment and are returned to normal prison settings (Pre-defined project No.2)	%	MoJ	0	30	0	0%	30	30	
Proportion of prisoners from other parts of Olaine prison than the new block who participate in the resocialisation (Pre-defined project No.2)	%	MoJ	25	30 (5)	0	0%	0	0	Risk: The targeted value can not be reached because prisoners from other parts of Olaine prison have been transferred to other prisons because of the building works and will not be transferred back.
Outcome 4: Improved competences of both inmates and prison staff									
Number of staff in prison and short-term detention centers trained	number	MoJ	0	850	928	109%	67	995	Already overreached.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total achieved	Clarification
Number of inmates/detainees taking part in educational and/or work programmes	number	MoJ	0	96	0	0%	69	69	Risk: As it is planned to involve only 150 addicted prisoners, PO predicts that there could be indicative 69 inmates taking part in educational programme, learning of national language. Not everybody need to take a part in educational programme, because some of them already know the language.

1 - In case when baseline is set, the actual target to be achieved in the programme is difference between baseline and target value - indicated in the brackets.

Annex 6.10.2 Outputs` progress

Output indicators	Measurement	Responsible institution	Baseline	Target value according to Programme Agreement ¹	Achieved by 30.04.2016.	Actual progress by 30.04.2016. vs Target value (%)	To be achieved in 2017	Total expected achievement
1	2	3	4	5	6	7=6/5	8	9=6+8
LV05 Research and scholarships								
Number of mobility project (between LV and EEA EFTA States) <u>applications</u> received by PO NOTE: Indicator is not achieved because 15 applications instead of 35 anticipated applications were received	number	MoES	0	35	15*	43%	0	15
Number of mobile students as part of new or existing mobility agreements (between LV and EEA EFTA States)	number	MoES	0	35	5	14%	61	66

Output indicators	Measure-	Responsible	Baseline	Target	Achieved	Actual	To be	Total
Number of mobile staff (including teachers) as part of new or existing mobility agreements (between LV and EEA EFTA States)	number	MoES	0	22	5	23%	82	87
Number of mobility project (between LV and Norway) applications received by PO <i>NOTE: Indicator is not achieved because 18 applications instead of 35 anticipated applications were received</i>	number	MoES	0	35	18*	51%	0	18
Number of mobile students as part of new or existing mobility agreements (between LV and Norway)	number	MoES	0	35	11	31%	43	54
Number of mobile staff (including teachers) as part of new or existing mobility agreements (between LV and Norway)	number	MoES	0	22	16	73%	82	98
Number of cooperating research institutions within the programme <i>NOTE: Due to structural reorganization in University of Latvia, 2 project partners in research project "Technology transfer in the processing of mineral resources in earlier times" have become as one, thus number of cooperating institutions is lower than expected.</i>	number	MoES	0	36	35	97%	0	35
Number of international publications in preparation	number	MoES	0	40	17	43%	23	40
Number of PhD students and postdocs trained within the projects	number	MoES	0	20	24	120%	6	30
Percentage of female PhD students and postdocs trained within the projects	percentage	MoES	0	50	58	116%	67	67
LV06 Green Industry Innovation								

Output indicators	Measure-	Responsible	Baseline	Target	Achieved	Actual	To be	Total
Number of projects with innovative environmental technologies supported <i>NOTE: 1 out of 15 project promoters was not able to arranged procurement of necessary equipment in time due to unforeseen conditions according to the national legislation. As the projects promoter's proposal for the project prolongation was submitted after 30 September 2015, the donor side rejected project extension and thus project promoter has refused to complete the project.</i>	number	MoE	0	15	14	93%	0	14
Amount of private sector investments made in green industry projects supported	EUR	MoE	0	9 400 000	2 412 303	26%	6 486 607	8 898 910
Establishment of technology incubator	number	MoE	0	1	1	100%	0	1
Office space constructed and made available for the technology incubator <i>NOTE: Activity cancelled in 2015 by reallocating of grant for incubation (235 000 EUR) and pre-incubation (80 000 EUR) activities.</i>	m ²	MoE	0	1 800	0	0%	n/a	n/a
Number of green business models defined under free pre-incubation services	number	MoE	0	70	81	116%	72	153
Number of companies taken up in the incubator and supported under the small grant scheme	number	MoE	0	15	24	160%	0	24
LV07 Capacity-Building Programme								
Established networks for local authority cooperation and service quality improvement	number	MoEPRD	0	4	4	100%	0	4
Established data base for local service performance measurement	number	MoEPRD	0	1	1	100%	0	1
Drafting and updating of planning documents at a local, regional and national level	number	MoEPRD	1	60 (59)	69	117%	2	71
Number of state, regional and local authorities that have introduced territorial approach for investment planning	number	MoEPRD	0	25	29	116%	2	31

Output indicators	Measure-	Responsible	Baseline	Target	Achieved	Actual	To be	Total
Number of organized experience and knowledge exchange events	number	MoEPRD	0	15	37	247%	0	37
Strategic partnerships developed	number	MoEPRD	0	16	11	69%	7	18
LV08 Reform of the Latvian Correctional services and police Detention Centres								
Number of newly built prison blocks in Olaine (Pre-defined project No. 2)	number	MoJ	0	1	1	100%	0	1
Number or renovated buildings in Olaine prison (Pre-defined project No. 2)	number	MoJ	0	1	1	100%	0	1
Number of renovated STDC (Pre-defined project No. 3)	number	MoJ	0	10	9	90%	1	10
Number of renovated places of temporary keeping (Pre-defined project No. 3)	number	MoJ	0	11	11	100%	0	11
Number of STDC equipped (Pre-defined project No. 3)	number	MoJ	0	12	2	17%	10	12
Number of places of temporary keeping equipped (Pre-defined project No. 3)	number	MoJ	0	14	3	21%	11	14
Police convoy system revised	number	MoJ	0	1	1	100%	0	1
Decrease of average short-term detention (days)	number	MoJ	5	4 (1)	1	100%	0	1
Number of researches carried out (Pre-defined project No. 1)	number	MoJ	0	7	1	14%	6	7
Number of training events (seminars and supervisions) (Pre-defined project No. 1)	number	MoJ	0	72	108	150%	0	108
Number of re-socialization measures, which are: 1. Adjusted Minesota programme and subsequently the Norway Pathfinder programme; 2. Individual consultations; 3. NGO activities; 4. HIV/AIDS prevention; 5. Sports and Leisure activities; 6. Library; 7. Education (Pre-defined project No. 2)	number	MoJ	0	7	0	0%	7	7
Number of training topics developed, which are: Two re-socialization programmes for addicted prisoners; cognitive skills programme; RNA documentation; Prison staff training seminar materials and Penitentiary system's staff education program (Pre-defined project No. 2)	number	MoJ	0	6	6	100%	0	6

Output indicators	Measure-	Responsible	Baseline	Target	Achieved	Actual	To be	Total
Researches (Pre-defined project No. 2) <i>NOTE: Both researches will be combined into one</i>	number	MoJ	0	2	0	0%	1	1
Number of specialized courses (Pre-defined project No. 3)	number	MoJ	0	1	1	100%	0	1
Number of training programmes (Pre-defined project No. 3)	number	MoJ	0	2	2	100%	0	2
Strengthened institutions	number	MoJ	0	2	2	100%	0	2
Study visits to Estonia (Pre-defined project No. 3)	number	MoJ	0	2	2	100%	0	2
Number of participants involved in study visits to Estonia (Pre-defined project No. 3)	number	MoJ	0	15	30	200%	0	30
Number of training topics elaborated (Pre-defined project No. 1)	number	MoJ	0	7	8	114%	0	8

1 - In case when baseline is set, the actual target to be achieved in the programme is difference between baseline and target value - indicated in the brackets.