



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 2016***



**Riga,  
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## Glossary of Acronyms

**AA** – Audit Authority  
**AAR** – Annual Audit Report  
**BS** – Beneficiary States  
**CA** – the Certifying Authority  
**Capacity-Building Programme** – Programme LV07 “*Capacity-Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities*”  
**CC** – 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  
**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** - the Ministry of Interior  
**MoJ** – the Ministry of Justice  
**NBF** - Fund for Bilateral Relations at the National Level  
**NGO** – nongovernmental organization  
**OC** – open call  
**PA** – Programme Agreement  
**PBF** - Fund for Bilateral Relations at the Programme Level  
**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  
**R&D** – Research and development  
**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

**SMEs** – small and medium enterprises

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

## 1. Executive summary

According to the Article 2.2, Paragraph 1 of the Regulations MoF, acting as 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 2016*”. Before submission to the donor state according to the requirement set out in Paragraph 4 of Article 4.4 of the Regulations the Strategic Report was approved in the written procedure in March 2017 by the Monitoring Committee of the FMs. All comments and proposals received from the Committee were taken into account by updating the Report. It will be discussed during the Annual Meeting in April 2017.

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

In 2016 POs and PPs focused on active implementation of projects and bilateral activities, therefore 39 or 70% of all projects for the total FMs’ funding of 24.2 M EUR were completed by the end of 2016. The rest of projects (17) are expected to be completed by 30 April 2017.

We would like to highlight the following programmes’ results achieved by the end of 2016:

- **Industry innovations sector:** in total 10 selection rounds were launched by Incubator (5 in 2016). In the result 147 green business ideas received pre-incubation services and all 24 SGS’s supported companies received incubation services. Very fruitful cooperation with donor state institution Proneo was established in order to improve better pre-incubation and incubation services taking into account valuable Norwegian knowledge and experience. As well as 9 green technologies were introduced in production, thus greener technologies and products were introduced and facilitated in Latvian business environment;
- **Regional capacity building sector:** at local and regional level 71 planning documents were drafted or updated as well as 18 new strategic partnerships between Latvian and Norwegian local, regional and state institutions, culture, scientific institutions and NGOs were developed, thus facilitating continued cooperation, further transfer of Norwegian knowledge and best practices;
- **Justice sector:** in October an opening ceremony for the Olaine Addiction Centre was held. The new rehabilitation centre complies with European prison standards and requirements and it marks an important shift in the way the Latvian prison system administers drug/alcohol addiction treatment. It is highly appreciated valuable knowledge and expertise shared by Norwegian partners on drug resocialisation programmes within the Olaine Addiction Centre.
- **Research and Scholarships sector:** completed 16 out of 28 joint scholarship projects and commenced 11 joint research projects in health, social sciences and humanities, thus continuing facilitation of research-based knowledge development in Latvia and essential experience exchange between Latvia’s and donor state’s research and higher education institutions.

**Use of NBF and PBFs in 2016:** input into all 4 bilateral outcomes determined by the donor state - extent of cooperation, shared results, improved knowledge and mutual understanding, wider effects – were ensured to strengthen fruitful bilateral relations. The following strategic level activities at national and programmes’ level have to be highlighted:

- Under the NBF 2 events were supported: the 3<sup>rd</sup> Nordic Baltic Business Forum in November (Riga) which was a good occasion to mark the 25<sup>th</sup> anniversary of Nordic-Baltic cooperation and the Latvian-Norwegian Joint Seminar for Internal Auditors of Public Administration “*Performance management and performance audit in the Norwegian government administration*” in December (Riga), thus ensuring overtaking of the best practice from Norwegian counterpart’s experience and standards in the field of good governance;

- Conference “*European Economic Area (EEA) and Norwegian Financial Mechanism programme “Research and Scholarships”* in progress and mid term review” was held in October (Riga). The goal of conference was to review progress of research and scholarship projects implemented in close cooperation between Norway and Latvia, and to discuss ideas for further cooperation between scholars and academic staff. Conference brought together around 150 participants from Norway and Latvia which represented institutions administrating the FM and PP – researchers, academic staff and students;
- *Baltic Green Innovation forum* held in June (Riga) provided an opportunity to learn about trends and achievements in “green” innovations in the Baltics and informed about the funding opportunities for companies. In addition, Latvian companies were able to apply for B2B meetings to present their ideas and to initiate discussions on possible future cooperation with potential Norwegian partners;
- In November (Riga) the bilateral conference in the field of correctional services “*Preconditions of Effective Work of Correctional Services – Dynamic Security?*” was organized. During conference participants from Norway, Poland, Baltic States, Spain and Croatia shared their experience in dynamic security – how to identify what exactly is dynamic security, how to use it in correctional work and what resources are needed for reaching good dynamic security in prisons and probation area. The conference contributed to the exchange of information and conclusions, bringing together understandings prevailing in countries regarding various issues at places of imprisonment and probation;
- Contribution of Norwegian Association of Local and Regional Authorities - DPP of Climate Programme - was especially visible in pre-defined projects, particularly KS helped the PPs with searching of different experts from Norway to be invited at projects’ events and took active part in workshops devoted to synergies between pre-defined projects.

## **2. Assessment of the effect of the Grants**

### **2.1 Cohesion and relevant policy developments**

EU Cohesion policy and other foreign financial assistance are most important investment policies which make a relevant impact for Latvia. The macroeconomic disparities between the donor state, other more developed EU countries and Latvia clearly justifies the need for cohesion support.

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

Considering the size of FM to Latvia as well as the areas of support an impact to the Latvian economy would be difficult to measure, nevertheless the contribution of FMs is of great value both in financial (investment) terms in targeted priority areas as well as providing intangible value-added as mutual knowledge spill-overs and wide benefits stemming from strengthened bilateral relations in various sectors. FMO's procured *Review: The EEA and Norway Grants produce long-term impacts* also highlights that "our programmes are focused and customised to the needs of the BS, the priorities of the donors and aligned with national policy and wider European goals. The programmes both supplement and complement areas that are not covered by the EU Funds. In that sense our Grants are also filling a funding gap. This includes in particular, investments in the fields of justice and home affairs, support for civil society organisations and culture".

The programmes are important for development of a cohesive society in Latvia and promoting reduction of economic disparities. Economic background of EU, Latvia and cooperation with donor state are described in Annex 6.9. Many programmes will produce long-term impacts, especially in respective programme area, for example, Correctional Services Reform Programme. The potential for impact is seen as the greatest in programmes with specific focus as it is in Correctional Services Reform Programme, rather than attempting to address the full list of issues within a programme area. However, investments in green industry innovations and justice system also have the potential to deliver long-term socio-economic benefits. Each programme contributed to achievement of the FM's overall objective – reduction of social and economic disparities within the EEA – in its own focused and complementary way.

#### **Research and Scholarships Programme**

An intensive implementation of *Guidelines for the Development of Science, Technology and Innovation 2014-2020* aiming at the creation of stable research and developed human capital by 2020 and concentration of research among 20 strong research institutions by 2030 was ensured by MoES. The achievement of these aims is considered as a high importance, as competitiveness of national research institutions internationally, including for participation in the European research programmes would increase, so they could undertake research in areas crucial for Latvian economy and society.

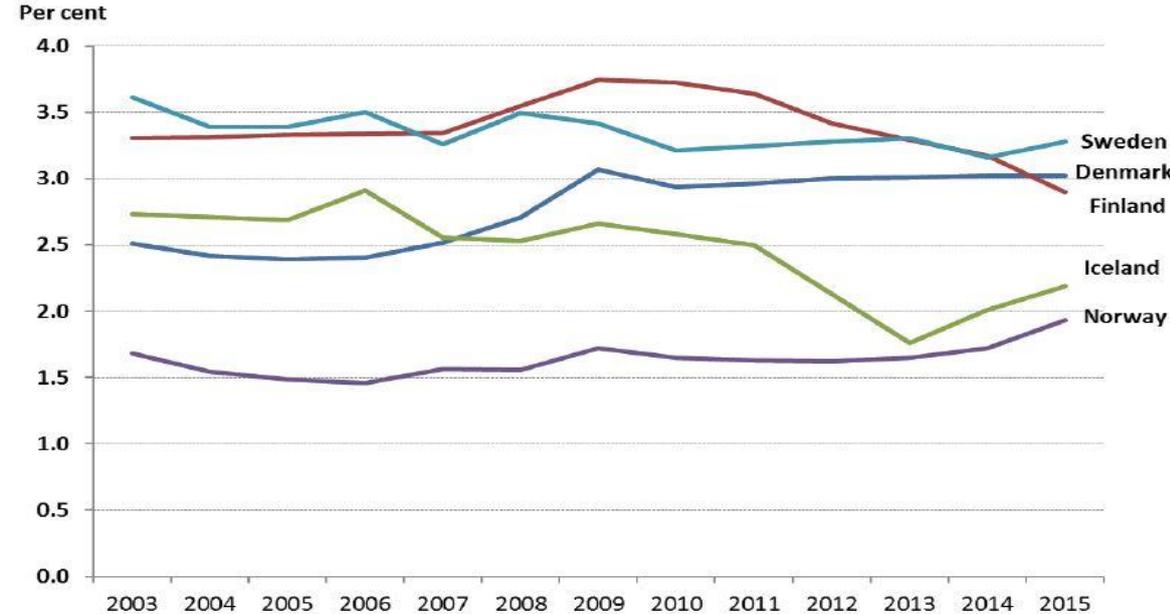
MoES has supported structural changes of the research institutions by allocating 11 M EUR from EU funds. In 2016, from 78 public and private scientific institutions registered in Latvian Register of Scientific Institutions 21 institution had received public funding. During 2014-2016 number of public funded scientific institutions was considerably reduced from 40 – in 2014 to 21 – in 2016. Additionally, merging of scientific institutions will be facilitated by the national regulations on allocation of base funding to the science stipulating that, starting from 2016, scientific institutions with low evaluation score would not receive the base funding from the state budget. Thus, scientific institutions with low evaluation score will be given the opportunity to be integrated in stronger scientific institutions facilitating both concentration of resources and establishment of critical mass (human capital and technology). The next assessment of Latvian scientific institutions will be performed in 2017.

EU funds' programming period 2014-2020 aim is to maximize their contribution to *the Europe 2020 Strategy* which defines three socio-economic goals for the EU to be followed during 2014-2020:



Expenditures on research and development in Europe is below 2% from Gross domestic product and the aim of *the Europe 2020 Strategy* is to increase investments in research and development to 3% of from Gross domestic product by 2020. Similarly to the EU, Norway has invested in research and development slightly below 2% - 1.9% of Gross domestic product (in 2015). Thus, Norway and EU has common challenge in the achievement of higher research and development intensity. Whereas, Latvia had set ambitious target for increase of investments in research and development from 0.62% (in 2015) to 1.5% of Gross domestic product by 2020.

Chart 1 Research and developments' share of GDP in the Nordic countries 2003-2015 (%)



Source: National R&D statistics

In order to implement the aims of *the Europe 2020 Strategy*, in Latvia under Action Programme “*Growth and Employment*” of EU funds it is planned to increase the research and innovative capacity of Latvian:

- *scientific institutions, and their capacity to attract external funding via investments in human resources and infrastructure* a support worth 120 M EUR for modernization of research infrastructure and strengthening of institutional and research capacity of 14 scientific institutions will be provided, thus increasing their competitiveness;
- *research institutions, and their capacity to attract external funding via investments in human resources and infrastructure* a support worth 64 M EUR for development of over 450 young scientists' skills will be provided, thus increasing their opportunities to commence career and to attract private investments.

While Latvia has made progress in reforming the higher education system, improvements have to be made also to vocational education (VET), training and mobility, particularly with respect to reforming curricula and setting up a regulatory framework for work-based learning in order to improve their quality and availability. *Erasmus+* programme provides various types of mobility in education and training from and to Latvia, for example, for school teaching personnel, higher education institution students, recent graduates and academic staff. Only *Erasmus+* in Latvia supports VET students and staff mobility (duration from 2 weeks to 12 month), as well mobility to higher education institutions (HEI) in EU Member States or the third countries. According to *ERASMUS+* data 1 384 HEI students and 1 036 academic staff used offer of mobilities support to 33 countries. There were approved 18 practise and learning mobilities for HEI students' to Norway (fields: art, agriculture, sports, law, medicine, history, business management and intercultural relations) and 3 - to Iceland (fields: tourism, intercultural relations).

There is no doubt that EU funds, *Erasmus+* programme and the FMs all have major impact on education and research sector in Latvia. The FMs specifics and value-added is in focus on the development of partnerships between Latvia and donor states. Thus the results of projects are useful for other countries and partnerships open up opportunities for further cooperation within the EU Framework Programme for Research and Innovation “*Horizon 2020*”. The synergy between research and scholarships projects has already facilitated further cooperation between Latvian and donor states' higher education and research institutions, for example, Riga Teacher Training and Educational Management Academy established a closer cooperation with Norwegian Arctic University and University of Oslo established in scholarship project “*Research-based Teaching of Language Acquisition*” implemented in synergy with research project “*Latvian language in Monolingual and Bilingual Acquisition: tools, theories and applications*”. It was decided to continue the joint cooperation in researches focusing on education and innovations in language acquisition as well as to look for opportunities to jointly participate in Horizon 2020 funding competitions. From PO's side, PPs were also encouraged to continue bilateral cooperation using PBF.

### **Innovation Programme**

Programme is oriented on increase of the competitiveness of already existing enterprises, promotion of development of new green enterprises and on contribution to the development of green innovative products and technologies. “*Green*” innovation is not just a fashion slogan, but one of the sustainability tools. NFM is one of these tools, which has contributed to development of “*green*” products and technologies not only in Latvia but as well as to all Baltic Region.

The key priorities of the programme area's responsible ministry – MoE – are: (1) Human capital development, (2) Transfer of innovations and technology, (3) Investments in infrastructure and (4) Business environment development that fully complies with the *Latvia's Smart Specialization Strategy* as part of the *Guidelines for Science, Technology Development and Innovation 2014-2020* aimed at increase of economic development through targeted support for research and innovation. As Innovation 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.

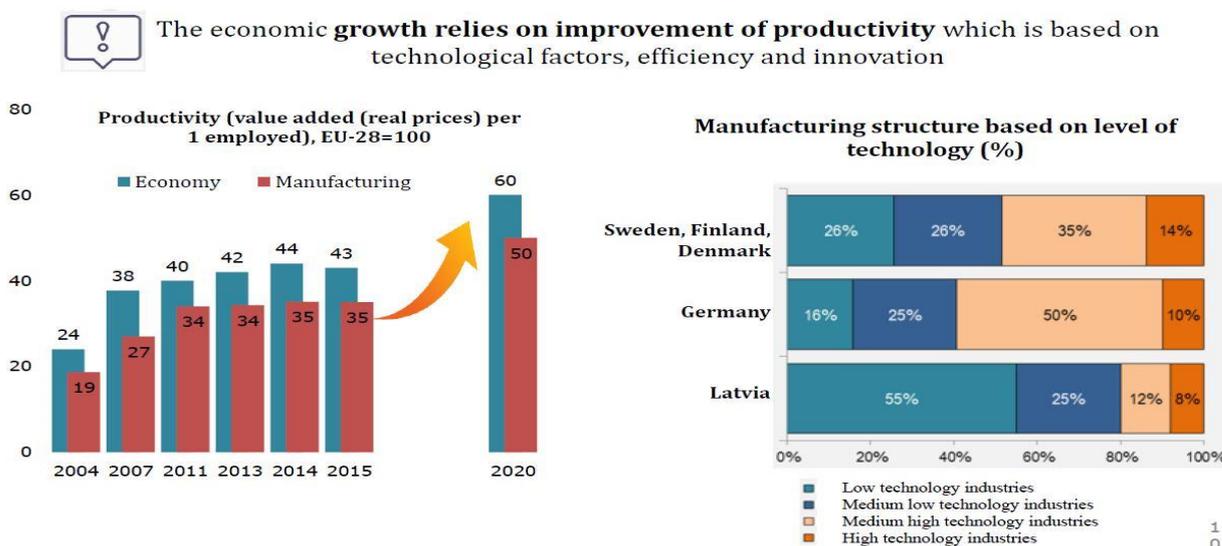
Programme has close synergy with economic development of Latvia which mainly is targeted on improving competitiveness advantages of SMEs and their export possibilities. In order to improve competitiveness of SMEs, the Government shall concentrate on solving of following the National innovation ecosystem’s challenges:

- low share of innovative and technology – intensive businesses;
- low level of private sector investments in R&D;
- lack of cooperation between scientific institutions and business;
- lack of technology transfer and commercialization capacity of the scientific institutions and weak linkage with similar institutions abroad.

Programme provides an important input for the National innovation ecosystem and helps to deal with above mentioned challenges. According to the EU *Eco-Innovation Index 2015* Latvia is ranked in 20<sup>th</sup> place out of 28 EU countries (75% of the EU average level). This index illustrates eco-innovation of the states by five dimensions: eco-innovation inputs, eco-innovation activities, eco-innovation outputs, resource efficiency and socio-economic outcomes. The relative strength of Latvia is socio-economic outcomes (109% of the EU average level) which includes such indicators as export of products from eco-industries, employment in eco-industries and circular economy and revenues in eco-industries and circular economy. The relative weakness of Latvia is eco-innovation inputs which consist of three indicators - Governments environmental and energy R&D appropriations and outlays, total R&D personnel and researchers and total value of green early stage investments. Progress of the business development in Latvia is noted in EU performed assessment *Doing Business 2017* – Latvia ranked at 14<sup>th</sup> place (+3 compared to previous year).

Programme is also aimed at fostering productivity improvement which is one of the essential factors of competitiveness of Latvian economy.

Chart 2 Productivity and Manufacturing structure based on level of technology

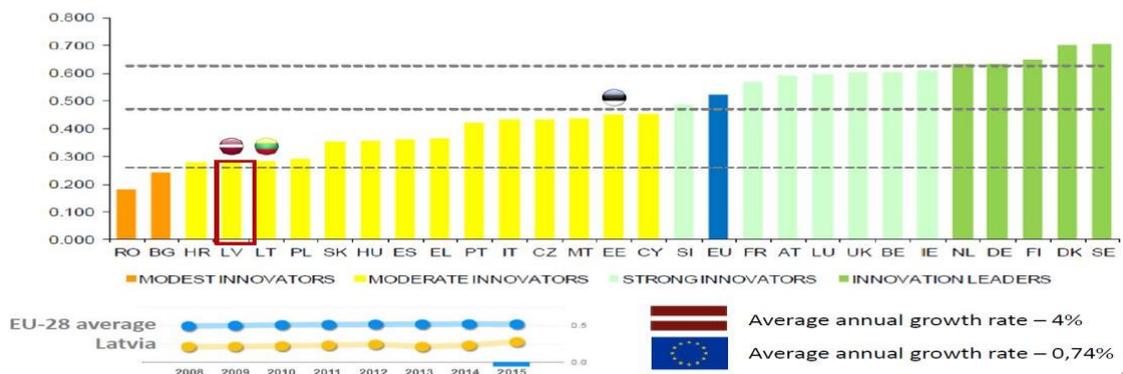


According to EC report "*EU Innovation scoreboard 2016*" Latvia:

- has become the fastest growing innovator with 4% average annual growth rate in period 2008-2015 (43% in 2008 to 54% in 2015) comparing to EU average (0.74%), and occupies 25<sup>th</sup> place out of 28 countries;
- joined group of Moderate Innovators (innovation performance between 50% and 90% of the EU average), however the innovation performance is still well below the EU average.

Improvements of Latvia's innovation performance are demonstrated also by the *Global Innovation Index Research 2016*<sup>1</sup>, 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 34<sup>rd</sup> place between 128 countries (Norway – 22, Estonia – 24 and Lithuania – 36).

Chart 3 EU Innovation Index 2016



Relative strengths of Latvia in comparison with other EU Member States are *Non-R&D innovation expenditures* and *Venture capital investments*. In comparison with the previous period, the fastest development in Latvia can be observed in the following areas: *Linkages and entrepreneurship*, *Open, excellent and attractive research systems*. The poorest progressing areas in Latvia are in *Public-private co-publications* and *License and patent revenue from abroad*.

Improvements of Latvia's innovation system are greatly fostered by implementation of EU Funds 2014-2020 what foresees investments for facilitation of innovations (193.5 M EUR) and competitiveness of SME's (237 M EUR). Additionally the MoF has set ambitious goal – Latvia as No 1 start-up destination in the Baltic region. The first step to reach this goal was important changes affecting the political environment – development of new *Start-up Law* (effective from 1<sup>st</sup> January 2017). The next steps are oriented on improvement of access to finance (mostly by EU Funds); tax support (including change of *Micro-enterprise Tax Law*, effective from January 2017); support for attracting high-skilled workforce and smart immigration. At this stage any judgements related to impact of these changes on results of the Innovation programme are premature, but it could be foreseen that these legal changes will foster further operation of the enterprises which received Incubator's pre-incubation and incubation services.

However, the positive impact of Innovation Programme is already recognized as quite essential. This impact could be divided in two parts – environmental and socio-economic. The positive environmental impact is related with reduction of energy and raw material consumption, boosting use of recycled materials and energy efficiency, reduction of GHG emission and heat emission, decrease of amount of landfilled waste and increased environmental, “green” awareness etc. The positive socio-economic impact is related with:

- additional funding for enterprises providing new or significantly improved and greener equipment/technologies, including for export markets, (SGS and OC projects);
- clients of Incubator (pre-incubation and incubation) have paid in taxes 2.5 M EUR in 2015 thus fully covering invested NFM's and state budget funding in Incubator;
- reduction of production costs thus increasing productivity;
- reduction of maintenance costs through new equipment compared to outdated equipment;
- decreasing amount of environmental taxes paid by enterprises as production process got greener;
- creation of new job places.

<sup>1</sup> Global Innovation Index 2016, Research published by the World Intellectual Property Organization

Innovation Programme will have a positive effect on reduction of economic and social disparities in EEA by stimulating smart 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.

### **Capacity-Building Programme**

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

- 1) *Sustainable Development Strategy 2030* which defines the long-term development priorities and spatial development perspective;
- 2) *National Development Plan 2014-2020* which aims at promoting balanced and sustainable development in Latvia ensuring Latvia’s competitiveness among other EU countries;
- 3) *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.

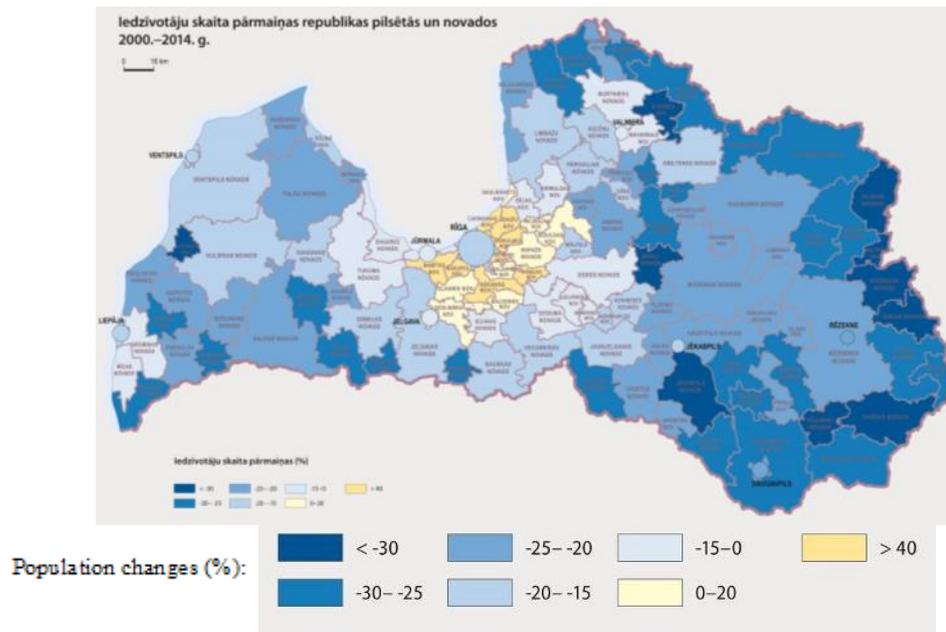
In 2016 substantial contribution to the achievement of goals set in the above mentioned documents and programme’s outcome “*Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development*” were provided by:

- 1) strengthening planning regions’ and municipalities’ capability via numerous trainings regarding integration of nature protection requirements into municipal development planning documents and state aid conditions in municipal entrepreneurship support’s projects as well as the promotion of regional entrepreneurship, public services, effective communication and teamwork;
- 2) raising competitiveness of Latvian authorities at national, regional and local level by taking over the best practices of Norwegian institutions, thus implementing approaches already performed and proved as effective;
- 3) elaborated or updated local and regional planning documents promoting targeted and purposeful investment in the development of business and infrastructure.

The main long-term challenges for Latvia in regional development continued to be relevant in 2016 as well. One of the dominant issues remained depopulation which is caused by low birth rate accompanied with population ageing. Population forecast for Latvia is quite dramatic – according to EUROSTAT forecast population in Latvia from 2013, when it was 2.024 M, will keep decreasing steadily till 1.880 M in 2020 and 1.635 M in 2030 showing a fall to 80.8% in 2030 comparing to 2013.

Study done in the Development planning pre-defined project approved that only Riga Metropolitan Area has positive population dynamics while other municipalities, including Riga itself, has been depopulating. The most rapid depopulation in 2000-2014 years has been observed in Latgale region, especially in the territories located directly along the Eastern border.

Map 1: Population changes in Latvian regions in 2000-2014



Norway and Latvia has common challenges when it comes to well-balanced and sustainable development of country, as both countries has one of average lowest population density and accessibility in Europe, especially in northern part of Norway and in Latvian case – in the eastern part of Latvia. Moreover, both countries are urban meaning that in Norway 80% of population lives in the cities and in Latvia – 67% (according last data of 2015 from World Bank). There are many reasons for depopulation – undeveloped infrastructure, lack of workplaces, dissatisfaction with general living conditions, etc. Depopulation challenges in remote areas were analysed in more details in Regional policy pre-defined projects’ report on rural and remote areas of Norway. Report proposes a review of some of the most relevant rural and regional policy instruments, covering topics such as assessment of sectoral policies and elaboration of support measures. The report also analysed Norwegian good practices in developing support measures for remote and underdeveloped areas. Report together with recommendations which were discussed among Norwegian experts and representatives from ministries of Latvia, planning regions and municipalities will be used to prepare proposal for *Latvian regional policy* content after 2020.

It is worth to mention that the Development planning pre-defined project made a tremendous contribution addressing to sustainable management of Latvian coastal area by the development of the *National Long-term Thematic Plan for the Coastal Area of Baltic Sea* and its approval by the CoM in November 2016. Coastal areas are environmentally sensitive ecosystems which are rich in biodiversity and economically important to human activities, supporting employment, generation of renewable energy, ect., therefore the thematic plan complies with the following EU policies developed with the aim to provide a coherent approach to sustainable protection, use and management of marine and coastal resources:

- 1) *2002 Recommendation on Integrated Coastal Zone Management (2002/413/EC)* which defines the principles of sound coastal planning and management;
- 2) *Integrated Maritime Policy* which supports the sustainable development of seas and oceans and develops coordinated, coherent and transparent decision-making whilst achieving good environmental status as set out in *Marine Strategy Framework Directive (2008/56/EC)*;
- 3) *Maritime Spatial Planning Directive (2014/89/EU)* which requires EU Member States to take into account land-sea interactions in maritime spatial planning and to deliver the improved coordination and sustainability of socioeconomic activities taking place in marine areas.

## Correctional Services Reform Programme

The number of prisoners in Latvia continued to reduce as in the end of 2016 there were 4 230 prisoners (for comparison around 5 050 prisoners in 2010), therefore it was possible to continue to deepen the substantive resocialization work with the prisoners and to introduce additional rights for certain groups, for example, a pilot project for foreign inmates was started to ensure the communication with their families via SKYPE.

With support from Norway, Latvian authorities are working to improve drug prevention and treatment programmes in the prison system. Norwegian partners have shared knowledge and expertise on drug resocialisation programmes.

Although drugs are banned in prison, the number of drug users in Latvian prisons has increased. According to figures released in a study from 2010, 66.1 % of prisoners have tried drugs prior to imprisonment, while 17.8 % of prisoners have used drugs in prison. Not only does this undermine any meaningful attempts at rehabilitation, it also increases the risk of reoffending significantly. One of the underlying factors is a lack of drug prevention strategies and treatment programmes provided to prisoners struggling with drug abuse or addiction problems in the Latvian prison system. To address these shortcomings, a new rehabilitation centre – the Olaine Addiction Centre – for drug addicts have been constructed with support of NFM's programme. The new centre is constructed as part of Olaine Prison. Since the opening of the Olaine Addiction Centre it is able to accommodate up to 200 prisoners, and offers treatment programmes for inmates with drug or alcohol-related problems. To ensure the implementation of resocialization programmes in Latvia, the amendments to the Latvian Penalty Execution Code were done in 2016.

PP is thankful for the input provided by the donor project partners: “Norway has set an example for us, and has been a valuable source of advice. We strongly believe that the focus of two programmes we are implementing – therapeutic activities and resocialisation – is a key to success,” says Maris Luste, Project Manager from the Latvian Prison Administration.

Furthermore, there are evident spill-over effects and long-term impact from NFM's programme since in 2016 work on designing a new prison in Liepaja was started by the use of knowledge gained through planning the Olaine Addiction Centre regarding therapeutic community model in serving one's punishment and work done by the staff of the imprisonment. It will be one of the most important infrastructure objects in last ten years within the Latvian prison system financed by the state budget. In order to complement, build on and put in the best use the gained infrastructure and soft resocialisation knowledges, there will be two European Social Fund projects implemented within next 6 years aiming at adopting the best practices of the resocialization in order to raise the professional capacity of the prison and probation` staff and to foster the integration of former prisoners in society and labor market. According to the data of MoJ 40% of former prisoners, who are registered as job seekers, have got a primary education, 25% - secondary and only 1% have got a higher education, which show the necessity to improve the resocialization of prisoners.

With one of the highest imprisonment rates in Europe<sup>2</sup>, Latvian prisons are characterised by severe overcrowding and bad conditions. Not only this undermines any successful attempts at rehabilitation, it can also increase the risk of re-offending. An underlying factor is the lack of alternatives to imprisonment and specific programmes for juvenile offenders. To address these shortcomings, the Latvian State Probation Service has been working with three Norwegian partners - Ila Detention and Security Prison, Norwegian Mediation Service and Oslo Probation Service – to develop alternatives to imprisonment, introduce new methods of training for prison staff and establish specific programmes for juvenile offenders. In many European countries, the use of ES has become an accepted alternative to imprisonment and a recognised solution that

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<sup>2</sup> European Prison Observatory 2015//

<http://www.prisonobservatory.org/alternatives/ALTERNATIVES%20TO%20PRISON%20IN%20EUROPE.%20LATVIA.pdf>

ensure successful attempts at rehabilitation and lower incarceration rates. The ES` project is the first of its kind in Latvia, and as the public opinion still strongly favours imprisonment as a method of sanction, a „back door model” was introduced in August 2015, facilitating a gradually lead from imprisonment to freedom. The Latvian State Probation Service has placed an emphasis on developing the capacities of prison staff and change their attitudes and behaviour towards the prisoners. With help from Ila Detention and Security Prison in Norway, the staff has been introduced to motivational interviewing – a counselling approach aiming to motivate inmates to change their behavior and reduce the risk of re-offending.

Several changes were made in legislation regarding the pre-defined project “*Improving the standard of police detention centers*” with an aim to improve the conditions of detained persons:

- *Law on the Procedures for Holding the Detained Persons*;
- CoM Regulations “*Procedures for the placing and holding of persons at the places of temporary keeping and the requirements for equipping of such places*”;
- CoM Regulations “*Regulations regarding the list of objects permitted for the storage in the cell of the Short-term place of detention*”.

Also the technical condition of short-term detention centers and places of temporary keeping was improved, thus reducing the differences between Latvia and other countries of EU. In addition positive conclusions were received from the Council of Europe admitting that improvements of conditions are in line with international human rights requirements.

## 2.2 Bilateral relations

### NBF

By the end of reporting period **98.7% 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	32.0%
International seminar in Justice and Home affairs (fall 2013)	13`428	3.7%
8 activities within “ <i>Riga – the European Capital of Culture in 2014</i> ”	108`646	29.8%
Activities within “ <i>Latvian presidency of the Council of the EU 2015</i> ”: 1.Conference “ <i>Smart Specialization Strategy: New Approaches for Partnerships among Education, Research and Industry in Regions</i> ” (12-13 February) 2.Conference “ <i>Deinstitutionalization practices and further development of European social care policy</i> ” (15 June) 3.Public campaign „ <i>My Baltic Sea 2015</i> ” and “ <i>Multi – media Performance</i> ” (26 May – 28 June)	112`584	30.9%
Participation in conference “ <i>Developing trends in combating corruption, money laundering and recovering criminal assets in Europe</i> ” (October 2015)	1`486	0.4%
Supported Norwegian lecturer’s participation in the <i>Nordic Baltic Business Forum</i> (2 November 2016) <sup>3</sup>	1`500	0.4%
Latvian - Norwegian Joint Seminar for Internal Auditors of Public Administration “ <i>Performance management and performance audit in the Norwegian government administration</i> ” <sup>4</sup> (19-20 December 2016)	5`339	1.5%
<b>Leftover</b>	<b>4`913</b>	<b>1.3%</b>
<b>Total:</b>	<b>364`750</b>	<b>100%</b>

<sup>3</sup> The forum website: <https://www.facebook.com/NordicBalticBusinessForum/> and information about forum in the Norwegian Chamber of Commerce in Latvia website: <https://www.nccl.lv/en/events/nordic-baltic-business-forum-2016>

<sup>4</sup> Information about seminar in the Ministry of Finance of the Republic of Latvia website: <http://www.fm.gov.lv/en/news/53915-public-administration-auditors-to-uptake-the-best-practice-from-norway> and <http://www.fm.gov.lv/lv/galerija/fotogalerija/268-valsts-parvaldes-auditori-apgust-norvegijas-labako-praksi/>

Two events were performed in 2016:

1) Proposal from Embassy to co-finance the Nordic Baltic Business Forum (Forum)

On 2<sup>nd</sup> November the 3<sup>rd</sup> Forum took place in Riga bringing together important Nordic and Baltic entrepreneurs, economists and representatives of the public and private sectors. The Forum served as a platform to share best practice, facilitate future cooperation and increase the competitiveness of businesses in the region. The participants shared experiences on such topics as future consumers and market trends, innovation strategies, sustainable business development and change management. The Forum was possibility to highlight Latvian business relations to the Nordic countries, future development prospects as well as best practices in Nordic-Baltic cooperation. As well as Forum was a good occasion to mark the 25<sup>th</sup> anniversary of Nordic-Baltic cooperation what was celebrated widely in 2016.

From NBF was supported participation of Norwegian lecturer's PhD Anne Grethe Solberg which performed lecture – *“Build your career and develop as leader: Innovative leadership and self-empowerment”*. PhD Solberg is one of the most recognized Norwegian lecturer and consultant of leadership, named “Consultant of the Year” 2012 and author of several books.



*Norwegian lecturer's PhD Anne Grethe Solberg presentation in the Nordic Baltic Business Forum*

Anne Grethe Solberg's presentation inspired a lot of the Forum's participants, what is shown in the feedback from the survey: 26% of responders gave a very positive feedback on her lecture, there are some examples – *Inspiring, touching, the best speaker of an entire event; Special thanks for inviting Anna Grethe Solberg to this event; Most inspiring presentation, several personal lessons learned after the presentation; Brilliant, great leadership inputs, great life story, entertaining speaker - easy to remember afterwards, unlike a few of the others; Anne Grethe Solberg No 1; Extremely brilliant, interesting topic!; Anne Grethe was brilliant, brilliant, brilliant!*



*FP ensured several visible publicity measures (infographics on FM's programmes, FM's logos on screen, balloons) in the Forum.*

- 2) Proposal from the Internal Audit Department of the MoF to organize **Latvian - Norwegian joint seminar** “Performance Management and Performance Audit in the Norwegian Government Administration” (Audit seminar)

Two day (19<sup>th</sup>-20<sup>th</sup> December) Audit seminar took place in Riga aimed at competence building measures in close cooperation with Norwegian partners in field of good governance by overtaking best practice from Norwegian counterpart’s experience and standards. This activity complies with FM’s principles like good governance, transparency, accountability and zero-towards corruption set in Article 1.6 of the Regulation. The seminar was attended by respective donor state institutions – Ministry of Finance of Norway, Norwegian Government Agency for Financial Management and Research Council of Norway.



*Participants of Latvian - Norwegian Joint Seminar for Internal Auditors of Public Administration*

During seminar the discussions were held on following topics – practical experience of Norway in coordinating the reforms within the scope of effective governance and financial management; combining budget planning and fulfilment processes; application of financial management methodology; measuring of operation; organisation of internal audit work; financial and effectiveness audits and feasibility assessments. Thus gained Norwegian experience and best practice exchange contributed to improvement of internal audits performance’s quality and raising of internal auditors’ qualification in the Latvian public administration. Audit seminar fostered improved knowledge and mutual understanding between Latvian and Norwegian responsible institutions in internal audits methods and techniques in financial management audits. This activity served as a pilot project for the establishment of close and long term cooperation between the Latvian MoF and Norwegian partners (MoF of Norway and Norwegian Government Agency for Financial Management).

However, there are some unallocated financing from the occurred savings (4 913 EUR or 1.3 % of total funding) still available within NBF. In order to achieve more results of the Latvian and Norwegian bilateral cooperation, FP submitted (by letter dated 3<sup>rd</sup> March 2017) for the donor states approval two additional bilateral activities for implementation in 2017, which are agreed with Embassy and already acceptance from FMO has received:

- 1) “**Inter-Municipal cooperation between Trondheim and Daugavpils: Munch meets Rothko in Daugavpils**” (2 413 EUR), initiated by Embassy.  
It is planned to cover travel and accommodation costs of the Norwegian experts of the Trondheim Art Museum and costs of Informative brochure on Munch’s artwork (the Implementer – the Latvian Association of Local and Regional Governments in cooperation with Daugavpils Mark Rothko Art Centre);
- 2) **Discussion “Making the case for quality journalism in the post-truth world” at the Conversation Festival LAMPA** (2 500 EUR), initiated by the Ministry of the Foreign Affairs of Republic of Latvia. Planned discussion would be organised in cooperation with the Norwegian Institute for Journalism and feature panellists (leading minds in journalism) from

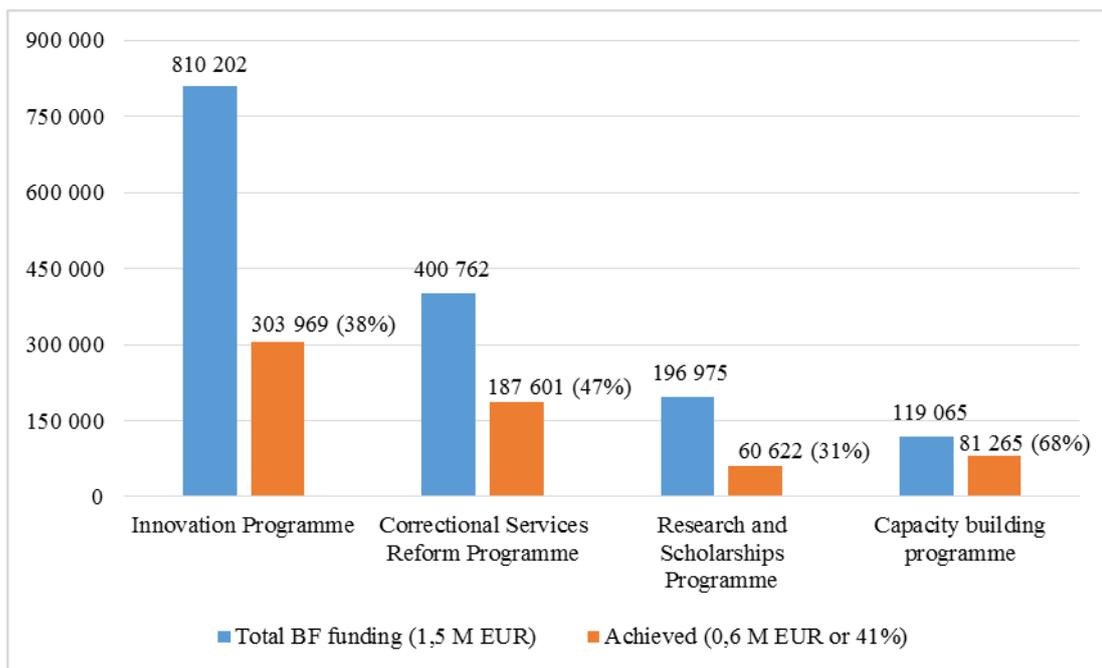
Norway and the Baltic States. It is planned to cover participants' travel and accommodation costs and moderator's fee.

## PBF

A lot of bilateral activities were performed during the reporting period. In most of the programmes leftovers from the completed or terminated projects were reallocated to PBF (agreed with DPPs and respective amendments made in PAs) in order to facilitate achievement of the programmes' bilateral indicators and to strengthen bilateral relations between Latvia and donor state, which was the one of reasons of lower absorption rate than expected – 41% which fluctuated from 31% in Research and Scholarships Programme till 68% in Capacity Building Programme.

Please see in chart below the absorption rate of each PBF till 2016.

*Chart 4 The absorption rate of each PBF*



It should be admitted that in 2016 most of PPs concentrated on actual project implementation activities to complete projects in due time, also POs main activities were related with project monitoring activities, including on-spot checks, verification of project reports and performance of payments, thus there were no such interest from PPs side to involve in bilateral activities; as well as POs struggled with capacity issues to obtain project monitoring activities with planning and organising of PBF's activities.

In some programmes, for example Research and Scholarships Programme, main challenge for POs was a lack of interest from PPs side in PBF's measures as projects are already bilateral and donor state's partners are involved in core project activities (joint research, mobility to donor state's universities). Nevertheless, PO had promoted possibilities of PBF to PPs via every-day communication channels, seminars and meetings, including approval of more simplified requirements for application to PBF funding, PPs interest didn't rise dramatically, for example in Research and Scholarships Programme.

As well as one of the reasons of low PBFs' absorption is lack of donor state's partners as all 15 BS are looking for donor state simultaneously to involve them in bilateral activities, this situation will be actual in 2017 as most of bilateral activities are planned in 2017. Thus in 2017 will be continued close cooperation in planning and implementation of bilateral activities at programmes' level between PPs, POs, DPPs, FP and Embassy which will communicate regularly in order to discuss the gained experience in PBF, to advise in searching for possible bilateral networking,

skill sharing and knowledge exchange, to plan involvement of entities from Latvia and donor state, ect., thus fostering effective usage of PBFs.

Regardless of efforts of all involved parties in fostering bilateral activities, there is a high probability that rest 59% of PBF financing will not be totally used till the end of 2017. Summary on donor partnership projects in Latvia can be found in Annex 6.3 of this Report. Whereas, summary information about the measures implemented and progress achieved at programme level in reporting period divided into 4 types of strengthening bilateral relations results please find in the table below:

*Table 2 Strengthening bilateral relations results achieved 2016*

<p><b>1. Extent of cooperation</b></p> <p><b>Innovation Programme</b> – at programme’s level during CC meeting (12-13 May) in Bergen PO established useful contacts with the Norwegian Centre for International Cooperation in Education, Bergen Chamber of Commerce and the Bjerknnes Centre for Climate Research.</p> <p>8 Latvian start-up delegation study tour to <i>Oslo Innovation week 2016</i> was organized to participate in event “<i>Green Capital: Drivers of the Energy Market</i>”. The event combined as a seminar and matchmaking provided a unique opportunity for gathering with investors and growth companies within Cleantech field, organized by the Oslo Renewable energy and environment cluster (OREEC). Goal of participation in the Oslo Innovation week was promotion of formation of cooperation networks of Latvian enterprises in the Norway, as well as presentation (in pitching format) of the innovative business ideas of their enterprises to the potential cooperation partners.</p> <p><b>Capacity-Building Programme</b> – cooperation was promoted through established 18 new strategic partnerships (1 – in 2015 and 17 – in 2016) among local, regional and state institutions, municipal and other culture and science institutions and NGOs from Latvia and Norway. The scope of cooperation areas is very wide including culture, refugee issues, local democracy, science, tourism, local craftsmanship, innovations, entrepreneurship, int.al. social entrepreneurship, young entrepreneurs etc.</p> <p>Cooperation between PPs and Norwegian Association of Local and Regional Authorities (KS) has been improved as well. KS has provided guidance for the Development planning project when searching for different experts from Norway to be invited for taking part at the project events in Latvia.</p> <p>A cross-programme cooperation within Development planning pre-defined project was carried out as DPP of Climate programme – Norwegian Environment Agency – took part in experience exchange event (17-19 October) with presentation regarding management of public waters in Norway. During experience exchange event the representatives from 6 Latvian municipalities, Vidzeme planning region and MoEPRD also visited Norwegian Water Resources and Energy Directorate, KS, Spydeberg and Askim municipality where they got information about Norwegian projects in the area of public water management and protection of environment, licensing rules on water usage for electricity production and flood prevention through risk reduction measures. The gained knowledge will help the municipalities in future development of their public water management system and plans.</p>
 <p><i>PBF event at the Norwegian Environment Agency</i></p>
<p><b>2. Shared results</b></p> <p><b>Innovation Programme</b> – LIDA and Incubator in cooperation with Norwegian incubator – Proneo organized bilateral event FieldTest: Norway (in Trondheim 24- 25 October) – it was organized as 2 day-workshop for 5 Latvian start-ups to obtain strategic network of Norwegian green industry leaders, R&amp;D experts, provide tailor-made specific knowledge and expertise to accelerate quicker growth of start-ups, as well as give specific insight about Norwegian market.</p> <p><b>Capacity-Building Programme</b> – Oppland County as donor state partner in 3 of 4 pre-defined projects</p>

shared its experience, comments and recommendations during elaboration of methodology for integrating nature protection plans into development planning documents at local level. In addition to that, Nature conservation pre-defined project and Oppland County established a strategic partnership for further transfer of experience, knowledge and best practice.

**Research and Scholarships Programme** – representatives from Latvia participated in discussion seminar “Cooperation between forerunner and follower countries in CCS (Carbon Capture and Storage) Research: The Example of Norway and the Czech Republic” in Czech Republic (on 14 November). The aim of the seminar was to share and discuss experience from Czech-Norwegian and international cooperation in CCS research, involving countries with different levels of research and development, national support and perception of urgency.

Closure event of the Polish Scholarships Programme in Warsaw (on 25 November) was a great opportunity to learn more about different education’s projects and online courses created in Poland and how to integrate research in education’s programmes. Polish PO also shared experience on usage of the PBF during the event.

On a project level, shared results are reflected in joint publications within Research activity, or bilateral cooperation by exchange of academic staff or students within Scholarship activity.

Research project “*Cancer derived extracellular vesicles: function and clinical applications in prostate cancer*” recently delivered joint publication “*Diagnostic, prognostic and predictive value of cell-free miRNAs in prostate cancer: a systematic review*” in which the following conclusion was made: prostate cancer, the second most frequently diagnosed cancer in males worldwide, is estimated to be diagnosed in 1.1 M men per year. Introduction of prostate-specific antigen (PSA) testing substantially improved early detection of prostate cancer, however it also led to overdiagnosis and subsequent overtreatment of patients with an indolent disease.

**Correctional Services Reform** – sharing results were ensured within the joint final 3-days conference “*Four Forms of Offender Rehabilitation - Towards an Interdisciplinary Model*” organized by the State Probation Service and Latvian Prison Administration in December, during which 7 workshops were organized with different topics like *how to solve the addiction problems in prison environment, involvement of community in work with young offenders, interinstitutional cooperation, modernization of penal system* and others. The conference was well represented as specialists from Norway, Poland, Estonia, Georgia, Scotland and USA shared their knowledge and experience on rehabilitation and other topics.

Besides that, in May a visit to Norway of representatives of five NGOs took place with the purpose to learn about NGO activities and involvement in solving resocialization issues in Norwegian places of imprisonment and shortly after the release of prisoners. In total, five representatives went on the experience exchange visit.

### **3. Improved knowledge and mutual understanding**

**Capacity-Building Programme** – since the pre-defined projects are addressing different aspects of common challenges at state, regional and local level, PO organised 3 seminars devoted to synergies within pre-defined projects. The last one held on 29 April and was devoted to exchange of experiences on similar and different regional development challenges in Latvia and Norway and discussion on possible ways of overcoming them as well as worked in two groups discussing improvement of public services’ provision and promotion of entrepreneurship.



*Participants at the “Synergy” seminar on 29 April*

In 2016 PPs and their target groups tackled not only various Latvian local, regional and national level challenges but also matters that are relevant on European level like refugee crisis. For example, Latvian delegation (within Smart governance pre-defined project) consisting of representatives of local and state institutions, and PP of Smart governance pre-defined project (10-13 May) visited Norwegian institutions - Norwegian Ministry of Justice, Integration Directorate, NGO association Frivillighet, Education Quality Assurance Agency, Norwegian association of Local and Regional Governments and Gjevik municipality - to learn more about Norwegian system for reception and socio-economic inclusion of asylum seekers. The knowledge gained as a result of the event has been and will continue to be used and transferred to institutions which did not participate in the event at public and expert level discussions about these issues

in Latvia.

**Innovation Programme** – *Baltic Green Innovation Forum* (14-15 June, in Riga) provided great platform for wider audience and specific Cleantech audience to be informed about climate change and significant impact of environmentally friendly technologies to mitigate further climate changes. The wide audience was reached through newspapers, magazines, online media, TV and street digital screens, thereby contributing visibility of Norway grants. The forum provided an opportunity to learn about trends and already achieved in "green" innovations in the Baltics, raised the need for R&D that is the basis for innovation, as well as informed about the funding opportunities for companies in EU scale. In addition, the companies were able to apply for B2B meetings to present their ideas and to initiate discussions on possible future cooperation with potential Norwegian and Baltic partners. Significant number of Norwegian and Baltic companies attended the event with a goal to finding new business opportunities and new partners. According to the results of the forum survey, 50% of the respondents considered the forum was organized very well, while 25% referred to the organization of the event as excellent. 95% of the respondents considered that the acquired information would be useful in the future.

**Research and Scholarships Programme** – first 13 scientific publications in 11 research projects with participation of scientists from Norway are already prepared and published. Work together on researches and scientific publications will deepen knowledge of Latvian and donor states' scientists and will ensure shared results on specific research issues.

Latvian researchers have gained international experience in fundamental research, while Norwegian researchers have admitted that work of Latvian partners is very efficient and disciplined, and this is a virtue to take over. Academic staff and students involved in project "*Mobility project between higher education institutions of Latvia and Norway in the field of art and design*" admitted, that during study in Norway they gained experience that significantly differs from Latvian educational system, because Norwegian students have greater freedom in choice of study courses, private working places, teachers rarely involved in study process, etc. Latvian Academy of Arts is currently improving their curriculum based on Norwegian knowledge and teaching methods. As best example, here could be mentioned mobility of student from University of Latvia (Faculty of Natural Sciences) during which she not only studied migration and learned about new methods on how to study migration with qualitative research methods, but also gained knowledge on social developments through "gender lenses" and good examples of academic cooperation. A 3rd year undergraduate student of Latvian Arts Academy underlined that during her mobility to Bergen University she gained valuable knowledge about digital weaving methodology, setting sketches and composition in a more efficient way, helped her teacher to make illustrations for his book and visited a factory of weaving.

**Correctional Services Reform Programme** – there were a lot of trainings during which representatives of the Norwegian correctional services trained Latvian colleagues, e.g. training of the Olaine Addiction Centre` employees led by representatives of *the Oslo Prison* and *the Correctional Service of Norway Staff Academy (KRUS)*, as well as *the Norwegian International Mediation Service* and *the Oslo Probation Service* lectures for employees of the Latvian State Probation Service. Priceless results were gained through specially organized experience exchange visits to Norway for three groups of the Olaine Addiction Centre`s employees. These visits were structured as the final (graduation) visits within the training course. It is expected that representatives of the Oslo Prison will visit the Olaine Addiction Centre throughout the whole next year to increase knowledge, share experience and give emotional support to employees, thus ensuring the mutual understanding in the field of resocialization.

#### **4. Wider effect**

**Capacity-Building Programme** – instead of planned 16 strategic partnerships 18 were reached (1 – in 2015 and 17 – in 2016) by signing partnership contracts/cooperation statements within 4 pre-defined projects among local, regional and state institutions, culture and science institutions, and NGOs in following areas: culture, matters related to refugee settlement, local democracy, science, tourism, support for local craftsmanship, innovations, entrepreneurship, social entrepreneurship, young entrepreneurs, methods of inter-municipal cooperation, reception and integration of asylum seekers, etc.



*Affirmation of mutual cooperation interests between 7 Latvian and 4 Norwegian municipalities on 29 March 2016*

**Innovation programme** – a novel business support programme Climate Launchpad was established in 2014 to help European green business ideas grow to scalable clean-tech start-ups. Well received in 30 countries, the initiative has become the world’s largest clean-tech business ideas programme in only 3 years. Climate Launchpad 2016 at Latvian level was organized by Incubator in cooperation with Norden – Nordic Council of Ministers’ Office in Latvia. In result 2 of TOP 3 finalists (1st and 3rd place) are ideas from Incubator.

**Research and Scholarships Programme** – partners from donor states are involved in all 37 projects. At least 10% of all existing partnerships will be continued after the programme, for example, Art Academy of Latvia (AAL) will continue existing cooperation with Bergen Academy of Art and Design (KHiB) by providing mobility of students and staff. It is noted, that KHiB is planning to donate two looms to AAL, when moving to a new building, as well as providing opportunity for AAL student to finish her bachelor’s theses and diploma work. At this time using student private funds. While scientists of project “Cancer derived extracellular vesicles: function and clinic applications in prostate cancer” together with Norwegian project partners have submitted joint project application “Nanotechnology and Nanovesicles: Joining forces for prostate cancer precision diagnostics” in ERA-NET EuroNanoMed 3rd call.

Norwegian researchers had an opportunity to explore situation in Latvia and the Baltics in so-called “blind spot” areas, e.g., medieval history. It is noted that partners from both sides plan to wider cooperation by attracting research teams from Lithuania, Estonia, Sweden and Finland, to continue research on iron and flint deposits.

Results achieved were shared to stakeholders during PPs’ specific area events and international conferences. For example, project “EU policies impact to the transformations of the higher education and research system in Norway and Latvia” researcher M.Elken gave presentation “Failures in the context of soft policy coordination of higher education policy in Europe” at the European Consortium of Political Research conference in Prague on 7-10 September 2016.

Project “Latvian language in monolingual and bilingual acquisition: tools, theories and applications” compiled their conference papers and publications into a book “Children language in Latvia in 21st century, Vol.2”. Authors of the book emphasizes the necessity of knowledge how to promote development of child speech and overcome difficulties in learning language, as well as basic development criteria are presented, based on research results. Book itself is a guideline for teachers, speech therapist, scientists and parents to follow up speech development of children.

**Correctional Services Reform** - significant growth of cooperation within the programme as indicated by the conference “Preconditions of effective work of correctional services – dynamic security?”, which took place in Riga in November and was widely represented by colleagues from the correctional services from Norway, Lithuania, Estonia, Poland, Spain and Croatia. The aim was to identify what exactly is dynamic security, how to use it in correctional work, what resources are needed for reaching good dynamic security in prisons and the probation area, as well as – is it the only precondition for effective correctional work and how to measure effective correctional work. The conference gave a chance to cover large audience of experts and discuss the dynamic security forms in different countries. It contributed to the exchange of information and conclusions, bringing together understandings prevailing in countries regarding various issues at places of imprisonment and probation. A great deal of support in fostering bilateral cooperation was given by Steinar Egil Hagen, the Norwegian Ambassador to Latvia, who invited Latvian and Norwegian representatives of state institutions, including correctional services, to attend informal events, thus strengthening the cooperation ties between Norway and Latvia.

Also the meeting of the Ministers of Justice of Latvia (*Dzintars Rasnacs*) and Norway (*Anders Anundsen*) took place in Norway in May. The purpose of the visit was to strengthen cooperation between both countries and bilateral relationships on the level of the NFM and policy-making, forming strong foundations for further

cooperation between Latvia and Norway in the field of justice by fostering the cooperation in long term and extending shared understanding as to the common goals in the systems of correctional services. Also Latvian Ambassador to Norway Indulis Abelis participated in this meeting, thereby gaining an insight into the scope of the programme and its objectives. It should be mentioned, that this meeting also market the programme`s priorities for the FMs 2014-2021 period, as for the Justice programme now has the clearest vision on its implementation and PO together with DPP is ready to begin it as soon as the Memorandum of Understanding will be signed.

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 states**, 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 altogether 8 pre-defined projects within 3 programmes - Innovation, Capacity-Building and Correctional Services Reform - from which 4 projects will be still on-going in 2017. Incubator provided pre-incubation services for 147 approved (out of 153 or 96%) green business ideas and provided incubation services for all 24 approved SGS's projects. Within Capacity-Building Programme 3 out of 4 pre-defined projects were finished and significant contribution towards strengthened capacity of municipalities and planning regions were ensured 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, etc. 1 out of 3 Correctional Services Reform Programme's projects were completed, while 2 of them will be still ongoing until the end of April 2017.

##### SGS/OCs's projects

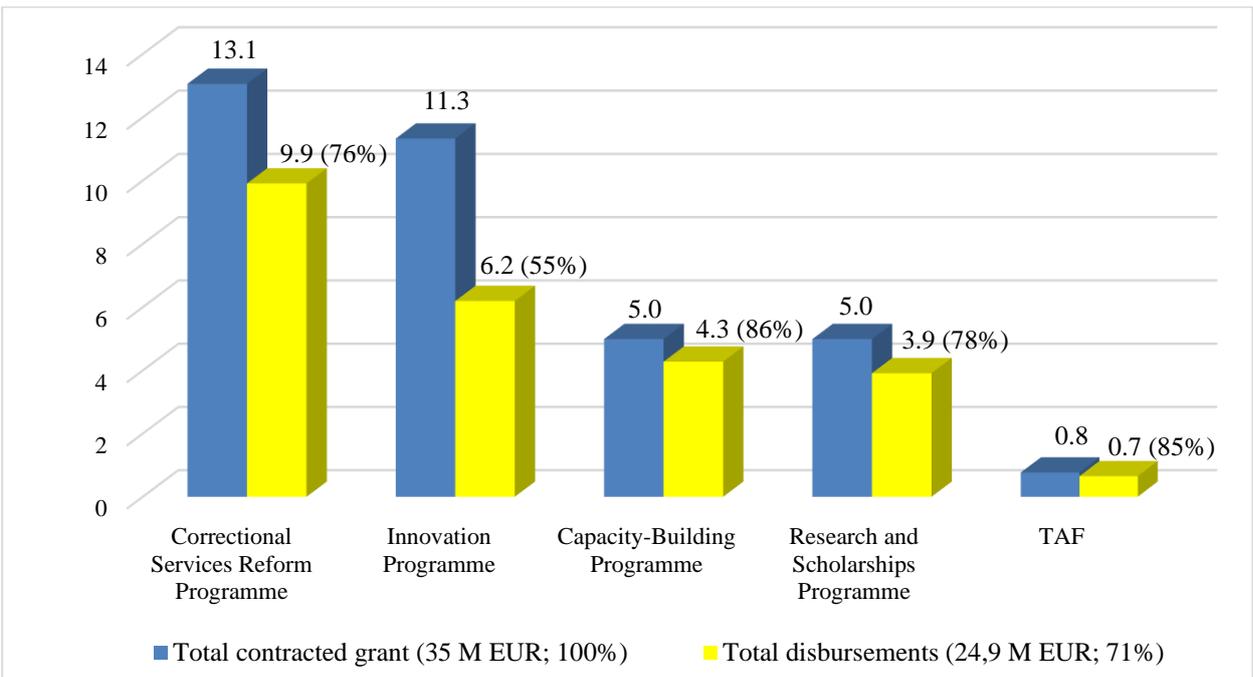
Active projects' implementation phase were ensured within the reporting period: more than half of the Innovation programme's projects were completed (22 out of 37) and all 11 research projects are in implementation in the Research and Scholarships Programme, thus an incubation services were provided for start-ups and SMEs and new more greener production equipment were installed; as well as the capacity building in research got strengthened.

##### Commitments and disbursements made

Comparing with 2015 NFM payments received from donor state increased by 14.1 M EUR or 42% and by the end of reporting period they constitute 24.9 M EUR<sup>5</sup>(please see the chart below).

In 2016 absorption rate among programmes comparing with 2015 increased by 41% and was 71% of the total allocation (35 M EUR) basing on the fact that 44% of all projects were successfully completed, including the ones which involve more complex projects' activities like construction, renovation or restoration works.

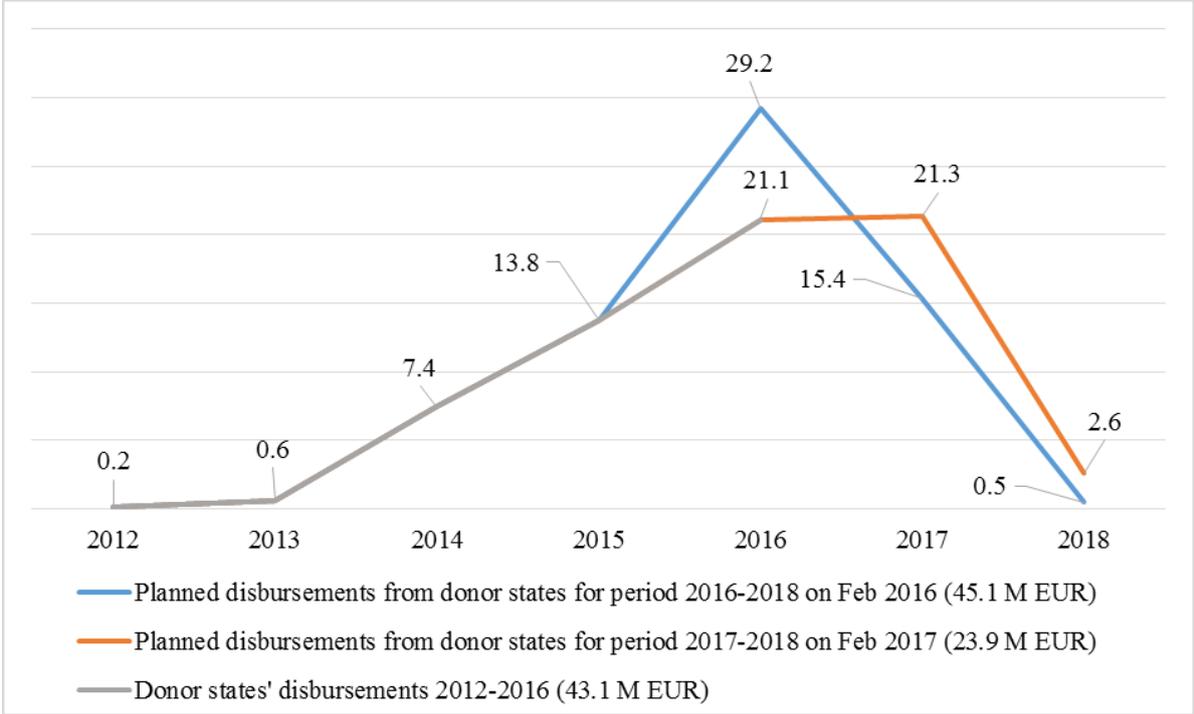
Chart 5 Financial data breakdown by programmes till December 2016, M EUR



<sup>5</sup> Including IFRs for Sept-Dec 2016 to be disbursed on 15 April 2017.

As can be seen in the chart below, according to CA’s forecast of February 2016 on planned donor states’ disbursements, major payments were anticipated during 2016 because of the fact that completion of bulk of projects was planned on 30 April 2016.

Chart 6 Comparison of Donor States’ Disbursement Forecasts of both FMs, M EUR<sup>6</sup>



The difference between planned and actual disbursements is 28% or 8.1 M EUR and was mainly caused by projects of 4 programmes due to the following major reasons:

- 1) **Innovation Programme (1.1 M EUR; 27%)** - due to occurred significant leftovers in result of termination of 2 projects and savings from the completed projects; leftovers were re-allocated to PBF and will be used during 2017. In addition, payments to PPs were postponed to 2017 taking into account that project interim reports needed for major improvements and submission of additional supporting documentation.
- 2) **Capacity building programme (0.8 M EUR; 32%)** - 3 out of 4 pre-defined projects were completed in 2016 and approval of their final reports took more time than initially planned, therefore final payments to PPs are planned to be made in 2017. Also some projects were completed with leftovers which will be re-allocated to PBF and the deadline for the implementation of activities in Regional policy pre-defined project were postponed for 2-3 months not exceeding the final eligibility deadline of 30 April 2017, but still this affected the forecast.
- 3) **Correctional Services Reform Programme (1.7 M EUR; 18%)** – completion of construction works in Olaine prison pre-defined project was delayed because of the necessary to rebuild the fence and it took also an additional time, hence the opening of the Olaine Addiction Centre took place only on 5 October 2016. Deviation from the forecast also can be explained that by the end of 2016 a number of prisoners involved in the re-socialization and trained staff was smaller than previously planned, because the staff training were delayed due to difficulties to find potential employees of Olaine Addition Centre and it is impossible to move in Centre more prisoners than there are trained staff. As well the payments to service provider of electronic bracelets in ES pre-defined project

<sup>6</sup> Problems with pre-defined project of Museum of Literature and Music that will impact total amount of disbursements in 2017 were not taken into account in the forecast submitted to the FMO in February 2017.

was made in lesser amount due to less clients of ES because of strickt penalties in case of breach, therefore the rest part of payments will be made in 2017.

- 4) **Research and Scholarships Programme (1.1 M EUR; 51%)**- approval of project interim reports and timely payments to PPs were delayed as PPs had to make improvements in supporting documents and to provide additional clarifications to SEDA, however deviation between planned and actual payments flow within 2016 was insignificant.

## 3.2 Individual programme summaries

### Innovation programme

Programme has three activities:

- 1) 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.

**Incubator** – totally 153 clients supported from 535 business ideas' applications in 10 selection rounds (in 2016 – 71 clients selected in 5 rounds) and already 147 clients (or 96%) received pre-incubation services. Thus expected output indicator was material overreached as target was 70 clients, such a good results is explained by additional funding reallocated between Incubators activities. Results of selections' rounds showed high interest from the target group as only in average 10-15 clients could be approved in one round. Commune of Incubator has reached its "critical mass" to enable teams of business ideas for mutual experience exchange and knowledge share, as well as to encourage formation of common interest groups of certain business areas, for example, Mobility projects, Biogas projects, Bio fertilizer projects etc. Incubator's data showed that from the 101 graduated pre-incubation's teams the 62 teams still working and continuing implementation of their business idea.

As evidence of good pre-incubation and incubation services should be noted that several teams have been inducted in foreign accelerators or continued negotiations regarding their induction (Plug&Play, Vertical, ClimateKIC, Boost VC etc.) and successfully participated in foreign competitions (Climate Launchpad, Nordic Launch etc.). At least four clients attracted Venture capital investments – PlayGineering 500 000 EUR, LED Chemicals – 210 000 EUR, Airboard – 50 000 EUR, Polylabs – 175 000 EUR. Furthermore, several clients of Incubator acquired RED JACKET award of rising export stars (cereal flake producer - MILZU!, LED lamp developer and producer - VIZULO, toy brick producer – GIGI Bloks).

Besides, Incubator has planned several important activities after completion of the project, in order to strengthen its positions as an institution what stimulates creation of new products and promotion of entrepreneurship in the area of green technology and innovations. One of the priorities is focusing on cooperation of its founders - the University of Latvia and Riga Technical University, in order to help the research teams commercialize their products. The Incubator made as well as significant progress to participate in cooperation with foreign partners in the *Accelerator Supporting Programme* financed by EU Funds.

**SGS** – from 24 projects only 10 projects were completed as most of the projects were prolonged and termination procedure for one project was started. As SGS's and Incubator's activities are related, Incubator continued to use their experience and knowledge for the commercialization of all 24 innovative and eco-friendly products, technologies and services of the SGS's PPs. Thus expected output indicator is overreached by 60% as target was 15 SG's PP taken up in the Incubator. As regards outcome indicators – 5 green ideas commercialized (target – 10) and 13 new jobs created (target – 30), however a number of successfully commercialized green business ideas are expected to significantly increase in 2017 by completing implementation of the rest projects.

SGS's projects aim at development of green and energy efficient products in various fields, 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; new colorless coating with UV protection for outdoor works; 3D printing filaments from recycled raw materials etc.

As a good example should be mentioned “Polylabs” Ltd implemented project “*Experimental batch production and commercialization of polyols of tall oil and rapeseed oil*”. Thanks to support of the SGS’s grant company has started to produce bio-based polyols from rapeseed and tall oils. Usually polyol is the main component of polyurethane foam and its application is very wide – heat insulating building materials, shoes, artificial leather, furniture etc. The newly developed product is CO2 negative, 74% consists of renewable resources, and it replaces oil equivalent products and conforms to the demand of environmentally sustainable construction. Currently the company exports to 10 countries and it has more than 160 customers. In 2016 company attracted venture capital investments from FlyCap Investment Fund and StarDust Capital. In the nearest future expected to create consortium of two Spanish and Italian companies to participate in Horizon 2020 programme. Within the next two years the company plans to launch its own production plant by investing at least 4 M EUR.

Regarding **OC’s projects implementation** – 12 projects were completed and 2 projects were terminated. OC’s 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.

As a result of implemented projects - private sector investments in amount 8.1 M EUR made in green industry supported projects (target – 9.4 M EUR), 28 created jobs (target – 30, in 2016 – 25) and in 9 companies the new and more environmentally friendly production equipment/technologies were set (target – 15, in 2016 – 8), thus enabling companies to decrease production costs as well to diminish a negative impact within production process.

As a good example could be mentioned “ZAAO” Ltd implemented project “*Upgrading of waste regeneration press machines in Municipal Solid Waste landfill “Daibe”*” – landfill operator has purchased new technological equipment and invested in modernization of manual sorting lines for secondary raw material workstations, what resulted in expanding of the operational capacity, creation of 3 new jobs and increase of regained secondary raw material assortment and volume. It is assumed that company due to received OC’s grant will increase its operation – recovery of recyclable resources will grow by at least 600 tonnes of plastics (PET, PE and HDPE) and at least 49 tonnes of cardboard per year.



*Installed new waste sorting technological equipment in “ZAAO” Ltd*

Due to material leftovers within SGS’s and OC’s projects (especially due to termination of projects) the significant funding **was reallocated to PBF** (funding increased to 810 202 EUR). As in 2016 most of PO and LIDA activities were oriented on fostering of projects’ implementation and its monitoring activities, only 4 bilateral events were organised – the *Baltic Green Industry Innovation Forum*, the *programme’s Mid-review Seminar* combined with Incubator’s 2 years anniversary, Study visits for 8 start-ups to *Oslo Innovation Week 2016* and 5 start-ups to Test field in Norway (more information in report’s section 2.2). Results of these events made direct impact

on increasing of bilateral indicators values – totally 82 women (target – 15, in 2016 – 65) and 120 men (target – 15, in 2016 – 72) were involved in exchange visits between Latvia and Norway. As still available PBF funding is quite enormous PO, LIDA in close cooperation with DPP has set quite ambitious PBF's activities plan and in 2017 is planned 8 events (like conferences, seminars, study visits and test fields organized in Latvia and Norway).

In general, good progress in achievement of programme's outputs' indicators as most of indicators are almost reached and 2 indicators are even overreached, as regards tendency on achievement of programme's outcomes' indicators – 2 of 5 indicators are almost reached, but achievement of the rest indicators could be evaluated only in 2017. More detailed information on achievement of output's and outcomes' indicators is included in Annex 6.10.

### **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).

In 2016 most of the projects' activities were in the final stage of implementation and 3 pre-defined projects were completed, as well as projects' closure events were held.

**Nature conservation project** was completed in April. Project contributed to the achievement of programme's output indicator "*Drafting and updating of planning documents at local, regional and national level*" as plans for 15 Natura2000 specially protected areas located in the 16 municipalities were completed and approved by the MoEPRD. All municipalities (16) involved in elaboration of the plans, acknowledged integrated approach and are willing to take into account developed documents in future spatial planning of the municipalities.

Another important project's achievement - *Concept for Integration of Nature Management Plans into Spatial Planning Documents* was developed and it will be used by all 119 Latvian municipalities.

To improve nature protection planning process and foster the understanding about the use of developed documents in municipalities - 5 regional training seminars were organized and attended by 170 local planning experts from 65 municipalities and several regional and state level institutions.

**Smart governance project** was completed on 31 October. All 4 cooperation networks with participation of 44 municipalities finished their activities, which resulted in the development of 9 local marketing strategies and 72 local sectorial development plans and municipal services' improvement plans. All above mentioned documents were developed using Benchlearning principles, thus improving skills of politicians and development experts from participating municipalities.

As one of the main project's achievement should be highlighted the development of the Benchlearning Data Base (<https://blis.lps.lv/lv/>), which contributed to the achievement of the programme's output indicator "*Established database for local service performance measurement*". Respective Data Base was elaborated by using Norwegian and Polish experience and it will be supplemented with accumulated data about Latvia's municipalities (various indicators, experience descriptions, results of scientific researches and etc.) in order to ensure positive impact on the social and economic development of the municipalities. As the Benchlearning Data Base was elaborated only at the final stage of the project, usage rate of the

data base has been lower than initially planned in 2016. However, the content of data base is being upgraded, and already 72 Latvian municipalities or 60% of Latvian municipalities have become users of the data base. In 2017 PP will organize 6 cooperation networks with participation of 70 municipalities, and use of Benchlearning Data Base will be integral part of performance of those cooperation networks.

Also 24 training seminars with around 500 participants involved from the municipalities were organised in order to improve skills for a more effective implementation of the developed planning documents, as well as to raise awareness and shared understanding of the common municipal's goals and that skilful communication with clients are essential.

**Development planning project** was completed on 30 November. As one of the main project results could be mentioned the finalization of the *National Long-Term Thematic Plan for the Coastal Area of the Baltic Sea* (approved by CoM on 16 November). It will serve as a road map for development of strategic projects and public infrastructure development plans, as well as the plan contributed to the achievement of programme's output indicator "*Drafting and updating of planning documents at local, regional and national level*".

In order to increase overall understanding about development of planning processes, especially in municipalities and at regional level, and to improve specialist's motivation and understanding level about development planning processes, a Summer camp - as study event in an informal environment - was organised for 40 local planning specialists from 32 municipalities.

One of main project's goal in 2016 was to provide dissemination of the results achieved, so for this purpose experience stories of people involved in project were collected and an illustrative booklet published (booklets were disseminated during the project events). As well as a video about the project's results was prepared, published on website ([https://www.youtube.com/watch?v=\\_VaxNgrxapg](https://www.youtube.com/watch?v=_VaxNgrxapg)) and demonstrated during the closure event on 13 October.

The last pre-defined project - **Regional development project** - will be completed in April 2017. In 2016 project achieved development of 15 out of 22 planned investment materials. As well as PP and Norwegian project partner continued the work on elaboration of the recommendations for attraction of specialists and promotion of entrepreneurship in remote and underdeveloped regions of Latvia and it will be finished by the end of project.

As one of project's activity was aimed to boost development of Latgale planning region, a new website [www.invest.latgale.lv](http://www.invest.latgale.lv) for investors and entrepreneurs was created (available in Latvian, English and Russian), which provides up-to-date information on various business opportunities for potential investors and entrepreneurs, thus serving as a tool for supporting business activities in Latgale. Just in 2016 the website had more than 58 000 visitors, what means Latgale is interesting for tourists and investors seeking business opportunities. In addition to website, investment catalogue "*Invest Baltic Country of Lakes - Latgale*" in Latvian, English and Russian languages were prepared. Catalogue provides comprehensive information about available natural, financial and infrastructure etc. resources in Latgale and it is available as well as on website (<http://latgale.lv/lv/files/download?id=3374>).

In autumn the 2nd round of the *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. The total number of submitted ideas was 313, which is 40% more than in 2015 (224 ideas). Number of presented innovative ideas showed, that young entrepreneurs have great interest in developing their own businesses. Submitted business ideas were very diverse and innovative - starting from high-quality food products from ecologically grown and dried crickets to designed specialized parachuting outfits.



*Winners of the Regional Innovative Business Idea Competition in Vidzeme region.*

For attraction of foreign investors the popularization of the resources of specific municipality at international level was supported and 3 municipalities participated in international exhibitions in Latvia (Riga Food 2016), Sweden (Senior Fair Stockholm 2016) and Spain (IBTM World 2016).

In conclusion it can be highlighted that all projects' activities performed really well and already in 2016 all planned programme's outputs were achieved and 4 out of 6 planned outputs were even overachieved. As well as progress towards achieving the outcomes` indicators were made and PO considers that all planned outcomes will be achieved, however, in order to ensure the quality of the measurement, the assessment of outcomes will be made in 2017 after completion of all projects. More detailed information on achievements of programme's outcome/output results are included in Annex 6.10.

### **Correctional Services Programme**

The programme consists of 3 pre-defined projects:

- 1) Increasing the application of alternatives to imprisonment (1<sup>st</sup> project);
- 2) New unit at Olaine prison (2<sup>nd</sup> project);
- 3) Improving the standards of police detention centers (3<sup>rd</sup> project).

Within **the 1<sup>st</sup> project** the ES was actively implemented. The court applied ES already for 89 persons. Moreover, 42 persons have already successfully served their time under ES and for 7 persons ES was even cancelled because of their good behaviour. Unfortunately it is predicted that the value "260" of outcome indicator "*Number of persons taking part in programmes as alternative to prison*" will not be achieved till end of April 2017, because the process of application of ES to inmates and determination of the responsibility of inmates take more time than it was initially planned. To apply ES to the inmates, an in-depth analysis and selection shall be carried out in order to determine, whether the person meets the criteria necessary for application, by that ensuring that the society is not threatened by dangerous individuals.

At the same time, the public awareness regarding the pilot project of volunteering companions has raised, including the attraction of volunteering companions, and informative measures regarding the activities designed for the reintegration of probation clients: providing information or posting information on the mass media. In addition, 47 persons have participated in the programme for young offenders. The volunteering companion attends joint activities and events with the probation client – young offender. The client, via communication with the companion, learns to obey the law and how to communicate with the society.

Until the end of the project it is planned to achieve the above mentioned outcome` indicator value 160, which consists of 100 persons (target – 200) taking part in ES and 60 persons (target – 60) – in the programme for young offenders.

Also a significant progress is achieved within **the 2<sup>nd</sup> project** as the construction of the Olaine Addiction Centre was completed. Approximately 55 employees have started to work at the Centre and at the end of November first 24 clients were located in this centre. Also 41 clients were selected and prepared for relocation. In addition, the clients have participated already in 3 resocialization measures (output target – 7): 1) individual inmate consultations by a social worker; 2) sports and leisure time activities; 3) NGOs activities (for example, 162 inmates from 9 different

prisons together with the guest speakers from NGOs discussed the dangers caused by drugs and alcohol).

The project is carried out in cooperation with, among others, Oslo Prison and the Correctional Service of Norway Staff Academy. When developing the treatment programme, the project derived an inspiration from two treatment programmes – Pathfinder from Norway and Atlantis from Poland. Unlike the customary model, each inmate has his own supporting person from the employees enabling the possibility to fully apply individual approach for the resocialization. The Centre is an illustration of imprisonment not being revenge but a tool to teach offenders the skills to live without committing a crime. The length of resocialization programmes vary from 4 months till 1 year.

It can be seen that very good bilateral cooperation has been established between Norway and Latvia. At the Opening Ceremony of the Olaine Addiction Centre the volleyball match was organized which showed that the friendship won.



*A photo after the volleyball match between Norway and Latvia at the Opening ceremony of the Olaine Addiction Centre*

The implementation of **the 3<sup>rd</sup> project** finished in August, and positive conclusions are already received from the Council of Europe as to the improvements of conditions are in line with international human rights requirements. Major improvements were made in respect to sanitary facilities, the ventilation and heating systems, the video surveillance and indoor lighting.

Output indicators regarding reconstruction/renovation works in 10 short term detention centres (STDC) and 11 places of temporary keeping (POTK) are fully reached. Also 12 STDC and 14 POTK were equipped (set up video surveillance, purchased furniture and equipment, incl. mattresses and blankets for detainees). Besides that, two training programmes and a hand-book for STDC officials and employees are developed, including topics such as human rights, action in emergency cases, the use of physical force and special means and others, thus ensuring the achievement of the output indicator (target – 2).

An important systematic changes in legislation were made, thus provide: the usage of the video surveillance at STDCs, longer walking time available for detained persons shifting from half an hour to one hour, defined exercise area not less than 15 m<sup>2</sup>, prohibition to use the tobacco products in STDCs, including during walking time.

Overall 5 out of 15 outcomes` indicators in the programme are reached and 3 - are overreached. PO considers that some of the planned outcome indicators will not be reached in 2017, because

since 2010 there have been some changes in Latvian criminal penalties and enforcement policy, what resulted in decreasing of number of prisoners, thus initial indicator`s forecasts were underestimated. Regarding the planned outputs` indicators – 16 out of 19 are reached or overreached. The rest outputs` indicators will be achieved in 2017. More detailed information on achievements of the programme`s outcomes/outputs results is included in Annex 6.10.

## **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.

In 2016 the most of projects` activities regarding research and mobility took place. For dissemination of the Research and Scholarships projects` results an on-line [interactive map](#) and a [video](#) about FMs contribution to research and mobility development in Latvia was created and published on the websites of the MoES and SEDA.

Within **Research activity** all 11 projects (5 projects within health area and 6 within social sciences and humanities area) are planned to be completed till 30 April 2017.

Results achieved in **Research** projects in 2016 were as follows:

- 35 out of 36 planned research institutions from Latvia and Norway are cooperating within the programme (two project partners merged due to reform on science institutions consolidation);
- As one of outstanding results can be mentioned - 160 researchers from Latvia and Norway are involved in 11 joint Research projects and are making essential contribution in research areas such as environmental chemistry and health, oncology diagnostics, teachers` education, medieval history, etc.;
- 13 out of 38 planned joint scientific publications were submitted and published. At least 25 - 30 more joint scientific publications will be submitted and published in 2017;
- 41 out of 40 planned internationally peer-reviewed publications were already published, such notable results were reached because of success of project “*Latvian language in monolingual and bilingual acquisitions: tools, theories and applications*”, which itself gained 23 (56%) out of all internationally reviewed publications;
- An extra achievement could be outlined – additional 28 scientific publications were published in local and international scientific journals and conference papers by researchers from Latvia;
- 56 PhD students and postdocs were trained (79% of them were female), thus output indicator was overachieved (target was 20).

As excellent example of successful cooperation could be mentioned project “*Innovative approach to hull-less spring cereals and triticale use from human health perspective*”, where Latvian and Norwegian researchers contributed in increasing knowledge on impact of triticale and hull-less spring cereal species on human health potential and their work has been rewarded with the special price from the Latvian Academy of Sciences for significant contribution to science in Latvia in 2016.

Within **Scholarships activity** 16 out of 28 projects were completed, 10 projects has been extended and 2 projects were terminated.



*The Latvian-Norwegian team working together to explore the health benefits of hull-less cereals.*

50% of mobility projects were within social sciences and humanities area, 29% - health area and rest 21% covered areas such as information technology, art and design, architecture and mechanics.

Results achieved in **Scholarships activity** projects in 2016 were as follows:

- 58 out of 70 planned student mobility were held;
- 117 out of 44 planned academic staff mobility were held. As there was a risk that student mobility will not be reached due to late start of the Scholarships activity, tight academic year schedule and two projects termination - the decision to increase staff mobility was agreed between PO and DPP. This explains why amount of performed academic staff mobility is three time higher than initially planned.

Excellent results with total 24 mobility were achieved within project “*Enhancing human capital and knowledge in health science by institutional cooperation and mobility between the University of Latvia and three Norwegian universities*” which was performed in synergy with Research activity. 9 students and 15 academic staff members from the University of Latvia had chance to meet key figures in Oslo University Hospital who are working with pituitary adenomas. Mobility members deepened their knowledge in adenoma research, clinical aspects, cell culture cultivating and transformation, as well as obtained certificates proving their knowledge in work with laboratory animals.

4 out of 7 synergy projects were successfully completed and in total 11 students and 11 academic staff members were involved. With involvement of PhD, master and bachelor students - synergy projects contributed to the development of courses in area of chemistry and interdisciplinary course modules in area of child language studies. Academic staff members’ involvement in activities of research projects facilitated to development and application of advanced teaching methods.

Leftovers from the completed Scholarships projects were reallocated to PBF, thereby giving a chance to each PP of Research activity apply for unlimited number of bilateral events (up to 5 000 EUR per event) during programme implantation period (previously application just for one bilateral event were foreseen). Reallocation of the leftovers especially benefits the PPs of Scholarships activity, who now has a possibility to apply for up to 2 000 EUR per bilateral event, as previously the funds of PBF were not available for Scholarship activity. These amendments will increase chances for researchers, students and academic staff to improve established cooperation and to provide wider opportunities for mutual work and events, that will foster as well as future cooperation. Also on 29 November, Informative seminar for PPs was organized to explain possibilities to increase opportunities to cooperate under PBF.

In order to summarize provisional results of the programme PO launched an on-line survey, where 41 academic staff members and 33 students participated (including 4 academic staff members and

1 student from Norway). 76% respondents admitted that mobility had a very positive impact on their personal and professional life as well as further academic choices.

Overall 3 out of 6 planned programme's outcomes` results were overreached. Regarding planned outputs` results – 7 out of 11 were reached and 6 of them were even overreached. PO considers that almost all planned outcomes and outputs results will be reached in 2017. More detailed information on achievements of Programme's outcome/output results are included in Annex 6.10.

## **4. Management and implementation**

### **4.1 Management and control systems and legislation compliance**

#### **National level**

In accordance with CoM Regulations No.502 “*Procedures for Ensuring the Functions of the Audit Authority in the Management of the Financial Mechanisms for the Period of 2009-2014*”, FP has updated and submitted to AA the modified description of MCS. The major changes and updates in MCS include:

- DoRIS section is updated with the fact that the programme agreement’s amendments are reviewed through DoRIS and bilateral fund activity should be administered in DoRIS (changes in 2016);
- updated procedures, manuals, risk management policy dates;
- updated organisational schemes and contact information for institutions involved in the implementation of FMs.

AA has assessed effectiveness of the established MCS and on 30 December 2016 submitted to FMO an Annual Audit Report (AAR) for the reference period from 1 June 2015 till 30 June 2016 together with the Independent Auditor’s Report that includes AA’s opinion recognizing that developed MCS for 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.

During AAR reference period, irregularities’ system at BS’s level audit was planned, but it was postponed to 1<sup>st</sup> half of 2017.

#### **Programme level**

According to the Paragraph 2 and 3 of the Article 4.8 of the Regulation all POs have elaborated and submitted to AA detailed descriptions of PMCS and PO’s functions. AA have performed compliance assessment audits of PMCS within previous reporting periods and confirmed that all *PMCSs comply with the Regulation and generally accepted audit principles however some improvements are needed to address deficiencies* identified during the compliance assessment. Since all information needed for approval of implementation of the proposed recommendations of compliance assessment audits, were submitted to AA by PO and agencies during previous AAR reference period, AA concluded that all recommendations are implemented.

In accordance with CoM Regulations No.502 all POs have submitted to AA information about updated description of PMCS regarding AAR reference period. According to AA’s evaluation the changes made within PMCS of Innovation Programme, Correctional Services Reform Programme, Capacity-Building Programme and Research and Scholarships Programme mainly concerned with updates in organizational structure and contact information and with information and guidelines provided by FP, and these changes are not considered significant by AA and don’t have major impact on accurate implementation of the programmes.

All recommendations issued within system audits performed in the previous reference periods are implemented, except one high priority recommendation in Correctional Services Reform Programme, which is planned to be implemented during 2017.

During current reference period AA has performed 3 system audits of PMCS. AA concluded that PMCSs operate efficiently and complies with the Regulation, however separate improvements are necessary. Results of audits were as follows:

- 10 out of 11 recommendations from audit on operational effectiveness of PMCS in MoJ are implemented and the last one is in implementation;
- all recommendations of follow-up audit on operational effectiveness of PMCS in MoE are implemented;

- preparation of audit report on operational effectiveness of PMCS in MoES and SEDA is still in progress.

### **Risk management at national level**

Risk management of FMs in FP is ensured within *Risk management Group*<sup>7</sup>, 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 regularly performed mitigation actions in order to minimize the risks.

For FMs there are 3 national level risks: 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 is included in the Annex 6.7.1 of this Report.

During the reporting period the risk of not achieving programmes' outcomes has substantially decreased due to the extension of the project implementation date till 30 April 2017 that provides extra time for achievement of programmes' outcomes. All mitigation actions for this risk planned in previous period were executed and will be continued also in the next reporting period.

Regarding insufficient absorption of PBFs risk – according to actual data 42% of PBF funding was used by the end of 2016, however regardless of the extension of the programmes' implementation date till 31 December 2017, there is still challenging for POs, agencies and PPs to use efficiently PBF funds due to the following reasons: 1) bilateral activities have been already implemented on the projects' level; 2) due to reallocation of completed projects' leftovers to PBF, the total amount of available PBF's funding increased two times on average (for example, the highest increase was in the Innovation programme - from 2% to 6%). In order to monitor the risk bilateral cooperation, PBF's issues are regularly discussed with representatives of Embassy, POs` and agencies at bi-annual Communication Group's meetings and CC meetings.

Corruption risk and risk of conflict of interest was assessed as very low, even though it could not 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. Taking into account mitigation measures planned in the *Risk assessment*, the following actions are executed during the reporting period:

- as already reported in the previous period, FP has analyzed the mechanisms implemented in POs and agencies for control and monitoring of corruption and fraud risks and conflict of interest and gained assurance that risks are being adequately and sufficiently mitigated in POs and agencies during the Selection and Monitoring processes;
- Complaint Register serves as a tool for complaints' summarizing, monitoring and controlling 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. During reporting period FP has received and reviewed 4 complains: 2 of them were about the decisions of PO of Cultural Heritage Programme and NGO Fund regarding approval of non-eligible costs reported in the project reports as eligible, one – about conflict between management and employee in Electronic surveillance pre-defined project of Correctional Services Reform Programme and one – about ownership and maintenance of developed NGO monitoring system within the NGO Fund's pre-defined project. All complaints was marked in Complaint Register as "Closed" because FP concluded that there was no breach conditions of FMs and national legal acts by PO
- According to the tasks defined in CPCB's guidelines, in May 2016 the MoF (acts also as FP) updated the *Action plan corruption and fraud risk mitigation*.

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

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<sup>7</sup> MoF Risk Management Group for the EU Structural Funds, Cohesion Fund, Financial Mechanisms and Swiss Programme

the factors of outside of FP is as important as then actions performed by FP. In 2016 Corruption Perception Index<sup>8</sup> for Latvia increased comparing to previous year, receiving 57 points from 100 which means that Latvia from 176 countries' list dropped in rankings from 40<sup>th</sup> place in 2015 to 44<sup>th</sup> place in 2016.

As MoF is also the Managing Authority of EU Funds and most of the POs are also institutions involved in the implementation of EU Funds, the experience and actions taken to mitigate corruption risks in EU funds management affects also the FMs and *vice versa*. Thus, it's worth mentioning that special focus in EU Funds 2014-2021 programming period is concentrated on corruption risk management aiming to zero tolerance towards corruption and fraud in the management of EU Funds. Thus, Managing Authority of EU Funds had developed *Action plan for prevention of corruption risk in the management of EU Funds* and provides guidelines and trainings for subordinated institutions raising the awareness and knowledge of the corruption matters. At same time all employees working in public sector have to attend every two years Anti-corruption courses organized by CPCB on the following topics: public official's professional ethics, conflicts of interest of public officials and recognition and prevention of corruption. In September 2016 the Deputy Head of FP increased the competency in specific public procurement risks by attending seminar "*Cartels and corruption risks in public procurement*" organized by the State Chancellery and chaired by the Competition Council and CPCB experts.

During the next reporting period, FP will continue to perform implemented mitigation measures and constantly assess opportunities to strengthen internal control system in order to minimize corruption risk.

### **Risk management at the programme level**

FP evaluated risks based on regular monitoring of programmes' implementation and POs' submitted information about the risk monitoring in 2016. Please see in the Annex 6.7.2 of this Report detailed risk assessment (incl., mitigation actions) of horizontal risk and specific to each programme.

FP identified one horizontal risk at the programme's level: *Lack of capacity and interest from donor states' partners in participation in PBFs' activities* (except Correctional Services Reform Programme) – bilateral activities have to be facilitated at all levels – PPs, POs/agencies, FP and DPPs which will be challenging due to limited capacity of donor states' institutions and high demand of the BSs in 2017 which is the last year of PBF's implementation.

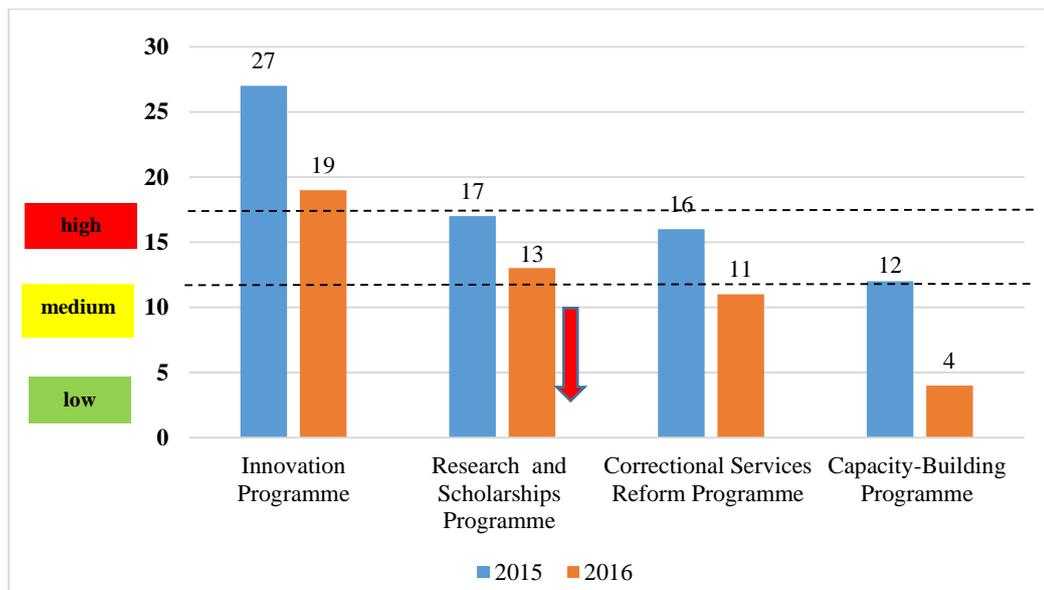
Although the risk of *Infringement and errors in procurement procedures and breaches of procurement contracts' conditions* has been sufficiently monitored by all POs/agencies and PMB, it was remained actual in Correctional Services Reform Programme.

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

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<sup>8</sup> Annually published evaluation by the Transparency International, webpage: <http://www.transparency.org/cpi2015>

Chart 7 Total risk score according to the risk assessment



Comparing to the previous reporting period, trend for risks in all 4 programmes showed steady decline in risks' scores as result of proper risks' mitigation actions ensured by POs. As regards to programme risks' levels (low-medium-high), they were as follows:

- 1) Innovation – remained at the same level – **high** – there is a high likelihood of leftovers because of PPs refusals to implement the projects based on lack of PPs capacity, co-financing issues, insufficient experience of start-ups, time shortages, technological difficulties, etc. As well as PO has challenges in implementation of ambitious PBF activities' plan as indicative 505 thousand EUR are still available in PBF by 31 December 2017.
- 2) Research and Scholarships – remained at the same level – **medium** – because 16 out of 37 projects were completed, and all 11 research projects with more time-consuming activities were prolonged till the final date of implementation. As all projects were in the implementation and the first results were reached, there were identified two actual risks for 2016 that will be actual also in 2017 – elimination of double funding and usage of project results by PPs in case of profit. The risk of low capacity of the PO and SEDA was properly mitigated, therefore it was excluded from the programme risks' list.
- 3) Correctional Services Reform – reduced from **medium** to **low** because the PO ensured strict and regular monitoring over construction works of Olaine Addiction center according to the terms set in the concluded contract, thus major risk regarding delay in the construction works was mitigated. Two risks reading negative public attitude and unwillingness of target group to get involved in the activities of Olaine Addiction center and Electronic monitoring pre-defined projects are still actual and have to be mitigated by PO in 2017.
- 4) Capacity Building – remained at the same level – **low** because 3 out of 4 pre-defined projects were completed according to time schedule and the only risk which could be actual for programme is horizontal risk regarding challenge with involvement of donor state partners in PBF's activities, especially if various bilateral events have already planned/implemented within the projects.

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

Although in 2016 many irregularities were discovered during approval of the project final reports as the most of projects were completed by the end of 2016, but there were also the cases where the PO/agency discovered the irregularities in the first project progress reports, for example, in research projects under Research and Scholarships Programme which approves difference among the programmes implementation progress (please see the table below).

Comparing 2015 (13 509 EUR/0.03%) with 2016, the irregularity amount has increased by 0.02% or 7 116 EUR. Total accumulated irregularity amount by the end of 2016 is 36 669 EUR (0.1%) which is still considered as a very good result – well below standard materiality level of 2%.

*Table 3 Summary of all irregularities reported in 2016 by the CA, AA and POs*

<b>Title of programme</b>	<b>Total programme costs, in EUR</b>	<b>Reported irregularities, in EUR</b>	<b>Reported irregularities from total programme costs (%)</b>
1. Correctional Services Reform Programme	15 360 000	6 184	0.04%
2. Innovation Programme	12 586 667	1 045	0.01%
3. Capacity-Building Programme	5 645 781	114	0.00%
4. Research and Scholarships Programme	5 546 667	13 282	0.24%
5. TAF	768 000	0	0.00%
<b>Total:</b>	<b>39 907 115</b>	<b>20 625</b>	<b>0.05%</b>

In 2016 total amount of irregularities detected in programme management costs were 2 169 EUR(11%), all of them detected by CA. Irregularities were reported to FMO in accordance with the Chapter 11 of the Regulation and they were mainly:

- PO's mistakes in recording of paid expenditures, calculations of health insurance costs, 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.

89% of all irregularities were detected at projects' level by POs – in 7 research projects of Research and Scholarships Programme, in 2 pre-defined projects of Correctional Services Reform Programme and in one OC's project of Innovation Programme.

Irregularities in Research and Scholarships Programme were related with mistakes in calculations of payments for extra hours and salary related with non-compliance with proportionality principle, arithmetical errors in calculation of business travel costs and reporting non-eligible projects costs as eligible ones, whereas in Correctional Services Reform Programme – also wrongly reported costs of businesses travels, breach of procurement rules in purchases of translation, seminar and hotel, and as well as mistakes in calculations of salary. Irregularities in Innovation Programme were related with reporting non-eligible project costs as eligible ones.

Immediately after detection of irregularities 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 and agencies carried out following **projects' monitorings**:

- Innovation Programme – 24 out of 33 on-spot checks were positive. In 8 projects shortcomings mostly were related to the quality of project documentation - all shortcomings were remedied by PPs. In 1 project significant shortcomings were identified thus decision to terminate project's implementation was taken.
- Capacity Building Programme – 6 on-spot checks were carried out in order to monitor all pre-defined projects' reports, including supporting documentation. Conclusions were mostly positive and all recommendations regarding imprecisions in the documentation were implemented.
- Correctional Services Reform Programme – 34 on-spot checks in all 3 pre-defined projects in order to inspect purchased ES equipment and IT system, compliance of concluded construction contracts with technical project, and to visit construction/renovation/reconstruction sites with the aim to verify actual works done with reported works and costs. No substantial shortcomings were identified, but in one of the projects 21 on-spot checks were left without results as the on-spot checks were not qualitative and not in compliance with the contract concluded with the inspection performer. In result new on-spot checks will be made shortly after the new contract will be concluded in the beginning of 2017.
- Research and Scholarships Programme – 13 on-spot checks in research projects were performed. The most common shortcomings were regarding incorrectly filled timetables and inaccuracies in the procurement procedures. All insufficient information was provided and inaccuracies were rectified.

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.

PMB has also continued to carry out several selective **ex-ante procurement checks**. In total 16 checks, including 12 in 1 pre-defined project of Correctional Services Reform Programme, 3 in 2 pre-defined projects of Capacity Building Programme and 1 in research project of Research and Scholarships 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 PPs in due deadline. Thereby during repeated checks PMB was able to provide positive final opinions.

POs or agencies performed **ex-ante checks in several** procurements within projects, which were not covered by PMB. In total 49 checks, including 22 in 3 pre-defined projects of Correctional Services Reform Programme, 5 in 1 pre-defined project of Capacity Building Programme, 11 in projects of Innovation Programme (2 in 1 pre-defined project and 9 in 3 SGS's projects) and 11 in 6 research projects of Research and Scholarships Programmes.

In most of the cases were no objections and all recommendations were eliminated by PPs before repeated checks took place. However in 2 pre-defined projects of Correctional Services Reform Programme, in 2 research projects of Research and Scholarships Programme PO opinion were negative due to infringement of principle of equal and fair treatment of the applicants, shortcomings identified in the procurement documentation and incorrect financial information.

#### Evaluations

An independent *Evaluation of the efficiency of FMs' implementation' system* (hereinafter – Evaluation) contracted by FP was completed. The aim of the evaluation was to perform an assessment of FMs' management system and programmes' complementarity. The Evaluation reviewed economy, efficiency and effectiveness of FMs' management system, identified programmes' complementarity and its complementarity with other foreign financial sources. FP,

POs, agencies and PPs were interviewed and participated in survey during the Evaluation. The Evaluation essentially recognized that FMs' management structure and functions of involved institutions have facilitated to the timely achievement of set objectives and results. In general FMs' requirements (at donor states' and national level) have not created additional administrative burden (with some exceptions, for example, reporting on the irregularities as there is not set threshold). An expected results and benefits exceed the necessary resources and made investments in the implementation of FMs' requirements. An Executive summary of the Evaluation is attached as Annex 6.11 of this Report.

In result of the Evaluation there have been listed 25 recommendations for improvements in FMs' implementation system, 10 of them were at the strategic level, but 15 – technical. FP has prepared *Recommendations implementation follow up plan* in order to ensure that relevant and applicable recommendations are taken into consideration in the next FMs 2014-2021 period. In order to implement recommendations FP submitted to FMO according official comments on next FMs 2014-2021 period Regulation's draft (8 July 2016). Already 14 recommendations are implemented (for example, according to donor states' Regulation in the next period there will be no Monitoring Committee and at project level a threshold for the irregularities' reporting are set) or closed as recommendation was acknowledged as not outstanding (for, example, as according to donor states' Regulation in the next period the two level (at FP and POs) MCS and reporting at POs level (Annual Programme Reports) and at FP's level (Strategic Reports) are kept). All rest recommendations will be implemented within the setting of the next FMs period's implantation and management system.

The programmes' ex-post evaluations' process has started. It was agreed that every PO will make an ex-post evaluation of its programme, thus ensuring a deeper impact evaluation for each specific intervention depending on the programme specifics and structure. After completion of all 7 ex-post evaluations, FP will provide overall analysis and prepare a summary of the ex-post evaluations, analyzing programmes outcomes' impact on achievement of FMs' objectives – to contribute to the reduction of economic and social disparities in EEA and to strengthen bilateral relations between the donor states and BS. FP together with POs have established a timetable for the ex-post evaluations for 2017 (including all stages – from drafting a terms of reference till evaluation report). It is planned that all programmes' ex-post evaluations will be performed by November, 2017.

#### 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.

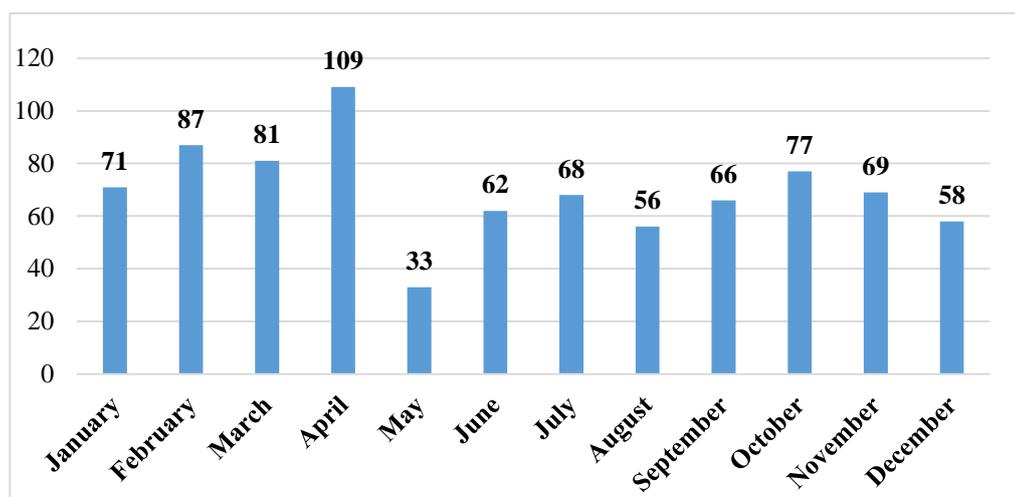
Two meetings of the Communication Management Group have been held where FP, Embassy and POs discussed news and the best practises in the communication field, considered publicity-related issues, shared experience and ideas for further events.

FP has distributed information (more than 31 press release and 6 project stories) in the mass media, social media (twitter account @Finmin) and specific list of other recipients. FP also has updated and published the information (press releases, short news, photos and videos) on the websites of FMs [www.eeagrants.lv](http://www.eeagrants.lv) and [www.norwaygrants.lv](http://www.norwaygrants.lv). POs have informed media about their activities and project implementation progress as well as published information about topical issues on their websites and social media.

In 2016, the number of unique visitors to the website [www.eeagrants.lv](http://www.eeagrants.lv) and [www.norwaygrants.lv](http://www.norwaygrants.lv) reached 1 236, comparing to 2015 growth is per 141 unique visitor higher. More than half of them (77.6%) were new users. The amount of returning visitors reached 22.4%. Average stay on page was 2 minutes.

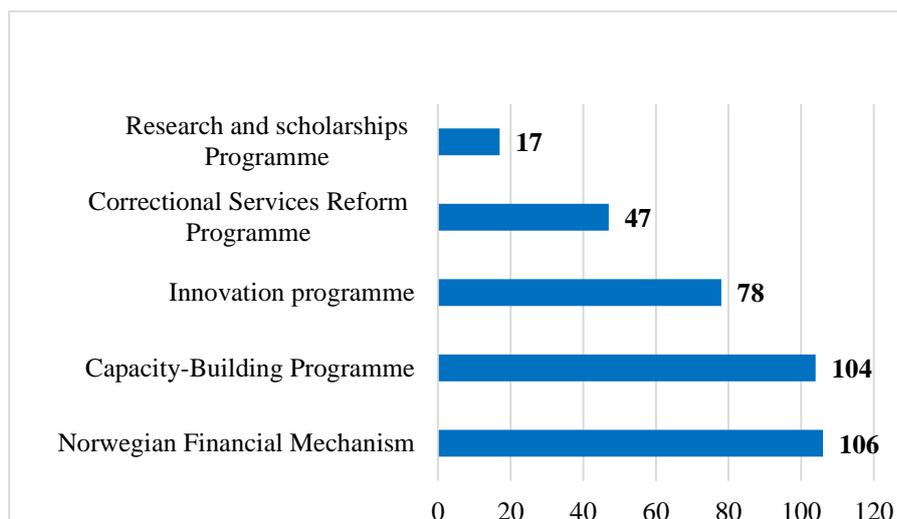
Results of information and publicity activities were reflected in the media monitoring of 2016 as well. In total, there have been 352 publications/broadcasts during the year in the Latvian press, radio, TV and on the Internet about the FM, programmes and implemented measures and projects. The highest level of publicity was in February and April.

*Chart 8 Number of publications/broadcasts per month in 2016*



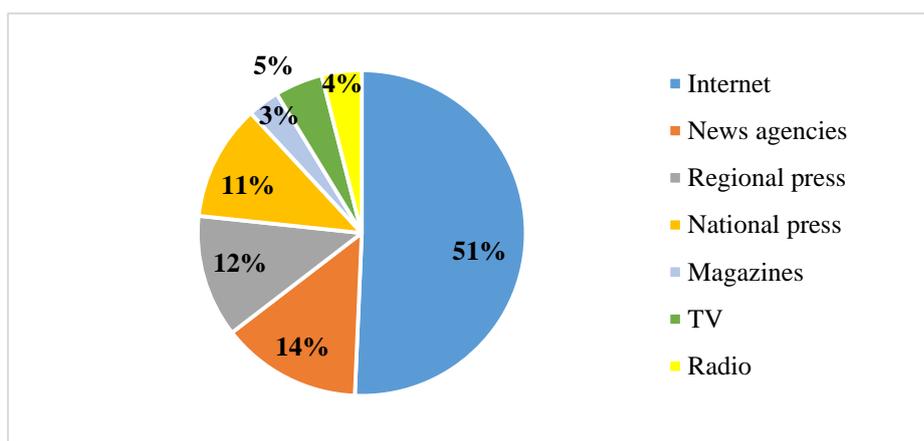
Out of all keywords, between January and December 2016 the broadest publicity was achieved by the reflection on activities of NFM in overall and the Capacity-building.

*Chart 9 Number of publications/broadcasts per keywords in 2016*



In the analysis period FMs, as well as related topics were reflected most often by the online media or on the Internet – 450 publications. News agencies had 123 publications, regional press – 108 publications, national press – 102 publications, magazines – 28 publications, TV – 42 broadcasts, but radio – 35 broadcasts.

*Chart 10 Number of publications/broadcasts per media type in 2016*



In October within **Research and scholarships Programme** the Mid-term result review conference was organized. Results was disseminated to wide audience of stakeholders from Latvia, Norway, Poland, Lithuania, the Czech Republic and Hungary.



*The Mid-term result review conference in October*

In February 18 projects [Interactive map](#) was created and published at the website. [Video](#) for result dissemination purposes was created.

In November within **Innovation Programme** in order to celebrate the Incubator`s 2 year anniversary mid-term result review conference was organized. During the event it was possible to get acquainted with the programme`s achieved milestones.



*Incubator`s 2 year anniversary celebration in November*

Within **Capacity Building Programme** the main publicity events were 3 project closure events, which were attended by 330 representatives of different local, regional and state level institutions both from Latvia and Norway, as well as NGOs.



*Closure event of project "Smart governance and performance improvement of Latvian municipalities"*

In the Development planning capacity project the [video](#) presenting project results and electronic [booklet](#) with project stories from involved local experts was prepared.

In 2<sup>nd</sup> half of year the innovative business idea contest "*Business express 2016*" was carried out. It attracted wide audience through the informative campaign in all 5 regions of Latvia. During the whole campaigning period various communication activities were implemented – regular press releases, information on website [www.biznesaekspresis.lv](http://www.biznesaekspresis.lv), active profile on [Facebook](#), Twitter and Instagram.



*The innovative business idea contest “Business express 2016”*

Within **Correctional Services Reform Programme** the conference *“Preconditions of Effective Work of Correctional Services – Dynamic Security?”* and the final joint conference of 2 pre-defined projects *“Four Forms of Offender Rehabilitation - Towards an Interdisciplinary Model”* was organized.



*The conference “Preconditions of Effective Work of Correctional Services – Dynamic security?” in November*

On 31<sup>st</sup> June to 1<sup>st</sup> July, 2017 the final FMs` Closing Publicity event is planned organized by FP in close cooperation with Embassy and POs. It is conceived to put the event on platform of conversation festival [LAMPA](#). The LAMPA conversation festival celebrates democratic culture and it is focused on active society involvement in social and political processes. Festival was inspired by similar democracy festivals in Denmark, Sweden and Estonia. It is planned to show the main results achieved in FMs. All POs will participate in festival contributing either with discussions about themes that are essential in context of FM`s priorities, either with actual displayable results. Meanwhile all POs will have their own programme closing events during the year 2017.

## 4.5 Work plan

Since progress of January 2016-March 2017 is already included in this report, please see the work plan for the period April-December 2017 below:

*Table 4 Work plan for 2017*

Scope	Task	Apr-Jun	Jul-Sep	Oct-Dec
Programme closure	Finalization of project`s implementation (verification of final project report, verification of expenditure, on-spot checks)	all	LV05 LV06 LV07 LV08	LV05 LV06 LV07 LV08
	Programme ex-post evaluation	n/a	LV05 LV08	LV06 LV07
International cooperation	Bilateral conferences/events activities	LV05 LV06 LV07 LV08	LV05 LV06 LV07 LV08	LV05 LV06 LV07 LV08
	Implementation of Complementary Actions	LV07	LV06 LV07	n/a
	CC meetings	LV06 LV08	LV07	LV05 LV06 LV08
Information and publicity	FP and all PO`s communicate with media (press releases, interviews, social media etc.) and create/modify/update websites about programmes` events, pre-defined projects, project`s results etc. on regular basis	all	LV05 LV06 LV07 LV08	LV05 LV06 LV07 LV08
	PO`s create promotion materials	LV07	x	LV05 LV08
	Programme`s closure events	LV07	LV05	LV06 LV08
	FP provides ongoing media monitoring	x	x	x
	FP organized FM`s closing publicity event	x	x	

## 5. Summary listing of issues and recommendations

Within the reporting period implementation of **all programmes was ongoing**. Remarkable progress was achieved in all 7 programmes at output level, as they were overachieved by **65%**. Comparing to 2015 the total amount of disbursements grew by **51%**, that is, from 22 M EUR in 2015 to **43.1 M EUR in 2016** or 64% of available FMs financing. No doubt that the provided extension for 58 projects in 6 programmes beyond April 2016 had already helped to reach greater programmes' results than initially expected.

**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 PBFs bilateral cooperation was fostered between POs and DPPs as well as between PPs and donor project partners. We can be proud of the fact that 37% of FMs projects have partners from donor states. In 2016 both planned activities under the NBF were successfully implemented, showing that Norwegian expertise is valuable for internal audit and good governance practice and was a good occasion to mark the 25th anniversary of Nordic-Baltic cooperation.

**Main tasks for 2017** would be to finalize last projects, to organize closing event for FMs, to share information about main projects'/programmes' achievements and to continue reporting on the progress, including on evaluation of impact of all projects' results on the achievement of programmes' outcomes/outputs and FMs overall objectives.

Comparing to previous reporting period, identified risks at national and programmes' level remained the same or decreased due to prolongation of programmes/projects and effectively maintained risks' control measures. All 3 main identified risks are at low level: 1) incomplete achievement of programmes' outcomes according to donor states' 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 programmes' 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

Calls for proposals	2014			2015			Total		
	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
<b>Total</b>	<b>73</b>	<b>73</b>	<b>0</b>	<b>33</b>	<b>33</b>	<b>39</b>	<b>106</b>	<b>106</b>	<b>39</b>

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

## Applications for LV06 Green Industry Innovation

Calls for proposals	2014			2015			Total		
	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted	Received	Partnership	Projects Contracted
Predefined in Programme Proposal			1						1
Main OC	13	2	3	0	0	0	13	2	3
2nd OC: Support for Introducing Green Technologies into Production	22	0	0	22	3	15	44	3	15
SGS	7	0	0	0	0	4	7	0	4
SGS - Second OC	19	3	0	0	0	6	19	3	6
SGS - Third OC	0	0	0	45	6	14	45	6	14
<b>Total</b>	<b>61</b>	<b>5</b>	<b>4</b>	<b>67</b>	<b>9</b>	<b>39</b>	<b>128</b>	<b>14</b>	<b>43</b>

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

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

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

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

Predefined project measures:

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

### Bilateral Calls for Proposals

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

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

## 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- $\beta$ : 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, Tromsø 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

<b>Project id</b>	<b>Project Name</b>	<b>Pre-defined project</b>	<b>Donor state</b>	<b>Donor project partner</b>	<b>Type of organisation</b>
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

<b>Project id</b>	<b>Project Name</b>	<b>Pre-defined project</b>	<b>Donor state</b>	<b>Donor project partner</b>	<b>Type of organisation</b>
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, Tromso 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

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
			Norway	UiT The Arctic university of Norway, Tromso 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
LV05-0039	Students` Mobility	No	Iceland	University of Akureyri	University, college or other

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
					teaching institution, research institute or think-tank
			Norway	Volda University College M4	University, college or other teaching institution, research institute or think-tank
<b>Projects with donor project partners 39 out of 39 (100.0%)</b>			<b>Planned grant amount for projects with donor project partners € 4,932,533</b>		

### LV06 - Green Industry Innovation

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
LV06-0001	Green Technology Incubator	Yes	Norway	SIVA	Government ministry
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

Project id	Project Name	Pre-defined project	Donor state	Donor project partner	Type of organisation
<b>Projects with donor project partners 10 out of 40 (25.0%)</b>			<b>Planned grant amount for projects with donor project partners € 4,474,074</b>		

### 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 and Modernisation of Norway	Government ministry
			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
<b>Projects with donor project partners 4 out of 4 (100.0%)</b>			<b>Planned grant amount for projects with donor project partners € 4,474,226</b>		

### 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

<b>Project id</b>	<b>Project Name</b>	<b>Pre-defined project</b>	<b>Donor state</b>	<b>Donor project partner</b>	<b>Type of organisation</b>
					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
<b>Projects with donor project partners 3 out of 3 (100.0%)</b>			<b>Planned grant amount for projects with donor project partners € 11,898,094</b>		

### Annex 6.3 Donor partnership projects in Latvia

<b>Latvia - Summary</b>	
Project grant amount total	€ 77 638 505
Number of projects	<b>344**</b>
Number of projects with donor project partners	<b>128**</b>
Proportion of projects with donor project partners	<b>37.21%</b>
Number of programmes *	7
EEA and Norway grants committed	€ 67 094 749

\* *Excluding Technical assistance programmes and PA22*

\*\* *Actual number of projects, excluding 10 terminated projects, is 334. 5 out of 10 terminated projects had a donor state partner, which means that actual number of projects with donor project partners is 123 and proportion of projects with donor project partners – 36.83%*

#### 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
IR-0365	Closed	30/05/16	05/08/16	2016Q1		error in payment claim	612	551
IR-0367	Closed	30/05/16	05/08/16	2016Q1		error in payment claim	2 581	2 323
IR-0507	Closed	30/08/16	29/11/16	2016Q2		deviation from programme agreement	85	77
IR-0508	Closed	30/08/16	29/11/16	2016Q2		deviation from programme agreement	114	101
<b>Total</b>							<b>8 903</b>	<b>8 043</b>

## 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	Closed	17/02/16	13/05/16	2015Q4		deviation from public procurement procedures	3 570	3 156
IR-0289	Closed	17/02/16	13/05/16	2015Q4		deviation from project contract	96	85
IR-0300	Closed	17/02/16	13/05/16	2015Q4		deviation from public procurement procedures	1 919	1 631
IR-0368	Closed	30/05/16	09/08/16	2016Q1		deviation from project contract	1 108	997
IR-0369	Closed	30/05/16	09/08/16	2016Q1		deviation from project contract	317	285
IR-0500	Closed	30/08/16	28/11/16	2016Q2		deviation from project contract	730	657
IR-0501	Closed	30/08/16	28/11/16	2016Q2		deviation from project contract	401	361
IR-0503	Closed	30/08/16	28/11/16	2016Q2		deviation from project contract	2 216	1 995
IR-0556	Closed	30/11/16	28/02/17	2016Q3		deviation from public procurement procedures	2 201	1 871
IR-0557	In Review	30/11/16		2016Q3	2016Q4	deviation from project contract	1 280	1 088
IR-0622	In Review	28/02/17		2016Q4		deviation from project contract	144	128
IR-0623	In Review	28/02/17		2016Q4		deviation from project contract	1 971	1 774
IR-0624	In Review	28/02/17		2016Q4		deviation from project contract	670	603
IR-0625	In Review	28/02/17		2016Q4		deviation from project contract	4 509	4 058
IR-0641	In Review	28/02/17		2016Q4		deviation from project contract	294	250
<b>Total</b>							<b>23 775</b>	<b>20 977</b>

## Annex 6.6 Monitoring and audit activities plan for 2017

No	Responsible Authority	Audit period	Audited system/ programme/ project
<b>System audits at the level of BS according to the Article 4.6, Paragraph 1(a), of the Regulations</b>			
1.	Audit Authority	I - II quarter	Irregularities' system at BS's level (on a sample basis).
<b>System audits at the level of the programme according to the Article 4.6, Paragraph 1(b), of the Regulations</b>			
2.	Audit Authority	IV quarter 2016 - I quarter 2017	MCS of Research and Scholarships Programme.
3.	Audit Authority	IV quarter 2017 - I quarter 2018	Follow - up of MCS of Correctional Services Reform Programme.
<b>Projects audits according to the Article 4.6, Paragraph 1(c), of the Regulations</b>			
4.	Audit Authority	I - III quarter	Projects which expenditures were reported in programmes' IFR#10-11 (on a sample basis).
<b>Internal audits at programme level</b>			
5.	Internal audit of MoES	I - II quarter	Assessment of execution of PO's functions on implementation of Research and Scholarships Programme.
<b>On-spot checks</b>			
6.	LIDA and MoE	I - IV quarter	Visits to Innovation Programme's predefined project, 13 OC's projects and 24 SGS's projects to verify projects' implementation progress.
7.	MoJ	I, II and IV quarter	Inspections at the Correctional Services Reform Programme's all pre-defined projects: 2 verifications in ES pre-defined project, 2 - in Olaine prison pre-defined project and 2 - 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.
8.	MoEPRD /SRDA	II - III quarter	Verification of implementation progress of Capacity-Building Programme's all pre-defined projects, collection and measurement of the projects' indicators etc.
9.	MoES, SEDA	I - IV quarter	Verification of implementation progress of Research and Scholarships Programme to acquire assurance that all implementation work is done properly will be carried out only for high-risk rated projects if necessary.

No	Responsible Authority	Audit period	Audited system/ programme/ project
<b>Evaluations according to the Article 9.1., Paragraph 1, of the Regulations</b>			
10.	MoES, SEDA	II - III quarter	Ex – post evaluation of Research and Scholarships Programme.
11.	LIDA and MoE	I - IV quarter	Ex – post evaluation of Innovation Programme.
12.	MoEPRD /SRDA	II - IV quarter	Ex – post evaluation of Capacity-Building Programme.
13.	MoJ	II - III quarter	Ex – post evaluation of Correctional Services Reform Programme.

## Annex 6.7 Risk assessment

### 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	<b>Cohesion objective:</b>	Not complete achievement of programmes' outcomes in donorstates' set deadline	1	1	2	Regular monitoring of achieved programmes' outcomes as ensured by FP by performing the following activities: 1) biannual participation in programmes' CC meetings; 2) regular communication with FMO and Embassy, incl. biannual meetings on bilateral activities and publicity issues; 3) regular monitoring of planned and actual expenditures of each programme; 4) Biannually reporting to Latvian Government on the implementation progress of the Foreign Assistance (incl., the FMs); 5) regular communication with POs and agencies by phone/e-mails/letters/meetings; 6) close following to the updated programme implementation plans; 7) where necessary amending the PA.	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 FMs); 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.	EU Funds Monitoring Department
2	<b>Bilateral objective:</b>	Insufficient absorption of PBFs funding, especially within Innovation Programme and Climate Programme	1	3	4	1) Representatives of FP biannually participated in the programmes' CC meetings, in which one of the topic was regarding bilateral relations; 2) Representatives of FP, all POs/agencies and Embassy biannually participated in Communication Group's meetings, where the bilateral cooperation issues were discussed; 3) FP closely cooperated with the Embassy in order to solve issues related to enhancement of bilateral cooperation;	1) FP will participate in programmes' CC meetings; 2) FP, all POs and the Embassy will participate in Communication Group's meetings; 3) FP will closely cooperate with Embassy on issues related to implementation of FMs, including bilateral relations; 4) FP will analyze programmes' bilateral relations and its indicators carried out within elaboration of the	1) Biannually; 2) Biannually; 3) On a regular basis; 4) On 31 March, 2017 by submitting Strategic Report	EU Funds Monitoring Department

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
						4) FP in close cooperation with the POs regularly monitored the progress made towards achievement of the bilateral indicators of the programmes.	Strategic Report.		
3	<b>Operational issues:</b>	Corruption risk and conflicts of interest	1	1	2	1) FP has maintained Complaint Register according to suggested standard practice and taking into account a guide provided by the Transparency International. 2) MoF has developed, approved and updated the <i>Action plan for prevention of corruption defining actions</i> to be executed in the MoF to ensure proactive prevention of the corruption risk and conflict of interest (also affecting FMs); 3) Persons involved in management of the FMs are required to acknowledge lack of conflict of interest; 4) National and PMCS are regularly updated. MCSs describe duties for involved institutions and persons in management of the FMs, thus ensuring clear definition of roles and responsibilities.	1) Maintain Complaint Mechanism, including Complaint Register, regularly analyze complaints; 2) Collaborate with CPCB on any particular case related to corruption and conflict of interest issues in relation to FMs. 3) Analyze and reassess corruption risk and risk of conflict of interest within the Risk management group, update <i>Risk management strategy</i> for FMs according to the best practice. 4) FP will continue monitoring of all programmes;	1) On a regular basis; 2) When necessary 3) Yearly; 4) On a regular basis.	EU Funds Management and Control Department

[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
<b>All programmes (horizontal risk), except Correctional Services Reform Programme</b>	<i>Bilateral outcome (s)</i>	Lack of capacity and interest, limited number of donor states' partners willing to participate in PBF's activities	2	2	4	<p><b>2016</b>                      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 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><b>2017</b>                      Actions carried out in 2016 will be continued in 2017. If necessary, POs will organise informative events for potential PPs of 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>Bilateral outcome (s)</i>	Challenges to implement ambitious PBF activities' plan	3	2	5	<p><b>2016</b></p> <p>1) Amendments in PA was Made (Approved September) which reallocated additional funding in the amount of EUR 386 202 to the PBF (thus funding of PBF was significantly increases constituting 810 202 EUR or 6 % from programme's total funding).</p> <p>2) Respectively PBF's activities plan in cooperation with DPP was elaborated.</p> <p><b>2017</b></p> <p>1) Indicative 505 thousand EUR are still available in PBF by 31 December 2017. Along with gradual closing of the projects supported, PO agency will focus more and more attention on organization of activities of bilateral cooperation.</p> <p>2) In order to provide additional promotion of implementation of measures of bilateral cooperation, PO has planned to conclude a partnership agreement with DPP at the beginning of 2017, within which DPP will be delegated several additional functions in organization of activities of bilateral cooperation, for example, proactive attraction of Norwegian partners to the activities organized by us, thus providing significantly higher number of activities between Latvia and Norway.</p>	19
	<i>Operational issues</i>	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, technological	3	4	7	<p><b>2016</b></p> <p>1) PO/agency have conducted regular on-site inspections of project implementation verifying the actual progress of projects and providing consultations, if it is necessary;</p> <p>2) PO/agency have used tailor-made approach by providing consultations to the PPs during implementation and review of project reports;</p> <p>3) Identified amounts of programme's funding leftovers were reallocated among the programme measures (management costs and PBF).</p> <p><b>2017</b></p> <p>All mitigation actions carried out in 2016 will be continued in 2017, except mitigation measure mentioned in the Point 3.</p>	

		difficulties, etc.)					
		Shortage of capacity and/or knowledge of the employees of PO and agency due to the frequent personnel changes	1	2	3	<p><b>2016</b></p> <p>1) Annual assessment of current competences are being organized for the representatives of PO/agency. In separate cases, required competences are being complemented in courses;</p> <p>2) Representatives of PO/agency participated in experience exchange seminars organized by FMO and DPP on regular basis;</p> <p>3) Retired employees are replaced by new ones to strengthen the programme management team;</p> <p>4) When necessary, employees of other structural units of PO/agency for the performance of extra/other tasks was being attracted;</p> <p><b>2017</b></p> <p>All mitigation actions carried out in 2016 will be continued in 2017.</p>	
<b>LV05 Research and Scholarships Programme</b>	<i>Operational issues:</i>	PPs lack of understanding about projects' implementation conditions, which could result in leftovers	1	2	3	<p><b>2016</b></p> <p>PO/agency ensured consultations for PPs during projects' implementation and review of project reports.</p> <p><b>2017</b></p> <p>All mitigation actions carried out in 2016 will be continued in 2017.</p>	
		Double financing in projects	2	1	3	<p><b>2016</b></p> <p>PO/agency had set up internal procedures and established collaboration with other institutions involved in the administration of various financial instruments, including EU funds, on controlling the double funding during report checks as well as during on-the-spot checks.</p> <p><b>2017</b></p> <p>PO/agency will continue to monitor double funding issue according to established procedures.</p>	
		PPs make profit using project results	2	1	3	<p><b>2016</b></p> <p>PO/agency made update in the Programme Regulation and consulted PPs on proper understanding of profit making in the research projects, that is, research projects' results cannot be used for commercial purposes and, if so, then PPs shall reinvest profit in their primary activities, notably, in education, independent research and dissemination of research results.</p> <p><b>2017</b></p> <p>Agency will continue to consult PPs on the profit making topic, if necessary.</p>	

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<b>LV08 Correctional Services Reform Programme</b>	<i>Operational issues:</i>	Project LV08/1 and LV08/2 – unwillingness of target group to get involved in the planned activities	2	2	4	<p><b>2016</b> PP informed target groups about projects' activities and ensured regular work with target groups. PO approved PP's proposed amendment in project's LV08/2 <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><b>2017</b> Since 2011, when the programme application was prepared, there have been some changes in Latvian criminal penalties and enforcement policy, what resulted in decreasing of number of prisoners, thus initial forecasts for involvement of target group were underestimated. PO will continue their work with target groups of project LV08/1 and LV08/2.</p>
		Negative public attitude	2	2	4	<p><b>2016</b> <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.</p> <p><b>2017</b> <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</i>.</p>
		Infringement and errors of procurement procedures and breaches of procurement contracts' conditions	1	2	3	<p><b>2016</b> PO monitored projects' procurement plans. POs and PMB performed risk based regular ex-ante verifications of procurement documentation/process and provided consultations on public procurement issues. PO and PPs ensured strict supervision over procurement process: competent members in procurement commission were involved; for the assessment of specific offers specialists were attracted. PO 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><b>2017</b> All mitigation actions carried out in 2016 will be continued in 2017.</p>

<b>LV07 Capacity- Building Programme</b>	<i>Bilateral outcome (s)</i>	Lack of capacity and interest for partnerships from the donor states and PBF's activities	No specific programme's risks were identified, as all results on outputs' level are achieved or overachieved. Only the above-mentioned horizontal risk regarding lack of capacity, interest and limited number of donor states' partners willing to participate in PBF's activities.	<b>4</b>
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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 0-12); **Medium** (total risk score from 13-18) and **High** (total risk score from 19)

## Annex 6.8 Annual Report 2016 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 EEA and Norway Grants seminar for NFP's held in Brussels in May and NFMs experience sharing workshop of the Decent Work Programme held in Warsaw in March</p> <p>Participated in CC meetings: 1) Research and Scholarships Programme in February in Oslo and Bergen; 2) Correctional Services Reform Programme in March in Stavanger; 3) Innovation Programme in May in Bergen; 4) Cultural Heritage Programme in November in Oslo; and also in Innovation Programme's experience exchange visit in June in Tallin; in Research and Scholarships Programme's seminars in June and September in Brussels and Bergen; and in NGO Fund Programme's experience exchange visit “Strengthening of the Democracy” in October in Reykjavik.</p> <p>Performed evaluation of the EEA/NFMs system.</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 # 13 -15 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 the projects' interim/final financial reports, analysis of the auditors' reports, preparation and submission of the forecast of likely payment applications.		
3.Audit Authority	1.	MCS audits	<p>Assessed the effective functioning of the MCS at the level of individual programmes by performing three system audits (two system audits are fully concluded and for one system audit the audit work is mostly completed and the draft report is in progress):</p> <ul style="list-style-type: none"> <li>• audit on the Operational Effectiveness of MCS established for Cultural Heritage Programme in MoC;</li> </ul>

			<ul style="list-style-type: none"> <li>• system audit performed and the final audit report prepared regarding Correctional Services Reform Programme;</li> <li>• audit on the Operational Effectiveness of MCS of the FMs established for Research and Scholarships Programme in MoES and SEDA (audit work is mostly completed and the draft report is in progress).</li> </ul> <p>One follow-up audit on the Operational Effectiveness of MCS of NFMs established for Innovation Programme in MoE and LIDA.</p>
	2.	Project audits	<p>Assessed the expenditures which were incurred and certified during the period from 01.01.2015 to 31.12.2015. One project audit was carried out covering 7 projects in total, from which:</p> <ul style="list-style-type: none"> <li>• 2 were from Cultural Heritage Programme;</li> <li>• 1 was from Innovation Programme;</li> <li>• 1 was from Capacity-Building Programme;</li> <li>• 3 was from Correctional Services Reform Programme.</li> </ul> <p>Project audits have been carried out from 02.06.2016. to 30.12.2016.</p>
	3.	AAR and Opinion	AAR and Opinion for the reference period from 01.07.2015 to 30.06.2016 were submitted to FMO on 30.12.2016.
	4.	Expert consultations	Several consultations received from the experts: 1) 1 consultation regarding legal services and 2) 4 consultations regarding construction works.
4. Other entities (Procurement Monitoring Bureau)	Carried out: 1) ex-ante checks of 18 procurement procedures and made 36 conclusions (19 positive conclusions, 16 conclusions with objections and 1 negative conclusion) and 2) carried out ex-post checks of 13 procurement procedures, which were verified previously by 7 POs involved in programmes management.		
5. Entity responsible for irregularity reporting	All irregularities received from PO, CA, AA and FMO auditors were reviewed. In total 36 reports (29 new irregularity reports and 7 follow-up reports) were submitted to FMO. The Irregularity Register maintained regularly.		

## 2. BUDGET OVERVIEW in EUR

Actual expenditure till 31.12.2016.	Planned expenditure till 31.12.2016.	Unused amount in EUR, %
1 227 669	1 266 437	38 768 EUR/ 3,0%
Disbursements till 31.12.2016.	Total TA budget	Absorption rate in %
<b>1 147 655</b>	<b>1 459 000</b>	<b>78,7</b>
Planned expenditure for 2017 (forecast of 30.09.2016.)	Planned expenditure for 2017 (forecast of 10.02.2017.)	Justification for changes, if any
199 629	227 647	28 018*

\* 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	10 440,00 EUR (2 220,00 EUR part from the FMs)	Ltd "LETA"
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#### 4. STAFFING

Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
<b>National Focal Point – The Ministry of Finance</b>				
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 (including function of reporting on irregularities).	10 % (1,5%)	N
Diāna Atkauķe from May 2012 till April 2016 Guntra Želve from May 2016 till now	EU Funds Monitoring Department, EEA, Head of Norway and Switzerland Projects Monitoring Division	Overall management and monitoring of FMs.	80%	Y
Guntra Želve from May 2012 till April 2016 Inga Vajevska from May 2016 till now	EU Funds Monitoring Department, EEA, Norway and Switzerland Projects Monitoring Division, Deputy Head	Overall management and monitoring FMs, including Innovation Programme (function of reporting on irregularities).	80% (5%)	Y
Gita Tenisone from July 2012 till June 2014 Diāna Bremšmite from June 2014 till October 2015 Aija Paleja from October 2015 till now	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 from July 2013 till February 2016 Liene Ernestone from March 2016 till now	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 (including function of reporting on irregularities).	100% (10%)	Y

<b>Name of staff</b>	<b>Official position</b>	<b>Main tasks</b>	<b>Level of effort (% of working time)</b>	<b>Funded through the Grants (Y/N)</b>
Inga Vajevska <i>from May 2012 till September 2016</i> Lauma Lazdina <i>from October 2016 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 (including function of reporting on irregularities).	100% (15%)	Y
Solveiga Ozola	Director of EU Funds Management System Department	Supervises Department activities.	5%	N
Linda Barbara	EU Funds Management System Department EU Funds Legal Unit, Head of Unit	Supervises Unit activities regarding FMs.	3%	N
Jekaterina Kapilova <i>from January 2012 till August 2014</i> Evita Loseva <i>from October 2014 till June 2016</i> Jekaterina Kapilova <i>from June 2016 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 Tenisona <i>from June 2014 till July 2015</i> Dita Tetere <i>from August 2015 till May 2016</i> Marina Šiškina <i>from June 2016 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 2015 till now</i>	Head of Unit of Finance and Maintenance Department	Supervises Unit activities.	5%	N
Baiba Balode <i>from April 2014 till March</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

Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
2015 Sintija Bērziņa from September 2015 till now		Carries out planning of TAF budget, financing plans, estimates, procurements. Prepare IFRs and forecasts.	20 %	Y
Antra Bolgzde from November 2011 till August 2016 Ludmila Severova from September 2016 till now	Deputy Head of Unit of Finance and Maintenance Department Leading Accountant of Finance and Maintenance Department	Carry out accounting (reports). Participation in elaboration of regulatory documents.	20%	Y
Ilze Berga till August 2016 Antra Bolgzde from September 2016 till now	Head of Unit/Chief Accountant of Finance and Maintenance Department			
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) from June 2014 till December 2015	Senior Officer of Communication Department	Coordinates FMs Communication Strategy; organizes Communication Management group meetings, common activities and informative events for popularization of FMs; cooperates with media, ensuring information (press releases, news) and organizes media events.	20%	Y
Maija Dzelde from January 2016 till December 2016	Deputy Head of Communication Department			
Edgars Putins from November 2012 till now	Leading IT administrator of Finance and Maintenance Department	Maintains web pages <a href="http://www.eeagrants.lv">www.eeagrants.lv</a> and <a href="http://www.norwaygrants.lv">www.norwaygrants.lv</a> .	10%	Y
<b>CA – The State Treasury</b>				
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

Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/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		25%	N
Regīna Uljanova	European Affairs Department, Senior Officer		50%	Y
Ingmārs Kālis	European Affairs Department, Senior Officer		25%	N
Sandris Krīgers <i>from January 2016 till July 2016</i>	European Affairs Department, Senior Officer		25%	N
<b>Audit Authority - The Ministry of Finance</b>				
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.	3,5%	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.	75%	Y
Ilona Skorobogatova <i>from November 2012 till December 2015</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 October 2016</i>	Auditor of the EU Funds Audit Department		100%	Y

<b>Name of staff</b>	<b>Official position</b>	<b>Main tasks</b>	<b>Level of effort (% of working time)</b>	<b>Funded through the Grants (Y/N)</b>
Raimonda Batņa <i>from December 2016 till now</i>	Senior Auditor of EU Funds Audit Department	Carry out audits on effective functioning of MCS at the level of programmes.	100%	Y
Ilona Abzulēna <i>from January 2016 till October 2016</i>	Auditor of EU Funds Audit Department		100%	Y
Jānis Gaišonoks <i>from June 2015 till October 2015 and from August 2016 till September 2016</i>	Senior Auditor of EU Funds Audit Department	Carry out audits on the projects.	80%	N
Elvīra Klarka <i>from June 2016 till now</i>	Senior Auditor of EU Funds Audit Department		100%	Y
Aiva Avota <i>from October 2016 till now</i>	Senior Expert of EU Funds Audit Department		80%	Y (for 2 months)
Arta Graudiņa <i>from November 2016 till now</i>	Auditor of EU Funds Audit Department		80%	N
Zane Grundmane - Stesele <i>from November 2016 till now</i>	Auditor of EU Funds Audit Department		100%	N
<b>Other entity - The Procurement Monitoring Bureau</b>				
Inta Vingre	Director of Control Department	Developing plans of pre-examinations, approving conclusions, preparing ex-ante checklists, organization of quarterly meetings involving representatives from the POs and providing methodological support.	20%	N
Aldis Šilders <i>from September 2014 till June 2015</i>	Senior Officer	Examinations of the procurement documentation and preparing conclusions.	50%	Y
Evija Rubene <i>from September 2013 till December 2016</i>				
Evija Šefere <i>from June 2015 till now</i>				

Name of staff	Official position	Main tasks	Level of effort (% of working time)	Funded through the Grants (Y/N)
Agnese Caune from March 2014 till September 2016		Developing plans of pre-examinations, examinations of the procurement documentation, preparing conclusions and correcting conclusions made by other Senior Officers.		N
Laura Upīte from September 2016 till now				
<b>Entity responsible for irregularity reporting – The Ministry of Finance**</b>				

\*\* The FP ensures reporting on irregularities function (please see above in the table information on FP's level of effort)

## 5. THE COMING YEAR 2017

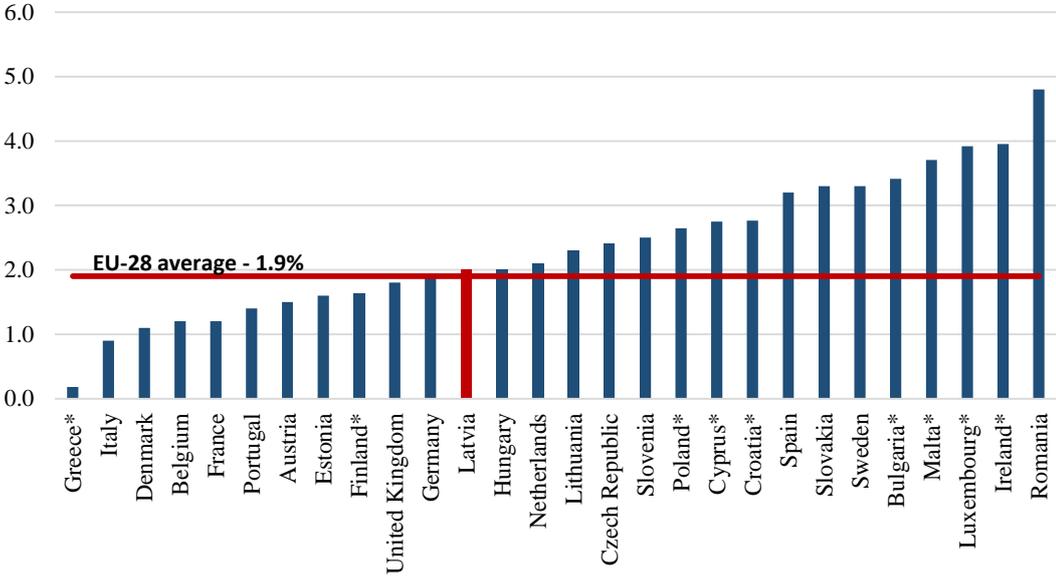
National entities	Overview of the principal tasks planned to be implemented
1.FP	The principal tasks will remain the same as in 2016
2.CA	
3.AA	
4.Other entities (PMB)	Will ensure involvement and support, if necessary.
5.Entity responsible for irregularity reporting	Regular reporting will be continued in accordance with procedures set in the Regulation.

### Annex 6.9 Economic background of EU, Latvia and cooperation with donor state

In 2016 the economic growth in EU continued at a moderate pace of 1.9%, slowing down slightly from 2.2% in 2015. The European economy demonstrated resilience in 2016, as it maintained its course of growth despite of a number of international and domestic challenges including the lowest pace of global growth since 2009, geopolitical tensions, terrorist attacks, UK’s vote to leave the EU and a mounting backlash against globalisation. Growth in 2016 picked up slightly towards the end of the year, with the continued support of very accommodative monetary policy, low commodity prices, the euro’s relatively low exchange rate.

Latvia's economic growth slowed down to 2.0% in 2016, which is weaker than 2.7% GDP increase back in 2015. The slowdown of Latvia's economic growth in 2016 was determined mainly by contraction of investment by 11.5% that was caused by delays in the EU funds disbursement, as well as still slow economic growth in Latvia’s main trade partners. Despite the experienced slowdown, the real GDP growth in Latvia remained at the level of average EU growth rate in 2016.

Chart 1 “Real GDP growth in 2016 in EU (against the previous year, %)”



Source: Eurostat; \* - data on 1-3Q of 2016

Similarly to previous years, the largest contribution to the Latvia’s economic growth in 2016 was provided by domestic demand and sectors related to it. The main driver of growth in 2016 remained private consumption that expanded by 3.4%. Government consumption grew at a modest pace increasing by 2.7%, while gross fixed capital formation in 2016 compared to 2015 fell by 11.5%.

Exports of goods and services increased by 2.6% at constant prices, while imports increased faster – by 4.4%, and the net exports contribution to GDP growth was negative in 2016.

From the production side, the largest contribution to GDP growth was provided by manufacturing, that increased by 5.6%. Other sectors which supported economic growth significantly in 2016 were trade (+3.3%), public administration and defence (+3.9%) as well as mining, energy, gas and water supply sector (+5.3%). Wholesale and retail trade increased by 3.3% in 2016, while accommodation and food service activities showed a robust 8.9% growth.

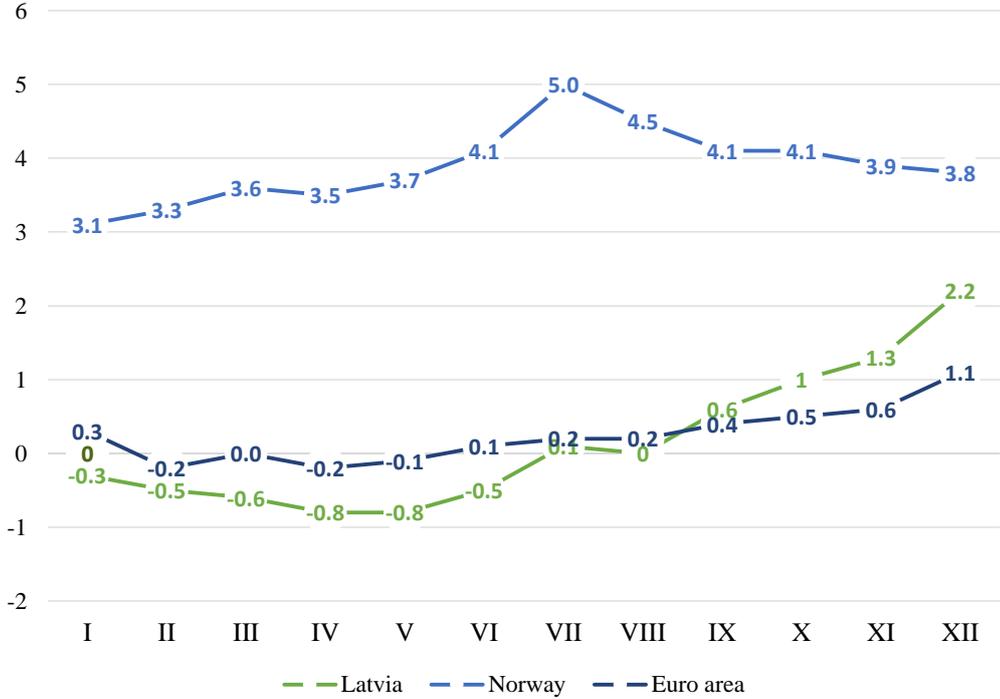
In 2016, the value added declined only in two sectors - in construction - by 17.9%, as a result of temporary slowdown in EU investment flow, and in real estate activities – by 0.6%.

Economic growth is related to inflation dynamics. In 2016, changes in consumer price level remained very moderate in Latvia, as a result of low energy prices in the world market. In the first half of 2016, consumer price changes were negative, however since July inflation had been resuming gradually, accelerating to 2.2% in December. This dynamics were largely determined by commodities price fluctuations in the world market. Sharp oil price drop in the beginning of 2016 reduced prices for fuel, heating and gas in Latvia. However, equally rapid price increase for food

at the end of 2016 mitigated the effect of price drop for goods and services associated with energy resources.

Annual average inflation in Latvia in 2016 was at a historically low level of 0.1%. Prices for goods decreased by 0.7% in 2016, while prices for services upheld an upward trend mainly due to price and wage convergence to the EU average level, and increased by 2.2%. In the euro area inflation remained low 2016 as well, - at 0.2% level, determined by the low energy prices as well as the weak economic growth. Inflation dynamics in Latvia, Norway and euro area is shown in the chart below.

Chart 2 “Inflation rate dynamics in 2016, % (annual rate of change)”



Source: Eurostat, Central Statistical Bureau of Latvia

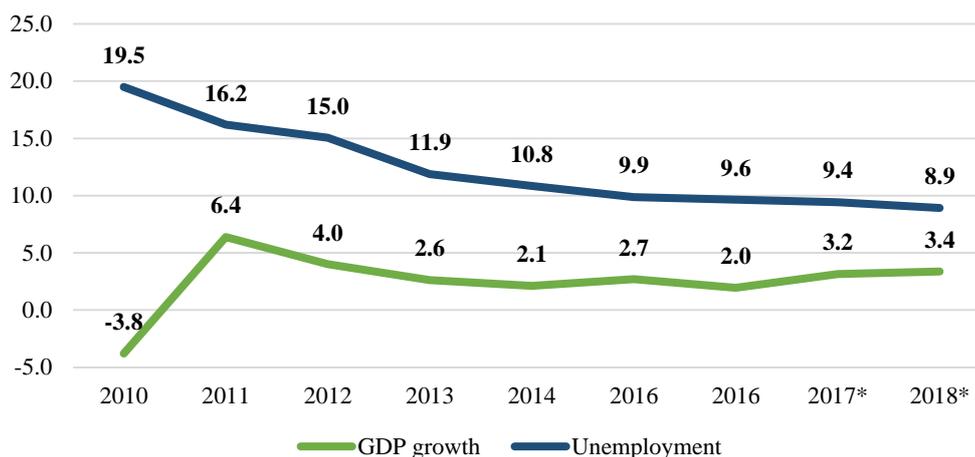
The rapid economic growth in the previous years reflected in rising earnings. The average gross wage in 2016 increased by 5.0% year on year, reaching 859 EUR, while average real wage grew by 4.7%, driven by low inflation. The average gross wage growth in 2016 was a bit lower than in the previous two years, when average monthly wage increased by 6.8%. Slower wage growth is related to a smaller minimum wage increase at the beginning of 2016 and a slightly lower economic growth in 2016. Similarly to previous years, the largest wage growth was observed in the private sector - by 5.8% to 845 EUR, while in the public sector salary rose by 3.7% to 886 EUR.

The highest average gross wage still is recorded in Riga region - 971 EUR, while the lowest – in Latgale region – 592 EUR, demonstrating evident/significant regional disparities and challenges.

In 2016 the minimum wage was raised to 370 EUR, having a positive effect on real earnings, bolstering both domestic demand and private consumption, thus reducing economic and social disparities between Latvia’s regions and EU. In 2017 the minimum wage was raised further to 380 EUR.

Steady economic growth in recent years has a positive effect on the situation in labour market and according to data on Chart 3 unemployment rates are decreasing since 2010. Following the noteworthy improvements in the years after economic crisis, in 2015 and 2016 improvements in the labour market slowed down slightly influenced by both lower economic growth rate and decline in the number of working age population. Still, the jobseeker rate in 2016 decreased to 9.6% - by 0.3 percentage point year on year, and was the lowest since the pre-crisis period.

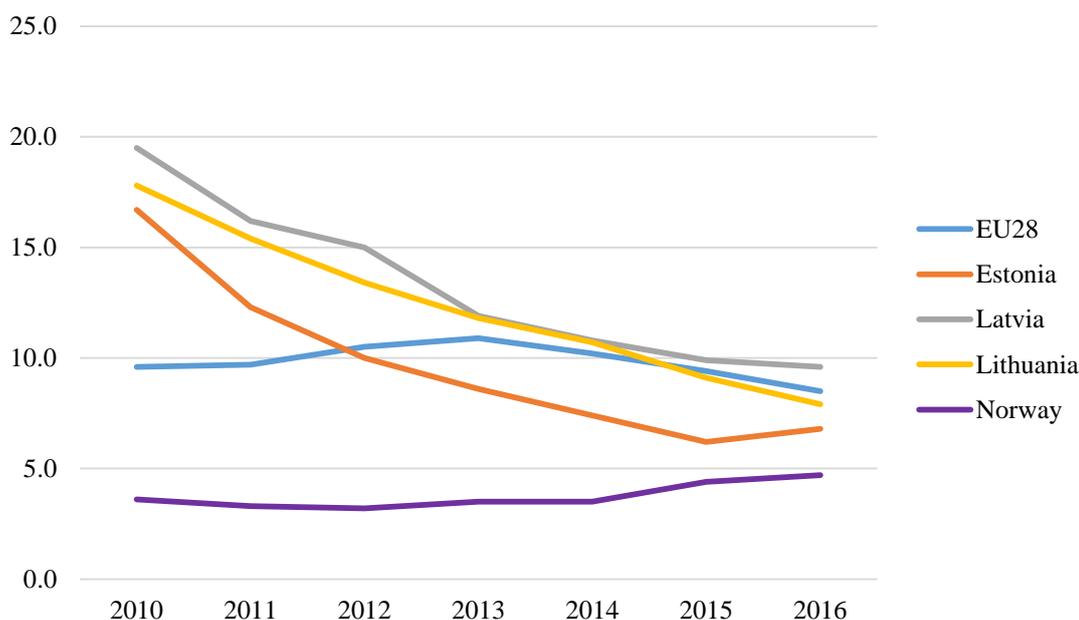
Chart 3 “GDP growth rate and unemployment dynamics in Latvia, %”



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

The registered unemployment has also been declining at a similar pace - from 9.1% at the end of January 2016 it has decreased to 8.5% at the end of December 2016. The highest registered unemployment rate still was registered in Latgale region – 17.9%, while the lowest – in Riga region – 5.3% at the end of December 2016. 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.

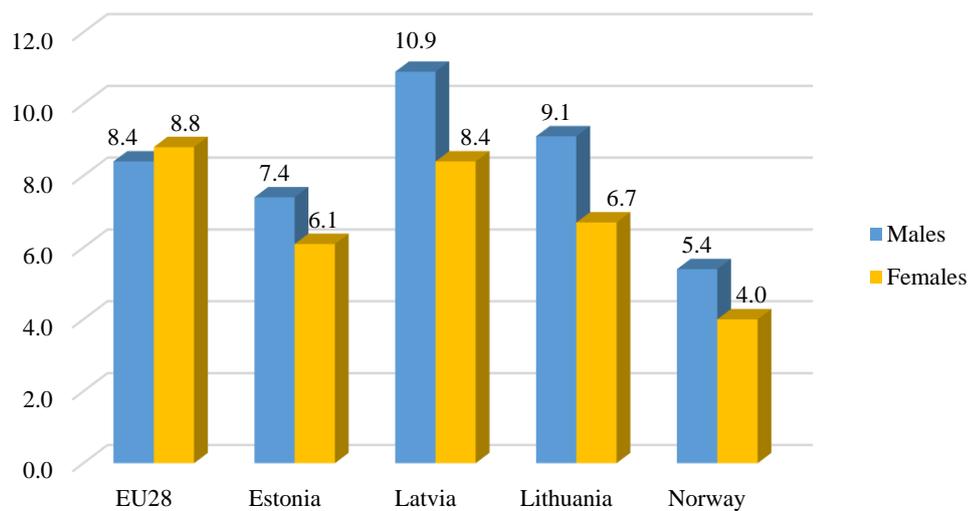
Chart 4 “Unemployment rate 2010-2016, %”



Source: Eurostat

Comparatively high unemployment is still related to cyclical factors, nevertheless the features of structural unemployment are becoming more apparent. The share of long-term unemployed persons in the total number of unemployed has been on a declining trend since the economic crisis, still but it has stabilised in the last two years. In January 2017 the share of long-term unemployed persons (not working for more than a year) in the total number of unemployed persons accounted for 28.2%, having decreased from 29.1% a year ago.

Chart 5 “Unemployment rate by gender (2016, age 15 to 74 years), %”



Source: Eurostat

The statistics show (see the Chart above) that in Latvia and other Baltic countries unemployment rate for males exceeds female unemployment, while in EU28 on average the situation is reversed. In Norway unemployment is slightly higher for males than females, while unemployment rates for both genders are low, if compared with Baltic countries and EU28 average.

According to macroeconomic forecasts developed by the Ministry of Finance in February 2017, GDP growth in Latvia in the mid-term will become stronger. In 2017 GDP is projected to increase by 3.2% and growth acceleration to 3.4% in 2018 is expected. The growth will be determined mainly by stronger increase in domestic demand - both private consumption and gross fixed capital formation. Investment growth will be stimulated by improvements in the EU funds absorption and lending activity, while exports will benefit from stronger global economic growth. Main risks to Latvia’s economic growth are still related to geopolitical uncertainty as well as global political situation including policy of the new US administration, UK’s vote to leave the EU and elections in a number of leading EU states. Internal downside factors include persistently low investment level in Latvia, wage growth which exceeds productivity growth that could undermine Latvia’s competitiveness as well as insufficient EU fund investment.

On the positive side, Latvia’s economic growth might be boosted by more rapid lending expansion, as well as stronger investment growth relying on businesses’ internal resources. Upside risks also include stronger than projected economic growth in Latvia’s main trade-partner countries including Russia.

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

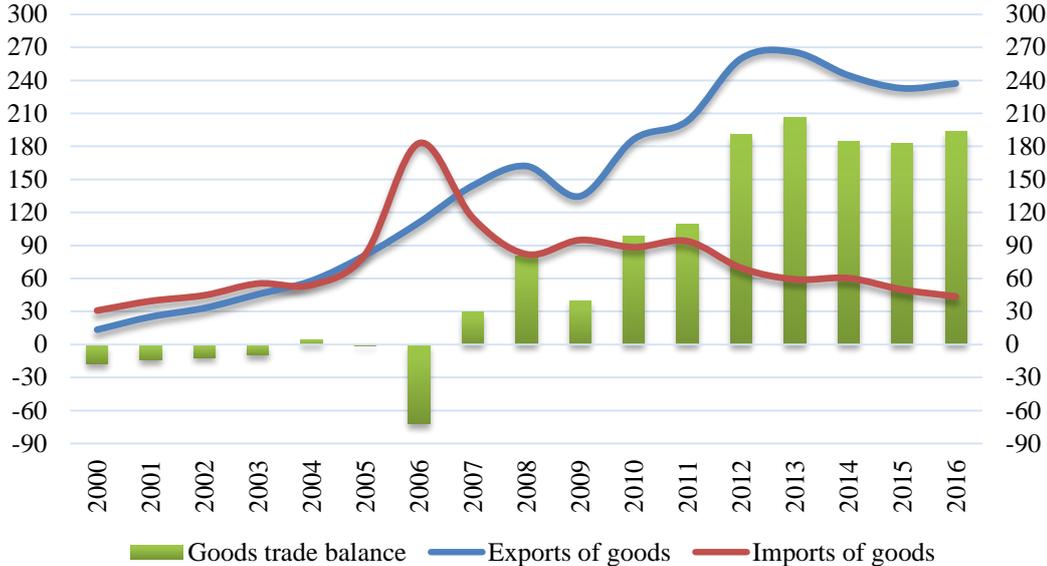
### **Economic cooperation between Latvia and Norway**

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 an important investment partner.

Since 2006 Latvia’s goods trade balance with Norway has been in a surplus, in 2016 it increased to 193.7 M EUR, as Latvia’s exports to Norway grew by 1.9% to 237.3 M EUR, while imports

from Norway decreased by 12.5% to 43.6 M EUR. With a 2.3% share of total Latvia’s exports Norway was the tenth largest Latvia’s export market in 2016.

Chart 6 “Latvian and Norwegian foreign trade of goods 2000-2016, M EUR”

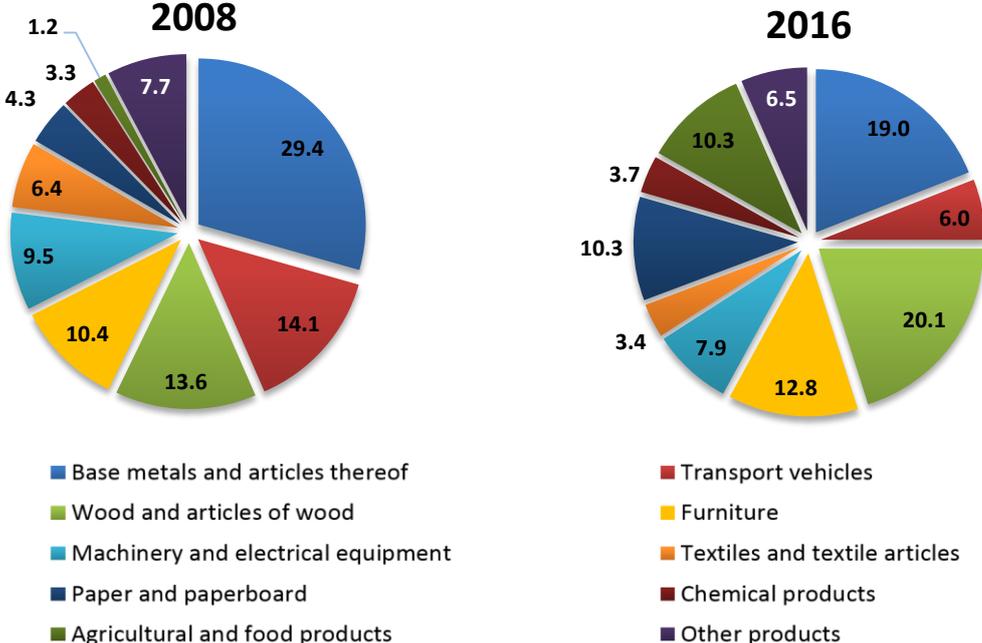


Source: Central Statistical Bureau of Latvia

In recent years, Latvia’s commodity export structure to Norway became more diversified reducing the base metals and transport vehicles share in it. In 2016, the largest export commodity category to Norway was wood and articles of wood with a 20.1% share and 47.4 M EUR value. Base metals and article thereof was the second largest export commodity category with a 19.0% share. Exports of wood products to Norway increased by 26.8%, while exports of base metals declined by 10.2% in 2016, as a result of decrease in total metal exports after the closure of Latvia’s largest metallurgical company “Liepājas metalurģs”.

The sharpest increase in 2016 was observed in exports of mineral products – by 142.5%, compared to 2015. Still the share of mineral products in total Latvia’s exports to Norway is insignificant – 0.4% of total exports. Considerable export value increase in 2016 was observed also in agricultural products, chemical products and construction articles, by 22.6%, 15.3% and 14.0% respectively.

Chart 7 “Structure of exports, % of total exports of goods to Norway in 2008 and 2016”

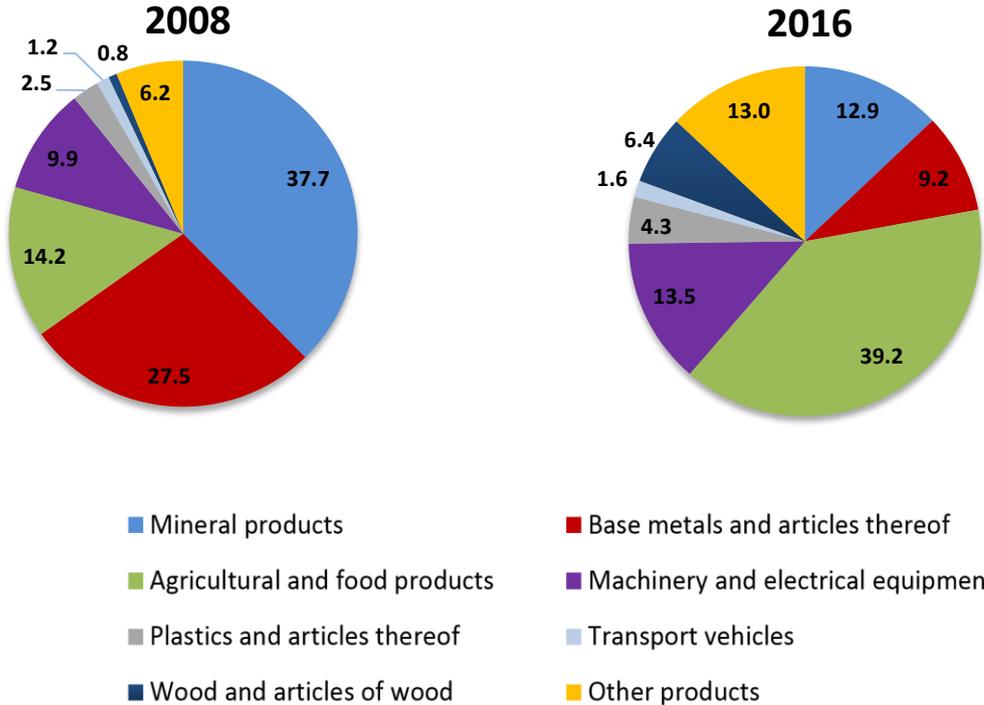


Source: The Central Statistical Bureau of Latvia

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 a 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 2016, along with falling oil prices in world markets, imports of mineral products continued to decrease, e.g., imports value fell by 52.0% compared to 2015, decreasing its share in total imports from Norway to 12.9%.

The largest import category in 2016 was agricultural and food products with a 39.2% share of total imports from Norway, while machinery and electrical equipment was the second largest with a 13.5% share.

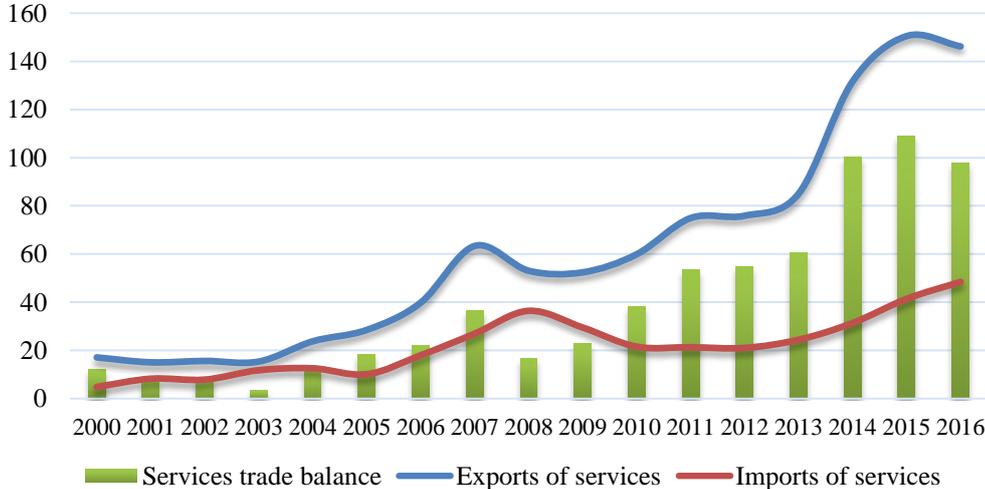
Chart 8 “Structure of imports, % of total imports of goods to Norway in 2008 and 2016”



Source: The Central Statistical Bureau of Latvia

Total imports of agricultural and food products increased by 22.4% in 2016, and imports of machinery and electrical equipment grew as well, increasing by 10.6%, compared to 2015. Meanwhile, imports of wood and articles of wood decreased by 44.0%, reducing its share in total Latvia’s imports from Norway to 6.4%.

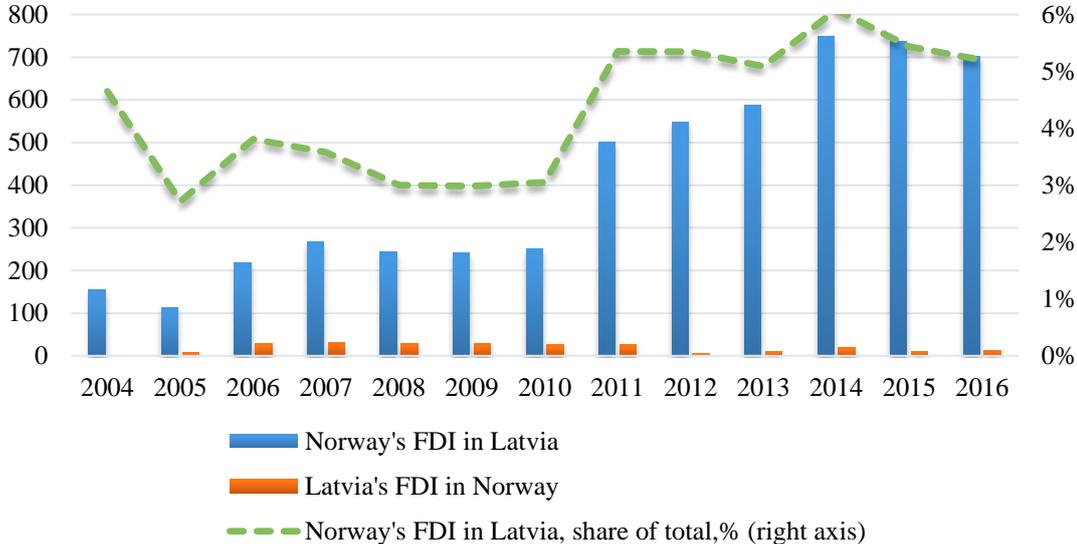
Chart 9 “Latvian and Norwegian foreign trade of services 2000-2016, MEUR”



Source: The Bank of Latvia

Since 2010 until 2015, the value of services exports to Norway grew very rapidly, on average by 14% per year. In 2016, services exports to Norway decreased slightly – by 2.8% to 146.2 M EUR and with a 3.4% share of Latvia’s total services exports Norway is the eighth largest market for Latvian services. As in previous years, tourism sector provided the largest part of services offered by Latvian companies.

Chart 10 Foreign direct investment stock 2004-2016, M EUR



Source: The Bank of Latvia

Norway was the seventh biggest foreign investor in Latvia by the end of 2016. Compared to 2015, inward foreign direct investment to Latvia decreased by 4.6% and was 702.9 M EUR at the end of 2016. 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 <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	Clarification
1	2	3	4	5	6	7=6/5	8	9=6+8	10=9/5	11
<b>LV05 Research and Scholarships</b>										
<b>Outcome 1: Increased higher education student and staff mobility between Beneficiary and EEA EFTA States</b>										
Number of students with received ECTS credits	number	MoES	0	35	20	57%	14	34	97%	Will 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	63	286%	8	71	323%	
<b>Outcome 2: Increased higher education student and staff mobility between Beneficiary States and Norway</b>										
Number of students with received ECTS credits	number	MoES	0	35	28	80%	10	38	109%	
Increased skills/competences of staff involved in mobility	number	MoES	0	22	62	282%	57	119	541%	
<b>Outcome 3: Increased research cooperation between Norway and the Beneficiary States</b>										
Number of joint publications authored by project participants from both BS and DS	number	MoES	0	38	13	34%	25	38	100%	PO considers that indicator will be reached.
<b>Outcome 4: Strengthened research capacity in the Beneficiary States and increased application of research results through research cooperation between Norway and the Beneficiary States</b>										
Number of published international peer reviewed publications	number	MoES	0	40	41	103%	0	41	103%	Already reached.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	Clarification
<b>LV06 Green Industry Innovation</b>										
<b>Outcome 1: Realisation of the business opportunities of greening of the European economy</b>										
Number of environmental technologies or products successfully developed or adapted and implemented	number	MoE	0	15	9	60%	4	13	87%	Initially 15 projects were approved in OC, but within implementation period 2 projects were terminated, thus indicator will be reached only partly (in total environmental technologies or projects will be set in 13 enterprises), but it will be reached by 87%.
Estimated number of green jobs created	number	MoE	0	30	28	93%	40	68	227%	The tendency of projects' implementation shows good progress on reaching this indicator.
<b>Outcome 2: Increased green job creation and entrepreneurship</b>										
Estimated number of green jobs created	number	MoE	0	30	13	43%	22	35	117%	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 be achieved, however 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	5	50%	17	22	220%	It is expected that target could be overreached.
Number of companies accepted in incubator having received free entrepreneurship services	number	MoE	0	10	78	780%	0	78	780%	Already overreached.
<b>LV07 Capacity-Building Programme</b>										
<b>Outcome: Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development</b>										

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	Clarification
Increased satisfaction of customer/recipient/courtesy of targeted institutions	%	MoEP RD	0%	10%	0%	0%	10%	10%	100%	PO considers that indicators will be reached. External evaluation on programme outcomes will be carried out in 2017 after completion of all projects.
Users satisfaction with local governments services increased	%	MoEP RD	0%	10%	0%	0%	10%	10%	100%	
More strategic decisions based on coordinated planning system (multi-annual and multi-sectoral)	%	MoEP RD	0%	50%	0%	0%	50%	50%	100%	
<b>LV08 Reform of the Latvian Correctional services and police Detention Centres</b>										
<b>Outcome 1: Overcome challenges connected to growing prison populations and prison overcrowding</b>										
The capacity of the prisons to be built/renovated with allocation from Norway Grants in accordance with CPT standards	number	MoJ	0	200	200	100%	0	200	100%	Already reached.
Number of places at STDC/places of temporary keeping renovated (Pre-defined project No.3)	number	MoJ	0	348	348	100%	0	348	100%	
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	100%	

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	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	100%	<b>Risk:</b> By moving the prisoners from substandard places of imprisonment to the Addiction Centre, the amount of prisoners is reducing in substandard places of imprisonment. However, the liquidation process of these substandard places will not be carried out for the moment. In general, the number of prisoners is reducing in Latvia, which leads to an opinion, that aging and out-of-date infrastructure shall be closed, for example, on 1 January 2017 the Vecumnieku Prison is liquidated, consequently liquidating 49 places of imprisonment. Until the end of 2017 it is planned to start the construction of the new prison in Liepaja. It shall provide 1200 places of imprisonment, closing three existing detention facilities.
Number of substandard prison places in Latvia (Pre-defined project No.2)	number	MoJ	7 796	7 596 (200)	5 773 (1 823)	132%	0	5 773 (1 823)	132%	Already overreached.
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	1	100%	0	1	100%	Already reached.
<b>Outcome 2: Increased application of alternatives to prison</b>										

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	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	136	52%	24	160	62%	<b>Risk:</b> Indicator will be reached partly. 100 persons - clients of electronic monitoring, 60 persons - involved in the programme for young offenders. The project application was prepared in 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	1 666	187%	0	1 666	187%	Indicator is already overreached, but it could increase more as these training activities still continues in 2017.
Electronic monitoring system established (Pre-defined project No.1)	number	MoJ	0	1	1	100%	0	1	100%	Already reached.
<b>Outcome 3: Increased focus on vulnerable groups in prison</b>										
Number of addicted prisoners taking part in re-socialization programmes (Pre-defined project No.2)	number	MoJ	0	210	24	11%	126	150	71%	<b>Risk:</b> 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.
Proportion of prisoners involved in the resocialization programmes who complete the treatment (Pre-defined project No.2)	%	MoJ	0	70	0	0%	70	70	100%	<b>Risk:</b> Achievement of indicators 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 indicators. The resocialization programmes last from 4 months to 1 year.

Outcome/Outcome Indicators	Measurement	Responsible institution	Baseline according to DoRIS	Target according to DoRIS <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)	Clarification
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	100%	
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	0%	<b>Risk:</b> The targeted value cannot 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.
<b>Outcome 4: Improved competences of both inmates and prison staff</b>										
Number of staff in prison and short-term detention centers trained	number	MoJ	0	850	2 129	250%	0	2 129	250%	Indicator is already overreached, but it could increase more as these training activities still continue in 2017.
Number of inmates/detainees taking part in educational and/or work programmes	number	MoJ	0	96	0	0%	69	69	72%	<b>Risk:</b> 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 needs to take part in educational programme, because some of them already know the language.
<sup>1</sup> - in case, where the 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 <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs Target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)
1	2	3	4	5	6	7=6/5	8	9=6+8	10=9/5
<b>LV05 Research and scholarships</b>									
Number of mobility project (between LV and EEA EFTA States) <u>applications</u> received by PO <i>NOTE: Indicator is not achieved because 16 applications instead of 35 anticipated applications were received</i>	number	MoES	0	35	*16	43%	0	16	46%
Number of mobile students as part of new or existing mobility agreements (between LV and EEA EFTA States)	number	MoES	0	35	22	63%	21	43	123%
Number of mobile staff (including teachers) as part of new or existing mobility agreements (between LV and EEA EFTA States)	number	MoES	0	22	63	286%	18	81	368%
Number of mobility project (between LV and Norway) <u>applications</u> received by PO <i>NOTE: Indicator is not achieved because 17 applications instead of 35 anticipated applications were received</i>	number	MoES	0	35	*17	49%	0	17	49%
Number of mobile students as part of new or existing mobility agreements (between LV and Norway)	number	MoES	0	35	36	103%	10	46	131%
Number of mobile staff (including teachers) as part of new or existing mobility agreements (between LV and Norway)	number	MoES	0	22	62	282%	55	117	532%
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</i>	number	MoES	0	36	35	97%	0	35	97%

Output indicators	Measurement	Responsible institution	Baseline	Target value according to Programme Agreement <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs Target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)
<i>processing of mineral resources in earlier times" have become as one, thus number of cooperating institutions is lower than expected.</i>									
Number of joint publications authored by project participants from both BS and DS	number	MoES	0	38	13	34%	25	38	100%
Number of published international peer-reviewed publications	number	MoES	0	40	41	103%	9	50	125%
Number of PhD students and postdocs trained within the projects	number	MoES	0	20	56	280%	0	56	280%
Percentage of female PhD students and postdocs trained within the projects	percentage	MoES	0	50	79	158%	79	79	158%
<b>LV06 Green Industry Innovation</b>									
Number of projects with innovative environmental technologies supported <i>NOTE: Initially the target was reached as 15 projects were approved within OC, but within implementation period 2 projects were terminated.</i>	number	MoE	0	15	13	93%	0	13	87%
Amount of private sector investments made in green industry projects supported	EUR	MoE	0	9 400 000	8 094 337	86%	0	8 094 337	86%
Establishment of technology incubator	number	MoE	0	1	1	100%	0	1	100%
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 <sup>2</sup>	MoE	0	1 800	n/a	n/a	n/a	n/a	n/a
Number of green business models defined under free pre-incubation services	number	MoE	0	70	153	219%	0	153	219%
Number of companies taken up in the incubator and supported under the small grant	number	MoE	0	15	24	160%	0	24	160%

Output indicators	Measurement	Responsible institution	Baseline	Target value according to Programme Agreement <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs Target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)
scheme									
<b>LV07 Capacity-Building Programme</b>									
Established networks for local authority cooperation and service quality improvement	number	MoEPRD	0	4	4	100%	0	4	100%
Established data base for local service performance measurement	number	MoEPRD	0	1	1	100%	0	1	100%
Drafting and updating of planning documents at a local, regional and national level	number	MoEPRD	1	60 (59)	72 (71)	120%	0	72 (71)	120%
Number of state, regional and local authorities that have introduced territorial approach for investment planning	number	MoEPRD	0	25	30	120%	1	31	124%
Number of organized experience and knowledge exchange events	number	MoEPRD	0	15	36	240%	0	36	240%
Strategic partnerships developed	number	MoEPRD	0	16	18	113%	0	18	113%
<b>LV08 Reform of the Latvian Correctional services and police Detention Centres</b>									
Number of newly built prison blocks in Olaine (Pre-defined project No. 2)	number	MoJ	0	1	1	100%	0	1	100%
Number or renovated buildings in Olaine prison (Pre-defined project No. 2)	number	MoJ	0	1	1	100%	0	1	100%
Number of renovated STDC (Pre-defined project No. 3)	number	MoJ	0	10	10	100%	0	10	100%
Number of renovated places of temporary keeping (Pre-defined project No. 3)	number	MoJ	0	11	11	100%	0	11	100%
Number of STDC equipped (Pre-defined project No. 3)	number	MoJ	0	12	12	100%	0	12	100%
Number of places of temporary keeping equipped (Pre-defined project No. 3)	number	MoJ	0	14	14	100%	0	14	100%
Police convoy system revised	number	MoJ	0	1	1	100%	0	1	100%
Decrease of average short-term detention	number	MoJ	5	4 (1)	4 (1)	100%	0	4 (1)	100%

Output indicators	Measurement	Responsible institution	Baseline	Target value according to Programme Agreement <sup>1</sup>	Achieved by 31.12.2016.	Actual progress by 31.12.2016. vs Target value (%)	To be achieved in 2017	Total expected achievement	Total expected achievement vs target value (%)
(days)									
Number of researches carried out (Pre-defined project No. 1)	number	MoJ	0	7	6	86%	1	7	100%
Number of training events (seminars and supervisions) (Pre-defined project No. 1)	number	MoJ	0	72	141	196%	0	141	196%
Number of re-socialization measures, which are: 1. Adjusted Minnesota 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	3	43%	4	7	100%
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	100%
Researches (Pre-defined project No. 2) <i>NOTE: Both researches will be combined into one</i>	number	MoJ	0	2	0	0%	1	1	50%
Number of specialized courses (Pre-defined project No. 3)	number	MoJ	0	1	1	100%	0	1	100%
Number of training programmes (Pre-defined project No. 3)	number	MoJ	0	2	2	100%	0	2	100%
Strengthened institutions	number	MoJ	0	2	2	100%	0	2	100%
Study visits to Estonia (Pre-defined project No. 3)	number	MoJ	0	2	2	100%	0	2	100%
Number of participants involved in study visits to Estonia (Pre-defined project No. 3)	number	MoJ	0	15	30	200%	0	30	200%
Number of training topics elaborated (Pre-	number	MoJ	0	7	8	114%	0	8	114%

<b>Output indicators</b>	<b>Measu- rement</b>	<b>Responsible institution</b>	<b>Baseline</b>	<b>Target value according to Programme Agreement<sup>1</sup></b>	<b>Achieved by 31.12.2016.</b>	<b>Actual progress by 31.12.2016. vs Target value (%)</b>	<b>To be achieved in 2017</b>	<b>Total expected achievement</b>	<b>Total expected achievement vs target value (%)</b>
defined project No. 1)									
1 - In case, where the baseline is set, the actual target to be achieved in the Programme is difference between baseline and target value - indicated in the brackets									

## **Annex 6.11 Executive summary on Evaluation of the efficiency of the European Economic Area Financial Mechanism and Norwegian Financial Mechanism 2009 – 2014 period (further – Financial Mechanisms) implementation's system**

The aim of the evaluation is to perform assessment of the Financial Mechanisms' management system and programmes' complementarity. The evaluation reviewed economy, efficiency and effectiveness of the Financial Mechanisms' management system, and identified programmes' complementarity with other foreign financial sources.

### *Donor state requirements regarding development of national regulatory framework for Financial Mechanisms*

During the current period (2009 – 2014) the Financial Mechanisms had more emphasis upon strategic approach in order to increase the role of the National Focal Point in monitoring of programmes' objectives and decrease Donors' (FMO's) role in project administration. Donor states (Norway, Iceland and Liechtenstein) requirements for preparation of the national regulatory framework for implementation of the Financial Mechanisms correspond to the principles of sound financial management. However, in the future the proportionality of internal and external regulations *vis a vis* available financing should be reviewed along with the requirements for specific programme implementation stages: e.g., selection of Predefined Projects, reporting on irregularities, financial corrections for irregularities, and recovery, withholding and write off of irregular payments. It is recommended to review the responsibilities of the FMO and the National Focal Point with regard several management and monitoring aspects in order to fully implement the strategic approach and to strengthen the strategic role of the National Focal Point.

### *Programme Bilateral Funds*

In general, implementation of the Programme Bilateral Funds is well recognised praxis. However, introduction of the Programme Bilateral Funds in 2009 – 2014 period was a new incentive, therefore lack of experience, unclear restrictions for implementation of the Funds initially were noted as limiting factors to the implementation of this instrument. Due to the specifics of the programme, another limiting factor was the capacity and language skills of the Project Promoters – the NGOs – which affected the implementation of the Fund. The main problems were confusion in the preparatory and initial implementation stages of the programmes, since the institutions did not understand the planning and use of these funds. The survey respondents highly appreciated strategic directions received from the Programme and Steering Committees, and directions from the Donor Programme Partners. Implementation of the Programme Bilateral Funds was delayed by the Donor Programme Partners' response – they were affected by the high demand from the Beneficiary states of the Financial Mechanisms; the Donor states were not prepared for such situation. The institutions involved in programme implementation rated proportionality of the invested resources with regard to the Programme Bilateral Funds results as good.

### *Functions of the National Focal Point*

The National Focal Point has implemented its functions in line with the regulatory framework. Evaluation of the functions performed by the National Focal Point does not reveal that any of these have created additional administrative burden, implementation

of these functions correspond to the principles of economy, efficiency and effectiveness. On specific occasions, role of the National Focal Point in implementation of the Management and Control System is considered formal. Strengthening of the strategic role of the National Focal Point would permit more efficient implementation of its functions, but it depends largely upon review of the Donor States requirements and decreased involvement in operational control and monitoring of the Financial Mechanisms. Lack of operational level employees assigned with responsibilities and competences for the programming of the Financial Mechanisms in the EU Structural Funds Strategy Department is considered as a limitation.

The National Focal Point along with the POs noted that the regulatory framework (internal and external documents) in relation to the available financing (less than 70 MEUR) is inadequate. The regulatory framework for administration of 4.53 billion EUR of EU funds in 2007 – 2013 period was similar, to give a comparison. There are indications about additional administrative burden in specific programme implementation stages: elaboration of normative documents for implementation of the programmes and inadequate requirements for reporting of irregularities.

#### *Involvement of the Programme Operators, Agencies and the National Programme Partner in programmes' preparation and implementation*

The evaluation of programmes' implementation and monitoring stages highlights the need for the line ministries to focus upon improvement of the quality of the result evaluation systems and competences for evaluation of results. The policy planning and implementation should be separated, e.g., the project level management and monitoring should be delegated to the Agencies. Main criticism has been expressed regarding the lengthy process of programmes' preparation and coordination, which delayed announcement of the project calls and left relatively short time for projects implementation, thus creating risks to projects' implementation.

#### *Requirements for preparation and submission of project applications*

Analysis of requirements for preparation and submission of project applications shows that these requirements are relevant. Only in some cases they have created additional administrative burden for project promoter. The requirements are fully in line with the principles of efficiency, and largely in line with the principles of economy and effectiveness. Key issues that need to be addressed are related to preparation of project applications, preparation of budget, attraction and involvement of Donor Project Partners and submission of project applications.

#### *Evaluation criteria of project applications, selection and approval of project applications and project contracts*

Evaluation of available financing under each programme and number of supported projects under each project selection round demonstrates that fragmented project selection ways do not correspond to the principles of effectiveness and economy. They require large resources from the project applicants for preparation of project applications, as a result inadequately high number of project applications in relation to the available financing is submitted under the call. This is particularly relevant in cases where only 10 projects have been approved under the open call for proposals or under the Small Grant Scheme. National and institutional internal project evaluation systems are heavier than the Donors' requirements for the evaluation process and create administrative burden. In most programmes evaluation of the Predefined Projects was formal and counterproductive, since the POs defined too many formal

evaluation criteria and too bureaucratic procedure at the national level. Coordination and approval of several programme proposals and national regulations on Programmes was delayed, therefore no time reserve was left for improvement of the implementation plan, budget or any other implementation aspect of the Predefined Projects. The Predefined Projects had to be approved in the quality as they were in order to leave sufficient time for implementation, since the final project implementation deadline was approaching.

*Timeliness of payments, identification of irregularities and use of financial corrections*

Payments are made in a timely manner and there are no substantial barriers or problems that could affect timeliness of payments; neither these have caused administrative burden. Administrative burden for institutions involved in implementation of the Financial Mechanisms is created by the Donor State requirements regarding reporting of irregularities and re-use of financing what has been generated from irregularities under the programme. This process does not correspond to the principles of efficiency, and further improvements are required in order to define the irregularities and amount from which the irregularity reports should be submitted for the irregular payments.

*Monitoring requirements and process*

With regard to the project monitoring requirements and process, it is recommended to review the requirements for preparation of project reports and supporting documents, the number of documents to be submitted should be decreased. Cooperation between the Project Promoters and the POs/Agencies should be improved – cooperation should be supportive to project implementation rather than controlling.

*Mutual complementarity of the Financial Mechanisms programmes and possibilities for implementation of the programmes from other financial sources*

Several programmes of the Financial Mechanisms are mutually complementary, since they are aimed at achievement of the common objectives and provide joint impact upon interconnected target groups. The Project Promoters have good and average possibilities to receive financing for implementation of similar activities from other financial sources.