

MEMORANDUM OF UNDERSTANDING
ON THE IMPLEMENTATION OF THE NORWEGIAN FINANCIAL MECHANISM
2009-2014

between

THE KINGDOM OF NORWAY,
hereinafter referred to as “Norway”

and

THE REPUBLIC OF LATVIA
hereinafter referred to as the “Beneficiary State”

together hereinafter referred to as the “Parties”,

Norwegian Financial Mechanism 2009-14
Memorandum of Understanding – Latvia

WHEREAS the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 establishes a financial mechanism (hereinafter referred to as the “Norwegian Financial Mechanism 2009-2014”) through which Norway will contribute to the reduction of economic and social disparities in the European Economic Area;

WHEREAS the Norwegian Financial Mechanism 2009-2014 aims to strengthen relations between Norway and the Beneficiary State to the mutual benefit of their peoples;

WHEREAS the enhanced co-operation between Norway and the Beneficiary State will contribute to securing a stable, peaceful and prosperous Europe, based on good governance, democratic institutions, the rule of law, respect for human rights and sustainable development;

WHEREAS the Parties agree to establish a framework for cooperation in order to ensure the effective implementation of the Norwegian Financial Mechanism 2009-2014;

the Parties HAVE AGREED on the following:

Article 1
Objectives

1. The overall objectives of the Norwegian Financial Mechanism 2009-2014 are to contribute to the reduction of economic and social disparities in the European Economic Area and to the strengthening of bilateral relations between Norway and the Beneficiary States through financial contributions in the priority sectors listed in paragraph 2. Accordingly, the Parties to this Memorandum of Understanding shall endeavour to select for funding programmes that contribute to the achievement of these objectives.

2. The financial contributions shall be available in the following priority sectors:

- (a) Carbon capture and storage;
- (b) Green industry innovation;
- (c) Research and scholarship;
- (d) Human and social development;
- (e) Justice and home affairs;
- (f) Promotion of decent work and tripartite dialogue.

Article 2
Legal Framework

This Memorandum of Understanding shall be read in conjunction with the following documents which, together with this Memorandum of Understanding, constitute the legal framework of the Norwegian Financial Mechanism 2009-2014:

- (a) the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as “the Agreement”);

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- (b) the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the “Regulation”) issued by Norway in accordance with Article 8.8 of the Agreement;
- (c) the programme agreements that will be concluded for each programme; and
- (d) any guidelines adopted by the Norwegian Ministry of Foreign Affairs (NMFA) in accordance with the Regulation.

Article 3
Financial Framework

1. In accordance with Article 2 of the Agreement, the total amount of the financial contribution is € 800 million in annual tranches of € 160 million over the period running from 1 May 2009 to 30 April 2014, inclusive.
2. In accordance with Article 5 of the Agreement, a total of € 38.4 million shall be made available to the Beneficiary State over the period referred to in Paragraph 1.
3. In accordance with Article 8.7 of the Agreement and Article 1.8 of the Regulation, the management costs of Norway shall be covered by the overall amount referred to above. Further provisions to this effect are set out in the Regulation. The net amount of the allocation to be made available to the Beneficiary State is € 35.52 million.

Article 4
Roles and responsibilities

1. Norway shall make funds available in support of eligible programmes proposed by the Beneficiary State and agreed on by the NMFA within the priority sectors listed in Article 3 of the Agreement and the programme areas identified in Annex B of this Memorandum of Understanding. Norway and the Beneficiary State may consult on possible and specific programmes before a formal programme proposal is submitted to the NMFA.
2. The Beneficiary State shall assure the full co-financing of programmes that benefit from support from the Norwegian Financial Mechanism 2009-2014 in accordance with Annex B and the programme agreements.
3. The NMFA shall manage the Norwegian Financial Mechanism 2009-2014 and take decisions on the granting of financial assistance in accordance with the Regulation.
4. The NMFA shall be assisted by the Financial Mechanism Office (hereinafter referred to as the “FMO”). The FMO shall be responsible for the day-to-day operations of the Norwegian Financial Mechanism 2009-2014 and shall serve as a contact point.

Article 5
Designation of authorities

The Beneficiary State has authorised a National Focal Point to act on its behalf. The National Focal Point shall have the overall responsibility for reaching the objectives of the Norwegian Financial Mechanism 2009-2014 as well as for the implementation of the Norwegian Financial Mechanism 2009-2014 in the Beneficiary State in accordance with the Regulation. In accordance

with Article 4.2 of the Regulation, the National Focal Point, the Certifying Authority, the Audit Authority, and an appropriate national entity responsible for the preparation and submission of irregularities reports are designated in Annex A.

Article 6
Multi-annual Programming Framework

1. In accordance with Article 2.1 of the Regulation, the Parties have agreed on an implementation framework consisting of the following financial and substantive parameters:
 - (a) a list of agreed programme areas, the financial contribution from the Norwegian Financial Mechanism 2009-2014 by programme area;
 - (b) identification of programmes, their main focus and outcomes, as appropriate, as well as any specific concerns relating to target groups, geographical areas or other issues;
 - (c) identification of programme operators, if appropriate;
 - (d) initiatives to strengthening the bilateral relations between Norway and the Beneficiary State, including the identification of programme areas in which donor partnership programmes as referred to in Article 3.2 shall be prepared, the designation of donor programme partners, the allocation of funds for such programmes, and programmes, or component thereof, that are dedicated exclusively to donor partnership projects;
 - (e) in specific cases, the identification of pre-defined projects to be included in relevant programmes;
 - (f) identification of small grant schemes, as appropriate.
2. The implementation framework is outlined in Annex B.

Article 7
Annual meetings

In accordance with Article 2.3 of the Regulation an annual meeting shall be held between the NMFA and the National Focal Point. The annual meeting shall allow the NMFA and the National Focal Point to examine progress achieved over the previous reporting period and agree on any necessary measures to be taken.

Article 8
Modification of the annexes

1. Annex A may be subject to review at the annual meetings. Amendments to Annex A agreed upon at the annual meetings do not require a formal change to this Memorandum of Understanding. Such amendments shall be confirmed through an exchange of letters between the NMFA and the National Focal Point.
2. Annex B may be changed through an exchange of letters between the NMFA and the National Focal Point.

Article 9
Control and Access to Information

The NMFA, the Office of the Auditor General of Norway and their representatives have the right to carry out any technical or financial mission or review they consider necessary to follow the planning, implementation and monitoring of programmes and projects as well as the use of funds. The Beneficiary State shall provide all necessary assistance, information and documentation.

Article 10
Governing Principles

1. The implementation of this Memorandum of Understanding shall in all aspects be governed by the Regulation and subsequent amendments thereof.
2. The objectives of the Norwegian Financial Mechanism 2009-2014 shall be pursued in the framework of close co-operation between Norway and the Beneficiary State. The Parties agree to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities in all implementation phases of the Norwegian Financial Mechanism 2009-2014.
3. The Beneficiary State shall take proactive steps in order to ensure adherence to these principles at all levels involved in the implementation of the Norwegian Financial Mechanism 2009-2014.

Article 11
Entry into Force

This Memorandum of Understanding shall enter into force on the day after the date of its last signature.

This Memorandum of Understanding is signed in two originals in the English Language.

Signed in on
For the Kingdom of Norway

Signed in on
For the Republic of Latvia

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National management and control structures

1. National Focal Point

The Ministry of Finance of the Republic of Latvia shall act as the National Focal Point. The Deputy State Secretary on EU Structural Funds and Cohesion Fund Issues of the Ministry of Finance shall act as the head of the National Focal Point.

The Ministry of Finance is a line ministry of the Latvian government and is the central state administration institution in the field of finances. It develops financial policy, coordinates and organizes its implementation, manages external financial aid instruments, and performs other functions stated in the external regulatory enactments.

The structural units within the Ministry of Finance responsible for carrying out the functions of the National Focal Point are the EU Funds Strategy Department and the EU Funds Monitoring Department. Each department is headed by a director both of whom report to the Deputy State Secretary on EU Structural Funds and Cohesion Fund Issues of the Ministry of Finance who administers the work of these departments and is the head of the National Focal Point. The respective Deputy State Secretary reports to the State Secretary of the Ministry of Finance. The State Secretary is the administrative leader of the Ministry of Finance and reports directly to the Minister of Finance. The Minister of Finance is the political leader of the Ministry of Finance and a member of the Government.

The roles and responsibilities of the National Focal Point are stipulated in the Regulation, in particular Article 4.3 thereof. In addition, the National Focal Point shall:

- Ensure elaboration of the national legal acts on the implementation of the Norwegian Financial Mechanism.
- Ensure design and implementation of the management and monitoring system for the Norwegian Financial Mechanism.
- Elaborate and implement a reporting system on irregularities in the framework of the Norwegian Financial Mechanism.
- Monitor the implementation of the Norwegian Financial Mechanism in accordance with Regulation and national legal acts.

2. Certifying Authority

The State Treasury of the Republic of Latvia shall act as the Certifying Authority. The State Treasurer acts as the Head of the Certifying Authority.

The State Treasury of the Republic of Latvia is directly subordinated to the Ministry of Finance. The State Treasury's operations are managed by the State Treasurer. The responsible structural

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unit for coordination of functions of the Certifying Authority is the European Affairs Department of the State Treasury.

The European Affairs Department of the State Treasury is headed by a director directly subordinate and responsible for reporting to the State Treasurer. The State Treasurer reports to the Deputy State Secretary on Budget Issues who reports to the State Secretary of the Ministry of Finance.

The roles and responsibilities of the Certifying Authority are stipulated in the Regulation, in particular Article 4.5 thereof. In addition, the Certifying Authority shall:

- Report to the National Focal Point on actual or suspected cases of irregularities in the financial flows managed by the Programme Operators in the framework of the Norwegian Financial Mechanism.

3. Audit Authority

The Audit Department of the Ministry of Finance of the Republic of Latvia shall act as the Audit Authority. The Director of the Audit Department, who is directly subordinated and reporting to the State Secretary of the Ministry of Finance, shall act as the Head of the Audit Authority.

The Head of the Audit Authority approves and signs the Audit Authority's documentation, including audit reports, audit strategy and annual control reports. The Audit Authority shall act in compliance with the International Standards on Auditing, International Standard on Assurance Engagements and Code of Ethics.

The roles and responsibilities of the Audit Authority are stipulated in the Regulation, in particular Article 4.6 thereof. In addition, the Audit Authority shall:

- Ensure elaboration and monitoring of the implementation of the National Audit Policy of the Norwegian Financial Mechanism.
- Ensure elaboration of the national legal acts on implementation of the Audit Authority's functions.
- Ensure the quality and reliability of the assessments undertaken by the internal audit units of the institutions that are involved in the administration of the Norwegian Financial Mechanism.
- Monitor the implementation of audit recommendations provided in the framework of the audits of the Norwegian Financial Mechanism.

4. National public entity responsible for the preparation and submission of irregularities reports.

The National Focal Point shall be responsible for the preparation and submission of irregularities reports. Tasks related to this responsibility shall be performed by the EU Funds Monitoring Department, which is institutionally a part of the National Focal Point.

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The roles and responsibilities of the National Focal Point in relation to irregularities are stipulated in the Regulation, in particular Article 11.3 thereof. In addition, the National Focal Point shall:

- Ensure that all reports on irregularities and measures taken to prevent irregularities are reviewed, and, if necessary, initiate and carry out control and audit to establish assurances on the effectiveness and sufficiency of the measures for detection and prevention of irregularities and recovery of unjustified spending.

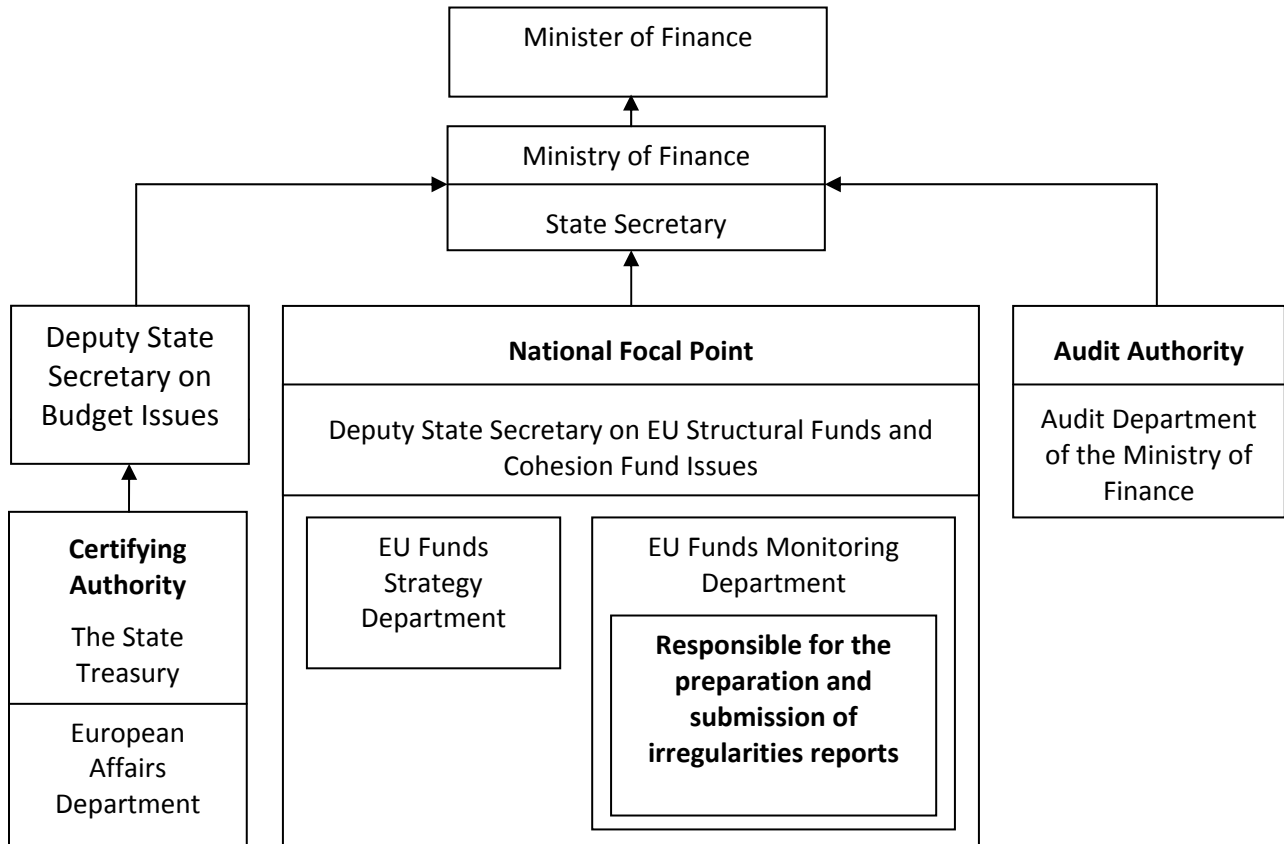
5. Monitoring Committee

The Monitoring Committee shall be established within six months of the signing of the Memorandum of Understanding. Its role is stipulated in the Regulation, in particular Article 4.4 thereof.

6. Strategic Report

In accordance with Article 2.2 of the Regulation, the National Focal Point shall annually submit to the NMFA a Strategic Report on the implementation of the Norwegian Financial Mechanism 2009-2014 in the Beneficiary State. The Parties shall endeavour to hold the annual meeting in the month of May every year.

7. Organigramme



Implementation framework

In accordance with Article 2.1 of the Regulation, the Parties to this Memorandum of Understanding have agreed on an implementation framework outlined in this annex.

1. Financial parameters of the implementation framework

Latvia	Norwegian FM contribution
Programme area	
Green Industry Innovation	€ 11,328,000
Global fund for Decent Work and Tripartite Dialogue	€ 384,000
Bilateral Research Cooperation	€ 4,500,000*
Bilateral Scholarship Programme	€ 492,000*
Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities	€ 4,992,000
Correctional Services, including Non-custodial Sanctions	€ 13,056,000
Other allocations	
Technical assistance to the Beneficiary State (Art. 1.9)	€ 576,000
Fund for bilateral relations at national level (Art. 3.5.1)	€ 192,000
Net allocation to Latvia	€ 35,520,000

*Indicative as per specific concerns under Bilateral Research Cooperation and Scholarship Programme.

2. Specific concerns

Bilateral relations between Norway and Latvia shall be strengthened with the aim of stimulating long-term cooperation, in particular in the programme areas listed below with donor programme partners, as well as through other means such as partnership at project level in all programme areas supported.

The appraisal of Programme Proposals will take due account of relevant human rights- and governance-related standards of the Council of Europe (such as those monitored by CPT, GRECO, GRETA, ECRI etc.), including the Convention for the Protection of Human Rights and Fundamental Freedoms.

3. Substantive parameters of the implementation framework

The programmes described below are to be prepared and, subject to NMFA approval, implemented in the Beneficiary State.

A. Programme Area: Green Industry Innovation

<i>Programme:</i>	Green Industry Innovation
<i>Expected outcomes:</i>	Realisation of business opportunities of greening the European economy; increased green job creation and entrepreneurship
<i>Programme grant:</i>	€ 11,328,000
<i>Programme Operator:</i>	Ministry of Economy
<i>Donor Programme Partner:</i>	Innovation Norway
<i>Main focus:</i>	The Programme is aimed at establishing an Incubator for Green Industry Innovation. This shall serve as a bridging facility between green entrepreneurs and the market place. A re-granting scheme shall be included in the programme.

B. Programme Area: Global Fund for Decent Work and Tripartite Dialogue

<i>Programme:</i>	Decent work
<i>Programme grant:</i>	€ 384,000
<i>Programme Operator:</i>	Innovation Norway

C. Programme Areas: Bilateral Research Cooperation and Scholarship Programme

<i>Programme:</i>	Norwegian-Latvian Research Support Fund and Scholarship Programme
<i>Programme grant:</i>	€ 4,992,000
<i>Programme Operator:</i>	Ministry of Education and Science
<i>Donor programme partner(s):</i>	The Research Council of Norway and Centre for Internationalisation of Higher Education

Main focus: The Programme shall have two separate components:
1.) Research cooperation should include social sciences and humanities. The final content of and additional sectors in this programme component will be determined at a later stage and through expert consultations;
2.) Scholarships. Students of all higher education levels and all fields of study will be eligible for the scholarships

Specific concerns: The division of the allocation between Programme area 23 (Bilateral Research Cooperation) and Programme area 24 (Bilateral Scholarship Programme) shall be seen as indicative to be agreed upon in the programme agreement. The research component of the Programme shall be implemented in accordance with Annex 12 to the Regulations and the scholarship component shall be implemented in accordance with the Guidelines for Scholarship Programmes.

D. Programme Area: Capacity-Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities

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

Programme grant: € 4,992,000

Programme Operator: Ministry for Environmental Protection and Regional Development

Donor programme partner: Norwegian Association of Local and Regional Authorities (KS)

Main focus: Increased capacity of public institutions involved in regional development and strengthened cooperation between national, regional and local authorities in the Beneficiary State and similar authorities in Norway.

Pre-defined projects: The project between the Latvian Association of Local Governments and Norwegian Association of Local and Regional Authorities, aiming at supporting development and implementation of the system for analyses and evaluation of local government performance, as well as provision of comprehensive, appropriate in-depth training opportunities, learning from the experiences of local and regional governments in Norway.

Specific concerns: Within the framework of the programme, it is planned to support several projects which aim at building strategic planning and service-provision capacities of national,

regional and local government institutions in Latvia. The programme is specifically focused on developing a system for analysis, evaluation and improvement of service-delivery in local governments, as well as on promoting an evidence-based and operational territorial planning practice at all government levels. The aim of the programme will be achieved learning from the best-practice examples of relevant Norwegian public institutions.

E. Programme Area: Correctional Services including Non-custodial Sanctions

Programme: Reform of the Latvian Correctional services and Police Detention Centres

Programme grant: € 13,056,000

Programme Operator: Ministry of Justice, in cooperation with the Ministry of Interior

Donor programme partner: The Norwegian Correctional Services

Pre-defined projects: 1) Increasing the application of alternatives to imprisonment (incl. possible pilot project on electronic surveillance).

2) New unit at Olaine prison, including construction and training of staff. The unit shall replace sub-standard prison capacity elsewhere in Latvia and will be based on research and the principle of progressive punishment.

3) Improving the standard of Latvian State police detention centres, including activities aimed at improving infrastructure, reducing / abolishing the current practice of administrative detention, changing the practice of returning remand prisoners for further investigation, ensuring adequate training for staff working at police detention facilities.

Specific concerns: At least 30% of the Programme allocation should be set aside for measures other than infrastructure investments or equipment purchases, such as training, the development of systems and procedures or capacity-building. During the Programme elaboration and implementation, the Parties will draw on the experience and expertise of the Council of Europe.