

**MINUTES OF THE 3rd ANNUAL MEETING:
EEA/NORWAY GRANTS 2009-2014**

**LATVIA
RIGA, 4 JUNE 2014
Ministry of Finance, Room 202**

Adoption of the Agenda

The Annual Meeting (hereinafter – the AM) was opened with introductory speeches made by Ms. Diāna Rancāne, the Head of the EU Funds Monitoring Department on behalf of the Head of the Focal Point (hereinafter – the FP), and Ms. Pia Gjesme Holm, the Deputy Director of Section for Central Europe and the European Economic Area Financial Mechanisms of the Norwegian Ministry of Foreign Affairs.

During the AM the implementation status of the programmes co-financed by the European Economic Area and Norwegian Financial Mechanisms 2009-2014 (hereinafter – the FMs), risks at national and programme level, horizontal concerns, and activities carried out and planned within the Bilateral fund (hereinafter – the BF) were to be discussed.

Participants of the AM agreed on the proposed agenda. The list of participants and the agenda are attached to the minutes as the Annex 1.

I part - Implementation status of the FMs

Introduction

The FP opened the meeting by welcoming the participants of the AM and by highlighting the importance of contribution of the FMs for Latvia as the statistical data shows that a close cooperation with Norway is also built in business sector.

The Donor side thanked for the cooperative attitude during programmes' proposal preparation and appraisal process. Latvia is one of the first countries which has signed the Memorandum of Understanding and entered into the implementation phase. The satisfaction with the progress made in 2013 was also expressed, however there are concerns about few programmes which have not fully entered into implementation phase. The Donor side highlighted that it is very important to ensure the implementation of these programmes as soon as possible in order to achieve the envisaged results. Appreciation on good cooperation established between the Norwegian Embassy and Latvian institutions was noted and the Donors reminded to involve the Embassy in future communication activities as well.

The FP thanked for introduction and invited the Donor side to provide comments on the Strategic Reports (hereinafter – the SRs) and to advice on future improvements in the SRs.

The Donor side thanked the FP for the preparation of good quality SRs which provide comprehensive strategic analyses of potential impact of the FMs as well as the reporting on programmes' contribution to cohesion is strategic, comprehensive and shows close involvement of the FP in the implementation of programmes with the view to achieve and to manage the results. The Donor side highlighted the SRs' emphasis regarding the negative impact of financial and economic crisis on non-governmental organizations (hereinafter – the NGOs) and overwhelming need for NGOs support and agreed that impact of the FMs' funds cannot be underestimated. The Donor side appreciated the special emphasis given in the SRs to the support of the intercultural dialog, participation of the minority NGOs in decision making and their interest in reduction hate speech. The Donor side outlined that the impact assessment of the BF provided in the SRs is analytic, comprehensive and detailed to the extent that offers a good departure point for development of these relations in future. As

regards to the Risk Management and mitigation actions it was noted that the FP has provided a comprehensive analyses on risks faced during implementation period. The Donor side added that the SRs should contain more detailed assessment of the impact of the FMs on the horizontal concerns. As the reporting in the SRs was limited only to the NGO Fund, the Donor side pointed the FP to the reporting potential of Cultural Heritage programme in future SRs.

The Donor side approved the SRs with some comments for future improvements:

- more detailed assessment of the impact of the FMs on horizontal concerns, in particular for the Cultural Heritage programme, shall be provided;
- aspects of corruption and mismanagement risks as presented in the draft report of Transparency International shall be strengthened in risk analysis.

The FP thanked for good recommendations which will be taken on board and outlined that some aspects of horizontal concerns in Cultural Heritage programme will be presented further during the FP's presentation as well as more detailed assessment will be provided in future SRs. The FP asked for Donor side's advice on how other Beneficiary States handle the assessment of horizontal issues in order to get some new ideas for future reporting in the SRs.

It was agreed that the Financial Mechanism Office (hereinafter – the FMO) will provide the FP with such examples.

Implementation Status of Programmes

The FP presented the implementation status of all 7 programmes, including latest data on financial progress. The presentation is attached to the minutes as the Annex 2.

As regards the likely payment Forecast submitted to the FMO on 20 May 2014, the FP explained that there are deviations between nationally approved payment targets and forecast for year 2014 which is based on very optimistic planning of the Programme Operators (hereinafter – the POs). Therefore, the FP proposed to provide the FMO with an updated Forecast in September 2014.

The Donor side thanked the FP for an update of the Forecast and for highlighting the highest risk programmes which are not progressing as expected. During the past years the donors were very concerned about heavy bureaucratic burden created by the elaboration of primary and secondary legislation for management of the FMs which creates serious bottlenecks for the implementation process of the FMs. While the Donor side recognizes the necessity of legal requirements for management and implementation system, the concerns are about the delays this process creates. The Donor side would like to know whether the Latvian side has taken any mitigation measures and how the Donor side can support the Latvian side in this regard. The FP pointed out that according to legislative system in Latvia implementation regulations for all foreign assistance funds, including EU structural funds, are being adopted by the Latvian Government rather quickly as priority files and the FP explained that the main reasons for delays are related to the time necessary for development of qualitative draft programme implementation regulations focusing more on the quality at the very outset so not to jeopardize reaching the expected results. It was stressed that if the programme implementation rules are not sufficiently discussed with all involved parties at the initial phase, then development of programme implementation regulations could take more time than initially planned. Other reason could be a low capacity and competence of the involved staff because in some programmes there was a need for innovative implementation approach, for example, in the Green Industry Innovation programme. As regards the approval of programme implementation regulations by the Latvian government, the FP explained that

this approval makes the implementation rules more transparent and easier to handle project promoters' complaints. In the next EU structural funds programming period, it is included in the draft Law that certain elements could be excluded from implementation regulations, but there are different opinions on this new approach. The same discussion can be initiated with the Donor side during planning of the next FMs period, when the EU fund's experience could be taken into account.

The Donor side thanked the FP for explanations and noted that Latvia has a heavier legal burden than other Beneficiary States. The Donor side was satisfied to hear that Latvia is ready to consider an option how to solve this problem in the next FMs period. The Donor side mentioned the FMO's letter of 19 May 2014 regarding completion of projects till 30 April 2016 and recalled that the FMO is expecting the FP's first feedback on expected Latvian decisions, including preliminary proposal on time schedule for the next steps. It was stressed that the FP shall inform the FMO on decision about reallocation of funds to other programmes by 1 September 2014.

The FP explained that at the moment the reallocation of funds between programmes is not planned, but in any case the options provided in the FMO's letter of 19 May 2014 will be considered by the FP and the POs.

Risk Assessment/Risk Mitigation

The FP presented the national level risks and the programme level horizontal risks and their mitigation actions as well as the FP comments on Transparency International Report and further actions taken. The presentation is attached to the minutes as the Annex 2.

The Donor side asked about the main irregularities in the procurements and whether there is a connection with corruption risk and conflicts of interest?

The FP explained that quite often the contracting party includes in the procurement documents restrictive requirements to exclude wider range of more potential candidates' offers from competition, as a result, the principle of free competition and equal treatment is infringed. To avoid these infringements the Procurement Monitoring Bureau, the POs and the Implementing agencies are ready to ensure the ex-ante controls of the procurement documentation. The FP also admitted that corruption and conflicts of interest risks in Latvia may exist but on much lower scale in sense of potential impact on the FMs' programmes due to the strong management and control system as well as added that in case of suspicion the FP consults with the leading specialised anti-corruption authority of Latvia - the Latvian Corruption Prevention and Combating Bureau.

The Donor side reminded that implementation of the FMs is based on the Result-Based Management and Risk Management which is an important tool for successful implementation of the FMs and especially for the achievement of objectives and expected results. The Donor side proposed to continue open dialog between all involved entities - the donorstates, the FMO and the POs - and their commitment to continue addressing the risks in their daily work. The Donor side thanked for comprehensive risks' assessments both at national and at programme level and mitigation measures elaborated in the SRs. The Donor side added that Latvian risk assessment and mitigation plan is a direction that the Donor side will take with all Beneficiary States. The Donor side appreciated that the FP had a constructive discussion with the FMO on draft Report of Transparency International and that the comments of Transparency International were taken into account in long-term management activities. The Donor side reminded that corruption risks shall be taken seriously and properly mitigated as well as pointed out that aspects of corruption and mismanagement risks as presented also in the draft report of Transparency International could be strengthened in risk analysis in the next SRs. The Donor side informed that the next seminar on risk management will be held in Estonia. The Donors informed that that there is

an intention to publish the results of the cooperation with TI regarding the Grants, including details on country and programme risks.

Status of Green Industry Innovation programme (LV06)

The representative of the PO presented the current progress and planned time schedule:

- the results of the 1st open call and proposal to launch the 2nd open call in September 2014 in order to use unspent funding and next steps;
- the amended Green Technology Incubator pre-defined project application will be assessed by the Selection Committee in the beginning of June, the project contract shall be signed by the end of June;
- the small grant scheme (incubation phase) is closely linked with pre-defined project (pre-incubation phase), therefore it is planned to be launched simultaneously with pre-defined project in June 2014.

The presentation is attached to the minutes as the Annex 3.

The Donor side pointed out that the contract with Green Technology Incubator shall be signed and an open call for small grant scheme shall be launched as soon as possible. The Donor side urged the PO to finalize the selection of the open call projects as soon as possible and expressed their worry about significant 5 mil. EUR undersubscription pointing out that additional open call needs to be organized as soon as possible. The PO proposed to launch the open call in the 4th quarter of 2014, but the Donor side considers it to be too late and, therefore, urged the Latvian side to run the process smoothly as the open call text and selection criteria are already in place, and urged the FMO to support the Latvian side for faster progress in launching the 2nd open call. The Donor side underlined that time constraints is a major risk, especially for those projects, which have to implement the procurement procedures during the implementation.

The PO replied that all Donor side's messages will be taken into account and as regards time schedule, the PO will try to speed up the launch of the 2nd open call as far as it will be possible.

Status of Research and Scholarships programme (LV05)

The representative of the PO presented the current progress and planned time schedule:

- the unspent funds in the open call for the BF's preparatory visits will be used in the 2nd round of open call for preparatory visits for scholarships, which will be launched before the main scholarships' open call;
- the open call in research activity will be launched in July 2014 as the approval of draft open call regulations by the Latvian Government is planned in June 2014;
- the submission of draft open call regulations for scholarships activity to the FP for the comments is planned on 20 June 2014 in order to launch the 1st open call in the end of August/September 2014 and the 2nd open call – in January 2015.

The presentation is attached to the minutes as the Annex 4.

The FMO asked what measures the PO was taken to ensure that it would be acceptable for potential research project partners to implement the projects in shorter time than planned (2 years instead of 3 years).

The PO explained that the Implementing agency has provided the information about shortened implementation time to potential project promoters during informative seminars

and added that as experience with the EU-funded research projects shows 2 years is sufficient time for implementation of a research project.

In the opinion of the Donor side, the launch of scholarships open call later than in the 3rd quarter 2014 will negatively impact the outcomes of the programme. As open call dates are significantly delayed compared to initially planned ones in the Programme Agreement, the Donor side asked to submit the Programme Agreement modification request as soon as possible and to launch all open calls before autumn.

Status of Reform of the Latvian Correctional Services and Police Detention Centres programme (LV08) (hereinafter - Correctional Services programme)

The representative of the PO presented the current progress and planned time schedule:

- the savings of 0,7 MEUR in the State Police's pre-defined project will be reallocated for implementation of the BF's activities, the Complementary Actions and new activities within other two pre-defined projects;
- further steps in relation to the resocialization activity of the Latvian Prison Administration's pre-defined project (Olaive prison) for which there will be no sufficient time left within current the FMs period. The issue will be discussed with the Latvian Government. The PO plans to reallocate the funds of resocialization activity within the programme;
- the PO works on proposal for the new activities in the Latvian Prison Administration's pre-defined project. The PO will ensure that the new activities will be related to the programme's outcomes and will be implemented in parallel to the project's other activities.

The presentation is attached to the minutes as the Annex 5.

The Donor side reminded that the transfer of funds to other programme shall be made through written procedure and appreciated that the Latvian side works on the issue to solve it. The Donor side noted that according to the FMO's assessment the progress in the programme has improved, however time constraint is a major risk, especially in Latvian Prison Administration's pre-defined project where significant procurement procedures shall take place. The Donor side emphasized once again that no extensions will be provided and that all projects shall be completed by 30 April 2016 and reminded that all 3 options described in the FMO's letter of 19 May 2014 shall be considered by the Latvian side.

Closing remarks

The Donor side provided comments on status of all programmes by mentioning that the capacity of few POs is unsatisfactory due to staff turnover and suggested to strengthen management functions of the POs by use of the programme administration costs. The FP's action to raise this issue at political level was highly commended. The Donor side pointed out how important it is to provide in the DoRIS information about selected projects timely and in high quality and to inform the Donor side about projects' selection results as soon as possible.

II part – Horizontal Concerns and Bilateral Relations at National and Programme level

Horizontal concerns

The FP presented how Cultural Heritage programme addresses horizontal concerns such as intercultural dialogue, cultural diversity, anti-semitism, anti-discrimination and tolerance. Representative of the Society Integration Foundation continued the presentation with examples of the activities from projects approved under the NGO Fund and activities of the PO with regard to Roma inclusion, countering hate-speech and hate crime, combating extremism, racism, homophobia and anti-semitism.

Both presentations are attached to the minutes as the Annex 2 and 6.

The Donor side underlined the importance of incorporation of horizontal concerns such as tolerance, human rights, freedom of speech, multicultural understanding into the programmes and commitment undertaken by both sides – the donor states and the Beneficiary States – with establishment of strategic partnership with the Council of Europe representing fundamental rights and freedoms. The Donor side invited the Latvian side to continue the good cooperation with the Council of Europe which in Latvian case particularly applies to the Correctional Services programme.

The Donor side encouraged the POs to see synergies and potential for cooperation on horizontal concerns and to raise awareness of general public on horizontal concerns, thus increasing also an impact of the FMs. The Donor side emphasized that in future the impact of the FMs on the horizontal issues should be assessed in the Annual Programme Reports and the SRs.

The Donor side highlighted three programmes – NGO Fund, Cultural Heritage programme and Research and Scholarships programme – where support provided to multicultural dialog, integration of minorities and Jewish cultural heritage as horizontal concern is very important for the Donor side. The PO for the NGO Fund was encouraged to pay special attention to the issues of discrimination, hate crime and hate speech, anti-semitism and holocaust dedication and it was underlined that the NGO Fund's support provided to the civil society is one of explicit ways of showing donor states' commitment to promote the European fundamental values, consequently, any project activity in contradiction to these values shall not be supported under the FMs. In future the POs shall ensure in the open calls' text that sufficiently detailed project applications are submitted which can be efficiently assessed by independent experts. The Donor side reminded that the role of POs is to ensure that whenever possible a potential risk or irregularities are avoided or mitigated as soon as possible. The FP shall ensure that the POs fulfill their role adequately and any outstanding issues are clarified.

The Donor side acknowledged the FP's request for necessity to elaborate specific Guidelines on how the activities under the FMs shall contribute to the facilitation of gender equality considering that in the previous FMs period 2004-2009 it was elaborated the common *Gender Equality Policy and Guide* for all Beneficiary States and informed that the FMO will follow up on this request.

The FP thanked for the Donor side's comments.

Bilateral relations at national and programme level

The FP presented the main bilateral activities, including Complementary Actions used for strengthening of bilateral relations, implemented in 2013 at the programme level and at the project level. The presentation was continued with short information on already reached progress and planned activities in 2014 and 2015 under the BF at national level. The presentation is attached to the minutes as the Annex 2.

The Donor side was satisfied with overall development of bilateral relations during the programme proposals' preparation, appraisal and implementation phase between Latvian and donor state entities. The Donor side pointed out that good working relationships between the POs and donor state programme partners are crucial for achieving both the cohesion and bilateral objective of the FMs and, therefore, the Latvian side was encouraged to develop these relationships further. The Donor side underlined the importance of having a documentation in English that will keep the donor states programme partners informed on programme progress and the importance of frequent exchanges of experience with donor states' partners at all levels, e.g. in the Cultural Heritage programme as these exchanges are very fruitful and strengthen the roots of cooperation. The Donor side added that the further

development of bilateral relations is the priority for donor states, therefore the Latvian side was invited to continue the active approach in facilitation of bilateral relations and good cooperation with the Norwegian Embassy and donor states. As a good example of partnerships it was highlighted the activities of the PO for the NGO Fund regarding No Hate Speech campaign and the conference “Gender and Minorities Mainstreaming” organized with strong participation of representatives from Norway and Iceland.

Latvian Presidency in the EU Council

The Secretariat of the Latvian Presidency of the Council of the EU presented events planned for financing of the bilateral fund (BF) at national level in 2015. The presentation is attached to the minutes as the Annex 7.

The FP thanked for the presentation and welcomed the donor state experts to participate in the proposed events in order to share their experience with the Latvian colleagues.

The Donor side appreciated close cooperation of Latvian side with donor states and the Norwegian Embassy as regards activities of the Latvian Presidency in the Council of the EU to be financed from the BF.

Closing remarks

The FP thanked the Donor side for the constructive comments which will be taken into account in the next SRs and also for the invitation to the risk seminar in Estonia. The FP thanked also all parties for participation in the meeting, especially the POs and Implementing agencies for the work done during the last year. In the end, the FP thanked the Donor side and Norwegian Embassy for good cooperation and open dialog in which all parties can freely discuss the milestone issues.

The Donor side concluded the meeting by thanking for the progress made in 2013, comprehensive SRs provided by the FP and strengthened bilateral relations, and by looking forward to the next events planned in the remaining implementation period. However, the Donor side outlined the importance of close monitoring over the programmes, in particular this applies to three programmes highlighted as the highest risk programmes, and continuation of constructive work on the risk assessment and mitigation.

Annexes:

1. List of participants and agenda of the AM on 3 pages;
2. Two presentations of the FP on 20 pages;
3. Presentation of the Ministry of Economics on 7 pages;
4. Presentation of the Ministry of Education and Science on 8 pages;
5. Presentation of the Ministry of Justice on 5 pages;
6. Presentation of the Society Integration Foundation on 8 pages;
7. Presentation of the Secretariat of the Latvian Presidency of the Council of the EU on 6 pages.