

**EEA Financial Mechanism 2009-2014**

**PROGRAMME AGREEMENT**

**between**

**The Financial Mechanism Committee  
established by Iceland, Liechtenstein and Norway**

**and**

**The Ministry of Finance,  
hereinafter referred to as the "National Focal Point",  
representing Latvia ,  
hereinafter referred to as the "Beneficiary State"**

**together hereinafter referred to as the "Parties"**

**for the financing of the Programme "National Climate Policy "**

**hereinafter referred to as the "Programme"**

**Chapter 1  
Scope, Legal Framework, and  
Definitions**

**Article 1.1  
Scope**

This programme agreement between the Financial Mechanism Committee (hereinafter referred to as the FMC) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the EEA Financial Mechanism 2009-2014 to the Programme.

**Article 1.2  
Legal Framework**

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the EEA Financial Mechanism 2009-2014:

a. Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;

b. the Regulation on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8(8) of Protocol 38b;

c. the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and

d. any rules adopted by the FMC in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

**Article 1.3  
Definitions**

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.5 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

**Article 1.4  
Annexes and hierarchy of documents**

1. The programme decision, including the financial plan (Annex I), and the operational rules (Annex II) form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the former shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the programme proposal are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

**Chapter 2  
The Programme**

**Article 2.1  
Co-operation**

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and 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.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

**Article 2.2**  
Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the EEA Financial Mechanism 2009-2014 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

a. comply with its obligations stipulated in the Regulation and this programme agreement;

b. ensure that the Certifying Authority, the Audit Authority, the Monitoring Committee and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;

c. take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

d. take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

e. make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The FMC shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

**Article 2.3**  
Objective and outcomes of the Programme

1. The programme decision sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

**Article 2.4**  
Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in the programme decision.

2. In case the Programme is also supported by the Norwegian Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan shall:

a. contain a breakdown between the Programme's budget headings using the description put forward in the template for the programme proposal;

b. indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in the programme decision.

**Article 2.5**  
Special conditions and programme specific rules

1. The programme decision shall list any conditions set by the FMC with reference to paragraph 3 of Article 5.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and, in a timely manner, take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

**Article 2.6**  
Programme implementation agreement

1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the FMC of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the FMC in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the FMC of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

**Article 2.7**  
Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 8 and Articles 5.11 and 5.12 of the Regulation as well as statistical reporting in accordance with the Programme Operator's Manual (Annex 9 to the Regulation).

**Article 2.8**  
**External monitoring**

The external monitoring and audit referred to in Articles 10.1, 10.2, 10.3 and 10.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of its obligations under the programme agreement regarding monitoring of the Programme and/or its projects, financial control and audit.

**Article 2.9**  
**Modification of the Programme**

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the FMC.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without FMC's prior approval provided that they are limited to the following:
  - a. cumulative transfers between budget headings related to outcome of an amount less than 10 % of total eligible expenditure of the Programme or € 1,000,000, whichever is higher, and
  - b. changes of internal practices of the Programme Operator that are not stipulated in the programme agreement.
3. Programme specific exceptions from paragraphs 1 and 2, if any, are set in the operational rules.
4. Expenditures incurred in breach of this article are not eligible.
5. Should there be a doubt as to whether the proposed modification requires approval by the FMC, the National Focal Point shall consult the FMC before such modification takes effect.
6. Requests for modifications shall be submitted and assessed in accordance with Article 5.9 of the Regulation.

**Article 2.10**  
**Communication**

1. All communication to the FMC regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the FMC towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

4. The FMC shall ensure that the National Focal Point is informed about communication between the FMC and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this programme agreement.

**Article 2.11**  
**Contact Information**

1. The contact information of the National Focal Point and the Programme Operator is as specified in the programme proposal.

2. The contact information for the FMC and the Financial Mechanism Office are:

Financial Mechanism Office  
Att: Director  
EFTA Secretariat  
Rue Joseph II, 12-16  
1000 Brussels  
Telephone: +32 (0)2 286 1701  
Telefax (general): +32 (0)2 211 1889  
E-mail: fmo@efta.int

3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

**Article 2.12**  
**Representations and Warranties**

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the FMC in the programme proposal or other communication prior to the signing of this programme agreement.

2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point in the programme proposal, in connection with the programme proposal, the implementation or conclusion of this programme agreement are authentic, accurate and complete.

### **Chapter 3 Projects**

#### **Article 3.1 Selection of projects**

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 6 of the Regulation and the operational rules.
2. Eligibility of applicants is stipulated in Article 6. 2 of the Regulation and, in accordance with paragraph 3 thereof, subject only to the limitations stipulated in the operational rules.
3. Pre-defined projects shall be outlined in the operational rules.
4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 6.6 of the Regulation.

#### **Article 3.2 Project contract**

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.
2. In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.
3. The content and form of the project contract shall comply with Article 6.7 of the Regulation.
4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

#### **Article 3.3 Project partners and partnership agreements**

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.5 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 6.8 of the Regulation.
2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from the Donor States.
3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 7.16 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article before the signing of the project contract.

#### **Article 3.4 Reallocation of funds**

1. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
2. Project grants not reallocated shall be reimbursed to the FMC in accordance with Article 6.9 of the Regulation.

### **Chapter 4 Finance**

#### **Article 4.1 Eligible expenditures**

1. Subject to Article 7.6 of the Regulation, eligible expenditures of this Programme are:
  - a. management costs of the Programme Operator in accordance with the detailed budget in the financial plan;
  - b. payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract;
  - c. expenditure of funds for bilateral relations in accordance with Article 7.7 of the Regulation;
2. Expenditure related to the categories referred to in subparagraphs (d), (e) and (f) of Article 7.1 of the Regulation are eligible in accordance with Chapter 7 thereof if such expenditures are explicitly approved by the FMC in the programme decision. The implementation of the activities under these categories shall be in compliance with the operational rules.
3. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 7.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 7.3 of the Regulation as well as indirect costs in accordance with Article 7.4 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 7.14 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the FMC of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 15 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraphs 1 and 2 are set in the programme decision. Programme specific rules on the eligibility of expenditure set in the programme decision or in the operational rules shall be complied with.

#### Article 4.2 Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 7.13 of the Regulation.

#### Article 4.3 Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 8.2, 8.3 and 8.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in the operational rules.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 8.1 of the Regulation.

5. Chapter 4 of the Regulation shall apply to all aspects relating to payments, including currency exchange rules and handling of interests on bank accounts.

#### Article 4.4 Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the EEA Financial Mechanism 2009- 2014 of the Programme in accordance with Article 8.8 of the Regulation.

#### Article 4.5 Irregularities, suspension and reimbursements

The FMC has the right to make use of the remedies provided in the Regulation, in particular Chapter 12 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 11 and 12 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

#### Chapter 5 Final provisions

##### Article 5.1 Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the FMC is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

##### Article 5.2 Termination

1. The FMC may, after consultation with the National Focal Point, terminate this programme agreement if:

a. a general suspension decision according to Article 12.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 12.1 of the Regulation has not been lifted within 6 months of such a decision;

b. a suspension of payments according to Article 12.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;

c. a request for reimbursement according to Article 12.2 of the Regulation has not been complied with within one year from such a decision;

d. the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

e. the Programme Operator has, in the opinion of the FMC, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the FMC to make use of the remedies provided in Chapter 12 of the Regulation.

**Article 5.3**  
**Waiver of responsibility**

1. Any appraisal of the Programme undertaken before or after its approval by the FMC, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The FMC does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the FMC for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the FMC, its members or alternate members, nor the EFTA States, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

**Article 5.4**  
**Entry into force and duration**

1. This programme agreement shall enter into force on the date of the last signature of the Parties.

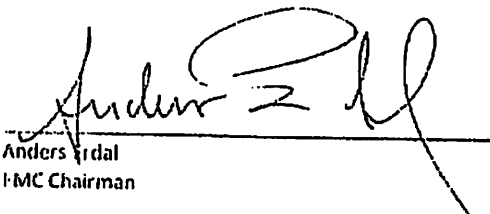
2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

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The programme agreement is drawn up in two originals in the English language.

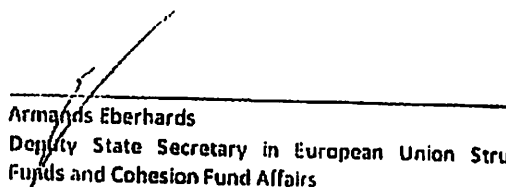
For the FMC

Signed in Oslø on 26.2.2013

  
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Anders Trdal  
FMC Chairman

For the National Focal Point

Signed in Riga on 06.03.2013

  
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Armands Eberhards  
Deputy State Secretary in European Union Structural Funds and Cohesion Fund Affairs

## Annex I - Programme Decision

### 1. Expected Outcomes & Indicators for Outputs

**Expected Outcome(s):** Developed strategies and measures for adapting to a changing climate

#### Output

Developed a proposal for national adaptation strategy.

Output indicator(s)	Baseline	Target	Source of Verification
Developed climate change and impact scenario for 2050 - 2100.	0	1	The annual programme reports and project reports.
Developed reports on indicators, risks and adaptation measures.	1	13	The annual programme reports and project reports.

#### Output

Improved capacity on climate change research.

Output indicator(s)	Baseline	Target	Source of Verification
Implemented researches on climate research methodologies, indicator systems and horizontal issues.	0	7	The annual programme reports and project reports.

#### Output

Enhanced society's knowledge about climate change.

Output indicator(s)	Baseline	Target	Source of Verification
Developed professional education program modules on climate change and adaptation.	0	4	The annual programme reports and project reports.
Information and planning events (seminars and campaigns) carried out.	0	12	The annual programme reports and project reports.

**Expected Outcome(s):** Improved environmental information on impact, status and trends

#### Output

Improved greenhouse gas inventory system

Output indicator(s)	Baseline	Target	Source of Verification
Conferences, training seminars and other experience sharing events carried out to increase the capacity of Latvian inventory experts.	0	5	The annual programme reports.
Developed an integrated database for climate change and air quality data aggregation and preparation of reports to different international institutions.	0	1	The annual programme reports.
Implemented studies undertaken for inventory improvement.	0	4	The annual programme reports.



**Output**

Improved quality of ex-ante and ex-post evaluation of climate change policy measures.

Output indicator(s)	Baseline	Target	Source of Verification
Developed model system for climate change mitigation policy evaluation, including guidelines for cost assessment of different policy measures and ex-ante and ex-post policy assessment.	0	1	The annual programme reports.
Carried out education events for sectoral experts from institutions involved in the national system for policies and measures and projections.	0	3	The annual programme reports.
Developed unified data tool for greenhouse gas projection preparation for international reporting.	0	1	The annual programme reports.

**Expected Outcome(s):** A less carbon-dependent economy

**Output**

High energy saving building technologies implemented and demonstrated

Output indicator(s)	Baseline	Target	Source of Verification
Energy efficiency projects implemented	0	3	The annual programme reports and projects reports.
Level of energy consumption assessed for buildings as result of implementation of energy saving technologies (kWh/m <sup>2</sup> /year)	195	25	The annual programme reports and projects reports.

**Output**

Renewable energy projects implemented

Output indicator(s)	Baseline	Target	Source of Verification
Average planned emission savings calculated (tonnes CO <sub>2</sub> / year)	300	500	The annual programme reports and projects reports.

**Output**

Low carbon technologies developed and demonstrated

Output indicator(s)	Baseline	Target	Source of Verification
Innovative low carbon technologies demonstrated within the programme	0	3	The annual programme reports and projects reports.

**2. Conditions**

**2.1 General**

- 1) The National Focal Point shall ensure that any public support under this programme complies with the procedural and substantive State Aid rules applicable at the time when the public support is granted. The Focal Point shall ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.
- 2) Bilateral output and outcome indicators shall be reported on in the annual programme report.
- 3) The pre-defined projects shall be appraised in accordance with Article 5.5.3 of the Regulation by an independent and external expert, prior to the signature of the project contracts. This expert shall be independent of the Programme Operator and the State Regional Development Agency.
- 4) The pre-defined projects shall be audited by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the relevant national law and accounting practices once the project is completed.

- 5) The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.
- 6) No later than 31 March of every year, the National Focal Point shall provide the FMO with a statement of all co-financing provided by project promoters to their projects during the previous calendar year. The National Focal Point shall ensure that it obtains the necessary information in a timely manner from the Programme Operator by way of appropriate provisions in the programme implementation agreement.
- 7) The details of use of the bilateral fund, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator and will be subject to the approval of the Cooperation Committee.
- 8) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
  - Keep the excepted equipment in their ownership for a period of at least 5 years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
  - Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
  - Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract; provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.
- 9) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:
  - Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
  - Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
  - Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.

## **2.2 Pre-eligibility**

- 1) Expenditures under the pre-defined projects shall only be eligible once the FMC has received a detailed description of the budget of each project, broken down by activity with an associated timeline and a clear indication of the role of and allocation to the donor project partners and has confirmed the maximum grant to the project.

## **2.3 Pre-payment**

Not applicable.

## **2.4 Pre-completion**

Not applicable.

## **2.5 Post-completion**

Not applicable.

## **2.6 Other**

Not applicable.

## **3. Eligibility of costs**

### **3.1 Eligibility of costs - period**

Eligibility of costs (excluding prog prep costs): 20/12/2012-31/12/2017

Eligibility of programme proposal preparation costs: 28/11/2012-19/12/2012

### **3.2 Grant rate and co-financing**

Programme estimated total cost (€)	€11,205,405
Programme estimated eligible cost (€)	€11,205,405
Programme grant rate (%)	92.5000%
Maximum amount of Programme grant (€)	€10,365,000

### 3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€757,285	€0
Developed strategies and measures for adapting to a changing climate	€3,140,727	€0
Improved environmental information on impact, status and trends	€1,981,871	€0
A less carbon-dependent economy	€4,898,318	€0
Fund for bilateral relations	€349,649	€0
Complementary action	€77,555	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
	€11,205,405	€0

\* The advance payment is composed of €0 in grant amount and €0 in co-financing.

### 3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€70,049

### 3.5 Small Grant Scheme

Outcome	Developed strategies and measures for adapting to a changing climate
Total Amount Reserved	€1,931,422
Grant Amount at Project Level	€45,000 – 175,000
Duration of the Project	12 – 24 months
Maximum Grant Rate at Project Level	90.00%

## Annex II - Operational Rules

### 1. Eligibility

#### 1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Ministry of Environmental Protection and Regional Development of the Republic of Latvia (MoEPI/D). The Donor Programme Partners are the Norwegian Environment Agency and the Norwegian Directorate for Civil Protection (DSB).

The Programme shall be implemented by way of:

1. Two pre-defined projects;
2. One call for proposals;
3. One small grant scheme.

The programme is focused to the development of comprehensive national climate change policy and the implementation of measures targeted to deliver the savings of greenhouse gas emission. This includes:

- improved greenhouse gas emission inventory system;
- strengthened institutional capacity in relation to the Latvian greenhouse gas emission inventory;
- development of a climate change adaptation policy, including an impact scenario for 2050-2100;
- measures to reduce greenhouse gas emissions, including high energy saving technologies in buildings and the use of renewable energy technologies;
- improved capacity on climate change research;
- improved public knowledge and awareness about climate change.

#### 1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation.

The following entities operating in Latvia are eligible to apply within the call for proposals and the small grant scheme:

- state institutions;
- local governments;
- scientific and educational institutions;
- private enterprises;
- NGOs.

#### 1.3 Special rules on eligibility of costs:

Chapter 7 of the Regulation contains the rules on eligibility of costs.

The following specifications shall apply: By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment may be eligible if the equipment is an integral and necessary component for the implementation or development of a technology that is essential for achieving the outcome of the project. This exception shall only apply in the case of projects selected under the call for proposals and the pre-defined project (1).

In accordance with Article 5.4.5 of the Regulation in-kind contributions in form of voluntary work may be made for projects implemented only by NGOs, as defined in Article 1.5. l(m) of the Regulation. Such contributions shall not amount to more than 50% of the co-financing provided by Project Promoters and will be calculated in line with the unit prices specified in the Programme proposal. The unit prices may be adjusted during the implementation of the programme in order to take into account changes in salaries.

### 2. Financial parameters

#### 2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for under the call for proposals is €175,000; the maximum amount is €1,000,000.

The minimum amount of grant assistance applied for under the small grant scheme is €45,000; the maximum amount is €175,000

#### 2.2 Project grant rate:

In the case of projects selected under the call for proposals or the small grant scheme, grants from the programme will not exceed the following percentages of total eligible project costs:

- When the project promoter is a non-governmental organisation, as defined in Article 1.5.1(m) of the Regulation: 90%;
- All other entities: 85%.

The Grant rates for the pre-defined projects are set in the relevant parts of this Annex.

The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects. The remaining costs of the project shall be provided or obtained by the Project Promoter.

### **3. Selection of projects**

#### *3.1 Selection procedures:*

The selection procedures shall be in accordance with Article 6.5 of the Regulation.

#### *3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):*

There shall be one call for applications under the main call for proposals. The call shall be launched no later than in the second quarter of 2014 and make available the total re-granting amount. The calls shall be open at least for 2 months.

There shall be one call for applications under the small grant scheme. The call shall be launched no later than in the second quarter of 2014 and make available the total re-granting amount. The calls shall be open at least for 2 months.

#### *3.3 Selection criteria:*

Detailed selection criteria for the call for proposals and the small grant scheme will be developed by the Programme Operator in consultation with the Cooperation Committee. Priority within the call for proposals shall be given to projects with the highest reduction of CO2 emissions and/or the highest energy saving potential in the most cost efficient way.

### **4. Payment flows, verification of payment claims, monitoring and reporting**

#### **4.1 Payment flows**

State budget pre-financing is made available for this programme.

Payment flows are adjusted to the Project Promoter's status. For all Project Promoter, except state budget institutions, the advance payments system described below shall apply.

Payments towards the Project Promoters will be in the form of advance payments, and interim payments and a final payment in the form of a reimbursement of incurred expenditure. Payments to projects are made on the basis of approved project interim reports and final report.

The first advance payment shall be requested by the Project Promoter in the project application and disbursed within 20 working days after signing of the project contract. The first advance payment may be up to 40% of the project's total eligible costs.

The subsequent interim payments requested in the interim project reports together with the advance payment cannot exceed 90% of the project's total eligible costs.

The advance and interim payments shall be offset against incurred expenditure reported in the interim project reports.

The final payment representing 10% of the project's total eligible costs will be disbursed after approval of the final project report.

If the Project Promoter is a state budget institution, the advance payment is not provided, as the project costs are included under their institutional budget.

#### **4.2 Verification of payment claims**

The Programme Operator's responsibilities regarding the verification of payment claims described in Article 4.7.1.c) of the Regulation will be externalized and be carried out by the State Regional Development Agency of Latvia (hereinafter - SRDA).

Verification and approval of payment claims will be performed by the SRDA through desk checks covering 80% of the randomly selected expenses.

In line with Article 7.13.3 of the Regulation, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with this Regulation, the national law and accounting practices of the project partner's country, shall, subject to Article 7.13.5 of the Regulation, be seen as sufficient proof of costs incurred by a Project Promoter or a project partner whose primary location is in a Donor State or a Beneficiary State.

The pre-defined projects shall be audited by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices once the project is completed. The approval of the final report and the reimbursement of the final balance are conditional on a written approval from the independent and certified auditor.

The procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting will further be detailed in the description of the Programme Operator's management and control system according to Article 4.8.2 of the Regulation.

#### 4.3 Monitoring and reporting

Project promoters shall submit an interim project report each four months and one final report following project completion.

The Programme Operator's monitoring and control functions described in Article 4.7.1.e) and f) of the Regulation will be carried out by the SRDA. The precise division of responsibilities between the PO and SRDA will be described in detail in the Programme's management and control system.

On-the-spot checks will be conducted by the SRDA on the basis of a risk analysis. Project risk analysis will be updated once a year. The SRDA foresees to monitor each year all high risk projects, not less than 30% of medium risk projects and 5% of low risk projects.

On-the-spot checks of the pre-defined projects will be carried out at least twice during their implementation period.

The detailed monitoring plan for the projects will be presented in the Annual Programme Report.

Irregularities will be handled in accordance with Article 11 of the Regulation.

Information on reporting and monitoring systems, and periodicity of reporting will further be outlined in the description of the Programme's management and control system according to Article 4.8.2 of the regulation.

### 5. Additional mechanisms within the programme

#### 5.1 Funds for bilateral relations

No less than 1.5% of the total eligible costs of the Programme shall be set aside for a fund for bilateral relations. The fund for bilateral relations shall contribute towards activities and measures foreseen in Article 3.6.1(a) and Article 3.6.1(b) of the Regulation.

The plan of events and activities to be implemented under the fund for bilateral relations shall be further developed by the Programme Operator and shall be subject to the approval of the cooperation committee. The plan shall also include the selection procedures, the criteria for awarding support from these funds, the grant rate and the maximum grant amount.

#### 5.2 Complementary action

In accordance with Article 7.11 of the Regulation complementary action under this programme shall be further defined by the Programme Operator in cooperation with the Cooperation Committee. Complementary action shall also facilitate the participation of all relevant stakeholders in events, seminars and activities agreed with the FMC.

#### 5.3 Reserve for exchange rate losses

Not Applicable

#### 5.4 Small Grant Schemes

One Small Grant Scheme shall be implemented in the framework of the Programme. The Programme Operator shall operate the Small Grant Scheme.

One call for proposals shall be launched and shall select projects in the following two areas:

1. Measures to enhance society's understanding and knowledge on climate changes.
2. Capacity building through applied research on climate change.

The eligible applicants, timing, budget, minimum and maximum grant amount, grant rate, the payment flows, verification of payment claims, monitoring and reporting rules related to the small grant scheme are set in the relevant parts of this Annex and Annex I.

## **6. Pre-defined projects**

The programme will include two pre-defined projects. The pre-defined projects are described in the information that was provided by the Programme Operator after the initial submission of the programme proposal. Further information is also provided in the replies to the request for additional information.

1. Development of the National System for Greenhouse gas inventory and evaluation and reporting on policies, measures and projections.

**Project Promoter:**

The MoEPRD, Climate and Environmental Policy Integration Department.

**Project partners:**

- The Latvian Ministry of Agriculture.
- The Latvian Environment, Geology and Meteorology Centre
- The Norwegian Environment Agency (NEA)

**Maximum grant amount:** €1,981,871

**Grant Rate:** 100%

**Estimated total project cost:** €1,981,871

The project will deliver results that support the expected programme outcome "Improved environmental information on impact, status and trends". This includes, improving the greenhouse gas inventory system in Latvia, promoting capacity building of experts involved in the inventory preparation, as well as improving the quality of ex-ante and ex-post evaluation of climate change policy measures, including emission projections.

2. Development of proposal for National Adaptation Strategy, including identification of scientific data, measures for adapting to changing climate, impact and cost evaluation.

**Project Promoter:**

The MoEPRD, Department of Climate Policy and Technology

**Project partners:**

- The Latvian Ministry of Agriculture
- The Latvian Institute of Aquatic Ecology
- The Latvian Environment, Geology and Meteorology Centre
- The Norwegian Directorate for Civil Protection (DSB)

**Maximum grant amount:** €1,209,305

**Grant Rate:** 100%

**Estimated total project cost:** €1,209,305

The project will include activities on identification of existing and potential scientific data for an adaptation monitoring system, identification of measures for the most vulnerable sectors, development of an impact scenario for 2050-2100, and research on integrated mitigation and adaptation measures and impacts. The project will deliver results that support the expected programme outcome "Developed strategies and measures for adapting to a changing climate".

## **7. Modification of the programme**

Any modifications of the Programme will follow the rules set forth in the Regulation and in Article 2.9 of the programme agreement.

## **8. Programme proposal version**

Any reference to the programme proposal in this programme agreement shall be interpreted as the version signed by the Programme Operator on 1 February 2012 and shall include all subsequent correspondence and communication between the Donors, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

## **9. Miscellaneous**

Not applicable.