

Annual Programme Report  
 Norwegian Financial Mechanism 2009-2014 Programme  
 “Capacity Building and Institutional Cooperation between Latvian and Norwegian  
 Public Institutions, Local and Regional Authorities”  
 Reporting year – 2016

Checklist questions before submitting the Annual Programme Report	YES	NO
Does the executive summary serve as a stand-alone document?	X	
Does this report provide analyses on how activities so far have contributed to progress towards targeted results using agreed output and outcome indicators?	X	
Have successful bilateral achievements been highlighted?	X	
Have all the sections in the Annual Programme Report been addressed, including any relevant horizontal concerns?	X	

### 1. Executive summary

The programme LV07 “Capacity Building and Institutional Cooperation between Latvian and Norwegian Public Institutions, Local and Regional Authorities” (hereinafter – programme) is being implemented by the Ministry of Environmental Protection and Regional Development of the Republic of Latvia (hereinafter – MoEPRD) as the Programme Operator (hereinafter – PO) in cooperation with the Donor Programme Partner – the Norwegian Association of Local and Regional Authorities (hereinafter – DPP), which is also a Donor Project Partner, in this case or referring to it as an institution – KS. Following measures are implemented within the programme: pre-defined projects, Fund for Bilateral Relations (hereinafter – Bilateral Fund), complementary actions and programme management. The programme indicators shall be achieved within 4 pre-defined projects:

- Implementation of regional policy actions in Latvia and elaboration of regional development measures / Project Promoter – MoEPRD (hereinafter – Regional development project), extended until 30 April 2017;
- Increasing territorial development planning capacities of planning regions and local governments of Latvia and elaboration of development planning documents / Project Promoter – MoEPRD (hereinafter – Development planning project), completed on 30 November 2016;
- Integration of specially protected nature territories of Latvia in spatial plans / Project Promoter – Nature Conservation Agency (hereinafter – Nature conservation project), completed on 30 April 2016;
- Smart governance and performance improvement of Latvian municipalities / Project Promoter – Latvian Association of Local and Regional Governments (hereinafter – Smart governance project, Project Promoter – LALRG), completed on 31 October 2016.

By the end of 2016 target values of all programme level output indicators were achieved. In 2016 the Benchlearning database has been established, 30 authorities have introduced territorial approach for investment planning, 29 local, regional and national level development planning documents were drafted or elaborated, including The Long-term thematic plan for the coastal area of the Baltic Sea which was approved by the Cabinet of Ministers in November 2016. Additionally, a very important progress was made towards strengthening bilateral relations through establishing 17 strategic partnerships among

various local, regional and state institutions, municipal and other culture and science institutions and NGOs from Latvia and Norway.

In 2016, Project Promoters organised 5 and PO organised 1 Bilateral Fund event which contributed towards strengthening and enhancing cooperation between entities in Latvia and Norway and ensured transfer of knowledge and best practise examples. Within the events not only matters directly associated with regional development but also matters related to art, science and culture were addressed.

The initial financing of the Bilateral fund by the end of 2016 was used up to 91% thus additional funding in amount of 30 000 EUR in 3<sup>rd</sup> quarter 2016 was reallocated from complementary actions to the Bilateral fund.

In 2016 PO organised 2 and participated in 1 event under complementary actions with representatives of Ministry of Economic Development of the Republic of Poland which are the Programme Operator of EEA Grants programme PL06 "Urban development by strengthening the competence of self-government units, social dialogue and cooperation with civil society representatives". As a result discussions on further cooperation between both entities were started.

The main publicity events in 2016 were the project closure events of already completed projects. All 3 events were attended by representatives of project target groups as well as Project Donor Partners. Altogether the 3 events were attended by ca 330 representatives of different local, regional and state level institutions both from Latvia and Norway, as well as NGOs.

In total in 2016 104 articles were published about the programme in different media channels, thus ranking the programme No.3 among all EEA/Norway Grants programmes in Latvia by number of articles.

In 2016 Agency and PO continued project implementation monitoring and carried out 4 on-the-spot verifications and 2 follow-up verifications with the aim of verifying project reports and cost supporting documentation. All shortcomings identified during the verifications were eliminated and positive conclusions were made. In total each of the programme's projects was verified at least once in 2016.

During 2016 PO ensured monitoring of 5 programme risks that were identified by the Risk management work group – cohesion risks: (1) non-fulfilment of programme outputs and outcomes and (2) political and legislative changes; bilateral risk: (3) low participation of target groups in implementation of activities of Bilateral Fund; risks related to operational issues: (4) personnel changes, (5) delay of implementation of programme measures.

Risk management group assessed the likelihood and consequence of the risks and updated programme risk list and risk management plan in June and November 2016. Since the programme and projects received extension of the final eligibility date the total risk level of the programme in 2016 was lower than previously. Currently there are no risks detected which would expose implementation of the programme in danger.

## **2. Programme area specific developments**

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

- Sustainable Development Strategy 2030 which defines the long-term development priorities and spatial development perspective;
- National Development Plan 2014-2020 which aims at promoting balanced and sustainable development in Latvia ensuring Latvia's competitiveness among other EU countries;
- Regional Policy Guidelines 2013-2019 which sets that regional policy shall be focused upon

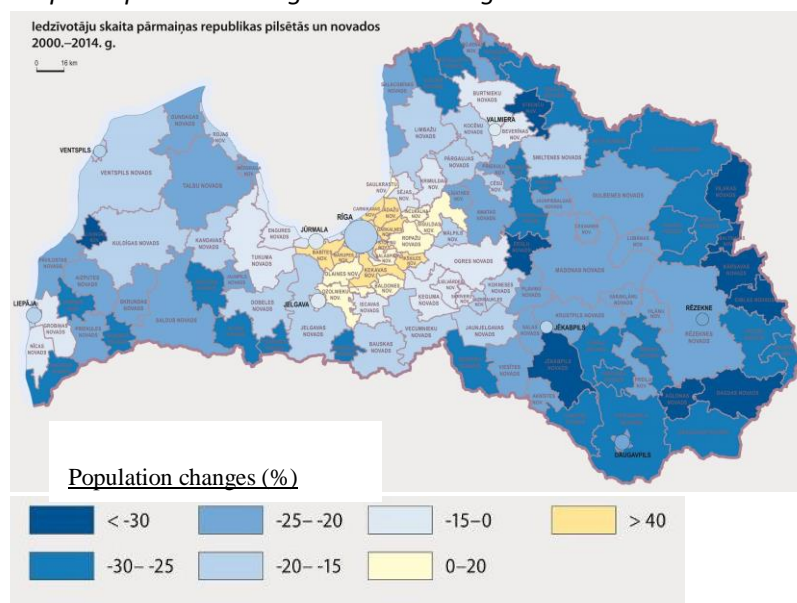
increasing municipalities' capabilities in promotion of entrepreneurship and improvement of quality and availability of public services.

In 2016 substantial contribution to the achievement of goals set in the above mentioned documents was provided in programme projects by:

- 1) strengthening planning regions' and municipalities' capability via numerous trainings regarding integration of nature protection considerations into municipal development planning documents, state aid conditionality in municipal entrepreneurship support projects, promotion of regional entrepreneurship, public services, effective communication and teamwork etc;
- 2) taking over, adjusting and implementing the Benchlearning system for Latvian specific conditions, int.al. elaboration of the Benchlearning Information System BLIS;
- 3) raising qualified labour force and investment attraction level of municipalities in all 5 planning regions via activities such as preparation of Norwegian report containing recommendations for attraction of qualified labour force in regions, and preparation of investment attraction materials.

In Latvian regional development the main long term challenges continued to be relevant in 2016 as well. One of the dominant issues remained depopulation. Positive population dynamics has been observed only in Riga Metropolitan Area while other municipalities including Riga itself has been depopulating. The most rapid depopulation in 2000 – 2014 has been observed in Latgale region especially in the territories located directly along the Eastern border.

*Map1: Population changes in Latvian regions in 2000–2014*

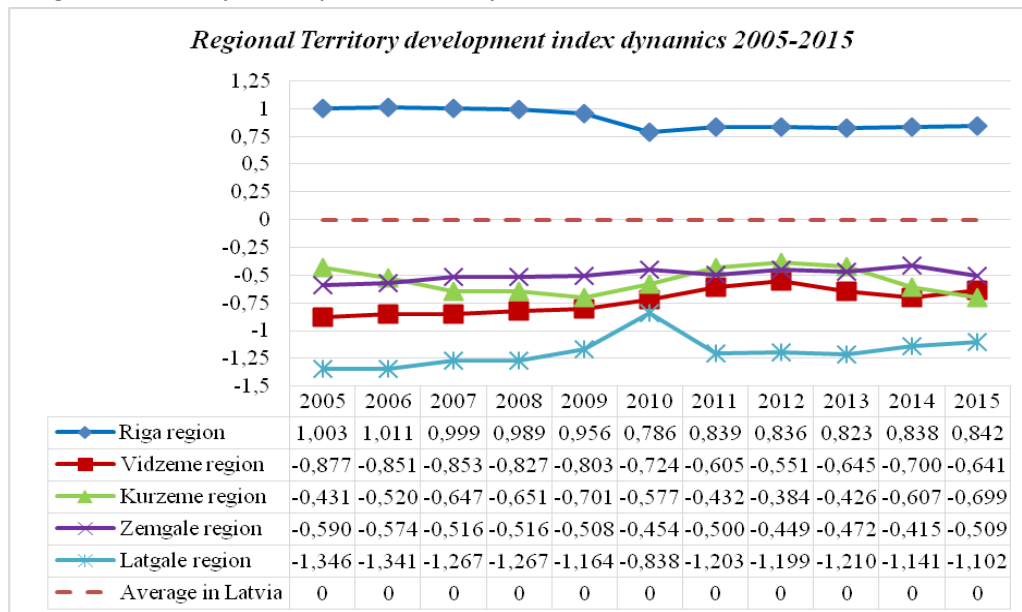


Source: Detailed study on the settlement patterns in the planning regions of Latvia and the provision of public service elaborated within pre-defined Development planning project

Considerable regional disparities remain to be a major regional development challenge in Latvia. The State Regional Development Agency's calculated territory development index (calculated on basis of 8 parameters, int.al. GDP per capita, unemployment rate, population density etc.) shows considerable regional disparities. Among all regions only Riga Planning Region demonstrates a positive index value while others have different negative values – Riga Planning Region is relatively stable and above the average state's development level, therefore the change of index value is positive.

Based on the territory development index regional disparities in general have been decreasing. In 2005 the average territory development index was -0.448 while in 2015 it was -0.422. However the latest data on GDP dispersion figures show that the regional disparities are growing again. In general the disparities between the regions are rather considerable, especially between Riga planning region and the other regions.

Graph1: Regional Territory development index dynamics 2005 – 2015

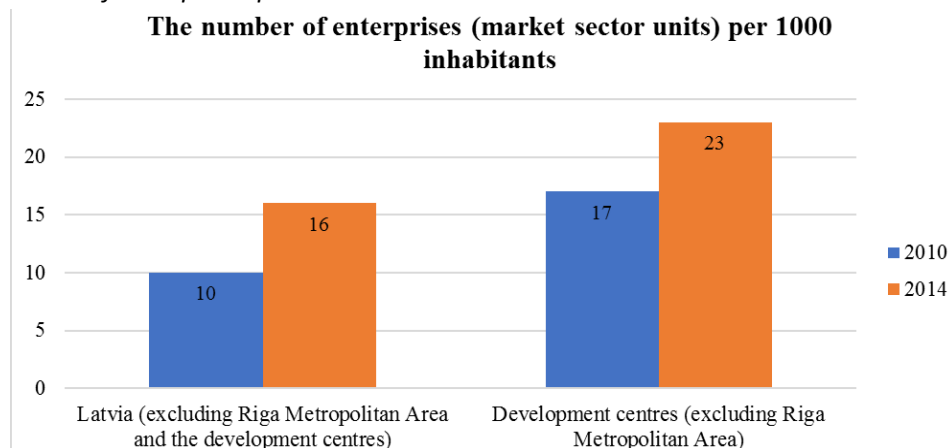


Source: State Regional development Agency

However, the development centres (towns) show higher development potential compared to other territories throughout the country. EUROSTAT forecasts show that population in Latvia from 2013 when it was 2.024 million will keep decreasing till 1.880 million in 2020 and 1.635 million in 2030. In percentage population in 2030 will be decreased to 80.8% since 2013. In the development centres speed of depopulation is 3 times slower than in other areas of Latvia (excluding Riga Metropolitan Area).

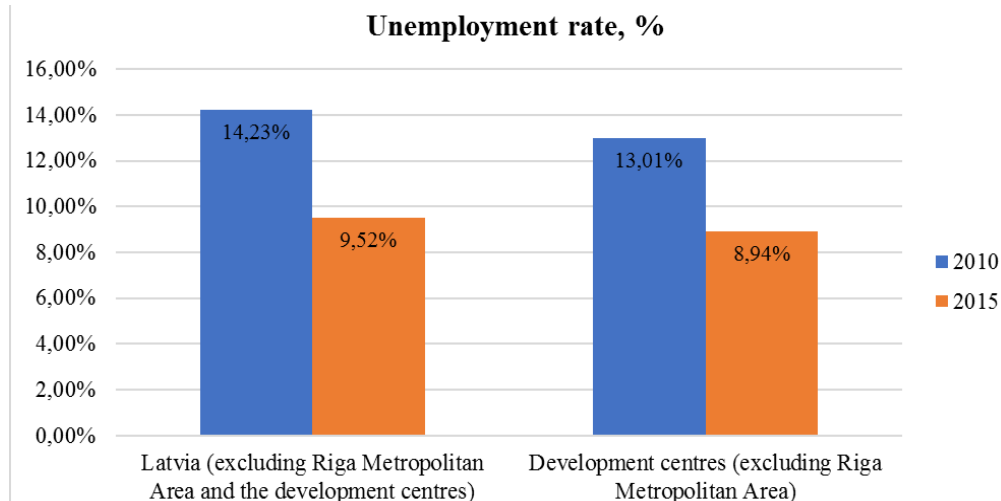
Latvian regional policy is based on the polycentric approach which foresees defining cities (the development centres) as the driving force of regional growth. In the development centres not only the number of enterprises is higher but also the unemployment rate is lower (source: National Employment Agency). A more rapid growth on a number of enterprises as well as a little bit more rapid decrease in unemployment is seen in the development centres.

Graph2: Number of enterprises per 1 000 inhabitants



Source: Regional development indicators module (RAIM)

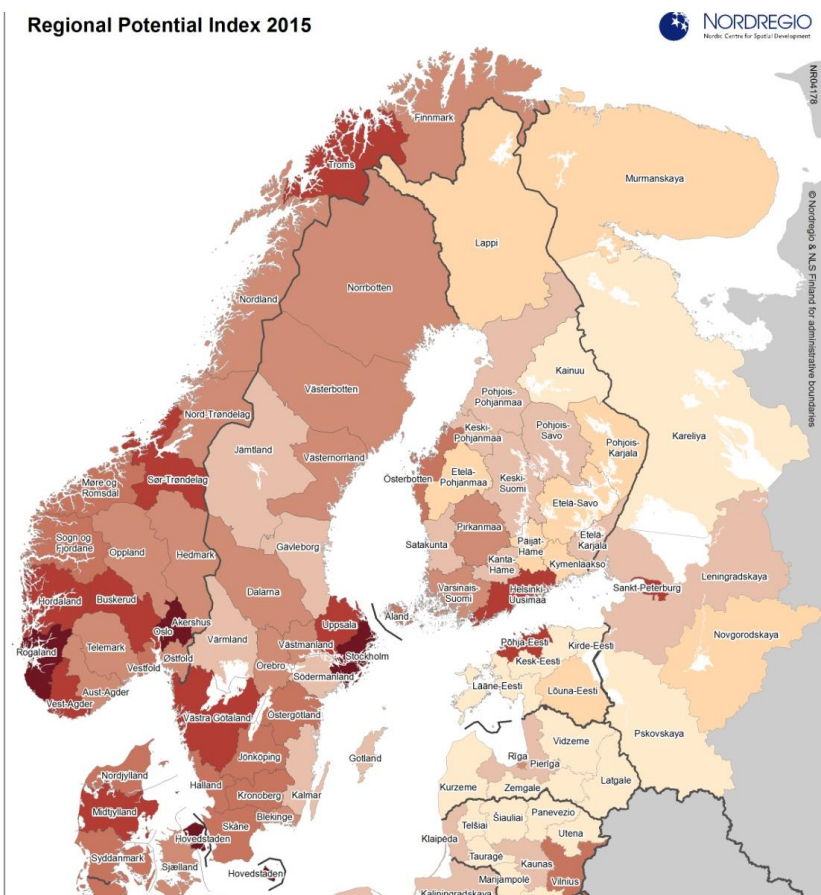
Graph3: Unemployment rate in Latvia (average) and development centres



Source: National Employment Agency

Additional issue which has come more in the focus in the reporting period is weak international competitiveness of regions of Latvia. Nordregio has evaluated a potential index where 115 Baltic Sea regions have been compared based on different parametres about democracy, economic potential and availability of workforce (for the first time Baltic States are included in the study). Drawing up the regional ranking, 4 regions of Latvia are not higher than 107th rank (except Riga). “Economic potential”, the subcomponent result of potential index of regions convincingly shows that 4 regions of Latvia take only the last ranks among 115 regions.

Map2: Regional potential index 2015



Source: Nordregio

The local and regional development documents prepared or updated in as a result of the

programme foresee implementation of activities mostly from funding of state budget, municipal budget or different projects (mostly EU Funds). Taking into account national regional development challenges a support is provided to development of business and investment infrastructure within the frame of EU Funds 2014 – 2020. Accordingly activities of the projects within the programme are a relevant prerequisite for a targeted and purposeful attraction of EU Funds basing investments on the local development programmes prepared or updated as the result of the programme.

Many other activities were also targeted directly at tackling the previously mentioned main regional development challenges in Latvia, int.al. preparation of investment attraction materials, designing tools for reaching potential regional investors online (in 2016 designed a web-page for Latgale PR [www.invest.latgale.lv](http://www.invest.latgale.lv) and by the end of the programme to be designed a functionally similar web-page for Vidzeme PR), development of local marketing strategies etc. In order for the planning to be purposeful and to have positive economic growth, budget planning at all levels must go hand in hand with development planning, thus several activities within the programme addressed this issues, e.g. elaboration of a research paper and guidelines on establishing linkage between local budget and development planning. Capacity building activities in the programme not only addressed institutional human resources but also included measures devoted to empowerment of local communities which are the end beneficiaries of the programme results and important actors in the local development.

Numerous activities in the projects were designed in order to take over the best practices from Norway thus implementing approaches already performed and proved to be effective in Norway. In 2016 experience exchange involved matters related to refugee crisis, measures for attracting work force, nature protection in relation to development planning, state aid conditionality in both countries etc. Exchange of experiences was carried out in a close cooperation between both countries thus not only strengthening cooperation and mutual contacts but also raising competitiveness of Latvia at national, regional and local level.

In 2016 a seminar about the state aid was organised and methodological material prepared in the Development planning project. It has been acknowledged that this seminar has had a high impact on target audience since this was the first seminar organised on this issue and since it is related to the investment planning and attraction it is seen as a very important and specific knowledge which impacts ability of municipalities to prepare development and investment projects with the support of different grants.

### 3. Reporting on outputs

#### 3.1. The progress of programme outputs resulted from implementation of 4 pre-defined projects:

Table1: Programme output indicators

Output indicator	Baseline	Target	Achieved by 31.12.2015.	Achieved in 2016	Achieved in total
<b>Output 1: Local authorities performance improvement system elaborated</b>					
Established networks for local authority cooperation and service quality improvement	0	4	4	-	4
Established database for local service performance measurement	0	1	0	1	1
<b>Output 2: Integrated planning system in local, regional and state level developed and operational</b>					
Drafting and updating of planning documents at local, regional and national	1	60	42	29	71

level					
Number of state, regional and local authorities that have introduced territorial approach for investment planning	0	25	0	30	30
<b>Output 3: Systematic exchange of knowledge and experience among Latvian and Norwegian authorities</b>					
Number of organized experience and knowledge exchange events	0	15	36	-	36
Strategic partnerships developed	0	16	1	17	18

Under output 1 **Local authorities performance improvement system elaborated**, there are 2 output indicators identified:

- *Established networks for local authority cooperation and service quality improvement*: all 4 cooperation networks with participation of 44 municipalities started their activities in 2014 and continued until the end of April 2016. In result of networking there were 9 local marketing strategies and 72 local sectoral development plans or service improvement plans prepared and updated, e.g. Development strategy for Daugavpils municipality's Social Service 2016–2020. All documents were elaborated by participating municipalities using benchlearning principles.
- *Established database for local service performance measurement*: the Benchmarking database – BenchLearning Information System BLIS (<https://blis.lps.lv/lv/>, information available only in Latvian) was developed in 2016 for analysis, assessment and improvement of municipalities' performance. The database contains part of the planned data; however it will be supplemented with additional data in the future. Currently database has been used mainly by the pilot municipalities working in the 4 cooperation networks, but the content in general is open and available for the general public, int.al. other municipalities or available after registration. Some open data has caused great interest in general public.

After project conclusion the Project Promoter plans to continue work started in the project – currently LALRG has approved budget for 2017 with co-financing for support of further work of cooperation networks and maintenance of the data base which will be actively used in the networks.

Under output 2 **Integrated planning system in local, regional and state level developed and operational**, there are 2 output indicators identified:

- *Drafting and updating of planning documents at local, regional and national level*: in addition to 42 documents developed in previous years, in 2016 development of 29 documents was completed. That includes all level documents – state (The Long-term thematic plan for the coastal area of the Baltic Sea), regional and local (15 nature conservation plans for Natura2000 network territories, 11 resolutions from municipalities about integration of the plans in the development planning documents of municipality and 2 updated municipal development programmes). The total target of planning documents has been overreached for 12 documents as more municipalities than it was initially planned took part in activities of the programme.
- *Number of state, regional and local authorities that have introduced territorial approach for investment planning*: the target was achieved in full amount and was overreached in 2016. 30 municipalities submitted their local development programmes to Regional Development Coordination Council and received approval of the territorial approach. The Council is a collegial consultative body established by Cabinet of Ministers which coordinates regional development, spatial planning and land policy in Latvia. The development programmes have become the main tool to plan the investments serving as a base document thus leading a professional and sustainable development planning in the country.

Under output 3 ***Systematic exchange of knowledge and experience among Latvian and Norwegian authorities***, there are 2 output indicators identified:

- *Number of organised experience and knowledge exchange events* – the target was achieved in full amount by the end of 2015.
- *Strategic partnerships developed* – in 2016, as the main project activities were in the final stage of implementation, projects obtained excellent progress towards strengthening bilateral relations by establishing strategic partnerships. In 2016 there were 17 partnerships established, int.al. among local, regional and state institutions, municipal and other culture and science institutions and NGOs. The spectrum of cooperation areas is very wide including culture, matters related to refugee settlement, local democracy, science, tourism, support for local craftsmanship, innovations, entrepreneurship, int.al. social entrepreneurship, young entrepreneurs etc. As the main the goal of the partnerships is exchange of experiences and transfer of knowledge and best practices, in 2016 several experience exchange visits among institutions in the partnerships took place, including with the support of programme Bilateral Fund.



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

As the Development planning project reached and attracted almost all Latvian municipalities to its activities and over achieved the targets, it is considered to be a best practise example.

### **3.2 Summary of the implementation of each pre-defined project:**

#### **Development planning project**

The project was completed on 30 November 2016. In 2016 the main emphasis of the project was put on dissemination of the project results thus increasing overall understanding of the development planning processes especially at local and regional level.

Firstly, there were experience stories of people involved in project gathered and a booklet prepared and published (as well as disseminated during the project events). Secondly, a video about the project results was prepared and published as well as demonstrated during the final conference.

Main emphasis was put on expert skills as well as people-based approach in the planning striving to encourage municipal and regional experts to involve society in the planning processes as well as make the planning process more transparent and understandable for people actually living in the municipalities.

Additionally, one of the main events in 2016 was the Summer camp for 40 local planning specialists



(study event in an informal environment), as besides the knowledge and skills it also raised specialist's level of motivation and understanding of their impact in municipalities where they are the leading actors of change.

Thirdly, the project final conference was organised on 13 October 2016 gathering target audience of 90 participants from different municipalities of Latvia and once again raising awareness of the project results and the challenges the project was tackling.

Apart from the awareness raising and dissemination activities in 2016 there was the Long-term thematic plan for the coastal area of the Baltic Sea prepared, and it was approved by the Cabinet of Ministers on 16 November 2016. It promotes good governance of the coastal area as well as unites coastal public infrastructure network therefore balancing nature protection and economic interests.

Additionally, in 2<sup>nd</sup> half of 2016 the project was subject to a verification of project reports by the Audit Authority. The verification was completed with a positive conclusion and some minor recommendations were provided.

### **Nature conservation project**

The project was completed on 30 April 2016. In 2016 mainly a continued work and public discussions on the nature conservation plans was done. All 15 plans for protection of Natura2000 network territories elaborated in the project were approved by the Minister of Environmental Protection and Regional Development in the 1<sup>st</sup> half of 2016. Municipalities involved in the project appreciated the integrated approach and approved taking the plans into account in future spatial planning of municipality.

In 2016 the Conceptual solution and Guidelines for the procedural improvement of nature management plans and their interaction with the local spatial planning documents were finalised.

In addition 5 regional training seminars were organised. Seminars were devoted to improvement of nature conservation planning process, their link to the municipal planning documents and introduction of the municipalities to the proposed conceptual solutions. They were attended by 170 experts, mainly local level.

Final conference of the project took place on 28–29 April 2016 and it was attended by 50 experts from public institutions and NGOs.

### **Smart governance project**

The project was completed on 31 October 2016. All four cooperation networks of local governments continued to work until the end of April 2016 and their work concluded with 9 marketing strategies/update of the marketing strategy and 72 local sectoral development plans or service improvement plans elaborated by participating municipalities. All documents were developed using Benchlearning principles – exchange of information, analysis of data, comparing and assessing different approaches used in other municipalities. This approach has encouraged bottom–up initiative and enhanced the skills of participating local politicians and experts.

In 2016 the Benchmarking database – Benchlearning information system BLIS was developed for purposes of analysis, assessment and improvement of municipal performance. The database will be supplemented with accumulate data on the performance of municipalities, other performance indicators, experience descriptions, results of scientific researches pertaining municipalities and other information facilitating enhancement of local government management.

During the final stage of the project 24 training seminars with around 500 participants were organised

for further capacity enhancement of local political leaders and senior experts. The themes of the seminars “Effective team work” and “Effective communication with clients” provided skills for a more effective implementation of the developed planning documents raising awareness that shared understanding of the common municipal goals and skilful communication with clients are essential.

### **Regional development project**

This is the only project still running with the project final date on 30 April 2017. In 2016 development of 15 of 22 investment materials has been completed. The goal of the development of investment attraction materials is to help the municipalities to identify their options, assessing the potential of a specific object for investment attraction. Investment attraction materials are an addition to the planned investments in line with EU Funds to the specific objectives of the support.

For investors and entrepreneurs a new website [www.invest.latgale.lv](http://www.invest.latgale.lv) was made available which is a tool dedicated to boosting business activities in Latgale region and ensures availability of up-to-date information. The website had more than 58 000 visitors in 2016. Following the successful example there will be a website on a similar basis for Vidzeme region developed in 2017. There was also investment catalogue "Invest Baltic Country of Lakes - Latgale" in 3 languages – Latvian, English and Russian prepared. It provides comprehensive information about available resources in Latgale region (natural, financial and infrastructure) etc.

Additionally, in 2016 project supported 3 municipalities for participation in international exhibitions in Latvia (Riga Food 2016, 07.–10.09.2016.), Sweden (Senior, 18.–20.10.2016.) and Spain (IBTM World, 29.11.–01.12.2016).

To support young entrepreneurs in regions, project organised 2nd round of 5 regional innovative business idea contests “Business Express 2016”. The total number of submitted ideas in 2016 was 313, which is for 40% more than previously (224 ideas in 2015). The application amount is a direct proof of the interest of the young entrepreneurs in Latvian regions to develop their own business.

### **Conclusions**

PO regards the overall progress achieved in projects as very satisfying. Collection of all programme level outputs were finalised in 2016. All 3 completed projects show good results, partially over achieving the set targets. 1 project was extended to the maximum date of eligibility and will be active until 30 April 2017.

All 4 projects have made a significant input into achieving the outcomes and outputs of the programme, as well as the programme has contributed towards strengthening bilateral relations and reducing economic and social disparities by enhancing human resources development and promoting evidence-based development planning in Latvia.

## **4. Reporting on Programme outcome(s)**

The programme outcomes will be achieved in a way of implementing 4 pre-defined projects and the activities foreseen within the projects.

*Table2: Programme outcome indicator*

<b>Outcome: Enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development</b>		
<b>Outcome Custom Indicator</b>	<b>Baseline</b>	<b>Target (%)</b>
Increased satisfaction of customer/recipient/counterparty of targeted institutions	0	10

Users satisfaction with local governments services increased	0	10
More strategic decisions based on coordinated planning system (multi-annual and multi-sectoral)	0	50

In the frame of the programme there is one outcome set to be achieved: enhanced capacity and quality of the services provided by public institutions, local and regional authorities through enhanced institutional capacity and human resources development. It is characterised by 3 indicators:

1. Local authorities performance improved – indicator will reflect upturn in local governments’ performance through evaluation of local inhabitants’ satisfaction with performance of municipality, which is the main prerequisite for ensuring good governance, including access to services and their quality;
2. Users’ satisfaction with local governments’ services increased – as municipality’s main task is to provide service recipients with the necessary services and adequate service quality, the evaluation of the indicator will focus on entrepreneurs measuring their satisfaction with public services provided by municipalities;
3. More strategic decisions based on coordinated planning system made (multi-annual and multi-sectoral) – establishment and development of coordinated planning system is the basis for sustainable and balanced development of the entire national territory. It allows adopting strategically correct decisions on development priorities and their financial arrangements at all levels (national, regional and local) in a timely manner. Consequently, indicator most directly reflects progress in development planning which, in turn, is closely linked to the development of provided public services.

In 2016 there was a progress towards achieving the output indicators made, however, in order to ensure the quality of the measurement of outcome indicators, the assessment of outcomes will be made in 2017 – after completion of projects. It will be done by a way of conducting independent programme ex-post evaluation. It will evaluate whether the programme has performed as planned and whether the expected outcome results have been achieved, it will also assess impacts and sustainability of contribution and will provide knowledge of results which will be taken into account in the future.

In order to provide provisional insight into achievement of programme outcomes, Agency in cooperation with PO and Project Promoters in 2<sup>nd</sup> half of 2016 carried out 2 inquiries of target groups – local inhabitants and entrepreneurs who have used municipal services.

Both inquiries involved several questions related to public services in the municipality which the person, local inhabitant or entrepreneur, belongs to and in particular improvement of services since 2012 when the programme was prepared. Since the programme was implemented partially in a way of pilots, e.g. 44 pilot municipalities, Latgale – pilot region, those entrepreneurs and local inhabitants who live/have enterprises in the targeted municipalities were addressed.

In the inquiry of local inhabitants Agency asked municipalities to disseminate 1850 inquiry forms which was calculated depending on total number of inhabitants in the municipality, e.g. 50 inquiries for a municipality with more than 50 000 inhabitants, 30 inquiries for a municipality with 30 000 – 50 000 inhabitants etc. Agency received 1 466 filled inquiry forms or 79% from the planned amount.

A total of 762 respondents from 1466 or 52% stated that they are satisfied with the quality of services and consider that it has improved since 2012. The target of the outcome indicator to be achieved in the programme is 10% improvement thus the target was overreached.

Increased customer satisfaction during the relevant period from 2012 to 2016 may have been influenced by a combination of factors. For example, in the social care area, municipalities are recovering from the financial crisis and create new services, improve communication with customers, introduce new services etc. Various different aspects may have influence satisfaction of recipients with performance and services of municipality and it is to be presumed that programme activities are a part of them as well.

A similar inquiry was carried out asking entrepreneurs' opinion about their satisfaction with received public services. Agency received 43 filled inquiry forms, at least one inquiry form was received from each municipality which was involved in the relevant programme activities. To the question, how satisfied are you with municipal services provided in comparison with 2012, 32 respondents or 74% indicated that they are satisfied or very satisfied with municipal services compared to the year 2012. To the question, whether because of received municipal services the company's business activities have improved since 2012, 36 respondents or 84% indicated that there have been improvements.

**Results of the inquiries done by the Agency are of an informative nature and do not represent results of an official evaluation. Official results will be submitted into DORIS after the external programme ex-post evaluation is completed.**

#### **Progress on horizontal concerns**

The programme does not directly affect horizontal concerns — hate speech, extremism, racism and xenophobia, homophobia, anti-semitism, tolerance and multicultural understanding, social inclusion of Roma people, sexual harassment, violence against women, and trafficking, however, there are no restrictions set in the programme related to the above mentioned horizontal concerns.

However, in 2016, reacting to the current geopolitical events in Europe such as the migration crisis, 2 events were organised in the Smart governance project related to the issue.

First there was a conference held on 19 January 2016 (reported in the Annual Report for 2015) and second there was an experience exchange visit to Norway organised on 10–13 May 2016. Both events aimed at raising awareness and transferring of experiences, best practises and knowledge on matters of migration in Norway and in Latvia. That is especially important for experts who will be directly responsible for these matters at the local level.

Latvia has quite a low level of tolerance towards Latvia participating in the joint tackling of migration crisis of Europe. A survey of December 2015 conducted by the market and public opinion research centre SKDS shows that 49% of inhabitants are strongly against reception of refugees from Near East regions and North Africa. It indicates clearly the necessity for awareness raising activities like those which have also been done in 2016 in the programme.

Additionally Project Promoter and Donor Project Partner of the Smart governance project signed a Letter of Intent on development of cooperation after the implementation of the project in several areas, including experience exchange on relocation, reception and integration of asylum seekers. The project is considered to be a best practise example for addressing Europe level challenges.

## **5. Project selection**

n/a

## 6. Progress of bilateral relations

In 2016 Project Promoters organised 5 Bilateral Fund events, 4 of them were experience exchange visits to Norway and 1 was a conference related to raising competitiveness of Riga Metropolitan Area; the conference was organised in collaboration between MoEPRD and Riga City Council.

During the Bilateral Fund many different matters were tackled, all current and important for regional and local development. There was transfer of knowledge and best practises ensured on issues related to migration crisis, local development planning policies, support of entrepreneurship, youth entrepreneurship and initiatives support policies, public water management and protection, culture etc.

The visits fostered establishing of new and strengthening of already established strategic partnerships thus enhancing bilateral relations between local, regional and state level institutions, NGOs and cultural/science institutions.

In addition to the events organised by Project Promoters, on 29 April 2016 PO in a close cooperation with DPP organised the 3<sup>rd</sup> “synergy” seminar, a seminar devoted to mutual complementarities of the projects in the programme. It was attended by 30 participants – Project Promoters and their partners and experts from Latvia and Norway. Participants shared experiences on similar and different regional development challenges in both countries and discussed possible ways of overcoming them. Also discussions on public services provision and entrepreneurship promotion took place within two working groups.



*Participants at the “Synergy” seminar on 29 April 2016*

The cooperation with DPP has also been fostered by organising 2 Cooperation Committee (hereinafter – CC) meetings – on 28 April 2016 in Latvia and on 9–10 January 2017 in Norway. The meeting in Latvia was combined with the final conference of the Nature Conservation Project thus ensuring DPPs deeper insight into variety of programme results.

During the CC meeting in Latvia participants visited also the Ethnographical Open-Air Museum in Riga which was replied by visiting the Maihaugen Open-Air Museum in Lillehammer in January 2017. Both are devoted to the history of each nation in a similar way thus in that way not only cooperation between PO and DPP was strengthened but also a better understanding of the other nation was gained.

The excellent cooperation with DPP will be continued through organising the programme closure conference where DPP assists with ideas at brainstormings, consults on conference content and advises on possible experts from Norway.

### **1. Extent of cooperation**

The extent of cooperation in 2016 has improved significantly through the 17 new strategic

partnerships established within the projects among local, regional and state institutions, municipal and other culture and science institutions and NGOs. The scope of cooperation areas is very wide including culture, refugee issues, local democracy, science, tourism, local craftsmanship, innovations, entrepreneurship, int.al. social entrepreneurship, young entrepreneurs etc.

By the end of 2016 91% of initial Bilateral Fund financing was acquired thus additional funding in amount of 30 000 EUR in 3rd quarter 2016 was reallocated from complementary actions to the Bilateral Fund. Corresponding amendments in the programme agreement came into force on 2 September 2016.

Apart from that cooperation between Project Promoters and DPP – KS, has been improved as well. DPP has provided guidance for the Development planning project when searching for different experts from Norway to be invited for taking part at the project events in Latvia. That is an added value since so far KS has not been an official cooperation partner in the project directly.

Additionally also a cross-programme cooperation has been carried out with the DPP of the EEA Grants programme LV02 “National Climate Policy” the Norwegian Environment Agency which participated in an experience exchange event of the Development planning project under the Bilateral Fund of the programme.



*Bilateral Fund event at the Norwegian Environment Agency in October 2016*

## **2. Shared results**

In 2016 there were numerous events organised / activities implemented, where expertise and know-how of Norwegian experts was essential. Activities in each project were organised for a specific purpose and themes in order to ensure the most effective exchange of experience and best practice transfer between parties.

As the Oppland County in Norway, who was Donor Project Partners in 3 of 4 projects (all, excluding the Smart governance project) shared the experiences during the CC meeting – the project which provided the most opportunity to learn and gain new perspectives for Oppland County was the Nature conservation project. Apart from other activities Oppland County participated in the project providing comments and recommendations during elaboration of methodology for integrating nature protection plans into development planning documents at local level.

In 2016 the Nature Conservation Agency, Project Promoter of the Nature conservation project, and Oppland County established a strategic partnerships for further transfer of experience, knowledge and best practice.

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

During programme events organised in 2016 experts of both Latvia and Norway not only raised their professional competences, but also learned about the differences and similarities of cultures. Sharing good, as well as bad experiences has helped to learn from each other and generate new ideas of what could be the possible innovations and experiences that could be transferred from Norway to Latvia and vice versa in the field of development planning.

In 2016 institutions involved in the programme not only tackled various Latvian local, regional and national level challenges but also matters that consider the whole Europe, e.g. the previously mentioned refugee crisis. The issue has not only been addressed as a part of Smart governance project but also through the Bilateral Fund when Latvian delegation consisting of representatives of local and state level institutions as well as LALRG visited Norway and learned about Norwegian system for reception and socio-economic inclusion of asylum seekers. The knowledge gained as a result of the event has been and will continue to be used and transferred to institutions which did not participate in the event at public and expert level discussions about these issues in Latvia.

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

Cooperation both within and beyond initially identified fields between entities in Latvia and in Norway has been considerably improved in 2016.

As mentioned in 2016 there were 17 strategic partnerships established. Among them there are cooperation foreseen between culture institutions, e.g. Mark Rothko Art Centre in Daugavpils and Trondheim Art Museum, between science centres – Daugavpils Science Centre ZINOO and Trondheim Science Centre. Although art, culture and science are not the main programme field the cooperation in culture and science is as important for regional development as cooperation in other fields.

Additionally, in 2016 LALRG and KS concluded a strategic partnerships on development of cooperation after the implementation of the pre-defined project in the following areas - forms and methods of inter-municipal cooperation; relocation, reception and integration of asylum seekers; development cooperation projects – experience transfer of Norwegian and Latvian local governments to the third countries.

### **Complementary action**

In 2016 PO organised 2 and participated in 1 event under complementary actions. First, on 19 – May 2016, PO visited Warsaw for introductory purposes. During the visit PO met representatives of Ministry of Economic Development of the Republic of Poland which are the Programme Operator of EEA Grants programme PL06 “Urban development by strengthening the competence of self-government units, social dialogue and cooperation with civil society representatives” and discussed wide range of issues related to implementation of both programmes. In the end of the visit PO invited Polish colleagues to visit Latvia.

Second, on 15 – 16 September Polish colleagues came to visit Latvia and get to know more about the programme and see more of its activities in regions thus participants went to Latgale PR. During the event they visited Latgale planning region and Latgale Entrepreneurship Support Centre which are responsible for carrying out part of programme activities. Participants also met with Deputy Mayor of Daugavpils City and visited Polish Society and Cultural Centre. The event concluded with visit to Mark Rothko Art Centre, where participants had the opportunity to get a sense of Mark Rothko's life and art.



*Participants of the event at the Polish Society and Cultural Centre in Daugavpils City*

Third, on 27 September 2016 PO took part in the final conference of a project DiverCITY2 in Wroclaw. The project was implemented under the programme PL06. In the conference more than 150 representatives of state, regional and local level institutions and NGOs from Poland, Norway, Ireland, Iceland and Moldova discussed matters related to different implemented and current urban revitalisation measures and the role of public involvement in the development of cities.

All 3 events ensured experience exchange about EEA/Norway Grants and other matters important for development not only at programme, but also at project and expert level. Many issues, knowledge and approaches were discussed and places of programme implementation were visited. The events also provided grounds for starting discussions among both countries for future cooperation, including possible joint projects in the frame of EEA/Norway Grants 2014–2021.

## **7. Monitoring**

The project monitoring and control functions within the programme are being carried out by the Agency and the PO. Process of risk analysis and monitoring, as well as procedure for on-the-spot verifications are described in the management procedures of the Agency and the PO, as well as in the guidelines of the NFP.

On-the-spot verifications are being carried out on the basis of risk analysis for each of the projects. Project risk analysis is being updated twice a year.

In 2016 Agency and PO carried out 4 on-the-spot verification and 2 follow-up verifications with the aim of monitoring project reports and supporting documentation:

- 1) In March 2016 the Agency carried out an on-the-spot verification of the **Development planning project** and in April 2016 a verification of the **Regional development project**. The main conclusions were that activities within the projects were implemented in accordance with the planned schedule and no imprecisions were detected in project cost supporting documentation. Both conclusions were positive and didn't require follow-ups.
- 2) In June 2016 the Agency carried out an on-the-spot verification of the **Nature conservation project**. The conclusion of the verification was that the activities within the project were implemented in accordance with the planned schedule, however several imprecisions were found in the documentation, thus conclusion of the verification contained some findings, and a repeated on-the-spot verification was carried out. During the repeated on-the-spot verification of Nature conservation project in July 2016 following main conclusion was made – the activities within the



project were implemented in accordance with the planned schedule, imprecisions was eliminated and the conclusion of the verification was positive.

- 3) In July–August 2016 PO carried out an on-the-spot verification of Smart governance project. There were few recommendations from PO about details of implementation of municipal cooperation agreements, and shortcomings in accumulating achieved results of activities. In order to ascertain if recommendations are taken into account, in October–November 2016 PO carried out a follow-up visit, coming to positive conclusion.

## 8. Need for adjustments

Programme agreement was modified in September 2016 in order to reallocate funding in amount of 30 000 EUR from complementary actions to the Bilateral Fund and to reallocate completed project's savings to another project within the programme.

In I quarter 2017 the PO plans to initiate reallocation of savings from completed projects to the Bilateral Fund. The provisional amount of savings is expected to be ~140 000 EUR.

The PO will submit to the FMO a request for reallocation to the Bilateral Fund as soon as the exact amount of savings will be known, that is, when all final projects' reports will be approved by the PO and Agency.

## 9. Risk management

During 2016 the PO ensured monitoring of 5 risks that were identified by the Risk management work group – cohesion risks: (1) non-fulfilment of programme outputs and outcomes and (2) political and legislative changes; bilateral risk: (3) low participation of target groups in implementation of activities of BF; risks related to operational issues: (4) personnel changes, (5) delay of implementation of programme measures.

Risk management group assessed the likelihood and consequence of the risks and updated programme risk list and risk management plan in June and November. Risks with the highest score were Non-fulfilment of programme outputs and outcomes (likelihood: Unlikely, Consequence: Major) and Delayed implementation of programme measures and acquisition of the funding (likelihood: Unlikely, Consequence: Major) as well as Personnel turnover (likelihood: Possible, Consequence: Moderate). Political and legislative changes as well as Low participation of target groups in implementation of measures of the Bilateral Fund were rated likelihood: Unlikely, Consequence: Moderate.

In order to mitigate the established risks the PO and the Agency carried out various risk mitigation actions, int.al. providing support to the PPs in order to promote submission of applications for implementation of measures under Bilateral Fund, assisting in solving challenging project matters, following closely the project implementation in order to ensure that project activities are implemented within foreseen deadlines and according to the project agreements. Additionally, the PO and the Agency carried out project on-the-spot verifications according to the Monitoring plan and conducted evaluation of project payment claims.

## 10. Information and publicity

The main publicity events in 2016 were the project closure events of already completed projects. All 3 events were attended by representatives of project target groups as well as Project Donor Partners, altogether the 3 events were attended by ca 330 representatives of different local, regional and state

level institutions both from Latvia and Norway, as well as NGOs. Final events were aimed at summarising the achieved results and presenting best practises with examples from the projects.



*Minister of Environmental Protection and Regional Development at the final conference of the Smart governance project on 9 September 2016*

The final events of Smart governance project and Development planning project were live-streamed on the Project Promoters web pages.

Upon invitation Smart governance project experience and results were presented also at the 6<sup>th</sup> Black Sea Summit in Batumi (Georgia) in September 2016. The project prepared also a video about project implementation and results: <https://www.youtube.com/watch?v=mCvlgYLBs5M&feature=youtu.be>.

In the Development planning project there was a video presenting project results prepared as well: [http://www.varam.gov.lv/lat/video\\_tiesraide/videoarh?doc=22914](http://www.varam.gov.lv/lat/video_tiesraide/videoarh?doc=22914) and there was also an electronic booklet prepared with project stories from involved local experts <https://goo.gl/pn0dYT> (project update from 31 August 2016).

News about programme events has also been published on the Twitter account of the MoEPRD, which has more than 6 000 followers.

Apart from that in 2<sup>nd</sup> half of 2016 there was the innovative business idea contest carried out which attracted wide audience through the informative campaign in all 5 regions of Latvia. During the whole campaigning period various activities were implemented – regular press releases, information in website [www.biznesaekspresis.lv](http://www.biznesaekspresis.lv), active profile on Facebook (765 followers, <https://www.facebook.com/BiznesaEkspresis/?fref=ts>) and Twitter dedicated to “Business express 2016”, advertisements in Facebook and Instagram. In addition to that also numerous press releases were published in local and regional printed and electronic media.



### Photos of innovative business idea contest “Business Express 2016”

Altogether, according to media monitoring statistics provided the National Information Agency LETA, 104 articles have been published about the programme in printed, electronic and TV media ranking the programme No.3 among all EEA/Norway Grants programmes in Latvia. The main part of the articles was published in the internet media.

In 2016 PO in cooperation with DPP started preparing for the programme closure event which will be held on 26 April 2017 in Riga and will be the main publicity event of 2017.

## 11. Cross-cutting issues

PO has defined the objectives to be attained within the programme and has been carrying out good governance principles in accordance with internal and external regulations.

The activities of the programme have had a direct influence on introduction and raising awareness about good governance principles at all level public institutions, especially local level. The activities have been aimed at strengthening development planning capacity not only of spatial planning specialists but also of local communities, including elaboration of a report on local community development in Latvia which provides conclusions and recommendations for a continued work engaging local inhabitants. Various programme activities were open to public participation and promoted wider public involvement. These are for instance public discussions on developed nature conservation plans or the innovative business ideas contest “Business Express 2016” where representatives of all age, gender and nationality groups were encouraged to take part.

Transparency, accountability and participation in respect to the Donors have been addressed both at the programme and project level through donor programme and project partnerships as each project had at least one Donor Project Partner. Donor Partners were involved in various activities. Throughout implementation time there has been great emphasis imposed on taking over experiences and best practices, thus ensuring implementation of approved methods which is basis for achieving programme goal in a more effective ways.

PO ensured transparent programme implementation by inviting representatives of the NFP, FMO and The Royal Norwegian Embassy in Latvia to CC meetings of the programme. Availability in context of other involved parties has been addressed by providing assistance and consultations to the PPs in cases there was a necessity for support identified. PO ensured availability of all the relevant information on the web-page of PO in Latvian and in English.

Sustainable development has been addressed by implementing measures which enable coordinated and balanced approach to development planning taking into account principles of social, economical and environmental sustainability. Dealing with matters related to balancing private interests and nature protection interests, substantial conclusions were drawn that public comprehension about the importance of a balanced development is still a challenging issue and must be placed in a greater focus implementing activities related to environment and nature conservation in the future.

## 12. Reporting on sustainability

n/a

## 13. Attachments to the Annual Programme Report

Annex1: Risk assessment of the programme

Annex2: Monitoring Plan 2016-2017

## 14. Attachment to the Final Programme Report

## Annex1: Risk assessment of the programme

LV07	Type of objective <sup>1</sup>	Description of risk	Likelihood <sup>2</sup>	Consequence <sup>3</sup>	Mitigation planned/done
	<b>Cohesion (Programme) outcomes:</b>	<b>Political and legislative changes</b> Unforeseen political decisions affecting PO or programme target group institutions structure, unexpected changes in the binding legislation could endanger implementation of the programme	<b>Unlikely</b>	<b>Moderate</b>	PO observes possible legislation changes affecting programme implementation. Additionally, transfer of responsibilities and competences are set in the Programme Management and Control System for cases of unexpected changes in internal structure of the PO. The System is being updated annually.
		<b>Non-fulfilment of programme outputs and outcomes</b> In case PPs would not be able to achieve results set in project agreements, Programme outputs and outcomes would not be reached	<b>Unlikely</b>	<b>Major</b>	PO and Agency ensure monitoring of the projects and progress towards collecting the outcomes and outputs. PO informs CC on project implementation progress and any risks related to not achieving the set targets. PO and Agency provide guidance to PPs and assist in solving challenging issues within their competence.
	<b>Bilateral outcome(s):</b>	<b>Low participation of target groups in implementation of measures of the Bilateral Fund</b> Lack of interest and involvement of PPs in implementation of measures under BF could affect development of bilateral goals in a negative way.	<b>Unlikely</b>	<b>Moderate</b>	PO provides support and guidance to PPs in order to promote submission of applications for implementation of measures under BF. In case of necessity PO assists in organising the BF events.

<sup>1</sup> The risks should be categorised in one of 3 ways, depending on whether it poses a risk to the cohesion objective, the bilateral objective, or is more of an operational issue.

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

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

	<b>Operational issues:</b>	<p><b>Delayed implementation of programme measures and acquisition of the funding</b></p> <p>Delays and unforeseen difficulties in the implementation of programme measures and procurement procedures which result in unsatisfactory funding acquisition</p>	<b>Unlikely</b>	<b>Major</b>	<p>PO and Agency follow closely the project implementation in order to ensure that project activities are implemented within foreseen deadlines and according to the project agreements. PO and Agency carry out project on-the-spot verifications according to the Monitoring plan. PO and Agency provide support and guidance assisting in solving project challenges.</p>
		<p><b>Personnel turnover</b></p> <p>Frequent turnover of personnel responsible for programme implementation could impede it and decreasing the ability to ensure successive carrying out of programme activities and acquisition of funding</p>	<b>Possible</b>	<b>Moderate</b>	<p>PO ensures substitutability of employees and ensures that in the activities of the programme there is more than one employee involved – to avoid situation when turnover of responsible employee would affect implementation of the programme. Additionally personnel are being provided with good work conditions.</p>

## Annex 2: Monitoring plan 2016-2017

Activity	2016				2017			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
1. PO/Agency evaluate and approve received project reports	x	x	x	x	x	x	x	
2. Monitoring implementation of the projects	x	x	x	x	x	x		
3. PO/Agency carry out on the spot verifications of the projects	x	x						
4. Completion of project		x		x		x		
5. Collection and measurement of indicators of the projects	x	x		x	x	x		
6. Programme ex-post evaluation					x	x	x	x