

Annual Programme Report
EEA Financial Mechanism 2009-2014 Programme “National Climate Policy”
Reporting period - 2013

Checklist questions before submitting the Annual Programme Report	YES	NO
Has the Annual Programme Report template (from the POM) been used?	X	
Have all the sections in the Annual Programme Report been addressed, including any relevant Horizontal concerns?	X	
Does the executive summary serve as a stand-alone document?	X	

1. Executive summary

The Ministry of Environmental Protection and Regional Development of the Republic of Latvia (hereinafter - MoEPRD) in cooperation with the partners from Donor States – the Norwegian Environment Agency¹ and the Norwegian Directorate for Civil Protection, developed European Economic Area (hereinafter - EEA) Financial Mechanism Programme “National Climate Policy” (hereinafter - Programme) proposal that was approved by the Cabinet of Ministers of the Republic of Latvia (hereinafter – Cabinet of Ministers) on the 31st of January, 2012, and submitted it to the Donor States. The Donor States approved the Programme proposal on the 20th of December, 2012. The Programme agreement between The Financial Mechanism Committee established by Iceland, Liechtenstein and Norway and the Ministry of Finance as the National Focal Point (hereinafter – Programme agreement) was signed on the 6th of March, 2013.

The overall objectives of the EEA Financial Mechanism are to contribute to the reduction of economic and social disparities in the EEA and to strengthen bilateral relations between Donor States and Beneficiary State through financial contributions in the priority sectors. Priority sectors of the Programme are “Environmental protection and management” and “Climate change and renewable energy”. The objective of the Programme is to support Latvia in developing a comprehensive national climate policy covering the non-Emission Trading System sector as regards emissions, and all sectors as regards adaptation. Within Programme it is planned to strengthen Latvian institutional capacity in national climate policy development and implementation including information analyses, scenario development, society involvement, policy analyses and development of documents for integrated climate change mitigation and adaptation to climate change management.

Programme implementation is very important and useful for Latvia because currently there is no national strategy for adaptation to a changing climate in Latvia. Latvia has not also elaborated a national system for reporting on policies and measures and for reporting on projections of anthropogenic greenhouse gas emissions by sources and removals by sinks. Latvia’s energy composition is dominated by fuels with low carbon intensity (wood and natural gas), so the standard mitigation measures alone, such as fuel switching and standard building

¹ As from 1 July 2013 the former Climate and Pollution Agency and the Directorate for Nature Management were merged into the Norwegian Environment Agency, under the Ministry of the Environment.

renovation, achieve only moderate greenhouse gas reductions. For this reason in Latvia it is hard to achieve significant emissions reductions with traditional mitigation measures. Additionally there is need to improve the knowledge base and capacity of target groups (state institutions, municipalities, NGOs, educational and scientific organizations, private enterprises) and enhance the involvement of society's participation in climate change mitigation and adaption policy implementation. Programme will contribute towards achievement of these needs and challenges.

To introduce target groups with the Programme, the opening conference "Development and implementation of National Climate Policy towards Low Carbon Economy" (hereinafter – opening conference) was held on the 28th of August in 2013. And to introduce target groups with the information about the themes of open calls and to start the search of potential Donor States' partners, the partner search forum within Programme's open call and small grant scheme (hereinafter – partner search forum) was held on the 29th August in 2013. During the opening conference the main information related to the Programme, open call and small grant scheme was provided to the participants. But during the partner search forum the communication and cooperation between potential project applicants from Latvia and Donor States was enhanced.

To ensure the implementation of the Programme the Rules "Procedures for Implementation of European Economic Area Financial Mechanism 2009–2014 Period Programme "National Climate Policy"" were developed and approved by the Cabinet of Ministers on the 10th of September, 2013. To provide the implementation of the Programme's open call and small grant scheme, the draft Rules of Cabinet of Ministers are developed and it is planned to get the approval of the Cabinet of Ministers in 1st and 2nd quarters of 2014.

The open call and small grant scheme have not been launched in 2013. Therefore the evaluation of the Programme's open call and small grant scheme projects has not been started. The open call "Emission reduction technologies including renewable energy, sustainable buildings and technology development" will be announced on the 1st quarter of 2014. The total amount of financing available for the open call is 5 000 000 *euro*. The eligible entities to apply within the open call will be state institutions, local governments, scientific and educational institutions, private enterprises and NGOs. The small grant scheme "Capacity Building in the Field of Research and Measures for Enhancing Society Understanding about Climate Change and its Consequences" will be announced within the 2nd quarter of 2014. The total amount of financing available for the small grant scheme is 1 718 044 *euro*. The eligible entities to apply within the small grant scheme will be the same as within open call - state institutions, local governments, scientific and educational institutions, private enterprises and NGOs.

The implementation of Programme's pre-defined projects was not started in year 2013, because pre-defined projects applications of the Programme were submitted on the 16th of December, 2013. The Programme has two pre defined projects - "Development of the National System for Greenhouse Gas Inventory and Evaluation and Reporting on Policies, Measures and Projections" and „Development of Proposal for National Adaption Strategy, including Identification of Scientific Data, Measures for Adapting to Changing Climate, Impact and Cost Evaluation". The evaluation procedure will be performed during the 1st quarter of year 2014.

The main reason why the Programme implementation delayed is that the preparation and harmonization of the Programme proposal with the Latvian institutions and the Donor State institutions took more time than it was planned before. As a result, the implementation of the Programme (int.al. preparation of the national regulations and internal procedures necessary for the implementation of the Programme) as well has been delayed.

Following modifications were made within the Programme proposal during the harmonization procedure:

- 1) modifications related to activities of pre-defined projects and open calls;
- 2) modifications related to Programme budget;
- 3) modifications related to Programme management structure;.

To evaluate Programme's risks the Programme Operator developed internal procedures on risk management and updated Programme's risk list in year 2013. The Programme Operator identified six Programme risks. Three risks remained from the Programme proposal - (1) low participation of target groups, (2) insufficient financial flow and (3) political and legislative changes and three additional risks were identified – (4) non-fulfillment of Programme outputs and outcomes, (5) personnel changes, (6) delay of implementation of Programme measures.

The Programme Operator came to a conclusion that identified risks involve different responsible parties therefore it would be useful to establish risk management work group that approves risk list and elaborates Risk management plan. The Programme Operator established the risk management work group on the 14th of January, 2014 that approved Programme's risk list and mitigation actions on the 7th of February, 2014.

The main challenge of the Programme is to ensure the implementation of the projects in due time. Taking into consideration that there were delays in Programme approval process and development and harmonization of national regulations, also beginning of Programme and projects implementation delayed. Open calls were not launched during year 2013 but projects should be implemented until the 30th of April, 2016, therefore for projects implementation will remain less than two years and also delay of projects implementation is possible due to procurement procedures. Delay of implementation of Programme measures will have the major consequence on Programme implementation. The Programme Operator has discussed possibility to extend the term of projects implementation with the Donor Programme partners in Cooperation Committee meeting on the 16th of December, 2013. The Donor Programme partners agreed that it will be very challenging to implement projects in due time and confirmed that they support initiating the discussions with the Financial Mechanism Office.

2. Programme area specific developments

The Programme has been developed in the framework of "Climate Change and Renewable Energy" priority and "Environmental Protection and Management" priority in compliance with the Programme area "Adaptation to Climate Change" and Programme area "Environmental Monitoring and Integrated Planning and Control". Within Programme it is planned to strengthen Latvian institutional capacity in national climate policy development and implementation including information analyses, scenario development, society involvement, policy analyses and development of documents for integrated management of climate change mitigation and adaptation to climate change. Bilateral relationships between Latvia and Donor Programme countries will be strengthened at Programme and project level by a close cooperation in all levels with various public institutions from Donor States.

According to the latest data Latvia is within the 8% emission reduction target over the period from 2008-2012 for the first commitment period under the Kyoto Protocol. For the second commitment period of the Kyoto Protocol until 2020 Latvia together with other European Union member states has committed to achieve the joint target of 20% emission reduction comparing to the year 1990. Latvia's quantified emission reduction target for 2020 includes the reduction of emissions included in non – Emission Trading System (-21% compared to 2005) and the limit established for non-European Union Emission Trading System sector (+17% compared to 2005) in line with Decision 406/2009/EC. Latvia is on track towards its determined Effort Sharing Decision target for 2013, however latest projections show that with the existing measures emissions in 2020 will be higher than the Effort Sharing Decision target set for the year 2020. Indicative calculations show that with the existing measures there will be 0.12 Mt CO₂ equivalent deficiency. Therefore additional measures are required in order to further reduce greenhouse gas emissions and reach the target set for 2020.

In order to ensure achievement of these goals it is necessary to integrate climate policy objectives into policies of other sectors. Specific actions should be introduced in all levels of national and local government, businesses and society, which means that climate policy must be inclusive and integrative. One of the ways is to promote and demonstrate low carbon solutions, especially in energy use and supply. From the energy consumption point of view commendable are very low-energy solutions, for example close-to-passive-standard buildings that consume less than 25 kWh/m² energy. Since the development of Programme proposal changes related to the Programme area that could impede the achievement of the Programme objective has not been made.

3. Reporting on Programme outcome

Considering that project implementation has not been started, there is no progress achieved in Programme's outcomes and outputs in 2013.

Programme encompasses development of climate change impact evaluation system and to climate change related data collection and processing in Latvian public institutions (development of climate change impact evaluation system, including national greenhouse gas emission inventory, quality assurance and control, emission recording and analyses of non – Emission Trading System outside of European Union, development of monitoring system for adaptation to climate change); capacity building in adaptation to climate change via awareness raising and education and improving policy development processes, analyses and its impact assessment (development and implementation of integrated policy measures for climate change mitigation and adaptation to climate change based on policy impact ex-ante and ex-post assessment and interactive policy analyses process involving main target groups) and development of scientifically valid projections for the effects of greenhouse gas emissions and climate change adaptation scenarios (scientific potential capacity building in greenhouse gas emission projections development in different sectors).

Currently there is no national strategy for adaptation to a changing climate in Latvia. It is necessary to develop an overall adaptation strategy in Latvia, which includes the main physical and financial risk analysis of activities within different sectors, the assessment of necessary financial resources and adaptation measures to be performed, as well as the most appropriate institutional framework for the implementation of adaptation measures. Further, adaptation needs to be integrated into strategies and policies within all relevant sectors and all governmental levels, the goal being mainstreaming of adaptation into existing planning processes.

Latvia has not also elaborated a national system for reporting on policies and measures and for reporting on projections of anthropogenic greenhouse gas emissions by sources and removals by sinks. National system should include the relevant institutional, legal and procedural arrangements for evaluating policy and making projections of anthropogenic greenhouse gas emissions by sources and removals by sinks. There is a need to establish national system for reporting on policies and measures and reporting on projections of greenhouse gas emissions by sources and removals by sinks and improving the quality of greenhouse gas projections and undertaking policy analysis to enhance policy making process and ex-ante evaluation. The major problem of Latvia's climate policy is a lack of sufficient and systematic analyses of data and policy. Due to the lack of analyses and comparative data it is impossible to develop a justified climate policy that describes actions to be taken and prioritizes them in order to ensure an integrated strategic approach to climate change mitigation measures (ex-ante evaluation).

Latvia's energy composition is dominated by fuels with low carbon intensity (wood and natural gas), so the standard mitigation measures alone, such as fuel switching and

standard building renovation, achieve only moderate greenhouse gas reductions. For this reason in Latvia it is hard to achieve significant emissions reductions with traditional mitigation measures.

In order to enhance the overall capacity and motivation to implement adaptation and mitigation policy it is important to increase the overall public understanding as well as knowledge of professionals working in different areas.

The pre-defined project “Development of the National System for Greenhouse gas inventory and evaluation and reporting on policies, measures and projections” will contribute towards achievement of outcome 1 „Improved environmental information on impact, status and trends”. The following outputs have been set to achieve this outcome:

- developed integrated database for climate change and air quality for preparing reports for various international institutions;
- developed four studies in the field of improving inventory;
- organized five conferences, training seminars, and other experience sharing events to increase the capacity of Latvian experts involved in the inventory;
- developed model system for climate change mitigation policy evaluation, including development of guidelines, cost assessment of various climate change policy measures, and *ex-ante* (estimated) and *ex-post* (actual) policy assessments;
- organized three educational events for experts involved in the development of national policy, measures, and projections for climate change;
- developed unified data tool for greenhouse gas projection preparation for international reports.

By achieving these outputs the capacity of state institutions will be strengthened by improving the national system for preparing, analyzing and reporting of high-quality information for ensuring the constant improvements in the greenhouse gas inventory, policy, measures and projections. Ex-post and ex-ante evaluation will allow making policy design and implementation process more accountable.

The pre-defined project „Development of proposal for National adaptation strategy, including identification of scientific data, measures for adapting to changing climate, impact and cost evaluation” and Small grant scheme „Capacity Building in the field of research and measures for enhancing society’s understanding about climate change and its consequences” will contribute towards achievement of outcome 2 „Developed strategies and measures for adapting to a changing climate”. The following outputs have been set to achieve this outcome:

- developed scenario of climate change impact and adaption for 2050–2100;
- developed 13 reports about indicators, risks, and measures for climate change adaption.

Within the small grant scheme following outputs will be implemented:

- organized 12 publicity and information events (seminars and campaigns);
- developed seven researches on climate change research methodologies, indicator systems, and cross-cutting issues;
- developed four professional education Programme modules on climate change and adaptation.

By achieving the outputs indicated above the proposals for the national adaption strategy will be developed. It would be possible to make decisions based on developed policy and scenarios upon investments in order to ensure the efficiency of the resources invested in measures performed to mitigate climate change.

The knowledge base and capacity of target groups (state institutions, municipalities, NGOs, educational and scientific organizations, private enterprises) will be improved and the

involvement of society's participation in climate change mitigation and adaptation policy implementation will be enhanced by achievement of the outputs of small grant scheme. Methodological level and capacity of climate change related research in Latvia will be enhanced, including broadening and deepening of research areas. Seminars will strengthen participant views on climate change knowledge issues and create the dialogue among climate policy makers and implementers, resulting in proposals for municipal adaptation strategies.

The Call for proposals "Emission reduction technologies including renewable energy, sustainable buildings and technology development" will contribute towards achievement of outcome 3 "A less carbon-dependent economy". The following outputs have been set to achieve this outcome:

- three low-energy building construction projects;
- reduced energy consumption to 25 kWh/m² per year in buildings where energy-saving technologies have been introduced;
- increased emission saving to 500 t CO₂ per year in buildings where energy-saving technologies have been introduced;
- three low carbon technology projects within the Programme;
- reduced total greenhouse gas emissions to 4300 t CO₂ per year.

By achieving the outputs indicated above introduction and demonstration of low carbon solutions such as energy effective technologies for buildings, renewable energy production and other technologies that allow the CO₂ emission reduction in Latvia will be performed. Latvia's energy efficiency potential of existing buildings is much greater than fuel switching potential, so introduction of close-to-passive-standard will deliver greenhouse gas savings in the country.

Taking into account the deadline of the project implementation stated in the Programme agreement and the supported activities, there is a risk that projects within the open call could not be implemented in due time and / or projects' planned results will not be achieved. For preventing these risks Programme Operator and the Donor Programme partners discussed this issue during Cooperation Committee meeting on the 16th of December in Norway, Tonsberg. At the meeting it was agreed to initiate the discussions with the Financial Mechanism Office about extension of project implementation period.

Developing the Rules of the Cabinet of Ministers, the Programme Operator took into consideration planned outputs and outcomes. According to the open call's and small grant scheme's draft Rules of the Cabinet of Ministers the supported areas and available financing is divided in order to reach the Programme outputs.

The project selection will promote the achievement of the Programme output related to strengthening bilateral cooperation between Donor State institutions and Latvian institutions. Project applications that will be prepared and submitted with a cooperation partner from Donor States will receive better score within project application quality assessment than projects without a project partner from Donor States. Detailed analysis of Programme risks is given in Annex 1 "Risk assessment of the Programme" of this report.

Progress on horizontal concerns

Programme is focusing on climate change issues and does not directly affect horizontal concerns - hate speech, extremism, racism and xenophobia, homophobia, anti-Semitism, tolerance/multicultural understanding, Roma, sexual harassment, violence against women and trafficking. Programme Operator ensures that during Programme implementation negative aspects of horizontal concerns will not be tolerated.

4. Reporting on outputs

The implementation of the pre-defined projects and selection of the open call and small grant scheme projects has not been started in year 2013 therefore there is no progress on achieving the Programme outputs. The selection of the open call and small grant scheme projects will be performed during 2014.

Two pre-defined projects applications of the Programme were submitted on the 16th of December, 2013 - “Development of the National System for Greenhouse Gas Inventory and Evaluation and Reporting on Policies, Measures and Projections” and „Development of Proposal for National Adaption Strategy, including Identification of Scientific Data, Measures for Adapting to Changing Climate, Impact and Cost Evaluation”. The pre-defined projects will be evaluated and projects contracts will be signed in the 1st quarter of the 2014.

5. Project selection

The selection of the Programme’s open call and small grant scheme projects has not been started in reporting period because the open call and small grant scheme has not been announced in 2013.

The Programme’s open call will be announced in the 1st quarter of 2014.

The Programme’s small grant scheme will be announced in 2nd quarter of 2014.

The announcement on open call and small grant scheme will be published by the State Regional Development Agency in Latvian in its website www.vraa.gov.lv and in the official Edition of the “Latvijas Vēstnesis”, as well the information about the open call and small grant scheme will be published in Latvian and English in the web site of the MoEPRD www.varam.gov.lv and in the Financial Mechanism Office website www.eeagrants.org. The announcement will contain the following information – name of the open call/small grant scheme, the amount of financing, project submission deadline (date and time), the address of the State Regional Development Agency where to submit the project, references to further information and contact information for queries.

After the Programme’s opening conference that was held on the 28th of August in 2013, several state institutions, organizations and commercial entities (University of Latvia, Riga City Council Housing and Environment Department, SIA Saules kolektors (Sollar Collector Ltd), The State Joint Stock Company “State Real Estate, The Ethnographic Open-Air Museum etc.) were interested in open call and/or small grant scheme and asked for additional information.

6. Progress of bilateral relations

The Programme Cooperation Committee was established to enhance the efficiency, effectiveness and quality of the implementation of the Programme. The composition of the Cooperation Committee includes representatives of the Programme Operator and the Donor Programme partners. Two Cooperation Committee meetings were organized in 2013. The 4th Cooperation Committee was organized on the 26th of April in Riga, Latvia and the 5th Cooperation Committee meeting was organized on the 16th of December in Tonsberg, Norway.

On the 4th Cooperation Committee meeting with Donor Programme partners were

discussed progress of Programme implementation, Programme work plan, quality and eligibility assessment criteria of pre-defined projects, complementary action plan, activities of the Fund for Bilateral relations and Publicity plan and opening conference.

On the 5th Cooperation Committee meeting with Donor Programme partners were discussed progress of Programme implementation since the last meeting, results of interim financial reports, Programme work plan for year 2014, complementary action in Portugal and training in Lithuania and planned complementary actions, organization of two partner search forums, amendments in Programme agreement and risk that Call for proposal projects could not be implemented in due time.

The Donor Programme partners assisted in organizing partner search forum on the 29th of August, 2013. Partners shared their opinions on developing the agenda of the event and as well they were searching for institutions and organizations in Norway who were interested to participate in the partnership building event.

Within Programme's complementary actions Programme Operator participated in experience exchange action with Portuguese Environment Agency on EEA Grants Programme management and climate policy implementation and participated in Portuguese Environment Agency's organized conference "Too Much, Too Little – The Role of Water in Adaptation to Climate Change" on the 7th-10th of October, 2013. The Donor Programme partner assisted in organizing meeting and provided the Programme Operator with contact information of the Portuguese Environment Agency.

The Donor Programme partners expressed their interest in Programme implementation progress and were involved in planning of Programme measures. Their assistance was especially important in improvement of evaluation criteria of open call projects, organizing Programme opening conference and partner search forum, planning complementary action in Portugal and organizing Cooperation Committee meetings.

Considering that bilateral relation outcomes of the Programme are within the project level, the achievement of them has not been started within year 2013. The implementation of the activities under the Fund for Bilateral Relations will start in 2015.

The activities of the Programme's Fund for Bilateral relations are:

- the search for partners for donor partnership projects before and during the preparation of the open call and grant scheme project applications;
- development of cooperation network and exchange of experience, knowledge, best practice between project promoters of pre-defined projects, grant scheme, and open call and entities in the Donor States.

The expected outputs of the Programme bilateral relations are:

- established 11 professional cooperation networks between Latvian and donor institutions;
- 15 publications in one state about the other partner state.

The outputs of Fund for Bilateral Relations will be achieved by implementation of the Programme's bilateral activities. Project promoters of pre-defined projects, grant scheme, and open call may apply for implementation of the activities under the Fund for Bilateral Relations within six months after signing of the project contract. They should submit their proposals of the activities to the Programme Operator.

One project promoter may implement not more than two activities of the Fund for Bilateral Relations and the expenses for one activity may not exceed EUR 10 000. The Programme Operator should submit the proposals of the activities to Cooperation Committee for harmonization and approval. The expenses of the activities will be reimbursed to project promoters from the Fund for Bilateral Relations eligible costs.

The eligible costs for project promoters within Fund for Bilateral Relations are travel costs, fees for participation in conferences, seminars, courses and exhibitions, costs of

conferences, seminars, courses, and meetings in Latvia and Donor States, costs for collecting of data, preparing and publishing reports, studies, and publications, external consultancy and expertise fees if contract for work performance or service agreement has been signed.

Extent of cooperation

Within the partner search forum that was held in Latvia a day after the Programme's opening conference, different organizations and institutions from Latvia (for example, Zemgale Regional Energy Agency, Riga Technical University, Riga City Council Housing and Environment Department, University of Latvia, Latvian Fund of Nature, Koknese District Council, Latvian National Geothermal Association etc.) and Norway (for example, MiSA AS, ZEM AS, Center for International Climate and Environmental Research, Asplan Viak and Norwegian Institute for Agricultural and Environmental Research) presented their ideas, themes of interest related to climate changes and described the profile of the preferable project partner. The contact information of all institutions and organizations that participated in the partner search forum was provided to all participants.

Shared results

Partner search forum was the first partnership building event within the Programme. The event was organized in cooperation with the Donor Programme partners. The Donor Programme partners shared their opinions and ideas on developing the agenda of the partner search forum and as well they searched for institutions and organizations in Donor States who would be interested to take part in the partner search forum.

The participants of the partner search forum shared with potential ideas of projects under open call and small grant scheme. As well participants presented their institution/organization.

Improved knowledge and mutual understanding

Within the partner search forum organizations and institutions exchanged their opinions on project themes and shared information on their plans related to the Programme open call and small grant scheme. For raising the recognition of the EEA Grants the information on the Programme and the EEA Financial Mechanism and representation materials with the EEA Grants logo were provided to all participants.

Wider effect

The cooperation with the Donor Programme partners on organizing partnership building events will continue in 2014.

Considering that announcement of Programme's open call and small grant scheme has not been announced, it is not possible to assess the partnerships within project level.

The main risk that may impede achieving the bilateral results is that project promoters do not apply for the bilateral activities.

To mitigate this risk following actions should be done:

- provide relevant information on bilateral activities for project promoters;
- provide partner search forums for project promoters;
- organize informative seminar for project promoters on fulfilling the application of Fund for Bilateral relations activities.

It is planned to organize two partner search forums in the 2nd quarter of 2014. As well the informative seminar for project promoters will be provided in 2015. The relevant information on the Programme and bilateral activities will be published in the website of MoEPRD (www.varam.gov.lv) in Latvian and English.

Complementary action

Within Programme's complementary actions Programme Operator participated in experience exchange action with Portuguese Environment Agency on EEA Grants Programme management and climate policy implementation and participated in Portuguese

Environment Agency's organized conference "Too Much, Too Little – The Role of Water in Adaptation to Climate Change" on the 7th-10th of October, 2013.

The participation in conference was very useful for the Programme Operator and pre-defined project promoter because it explored different themes related to Programme implementation and in particular policy framework for adaptation to climate change, latest findings in science related to impacts and vulnerabilities of climate change and water and water related sectors. In the conference was raised importance of enhancing the society's knowledge and awareness about climate change issues because it is important pre-condition to make governments act to mitigate climate change impacts. Experts also emphasized the importance to clearly realize the total costs of climate change impacts and necessity to think beyond national borders. In the group sessions countries shared their experiences in water related national challenges, such as floods, drought or storm surges, adaptation policies and practices in cities, agriculture and in coastal areas.

During experience exchange meeting of the MoEPRD and the Portuguese Environment Agency discussed Portuguese and Latvian national climate policies. Parties were looking for common Latvia's and Portugal's interests in climate policies and during discussions parties concluded that their common interest is that within United Nations Framework Convention on Climate Change calculating CO₂ emissions of countries also absorption of emissions were taken into account.

Parties also exchanged their experience on EEA Grants Programmes administration and implementation. For Latvia's Programme Operator were useful to get to know Portuguese experience with EEA Grants Programme implementation as Portuguese Environment Agency has different Programme's structure. In Portuguese Programme "Adaptation to Climate Change – AdaPT" pre-defined project is responsible for open calls and assistance for project promoters. MoEPRD in the next planning period could consider if it would be useful to use such structure.

The Programme Operator as well participated in training on reporting and on results and risk management on the 11th-12th of December in Vilnius, Lithuania and on the 11th of December organized meeting with Estonian and Lithuanian Programmes Operators of EEA Grants climate change programmes about organizing a joint Baltic States conference. During conference in Portugal the Programme Operator established contacts with the Programme Operators from Lithuania and Estonia responsible for implementation of climate programmes. The Programme Operators discussed idea about organization of joint Baltic States' conference on climate and environmental issues within EEA Grants complementary actions. During training in Lithuania parties had an opportunity to meet again and discuss joint Baltic States' conference more detailed. All three Programme Operators expressed their interest to organize such conference and decided that conference will be organized in Riga and the MoEPRD will be responsible for coordination of organizing joint Baltic States conference. It is planned that this conference will contribute to raising awareness of climate change and environmental issues in Baltic States.

7. Monitoring

Considering that projects implementation was not started in year 2013 no monitoring activities of projects implementation were carried out.

Signing of pre-defined projects' contracts is planned on the 1st quarter of 2014. Launching of call for proposal "Emission reduction technologies including renewable energy, sustainable buildings and technology development" is planned on the 1st quarter of 2014 and launching of small grants scheme "Capacity Building in the Field of Research and Measures for Enhancing Society's Understanding about Climate Change and its Consequences" is planned on

the 2nd quarter of 2014. Signing of call for proposal projects contracts and small grants scheme projects contracts is planned on 4th quarter of 2014.

Project promoters shall submit a progress report on project implementation each four months and one final report following project completion. The project monitoring and control functions are carried out by the State Regional Development Agency. Risk analysis and process of monitoring visits are described in the State Regional Development Agency projects management procedure and in National Focal Point guidelines for on-the-spot verifications. On-the-spot verifications will be carried out by the State Regional Development Agency.

Call for proposals' and small grants scheme's projects risk analysis will be updated every 6 months after the first risk analysis that should be done within 20 days after signing project contract. The State Regional Development Agency foresee to monitor each year all high risk projects, not less than 30% of medium risk projects and 5% of low risk projects of open calls.

In addition to the regular (every 4 months) verifications of the pre-defined projects' progress reports and payment requests, the State Regional Development Agency will carry out on-the-spot-verifications at least twice during the implementation of the pre-defined projects.

The State Regional Development Agency is planning to carry out monitoring visit of pre-defined project "Development of Proposal for National Adaptation Strategy, Including Identification of Scientific Data, Measures for Adapting to Changing Climate, Impact and Cost Evaluation" in July, 2014 to monitor project promoter's first interim financial report and verify project promoters expenditures and monitoring visit of pre-defined "Development of the National System for Greenhouse Gas Inventory and Reporting on Policies, Measures and Projections" in November 2014 to monitor project promoter's second interim financial report and verify project promoters expenditures.

8. Need for adjustments

Considering that Programme Proposal was developed in year 2012, but Programme agreement was signed in year 2013 following changes have been made in Programme agreement:

- Names of Donor Programme partners' institutions have been changed from the Norwegian Climate and Pollution Agency to the Norwegian Environment Agency and the Norwegian Directorate for Civil Protection and Emergency Planning to the Norwegian Directorate for Civil Protection.
- New pre-defined project partner - the Latvian Environment, Geology and Meteorology Centre has been added for both pre-defined projects.
- Dates of open call's and small grant scheme's launches have been changed. Assessing time necessary for submission and evaluation of the projects applications and considering that time for projects implementation is less than 2,5 years, there will not be enough time left to launch the second call for proposals. Therefore it is foreseen that Selection Committee during the selection process will develop a priority list of all projects that meet administrative and quality criteria by ranking them in descending order. The priority list will be used if the project applicant will not sign the contract in due time or if the signed project contract is terminated within first six months.

Additionally taking into account that time left for actual implementation (in case of construction or reconstruction) of project activities is only one construction season, the Programme Operator has started discussions with the Donor Programme partners on possibility to extend the term of projects implementation for open call "Emission reduction technologies including renewable energy, sustainable buildings and technology development". The

Programme Operator is planning to initiate discussions with the Financial Mechanism Office on possibility to extend the term of projects implementation at least for 6 months.

9. Risk management

During year 2013 the Programme Operator has developed the Rules of the Cabinet of Ministers on Programme implementation and has developed draft Rules of the Cabinet of Ministers of call for proposals and small grants scheme to define the provisions of projects implementation and monitoring. These Rules define clear conditions for Programme.

In the Programme Proposal were identified four risks – (1) delays in Programme approval process, (2) low participation of target groups, (3) insufficient financial flow and (4) political and legislative changes. The risk possible delays in Programme approval process was excluded after approval of Programme proposal on 20th December, 2012 and signing of Programme agreement on 6th March, 2013.

To evaluate Programme's risks the Programme Operator developed internal procedures on risk management and updated Programme's risk list. The Programme Operator identified six Programme risks. Three risks remained from the Programme proposal and three additional risks were identified – (1) non-fulfillment of Programme outputs and outcomes, (2) personnel changes, (3) delay of implementation of Programme measures. The Programme Operator came to a conclusion that identified risks involves different responsible parties therefore it would be useful to establish risk management work group that approves risk list and elaborates Risk management plan. The Programme Operator established the risk management work group on the 14th January, 2014 that approved Programme's risk list and mitigation actions on the 7th of February, 2014.

Evaluating the likelihood of the risks was identified that three of the risks are with possible likelihood, two risks are unlikely and one risk is likely. Evaluating consequence of the risks was identified that three of the risks are with major consequence and three of the risks are with moderate consequence.

The risk of non-fulfillment of Programme outputs and outcomes determines that Programme outputs and outcomes could not be fulfilled if project promoters would not be able to achieve results set in project contract or there will not be sufficient number of project applications in all support areas. To mitigate this risk the Programme Operator will ensure the projects' monitoring and progress of fulfillment of the results. Additionally the projects evaluation criteria are elaborated to ensure fulfillment of the Programme outputs and outcomes. The likelihood of this risk is evaluated as possible and consequence of this risk is evaluated as moderate.

The risk of low participation of target groups determines that Programme Operator's insufficient communication with potential target groups will endanger stakeholders' ability to maintain commitment throughout the period and use of project/Programme results in planned manner. To mitigate this risk Programme promotional events and meetings with participation of target groups will be organized periodically during Programme implementation. Project promoters will elaborate the projects' communication strategies which will be submitted to the Programme Operator. The likelihood of this risk is evaluated as possible and consequence of this risk is evaluated as major.

The risk of insufficient financial flow determines that advance or interim payments from EEA financial mechanism or pre-financing from state budget is not ensured as planned. Lack of financial resources will endanger that implementation of Programme and projects is not ensured in planned time frame and quality. To mitigate this risk monitoring for timely submission of projects interim financial reports will be ensured and annual Programme report will be submitted and approved in Cooperation Committee in time. Demand for necessary

financial resources to be planned within state budget will be ensured in timely manner. The likelihood of this risk is evaluated as unlikely and consequence of this risk is evaluated as major.

The risk of political and legislative changes determines that political decisions affecting Programme Operator's structure, Programme target groups, legislation or planned activities are adopted in a way that endanger implementation of Programme. To mitigate this risk monitoring of legislation changes affecting Programme will be ensured. Programme Operator will ensure that legislation regarding Programme implementation is updated if political and legislative changes that affect Programme implementation are made. If the changes in internal structure of Programme Operator will be performed, all commitments will be secured, by transferring the functions to counterparts in accordance with competencies. The likelihood of this risk is evaluated as unlikely and consequence of this risk is evaluated as moderate.

The risk of personnel changes determines that frequent changes of personnel involved in Programme implementation could impede effective Programme implementation and will decrease ability to ensure successive planning of Programme activities and acquisition of financing. To mitigate this risk Programme Operator will ensure substitutability of employees and ensure that in Programme activities is involved more than one employee to avoid situation that absence or change of employee will affect Programme implementation. Additionally personnel will be ensured with good work conditions. The likelihood of this risk is evaluated as possible and consequence of this risk is evaluated as moderate.

The risk of delay of implementation of Programme measures determines that the available financing could not be acquired due to the delay of the implementation of Programme measures (events related to pre-defined projects, open calls, bilateral activities etc.) and procurement procedures. To mitigate this risk Programme Operator will ensure the projects' monitoring for providing the project implementation in due time. The Programme Operator is planning to initiate discussions with the Financial Mechanism office on possibility to extend the term of projects implementation for open call. The likelihood of this risk is evaluated as likely and consequence of this risk is evaluated as major.

The risk with highest likelihood is delay of implementation of Programme measures. Taking into consideration that there were delays in Programme approval process and development and harmonization of national regulations, also beginning of Programme and projects implementation delayed. Open calls were not launched during year 2013 but projects should be implemented until the 30th of April, 2016, therefore for projects implementation will remain less than two years and also delay of projects implementation is possible due to procurement procedures. Delay of implementation of Programme measures will be with major consequence on Programme implementation. The Programme Operator has discussed possibility to extend the term of projects implementation with the Donor Programme partners in Cooperation Committee meeting on the 16th of December, 2013. The Donor Programme partners agreed that it will be very challenging to implement projects in due time and confirmed that they support initiating the discussions with the Financial Mechanism Office.

10. Information and publicity

During the reporting period a Programme opening conference and partner search forum was organized.

On the 28th of August 2013 the Programme's opening conference was held in Riga, Latvia. The information on the upcoming opening conference was published in the website of MoEPRD (www.varam.gov.lv) in Latvian and English and in website of National News Agency

(www.leta.lv) in Latvian and in the website www.eeagrants.gov.lv in Latvian. In general 100 participants from Latvia and Donor States took part in the opening conference.

Opening conference participants had an opportunity to get information on the results that are planned to be achieved during the Programme implementation and possibilities to strengthen bilateral cooperation between institutions from Latvia and Donor States. As well participants got acquainted with the latest achievements in the field of national climate policy in Latvia and Norway, information about planned activities in pre-defined projects and planned areas of support and results in call for proposals and small grant scheme projects.

In accordance to questionnaire that was performed during the opening conference 38% participants found out about the opening conference from the colleagues, 30% - from the website of MoEPRD, 17% - received invitations, 15% - found out from other sources. In response to a question on whether the content of the conference met expectations, 62% indicated that they agree, but - 38% indicated that they fully agree with the statement.

On the 29th of August 2013 the Programme's partner search forum was held. In general 50 participants - 23 institutions from Latvia and 5 institutions from Norway participated in the partner search forum. The information about the upcoming partner search forum was provided in the web site of the MoEPRD and the press release was provided for the mass media. As well the partner search forum's registration form and relevant information on the Programme and partner search forum was provided in the web site of the MoEPRD in Latvian and English.

For improving the recognition of the EEA financial mechanism the participants of the partner search forum were provided with representation materials with the EEA Grants logo. For promoting cooperation the participants were provided with relevant information of all institutions and organizations taking part in event (contact information, themes of interests, project ideas etc.).

Relevant information on Programme implementation and upcoming events was published in the website of the MoEPRD every quarter during the reporting period.

11. Cross- cutting issues

The following cross cutting issues have been taken into account and described within preparation of the Programme proposal – good governance, environmental considerations, economic sustainability, social sustainability and gender equality.

In order to ensure an efficient Programme management, the following good governance principles are taken into account: accountability, transparency (transparency of decisions), participation, equality (principle of equal treatment), secure financial management, abilities and competencies, responsiveness towards citizen needs.

Programme's pre-defined projects have a positive impact on the environment, provisioning several studies on environment, social and economic aspects in the sea in order to be able to prepare necessary information for sea plan development, taking into account the forecasts regarding climate changes, landscape changes, as well as other conditions for observing environmental requirements.

The Programme is oriented towards sustainable development which will be ensured by the interaction of economic development of the economy, social sphere and environmental protection, as well as by ensuring active participation of the society in promotion of development.

During Programme implementation process it will be ensured that gender equality aspect will be taken into account which means that in all Programme implementation stages participation in decision making and project activities by men and women should be facilitated equally.

Project promoters of the open call, small grant scheme and pre-defined projects will provide the information on projects impact on cross cutting issues in their project applications. The indicated information in project applications on cross cutting issues will be evaluated within the project quality assessment procedure. Project that has better impact on cross cutting issues will be rated with higher score in project quality assessment.

The Programme Operator's monitoring and control functions will be performed by the State Regional Development Agency. Within this monitoring the adherence of cross cutting issues within the projects implementation will be checked during the monitoring.

12. Reporting on sustainability

If this is a Final Report, provide an assessment of the extent to which the positive effects of the Programme will continue after the funding period.

13. Attachments to the Annual Programme Report

Monitoring Plan, see section 7.3 in the Programme Operators' Manual

Risk assessment of the programme. See proposed template in Annex to the annotated template to the Annual Programme Report.

14. Attachment to the Final Programme Report

Financial annex, see attachment 2 of the Programme Operators Manual

Annex 1: Risk assessment of the programme

Type of objective ²	Description of risk	Likelihood ³	Consequence ⁴	Mitigation planned/done
<i>Cohesion (Programme) outcomes:</i>				
	<p>Non-fulfillment of Programme outputs and outcomes Programme outputs and outcomes could not be fulfilled if project promoters would not be able to achieve results set in project contract or there will not be sufficient number of project applications in all support areas</p>	Possible	Moderate	Programme Operator will ensure the projects monitoring and progress of fulfillment of the results. Additionally the projects evaluation criteria are elaborated to ensure fulfillment of the Programme outputs and outcomes.
<i>Bilateral outcome(s):</i>				
<i>Operational issues:</i>				
	<p>Low participation of target groups Programme Operator's insufficient communication with potential target groups will endanger stakeholders' ability to maintain commitment throughout the period and use of project/Programme results in planned manner.</p>	Possible	Major	Programme promotional events and meetings with participation of target groups will be organized periodically during Programme implementation in order to meet target groups expectations and to ensure delivery of added value for all interested

² 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.

³ 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%)

⁴ 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.

				parties.
	<p>Insufficient financial flow Advance or interim payments from EEA financial mechanism is not ensured as planned. Lack of financial resources will endanger that implementation of Programme and projects is not ensured in planned time frame and quality.</p> <p>Pre-financing from state budget is not ensured in time or necessary amount in order to ensure project implementation endangering implementation of Programme and projects in planned time frame and quality.</p>	Unlikely	Major	<p>Monitoring for timely submission of projects interim financial reports will be ensured.</p> <p>Demand for necessary financial resources to be planned within state budget will be ensured in timely manner. Acquirement of Programme financing will be ensured.</p>
	<p>Political and legislative changes Political decisions affecting Programme Operator's structure, Programme target groups, legislation or planned activities are adopted in a way that endanger implementation of Programme.</p>	Unlikely	Moderate	<p>Monitoring of legislation changes affecting Programme will be ensured.</p> <p>Ensuring that legislation regarding Programme implementation is updated if political and legislative changes that affect Programme implementation are made.</p> <p>If the changes in internal structure of Programme Operator will be performed, all commitments will be</p>

				secured, by transferring the functions to counterparts in accordance with competencies.
	<p>Personnel changes Frequent changes of personnel involved in Programme implementation could impede effective Programme implementation and will decrease ability to ensure successive planning of Programme activities and acquisition of financing</p>	Possible	Moderate	It is necessary to ensure substitutability of employees and ensure that in Programme activities is involved more than one employee to avoid situation that absence or change of employee will affect Programme implementation. Additionally personnel will be ensured with good work conditions.
	<p>Delay of implementation of Programme measures The available financing could be not acquired due to the delay of the implementation of Programme measures (events related to pre-defined projects, open calls, bilateral activities etc.) and procurement procedures</p>	Likely	Major	The Programme Operator will ensure the projects monitoring for providing the project implementation in due time. The Programme Operator is planning to initiate discussions with the Financial Mechanism Office on possibility to extent the term of projects implementation for open call.

Annex 2: Programme's Monitoring plan 2013-2014:

Activity	2013				2014			
	IQ	IIQ	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ
1. Submission of pre-defined project applications				X				
2. The evaluation of pre-defined projects					X			
3. Signing of pre-defined projects contracts					X			
4. Pre-defined project promoters submit the progress reports and payment requests to the Programme Operator							X	X
5. Programme Operator evaluates and approves received progress reports of pre-defined project promoters and if necessary requests for additional information							X	X
6. State Regional Development Agency carries out on-the-spot-verifications of the pre-defined projects							X	X
7. Development and harmonization of Rules of the call for proposal		X	X	X	X			
8. Development and harmonization of Rules of the small grants scheme		X	X	X	X			
9. Launch of call for proposal					X			
10. Launch of small grants scheme						X		
11. Evaluation of call for proposal project applications and small grants scheme project applications							X	X
12. Signing of call for proposal project contracts and small grants scheme project contracts								X

The projects should be implemented until the 30th of April, 2016. Signing of pre-defined projects' contracts is planned on the 1st quarter of 2014. Launching of call for proposal "Emission reduction technologies including renewable energy, sustainable buildings and technology development" is planned on the 1st quarter of 2014 and launching of small grants scheme "Capacity Building in the Field of Research and Measures for Enhancing Society's Understanding about Climate Change and its Consequences" is planned on the 2nd quarter of 2014. Signing of call for proposal projects contracts and small grants scheme projects contracts is planned on 4th quarter of 2014.

Project promoters shall submit a progress report on project implementation each four months and one final report following project completion. The project monitoring and control functions are carried out by the State Regional Development Agency. Risk analysis and process of monitoring visits are described in the State Regional Development Agency projects management procedure and in National Focal Point guidelines for on-the-spot verifications. On-the-spot verifications will be carried out by the State Regional Development Agency. Call for proposals' and small grants scheme's projects risk analysis will be updated every 6 months after the first risk analysis that is done within 20 days after signing project contract. The State Regional Development Agency foresee to monitor each year all high risk projects, not less than 30% of medium risk projects and 5% of low risk projects of open calls.

Due to the fact that a pre-defined projects amount of funding is EUR 3 191 176, under the projects it is planned to carry out several procurement procedures and payments, thus projects are to be considered high risk projects the implementation of which requires severe monitoring. In addition to the regular (every 4 months) verifications of the pre-defined projects' progress reports and payment requests, the State Regional Development Agency will carry out on-the-spot-verifications of compliance of supplies and services, as well as supporting documents and payment requests at least twice during the implementation of pre-defined projects.

The aim of on-the-spot- verifications is to make sure that the pre-defined project is being implemented in accordance with the requirements of normative acts regarding the Programme implementation and project contract, and that the costs co-financed from the Programme's resources are actual and eligible, as well as to verify whether:

- Project promoter has ensured keeping of document originals related to the implementation of the pre-defined project according to normative acts on keeping, accounting, storing and using of archive documents;
- supplies and services have actually been provided and are in compliance with the contracts concluded by the Project promoter and the provider, payments are made in line with the contracts concluded by the Project promoter and the provider, and the requirements of the Public Procurement Law have been observed;
- The Programme's publicity requirements have been observed.

In order to verify whether pre-defined project promoters are implementing the projects according to the requirements of normative acts regarding the Programme implementation and project contract, the Programme Operator is planning to carry out the first on-the-spot-verifications in 2014.

Institution that carried out monitoring visit	Time of monitoring visit	Project promoter, title of project	Objective of monitoring visit
Agency	July 2014	MoEPRD pre-defined project, "Development of Proposal for National Adaptation Strategy, Including Identification of Scientific Data, Measures for Adapting to Changing Climate, Impact and Cost Evaluation"	Monitoring of first Project report and documents that verify project promoter expenditures
Agency	November 2014	MoEPRD pre-defined project, "Development of the National System for Greenhouse Gas Inventory and Reporting on Policies, Measures and Projections"	Monitoring of 2 nd Project report and documents that verify project promoter expenditures

* Considering that open call projects will be only in beginning phase of implementation the State Regional Development Agency is not planning monitoring visits to open call projects in year 2014