



**MINUTES OF THE ANNUAL REVIEW MEETING
CONCERNING THE LATVIAN FEAD OPERATIONAL PROGRAMME
(CCI 2014LV05FMOP001)
Riga, 1 December 2017**

The agenda of the Annual Review Meeting (ARM) was divided in two parts: with and without the stakeholders (members of the Advisory Working Group and partner organisations). During the first part all stakeholders had a chance to participate in discussions related to the implementation of the programme. The second part was focused on audit issues and procurement procedures. Full list of participants is available at the end of this document.

The Latvian authorities provided the written answers to the EC questions on 10 November¹. The answers and presentations delivered during the meeting (Annex 1 – 7) are attached to the minutes.

Part 1 (Commission, national authorities and stakeholders)

1. Introduction

L.Grafa on behalf of the Managing Authority (MA) welcomed the members of the Advisory Working Group, the European Commission (EC), representatives of national authorities and partner organisations (PO).

M.Guin (EC) pointed out that despite positive signs of economic growth, the risk of poverty or social exclusion remains a key challenge in Latvia. In particular, low adequacy of social benefits contributes to high poverty and inequality. Children poverty has decreased substantially during the last years, yet the poverty situation of the children of low-skilled parents is considerably higher than that of the children of high-skilled parents. The issue of homelessness is also of a raising concern. M.Guin also stressed an increasing emphasis on social aspects within the EU policies and the recent endorsement of the European Pillar of Social Rights, which may positively impact the issues FEAD is addressing.

2. State of play with programme implementation in 2016 and 2017

(Presentations by E.Kleina and G.Landsmane, Intermediate Body, Society Integration Foundation, A. Stratane, Managing Authority of FEAD/ Ministry of Welfare)

The Society Integration Foundation (SIF), as the Intermediate Body (IB), and the MA presented the state of play with the programme implementation on 30.09.2017 (see Annex 1).

Two public procurements – new baby packages

The IB informed that SIF as Financial Beneficiary (FB) has concluded **two public procurements** since the last ARM in November 2016:

a) **Food packages for babies.** Distribution started in January 2017 and 4700 food packages were distributed by 30 September. The delivery of baby packages is planned very carefully due to relatively short expiration date of the products. There are three types of packages depending on the age group (7-12 m.o, 13-18 m.o, 19-24 m.o). The costs range from EUR 41.38 to EUR 53.58 per package. Packages contain infant milk powder, variety of baby purees, dry porridge and rusks.

¹ Ares(2017)5485957 - 10/11/2017

b) **Baby hygiene packages.** Distribution started in March 2017. Total of 3288 hygiene packages for babies were distributed by 30 September. There are four types of packages depending on the age group (0-6 m.o, 7-12 m.o, 13-18 m.o, 19-24 m.o). The costs range from EUR 20.04 to EUR 57.79 per package. The package contains diapers, baby cream, soap, shampoo, wet wipes, and depending on the age also toothpaste, toothbrush and cotton diapers. The amount of diapers varies depending on the age group.

In reply to the EAPN representative's concerns about the added value of baby packages, the MA responded that both packages were included in FEAD support offer because the need for support to families with babies was expressed by FEAD recipients in a survey in 2015.

In response to the Audit Authority's (AA) question whether the number of baby packages distributed corresponds with the number of babies in families, the SIF clarified that actual distribution is verified against the statistical data provided monthly by the Ministry of Welfare.

State of play with programme implementation

The MA presented the amount of support FEAD provided to the end recipients through **28 partner organisations and 490 distribution points**, of which **16 are soup kitchens** (see Table 1). Comparing to the 1st year of FEAD implementation, the number of soup kitchens has increased (from 6). Since the beginning of OP implementation in Latvia (2015) 432 255 meals have been provided to the end recipients.

A new **selection procedure for POs** is ongoing, as the current contracts with POs will expire at the end of March 2018. SIF has received 33 applications and so far estimates that the whole territory of Latvian will be covered with distribution points. Preliminary assessment is that the number of soup kitchens may increase.

The number of food and hygiene packages distributed and **the number of aid recipients has a tendency to decrease** (see Table 1).

	Number of packages/meals distributed			Number of persons receiving aid		
	2015	2016	01/01/2017 - 30/09/2017	2015	2016	01/01/2017 - 30/09/2017
Food packages	285 362	353 926	246 952	68 876	61 497	60 232
Baby food packages	-	-	4 700	-	-	989
Household and hygiene items	49 920	55 130	38 160	25 675	19 657	18 954
Baby hygiene packages	-	-	3 288	-	-	1 342
School supplies	-	24 186	10 255	-	24 186	10 255
Meals (in soup kitchens)	2 205	204 900	225 150	32	2 428	4 008

Table 1. Number of packages/meals distributes and number of end recipients.

In I-IIIQ of 2017, there were 967 accompanying measures organized, attended by 6 294 participants. Most of the partner organisations (PO) provide at least one accompanying measure per quarter. The most demanded topics are nutrition and cooking, practical life skills (e.g. housing, childcare, laundry washing, repair of clothing, family budget management, etc.), and health (e.g. lectures on healthy lifestyle and diet, first aid, disease prevention, anger management, alcoholism, etc.).

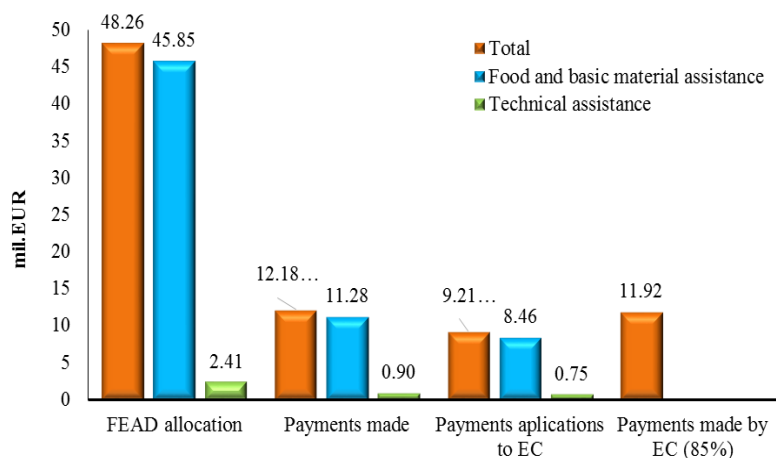
However, the **number of accompanying measures** in 2017 has considerably **decreased** (see Table 2), comparing to 2016 (1873 measures). SIF names possible reasons: a) the size of the target group is decreasing; b) the proportion of elderly persons within the target group is increasing; c) SIF applies stricter controls on the quality of the POs' reports that describe the accompanying measures (so that only appropriate measures and correct calculations are included), therefore the administrative burden on POs slightly increases; d) the flat rate of 5% does not allow to organise events on a regular basis, also because the amounts vary per quarter. For example, the amount POs receive per quarter as a 5% flat rate varies from EUR 8.78 to EUR 46 000².

	2015	2016	Jan-Sept 2017
Total number of accompanying measures, including:	950	1873	967
Specialists' consultations (including individual consultations)	169	632	83
Nutrition and cooking	162	289	292
Practical life skills	124	262	151
Health promotion	185	281	215
Sports and free time activities	310	160	65
Employment opportunities	(other)	63	34
Budget planning, finances		39	8
Other activities (education possibilities, support and self-help groups)		147	80
Accompanying measures for families with children ³	-	-	39
The total number of participants	9604	10873	6294

Table 2. Information on accompanying measures

As regards **synergy with ESF measures**, SIF is also involved in implementation of several ESF projects, where FEAD recipients also qualify for support. Motivational programmes for persons with addictions, implemented through ESF project "Diversity promotion", will start in 2018 and could be a substantial support for FEAD recipients.

Another ESF project that the FEAD recipients could benefit from is "Health promotion and disease prevention in municipalities", as the project primarily targets persons who are subject to poverty and social exclusion risk. In reply to EC question, the MA clarified that POs are well aware of ESF measures, since many of them are involved in their implementation (like municipal social services) or closely work with the target group (NGOs) and are following available information on additional opportunities.



Picture 1. Information on budget absorption up to 30.09.2017.

² In the case of Latvian Red Cross which covers 75% distribution points all over Latvia.

³ As a separate thematic group from IIIQ 2017.

Overall, Latvian FEAD OP has absorbed 25% of the total OP allocation since the beginning of implementation (2015) up to 30 September 2017 (see Picture 1).

SIF also informed about the improvements made in the **Project Electronic Management System (PEVS)**. Since 2015 the **reporting module** was awaiting improvements and now is fully functioning. This module allows retrieving data from PEVS and generates reports per topic. Since 2017 expenditure reports and reports on evaluation of the irregularities are available.

Other than that PEVS contains sections on partner organisations (delivery places, supply forecasts, indicators and results, payments, on-the-spot checks, irregularities, etc), technical assistance, Audit Authority specific section (performed audits, recommendations and their implementation), specific module for Certifying Authority (available amounts, approved financing, forecasts etc.). Every day monitoring also in ensured through PEVS – checklists, correspondence, etc.

A brief overview of **communication activities** was also provided, i.e. webpages, posters, mass media coverage of the new baby packages, etc.

M.Guin (EC) congratulated Latvian authorities and stakeholders with smooth implementation of the programme, completion of the IT system, and with finding the ways to respond to recipients' needs, in particular by providing additional support aimed at families with babies.

In reply to EC question about the progress made with **school supplies packages**, the SIF informed that the provider of supplies has changed, as well as there were some changes in distribution rules. Instead of providing a choice between either a school bag or a package with school supplies, recipients are now offered a combination of both. There are two sets of age-tailored packages.

EC also expressed hope that the Omnibus Regulation will facilitate better synergy with ESF and increase the offer of available accompanying measures for the FEAD target group.

3. Brotherhood of disabled people NEMA – PO experience *(Presentation by M. Zariņa)*

The Head of the NGO "Brotherhood of disabled people NEMA" (hereafter – NEMA) presented the history and the mission of the NGO, its implemented projects and NGO's experience with FEAD (see Annex 2). NEMA is a partner organisation since the beginning of EU food distribution programmes in 2008. The NGO manages 9 FEAD distribution points and has 15 volunteers. M.Zarina noted that since the NGO's founding year (2006) there were positive changes in overall attitude towards persons with disabilities in society.

M.Zarina presented the variety of accompanying measures organised by NEMA, including consultations and individual support, workshops (crafts), support group regular meetings, educational seminars and health promotion activities, i.e. sports events. She mentioned that there are a lot of men among workshops' participants, as well as persons in need of re-socialisation after a period in detention places, and elderly persons. Once a week a special workshop for children is organised. Workshops' participants are taught how to use easily accessible materials (old newspapers and clothes, etc.) for crafts. Cooking workshops teach to use FEAD food package's content to make meals, as well as special festive dishes, for example Easter bread. NEMA is also taking initiative to organise "positive emotions" days with dancing and singing activities to help people socialise and maintain optimism.

In reply to the EC question about cooperation with municipalities and possible suggestions for FEAD further improvements, M.Zarina confirmed that the cooperation with municipal authorities has gradually improved. During over 10 years of NGO's existence the municipality has always

provided the NGO with transport and premises. She positively assessed the improvements of food package's content throughout several programming periods, acknowledging that the packages are rather generous comparing to 2008. However, M.Zarina stressed that one more improvement is much needed, i.e. the hygiene/household packages should also be distributed to elderly persons. At least one package with personal hygiene items per quarter would be a significant and much appreciated support.

4. Samaritan Association (SA) of Latvia – PO experience *(Presentation by A.Kraukle)*

Samaritan Association (SA) of Latvia, one of the biggest and oldest NGOs in Latvia, has presented their organization and its contribution to the FEAD implementation since April 2015 (see Annex 3).

From 01.01.2017 to 30.09.2017 SA has delivered 6828 food packages, 1048 hygiene/household goods packages, 274 school supplies, 171 baby food packages and 94 baby hygiene packages. The number of distribution sites has decreased from eight to four. However, the amount of support distributed remained about the same. Packages are distributed at least twice a week, by site managers and volunteers.

Comparing to the previous year, the number of accompanying measures organised by SA has increased (27 in 2006 and 52 in 2017). However, the number of participants, on the contrary, has diminished by more than a half (781 participants in 2016, 328 – In 2017). SA explains the changes with reluctance of FEAD recipients to participate in group sessions. Therefore, more individual consultations are organised. During the group sessions participants are experiencing discomfort in admitting publicly, for example, a lack of education during a CV writing workshop. SA informed that cooking classes are one of the most popular events, as well as IT and online banking training, consultations on children hygiene and disease prevention. One of the examples mentioned by SA was a workshop on maintaining a grocery gardening, where participants could exchange plants and seeds for their gardens.

As last year, SA informed about the synergy with the food bank "Paēdušai Latvijai" run by SA. The food bank provides food aid to poor families with children, seniors and disabled people with low income, who were rejected the status of a needy person and as a result do not qualify for FEAD or other type of basic material assistance. In 2017 SA organised two food collection actions, supplying over 12 000 food packages.

In reply to the EC question, SA praised baby packages. Similarly to NEMA, SA proposed to broaden the target group for hygiene/households good packages and provide them also for adults with no children, especially to seniors.

5. Overview of the situation with regard to the most deprived in Latvia, evaluation of the programme implementation in 2017, legislative changes and next steps for 2018 *(Presentation by A. Stratane, Managing Authority)*

Overview of the situation with regard to the most deprived in Latvia

The MA highlighted that the **number of persons in severe material deprivation is decreasing** (25.60% out of total number of inhabitants in 2012 vs 12.80% - in 2016) due to increasing minimum wage and social benefits to families with children, as well as overall increasing employment rate in Latvia. As a result, FEAD target group also continues to decrease (see Table

3). In particular, from 2014 to 2017 the overall number of persons with a needy status has decreased by 42%, the number of children in families with a needy status – by 59%.

However, the trends are not so positive, if another indicator is taken into account. In 2016 37.3% of Latvia's population (with income below at-risk-of-poverty threshold) could not afford a meal with meat, chicken or fish every second day, comparing to 49% in 2012.

The **poverty index in Latvia is increasing for single person households** (from 31.3% in 2012 to 55.7% in 2015).

During last four years approx. 6 000 retired persons have been receiving aid annually, notably their proportion among the total number of needy persons has increased from 8.1% in 2014 to 15% in 2017.

Year	Number of needy persons	Incl. children
2013	134 397	46 334
2014	104 569	36 078
2015	82 361	26 707
2016	68 816	20 851
January 2017	45 004	12 356
September 2017	41 115	11 774

Table 3. FEAD target group.

M.Guin noted that the issue of increasing poverty risks for a single person household in Latvia is acknowledged also at the EC level. While low adequacy of pensions in Latvia is contributing the poor state of play for elderly persons. M.Guin inquired if the MA has linked the increasing poverty risk for a single person household and increasing proportion of elderly persons among FEAD recipients. The MA clarified that it does not see a clear link, since the number of elderly persons among the recipients remains the same (about 6 000). The proportion of elderly recipients is increasing due to a decrease in other age groups.

Evaluation: annual survey (2016) and the structured survey (2017) on end recipients

The MA informed about the evaluation of the effectiveness of FEAD OP – a structured survey of 1088 FEAD packages' recipients and 252 soup kitchen's clients conducted in 2016 (see Annex 4).

The survey demonstrates an **average socio-demographic profile** of FEAD end recipients. It is different depending on whether a person is a FEAD aid package recipient or a soup kitchen client.

- the average age among the FEAD aid packages' recipients is 37 years old, while among the soup kitchens' clients – 53 years old.
- Moreover, soup kitchen visitors are more likely to be elderly persons (44.6% - soup kitchens vs 23.2% - FEAD packages).
- In terms of gender break down, the number of females is larger among receivers of aid packages (51.5%). The opposite situation is among the soup kitchens' clients – 61.5% of male recipients.
- One in three of the end recipients are unemployed.
- The region most in need of FEAD support in Latgale: the number of FEAD food packages distributed in Latgale region is slightly above 30% of the total number of food packages distributed.

The **main findings** of the survey show that:

- FEAD aid has reached the target group: 89.4% of recipients (all ages) with 'needy person' status received food aid in 2016, and 94.3% of recipients (up to 18 years of age) with 'needy person' status received basic material assistance in 2016.
- FEAD target group is well informed about support opportunities and there is no need to make a wide informative campaign. Among the FEAD aid packages' recipients 92% found out about FEAD at the municipal social service. The main sources of information for soup kitchens' visitors are word-of-mouth (62%) and social services (40%).
- 73% of FEAD aid recipients live in less than 5 km proximity from the nearest distribution site. MA noted that POs distribute packages in cooperation with social workers for persons living in distant areas.
- Overall good satisfaction level with the content of aid packages (96% in 2016 and 99% in 2015). Comparing to 2015 survey, in 2016 fewer FEAD recipients are using full amount of the food package's content for their own needs. The MA explained the change with the fact that in 2016 three new products were added to the package and recipients are gradually learning how to use them (e.g. egg powder) via accompanying measures, i.e. cooking classes.
- Good satisfaction level with accompanying measures has been achieved. Information received within the accompanying measures was admitted as useful or partly useful by 92% of the aid packages' recipients and by 86% of the soup kitchens clients.
- Budgetary burden was relieved – 98% of the respondents (comparing to 90% in 2015) acknowledged money savings thanks to FEAD support. The majority has used saved resources for additional food supply (78%), paying utility bills (52%), purchasing clothes (43%) and medical services (26%). Growing number of recipients is using saved resources for children extra-curricular activities (11% in 2016 vs 9% in 2015) and family leisure time activities (4% vs 0.4% in 2015).

The respondents, in reply to a question of desired improvements, have suggested increasing the amount of sugar and meat in the food packages. The MA noted that the amounts have already been increased once in 2016. The respondents have also suggested adding peas, beans and sweetened condensed milk.

In February 2017, the external contractor has started the interviews of the end recipients for the structured survey. Interviews will be carried out up to December 2017. In the beginning of 2018, the collected data will be analysed by the external contractor and the MA. By 30 March 2018 the results will be reported to the EC.

Legislative developments and expected impact on the number of end recipients

The MA informed that during a couple of last years it has been trying to increase the FEAD target group. At the same time the MA has avoided increasing the administrative burden on local public authorities (social services) and tried to use the existing (national) mechanisms as far as possible.

Currently a person who has a status of a needy person/household (average income level of 128.06 EUR per month) and/or a person in a crisis situation (without income assessment), according to the existing national legislation, is able to receive FEAD assistance.

Within the period of FEAD implementation some improvements of the national legislation have been made, for instance, the amendments to the Law on Social Services and Social Assistance (in force since 9.02.2017.) disregard the family state benefit from the income test to qualify for a needy family (person) status, as well as introduce a gradual phase-out of social assistance benefits three months after starting employment and, during that time, disregard from the income test the

income of the individual to the extent of the monthly minimum wage. So far the Ministry of Welfare is not able to draw the conclusions on the effect of the legislative changes, as the full annual data is needed to make an impact assessment (it will be available in April 2018). Nevertheless, the effect of the legislative changes is not expected to be sufficient to significantly increase the number of FEAD recipients.

The implementation of the Minimum Income Support System would have helped to increase the number of FEAD support recipients, but the reform was postponed until 2019.

Therefore, the MA has come up with a new proposal – to **raise the income threshold till EUR 188.00 only within the FEAD programme**. Currently municipal social services have to assess the income level of a person to grant them a status of a needy person (EUR 128 threshold nationwide) or a status of a low-income person, where the threshold varies per municipality. The MA wished to introduce a third level of EUR 188 – to qualify for FEAD support. Since the assessment is performed by the social workers anyhow, this approach generally would not entail additional burden.

However, the Latvian association of Local and Regional Governments (LALGR) has initially declined the proposal suggesting instead to provide assistance to all persons who have low-income status. The MA explained that different approach in municipalities to grant low-income status is placing people in unequal situation – as it would mean that in some municipalities FEAD support would be granted for persons with EUR 400 monthly income, while in others – with no more than EUR 128 monthly income. It is not acceptable within FEAD programme, due to horizontal principles of equal opportunities and non-discrimination. Nevertheless, several municipalities expressed interest to go for the solution proposed by the MA and use the opportunity to give FEAD support to a larger number of end recipients.

Another alternative idea was to distribute hygiene/households goods' packages to all FEAD recipients, not only to families with children.

After discussions, the MA concluded that **participation of municipalities** in the newly proposed system (i.e. establishing an additional FEAD threshold of EUR 188) would be **voluntary**. Thus, municipalities willing to make an effort and provide FEAD support to a larger number of recipients will be able to do so. The next step for the MA is to make changes in the national FEAD regulatory acts:

- to introduce an option for municipalities to choose more favourable conditions of FEAD support on a voluntary basis;
- to ensure the eligibility of costs for adaption of the Social Services' IT system (SOPA).

In reply to the LALGR representative question regarding the source of payment for the changes in the SOPA IT system, the MA clarified that the expenses would be covered from FEAD technical assistance funding.

The LALGR representative has expressed support to the voluntary principle for municipalities to join the augmented threshold. Yet the LALGR voiced out the position to support granting FEAD support to all persons with low-income status, because each municipality has assessed the basis for granting the low-income status to their residents, taking into account the costs of living, i.e. rental costs, etc. The MA has emphasised that FEAD is providing food aid and basic material assistance, the costs of which are the same across the country. Other necessary services (medical, rental, etc.) can be assessed at the municipal level. However, within the FEAD programme the criteria should be equal across the state.

In reply to the EAPN representative question on the implementation deadline of the new threshold, the MA informed that before elaborating amendments to the Cabinet of Ministers' Regulation on FEAD implementation, the consultations with stakeholders will continue until the end of 2017. This will eliminate possible misunderstandings in the implementation stage.

M.Guin (EC) supported the MA in attempt to find solutions for increasing the target group and encouraged to make further efforts in bringing the intended solution to life. The increase of the target group would also assist in further budget absorption. She also recalled a positive Lithuanian experience, where it is expected that the increase in the state support minimum income (SSI) as of 2018 (from EUR 102 to EUR 122) will bring at least 80 000 additional FEAD recipients to the target group⁴.

Outlook on programme implementation in 2018

The MA informed that the **main tasks in 2018** will be:

- Analysing the interviews with the end recipients (in the framework of 2017 structured survey) and reporting to the EC till 30 March 2018.
- Evaluating the satisfaction level with FEAD support (survey 2017) and improving the content and the quality of aid packages, if necessary.
- Implementing the amendments of the national FEAD Regulations (target group expansion).
- Preparing all appropriate documentation and launching next procurement procedures.
- Carrying out the third call for proposals for POs⁵, focusing on soup kitchen's aspect.

The MA added, in response to PO's suggestions to expand the target group for hygiene packages, that, if the extension would take place, it would be for all FEAD recipients, not only certain groups. Such approach would be in line with the national policies. At the moment the MA is assessing such possibility, but the changes will not be made until 2019, because the contract with the hygiene/household goods packages' provider is signed for three years and will expire in 2019.

The AA representative noted that the contract should not be considered as an obstacle to deliver hygiene goods to all FEAD recipients. The AA suggested gathering all proposals and introducing all legislative amendments at once.

The EAPN representative encouraged the MA to launch a public media campaign to draw society's attention to the extension of FEAD eligibility criteria, and therefore impact the decision-making at the higher level.

6. FEAD mid-term evaluation and changes in the FEAD Regulation (Omnibus Regulation) *(Presented by M.Guin and J.Stupaka, EC)*

M.Guin presented the state of play and intermediate results of the FEAD mid-term evaluation⁶, highlighting the main achievements and potential areas for improvement across the EU, especially in regards the quality and purpose of accompanying measures. Accompanying measures have a

⁴ FEAD beneficiaries in Lithuania are persons below 1,5 SSI threshold, i.e. currently it is EUR 183 and will be EUR 213 (increase by EUR 30) as of 2018.

⁵ Announced on 27.10.2017. with the deadline for applications 27.11.2017.

<http://www.atbalstapakas.lv/zinas/119-izsludinata-3-partnerorganizaciju-atlase-partikas-un-pamata-materialas-palidzibas-izdalisana-maltisu-nodrosinasana-un-papildpasakumu-istenosana>

⁶ According to the FEAD Regulation Commission has to present mid-term evaluation of the Fund to the Parliament and the Council by 31 December 2018

low allocation but high potential for more results in terms of providing first and essential steps towards social inclusion, and therefore could be further strengthened. She also thanked Latvian stakeholders in taking active part in the Open Public consultation. Latvia has also provided comments to the draft report, which the EC will try to take on board.

J.Stupaka gave an overview of upcoming changes with the Omnibus Regulation highlighting simplified procedure for the OP amendment, no paper trail if electronic document management requirements will be met, eligibility of expenditures for POs if irregularities happen on MA level, and a possibility for integrated projects with ESF.

Part 2 (Commission and national authorities)

Anti-fraud measures, public procurement procedures, audit risks and findings

Further discussions continued without the presence of partner organisations and other stakeholders.

I.Latviete (MA) presented an overview of **anti-fraud control system** set up by the MA (see Annex 5). In response to the EC question, the MA gave an example of how a medium level risk detected in a public procurement procedure was treated step-by-step. The EC also drew attention to the handbook on irregularities (“Reporting of irregularities in shared management”) recently produced by OLAF and disseminated to the member states.

L.Peipiņa, representative of the SIF as the Financial Beneficiary (FB) in charge of **organisation of public procurement (PP)** procedures, provided an exhaustive description of the PP process and the roles of FB, Procurement Monitoring Bureau (PMB), IB, MA and CA (see Annex 6).

The EC appreciated the integration of various important aspects (environmental, child-safety etc.) in PP tender documents, however expressed some concerns that the amount of specific requirements might lead to restrictive tenders/terms of reference. L.Peipiņa clarified that during the preparatory phase the market analysis is performed and, for example, the variety of eco-friendly goods on the market is rather large. Moreover, the PP is open at the EU level. The meeting of potentially interested bidders is open to the public, which helps to ensure transparency. Moreover, most of the criteria are not obligatory.

In reply to the EC inquiry about the members of the PP Committees and measures taken to prevent the conflict of interest, the SIF explained how the division of functions within SIF units prevents overlaps. In assessment of the PP documentation SIF also relies on the Procurement Monitoring Bureau checks. So far there were no irregularities identified in the process of procurement procedures.

A.Avota (AA) presented the organisation of the **Monitoring and Control System, the main audit findings in 2017** and the main focus areas for 2018 (see Annex 7).

The AA stressed that due to the **design of the FEAD aid support deliveries scheme** in Latvia the audits of operations represent a **major challenge for the AA**. An additional challenge is also due to the fact that the national FEAD rules suggest that 5% flat rate for accompanying measures is paid to the POs based on the amount of packages *distributed* to the end recipients, not the packages *delivered* to the POs, as indicated in the FEAD Regulation.

The design of the FEAD scheme has an impact on the number of staff members required to audit FEAD programme. Instead of 0.8 staff units envisioned for the programme, during eight months of 2017 the AA had to engage 1.8 staff units in auditing FEAD.

The AA listed several **open questions on the scope of the audit**, which are still being clarified with DG EMPL's Audit Unit. In particular:

- Does the AA have to assure the EC about the actual delivering of goods to the distribution sites or only check the issued invoices?
- Does the AA have to assure the EC about the correctness of the basis for the flat rate calculations (for payments to the POs) or only verify the actual figures, i.e. goods distributed x 5%?
- Does the AA have to audit the *existence* of accompanying measures, i.e. to provide supporting evidence whether at least one measure has been actually provided? Or it has to make sure that there was at least one *offer*?

As for the **main findings in Annual Control Report 2017**, the AA informed about several complaints about not timely delivery of packages from the place of production to the place of distribution, as well as some discrepancies in forecasting of distribution. There were no findings as regards MA's technical assistance. Based on the outcomes, the AA has identified main focus areas to watch in 2017 (for ACR 2018), including the risks of no package delivery to the final recipients.

The AA also presented **preliminary findings in the Annual Control Report 2018**. The most concerning "to watch" finding is on the delivery of the accompanying measures – out of three publicly announced events, none actually took place. However, no irregularities were applied, because the POs provided sufficient explanations.

The EC confirmed that DG EMPL's Audit Unit is aware of Latvia's questions about the audit of accompanying measures, flat rate and real distribution verification. The guidance note on audit issues is currently in preparation.

CONCLUSIONS & FOLLOW UP

- The FEAD programme implementation in Latvia is rather smooth. The distribution of all types of packages is ongoing, including the newly introduced baby food and baby hygiene packages.
- The FEAD target group continues to decrease. From 2014 to 2017, the number of persons with needy status decreased by 42%, the number of families with children with the status – by 59%. The proportion of elderly persons is increasing, yet actual numbers remain the same (~6 500 persons). Yet the risk of poverty or social exclusion remains a key challenge in Latvia.
- The methodology to define the needy person status has not changed since 2010. The MA is making efforts to increase the threshold for FEAD support eligibility in order to extend the FEAD target group, but meets resistance at the local governments' level.
- The results of the 2016 structured survey show overall satisfaction of the end recipients with the support provided. The target group is well-informed about FEAD.
- The number of accompanying measures in 2017 has considerably decreased. There are also some signs of concerns about the actual delivery of accompanying measures, based on the preliminary audit findings (ARC 2018).

- **Important issues to be followed up:**

- Further developments on amending the threshold for needy person status at the national or FEAD level. Engagement of municipalities.
- The impact assessment of the recent legislative changes on the size of the FEAD target group (to be available in April 2018).
- Possible further improvements of the packages based on the survey results and possible provision of hygiene/household goods to all FEAD recipient groups (not only to families with children).
- Verifications of the accompanying measures' provision on the ground (MA & AA).
- Synergies with ESF measures (motivational programmes and health promotion measures) to be implemented in 2018. Verify if FEAD recipients receive sufficient information on ESF measures via the next survey.
- Open issues on the scope of the audits (EMPL Audit Unit).
- The results of the selection procedure for POs in 2018.
- The results of the structured survey (March 2018) to feed in the Mid-term evaluation report.

Participants:

For Latvia		Part 1	Part 2
Lauma Grafa	Head of FEAD Managing Authority, Ministry of Welfare (MA)	✓	✓
Aurika Stratane	Senior Expert, FEAD Managing Authority, Ministry of Welfare (MA)	✓	✓
Ilze Latviete	Senior Expert, FEAD Managing Authority, Ministry of Welfare (MA)	✓	✓
Ilze Skrodele - Dubrovskā	Deputy Head of Methodological Management and Control Department, Ministry of Welfare (MA)	✓	✓
Ligita Seisuma	Senior Expert, FEAD Certifying Authority, Ministry of Welfare (CA)	✓	✓
Indra Kārklīņa	Head of FEAD Certifying Authority, Ministry of Welfare (CA)	✓	✓
Aiva Avota	Senior Expert, Audit Authority, Ministry of Finance	✓	✓
Raimonda Batņa	Senior Auditor, Audit Authority, Ministry of Finance	✓	✓
Evija Kleina	Head of Structural Funds Monitoring Department, Society Integration Foundation (IB)	✓	✓
Līga Peipiņa	Head of Support Unit, Society Integration Foundation (IB)	✓	✓
Gunta Landsmane	Deputy Head of Structural Funds Monitoring Department, Society Integration Foundation (IB)	✓	✓
Baiba Svetlana Rozenberga	Representative of NGO "EAPN-Latvia" (European Anti-Poverty Network)	✓	
Inga Kārklīņa	Representative of NGO "The Union of managers of social service centres of local governments of Latvia"	✓	
Inga Kleinšmite-Zunda	Representative of NGO "The Union of associations of large families of Latvia"	✓	
Ina Baltgalve	Representative of Latvian Association of Local and Regional Governments	✓	
Agita Kraukle	Representative of NGO "Samaritan Union of Latvia"	✓	
Alla Kruglova	Representative of NGO "Latvian Red Cross"	✓	
Mārīte Zariņa	Representative of Brotherhood of Disabled People "NEMA" in Dagda	✓	
<i>Inese Mūrmane</i>	<i>SIA Linearis</i>	✓	✓
For European Commission, DG Employment, Social Affairs & Inclusion / (EC)			
Muriel Guin	Head of Unit, DG EMPL, Unit C5 Finland, Lithuania, Estonia, Latvia	✓	✓
Jeļena Stupaka	Programme Manager, DG EMPL, Unit C5 Finland, Lithuania, Estonia, Latvia	✓	✓