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The Saeima<sup>1</sup> has adopted  
and the President has proclaimed the following Law:

## **Law On Management of European Union Structural Funds and the Cohesion Fund**

### **Chapter I General Provisions**

#### **Section 1. Terms Used in this Law**

The following terms are used in this Law:

1) **responsible institution** – the sectoral ministry and the State Chancellery, which implements all the functions of an intermediate body or part of them in accordance with the procedures specified by the Cabinet;

2) **operational programme supplement** – the planning document of the European Union Structural Funds and the Cohesion Fund (hereinafter – European Union funds) of a national level, which is subordinate to the relevant operational programme and determines implementation of the measures and activities indicated therein. The operational programme supplement shall be approved by the Cabinet;

3) **activity of the European Union funds** – aggregate of the activities carried out in order to achieve the objectives and indicators specified in planning documents;

4) **submitter of a European Union fund project** – a direct or indirect State administrative institution, derived public person, another State institution, as well as a natural person, a legal person registered in the Republic of Latvia or an association of such persons;

5) **submission of a European Union fund project** – a submission (a filled-in form and annexes thereof) submitted by the submitter of a European Union fund project in order to receive the financing necessary for the project from the European Union fund;

6) **criteria for the evaluation of submissions of European Union fund projects** – the criteria, according to which the submissions of European Union fund projects are evaluated and a decision regarding approval or rejection thereof is taken;

7) **European Union fund project** – a submission of a European Union fund project, which complies with the criteria for the evaluation of a project submission and which is approved by the institution involved in the management of the European Union fund;

8) **planning documents** – a State strategic framework document, an operational programme or an operational programme supplement;

9) **co-operation institution** – a State agency or the Society Integration Fund, which implements part of the functions of an intermediate body in accordance with the procedures specified by the Cabinet.

<sup>1</sup> The Parliament of the Republic of Latvia

## **Section 2. Purpose of this Law**

The purpose of this Law is to specify the management of European Union funds in order to promote the efficient and transparent introduction of European Union funds in Latvia, which complies with the principles of financial management.

## **Section 3. Scope of Application of this Law**

(1) This Law determines the rights and obligations of institutions involved in the management of European Union funds and the recipient of the financing of a European Union fund, as well as the procedures for taking, contesting and appeal of decisions taken by institutions involved in the management of European Union funds.

(2) This Law shall apply to the management of European Union funds in the planning period 2007-2013.

## **Section 4. Management of European Union Funds**

Management of European Union funds shall be the preparation, harmonisation and approval of the necessary planning documents, establishment of a management system of European Union funds, development of the criteria for evaluation of project submissions of European Union funds, selection and approval of project submissions of European Union funds, implementation, control, auditing, monitoring and evaluation of European Union funds.

## **Section 5. Granting of Financing of European Union Funds**

Submitting of a submission of a European Union fund project in accordance with this Law shall not create a duty for the institution involved in the management of European Union funds to grant financing to the submitter of the European Union fund project .

## **Section 6. Selection of Submissions of European Union Fund Projects**

Selection of submissions of European Union fund projects may be:

1) open – if an equal competition among submitters of submissions of European Union fund projects takes place for the approval of the project submission and granting of the financing of the European Union fund; or

2) limited – if the circle of submitters of European Union fund projects who are invited to submit a project submission is previously known. In such case all submissions of European Union fund projects, which comply with the criteria for the evaluation of submissions of European Union fund projects, shall be approved and financed.

## **Section 7. Horizontal Policies**

The Cabinet shall determine the institutions responsible for the co-ordination of horizontal policies.

## **Chapter II**

### **Provision of Management of European Union Funds**

#### **Section 8. Institutions and Persons Involved in the Provision of Management of European Union Funds**

(1) Management of European Union funds shall be provided:

- 1) by the following institutions involved in the management of European Union funds:
  - a) managing authority,
  - b) paying authority,
  - c) audit institution,
  - d) certification institution,
  - e) responsible institution,
  - f) co-operation institution,
  - g) monitoring committee,
  - h) the Procurement Monitoring Bureau;
- 2) by the final beneficiary.

(2) In order to achieve the objective of this Law, institutions involved in the management of European Union funds shall issue internal regulatory enactments and co-operate with other institutions in accordance with the procedures specified in the State Administration Structure Law.

#### **Section 9. Managing Authority, Duties and Rights Thereof**

(1) The managing authority has the following duties:

- 1) to ensure the management of European Union funds and efficiency of implementation thereof;
  - 2) to ensure the development of planning documents;
  - 3) to ensure the execution of information, publicity and communication measures of the management of European Union funds;
  - 4) to ensure the management of technical assistance of European Union funds and efficiency of implementation thereof;
  - 5) to prepare a section regarding the investment of European Union funds to the annual report on implementation of the State reform programme;
  - 6) to co-ordinate and submit a submission of the large project to the European Commission in accordance with the provisions included in Council Regulation No. 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation No. 1260/1999;
  - 7) to ensure measures for the evaluation of the introduction of European Union funds;
- and
- 8) to establish an information system of the management of European Union funds for monitoring of the operational programme and to ensure the accumulation of data related to European Union funds therein.

(2) The managing authority has the following rights:

- 1) to propose to conduct and to conduct control of the introduction and auditing of European Union funds; and
- 2) to request information, which is necessary for the provision of the management of European Union funds, from institutions involved in the management of European Union funds and final beneficiaries.

- (3) The functions of the managing authority shall be fulfilled by the Ministry of Finance.
- (4) The Ministry of Finance shall ensure that the functions, which it fulfils as the managing authority in accordance with this Law, are separated from the other functions thereof.

#### **Section 10. Paying Authority, Duties and Rights Thereof**

- (1) The paying authority has the following duties:
  - 1) to make payments within the framework of the European Union funds; and
  - 2) to perform the financial accounting of payments.
- (2) The paying authority has the right to request information, which is necessary for the performance of the financial accounting of payments, from institutions involved in the management of European Union funds.
- (3) The functions of the paying authority shall be performed by the Treasury.
- (4) The Treasury shall ensure that the functions, which it fulfils as the paying authority in accordance with this Law, are separated from the other functions thereof.

#### **Section 11. Audit Institution and Rights Thereof**

- (1) The audit institution has the right to request information, which is necessary for the provision of control and audit of European Union funds, from institutions involved in the management of European Union funds and final beneficiaries.
- (2) The functions of the audit institution shall be fulfilled by the Ministry of Finance.
- (3) The Ministry of Finance shall ensure that the functions, which it fulfils as the audit institution in accordance with this Law, are separated from the other functions thereof.

#### **Section 12. Certification Institution and Rights Thereof**

- (1) The certification institution has the following rights:
  - 1) to conduct the control and audit of the introduction of European Union funds, which is necessary for approval of the expenditure declaration and payment applications;
  - 2) to request information, which is necessary for the approval of the expenditure declaration and payment applications, from institutions involved in the management of European Union funds and final beneficiaries.
- (2) The functions of the certification institution shall be performed by the Treasury.
- (3) The Treasury shall ensure that the functions, which it fulfils as the certification institution in accordance with this Law, are separated from the other functions thereof.

#### **Section 13. Duties and Rights of the Responsible Institution and Co-operation Institution**

- (1) The responsible institution and the co-operation institution have the following duties:
  - 1) to participate in the development of planning documents;
  - 2) to draw up criteria for the evaluation of project submissions of European Union funds;
  - 3) pursuant to planning documents to ensure the relevant activities of European Union funds and the implementation, monitoring and control of projects of European Union funds, to analyse the problems in the implementation of the activities and projects of European Union funds and to submit proposals regarding improvement of implementation of the activities and projects of European Union funds to the managing authority and the monitoring committee;

4) to ensure the selection and evaluation of submissions of European Union fund projects;

5) taking into account the legal status of the submitter of a European Union fund project, to determine the conditions for implementation of the project of European Union funds to the final beneficiary in accordance with the requirements of the Cabinet;

6) to examine and to approve the payment request of the final beneficiary and to prepare the expenditure declaration;

7) to provide information to society and to ensure publicity in cases, which are related to the projects of European Union funds;

8) to draw up a support programme and to submit it for initial evaluation to the Ministry of Finance in accordance with the procedures specified in the Law On Control of Aid for Commercial Activity, if the measure included in the operational programme is intended for aid for commercial activity;

9) in cases and in accordance with the procedures specified in the Law On Control of Aid for Commercial Activity to submit a submission of the project of a European Union fund to the Ministry of Finance for initial evaluation, if the project is intended for aid for commercial activity; and

10) to use the information system of the management of European Union funds for monitoring of the operational programme and to accumulate data therein regarding submissions of projects of European Union funds and projects of European Union funds.

(2) The responsible institution and the co-operation institution have the right to request information, which is necessary for the provision of the implementation, monitoring and control of projects of European Union funds, from institutions involved in the management of European Union funds and final beneficiaries.

#### **Section 14. Determination of the Responsible Institution and the Co-operation Institution and Procedures for Co-operation Thereof**

(1) The responsible institution and the co-operation institution, as well as distribution of competence between them, shall be determined by the Cabinet.

(2) The responsible institution, in fulfilling the duties referred to in Section 13, Paragraph one of this Law, may co-operate with several co-operation institutions.

(3) The duties referred to in Section 13, Paragraph one, Clauses 1, 2 and 8 of this Law shall be fulfilled only by the responsible institution.

(4) The co-operation institution, in fulfilling the duties referred to in Paragraph one of this Section, is functionally subordinate to the member of the Cabinet, to which the institution responsible for fulfilment of the duties referred to in Section 13, Paragraph one of this Law is subordinate.

(5) In order to fulfil the duties referred to in Section 13, Paragraph one of this Law efficiently, the responsible institution, in co-ordinating with an institutionally superior institution of the co-operation institution, may issue internal regulatory enactments binding to the co-operation institution in relation to the fulfilment of tasks assigned thereto. If the institutionally superior institution is the Cabinet, internal regulatory enactment shall be issued without co-ordination with it.

(6) The functions, which an institution fulfils as the responsible institution or the co-operation institution, shall be separated from the functions, which it fulfils as the final beneficiary.

## **Section 15. Final Beneficiary and Duties Thereof**

(1) A final beneficiary shall be a direct or indirect State administrative institution, a derived public person, another State institution, as well as a natural person, a legal person registered in the Republic of Latvia or an association of such persons, whose submitted submission of a European Union fund project is approved in accordance with the procedures specified in this Law.

(2) A final beneficiary has the following duties:

1) to ensure implementation of the project of the European Union fund in accordance with the conditions of the civil legal contract – if the final beneficiary is a natural person, a legal person registered in the Republic of Latvia or an association of such persons;

2) to ensure implementation of the project of the European Union fund in accordance with an agreement regarding introduction of the project of the European Union fund – if the final beneficiary is a direct or indirect State administrative institution, a derived public person or another State institution;

3) to ensure separate accounting for each project of the European Union fund; and

4) to provide information regarding implementation of the project of the European Union fund and to ensure the representatives of the European Commission and institutions involved in the management of European Union funds with access to the originals of all documents related to the implementation of the project of the European Union fund, as well as to the place of implementation of the relevant project.

## **Section 16. Monitoring Committee**

(1) The monitoring committee is a collegial institution involved in the management of European Union funds, which operates pursuant to bylaws approved by the Cabinet.

(2) The composition of the monitoring committee shall be determined by the Cabinet.

(3) The monitoring committee shall take administrative decisions in accordance with this Law and other regulatory enactments regulating the management of European Union funds.

## **Section 17. Procurement Monitoring Bureau, Duties and Rights Thereof**

(1) The Procurement Monitoring Bureau has a duty to ensure selective pre-examination of the procurement documentation and the process of the procurement procedure of European Union funds.

(2) The Procurement Monitoring Bureau has the right to request information, which is necessary in order to ensure the selective pre-examination of the procurement documentation and the process of the procurement procedure of European Union funds, from the institutions involved in the management of European Union funds and the final beneficiaries.

### **Chapter III Competence of the Cabinet**

## **Section 18. Competence of the Cabinet in Provision of Management of European Union Funds**

In order to ensure the management of European Union funds, the Cabinet shall determine:

- 1) the procedures, by which the institutions involved in the management of European Union funds ensure the preparation of planning documents and introduction of the European Union funds, including the selective pre-examination of the procurement documentation and the process of the procurement procedure;
- 2) the procedures for monitoring and evaluation of the introduction of European Union funds;
- 3) the procedures for notification regarding non-conformities detected in the introduction of European Union funds, the taking of administrative decisions regarding utilisation of the financing granted and recovering of non-conforming expenditure;
- 4) the procedures, by which functions of the audit institution are ensured in the management of European Union funds;
- 5) the procedures, by which the managing authority, the certification institution, the co-operation institution or the responsible institution conducts inspection at the place of implementation of the project financed by the European Union fund;
- 6) the procedures, by which resources in the State budget are intended for the implementation of projects co-financed by European Union funds, as well as the procedures, by which payments are made and expenditure declaration is prepared;
- 7) the procedures for the publication of information regarding projects of European Union funds;
- 8) the procedures, by which publicity of European Union funds and compliance with the requirements of visual identity are ensured;
- 9) the procedures for the establishment and usage of the information system for the management of European Union funds;
- 10) the procedures, by which activities of a European Union fund indicated in a supplement of an operational programme are implemented, the criteria for the evaluation of submissions, the requirements to a submitter of a project, the responsible institution and the co-operation institution, distribution of the competence between these institutions and the procedures for co-operation, as well as the form of functional subordination of the responsible institution and the co-operation institution are determined; and
- 11) the requirements for the establishment of the management and control system of European Union funds.

## **Chapter IV**

### **Decisions of the Responsible Institution and the Co-operation Institution, Contesting and Appeal Thereof**

#### **Section 19. Decisions of the Responsible Institution and the Co-operation Institution**

- (1) The head of the responsible institution or the co-operation institution shall take a decision regarding the approval or rejection of a submission of a European Union fund project, as well as a decision regarding recovering of the financing granted.
- (2) A decision regarding the approval of a submission of a European Union fund project shall be taken, if it complies with the criteria for the evaluation of submissions of European Union fund projects. Such decision may also be taken provided that a submitter of the European Union fund project carries out the activities specified by the responsible institution or the co-operation institution in order to prepare and implement the project of the European Union fund appropriately.

(3) A decision regarding the rejection of a submission of a European Union fund project shall be taken, if it does not comply with the criteria for the evaluation of submissions of European Union fund projects.

(4) A decision regarding recovering of the granted financing shall be taken, if the financing granted has been disbursed to the final beneficiary, but it has not been used pursuant to the requirements of regulatory enactments or conditions of a contract.

## **Section 20. Types of Decisions of the Responsible Institution and the Co-operation Institution**

(1) The responsible institution or the co-operation institution shall issue an administrative act or take an administrative decision according to the legal status of the submitter of the European Union fund project.

(2) If the submitter of the European Union fund project is a natural person, a legal person registered in the Republic of Latvia or an association of such persons, the decision of the responsible institution and the co-operation institution shall be the administrative act.

(3) If the submitter of the European Union fund project is a direct or indirect State administrative institution, a derived public person or another State institution, the decision of the responsible institution and the co-operation institution shall be an administrative decision; it may be contested in accordance with the procedures specified in Law, but it may not be appealed to a court.

(4) The administrative decision referred to in Paragraph three of this Section shall be issued in writing, and it shall have the following parts:

- 1) the name and address of the responsible institution or the co-operation institution;
- 2) the addressee – the submitter of the European Union fund project;
- 3) determination of facts;
- 4) justification of the administrative decision;
- 5) a separate list of the legal norms applied (indicating also section, paragraph, clause or sub-clause of the regulatory enactment);
- 6) the rights assigned to the addressee and the rights rejected; and
- 7) the procedures for contesting a decision.

## **Section 21. Time Period for Taking of a Decision**

The responsible institution or the co-operation institution shall take a decision regarding the approval or rejection of a submission of a European Union fund project not later than within a time period of three months after the final date for the submitting of submissions of European Union fund projects.

## **Section 22. Contesting and Appeal of a Decision of the Responsible Institution and the Co-operation Institution**

(1) A submitter of the European Union fund project may contest and appeal the decisions referred to in Section 19, Paragraph one of this Law, observing the provisions of Section 20, Paragraph three of this Law.

(2) A decision of the co-operation institution may be contested to the institution responsible for the management of the activity of the European Union fund. A decision of the responsible institution regarding the contested decision of the co-operation institution may be appealed to an administrative court.

(3) A decision of the responsible institution may be contested to the head of such direct administration institution, within the framework of which the responsible institution is established. The decision may not be contested to a member of the Cabinet. A decision of the head of the direct administration institution regarding the contested decision of the responsible institution may be appealed to an administrative court, if the extra judicial examination procedures specified in this Law have been observed.

(4) Contesting or appeal of a decision shall not suspend operation thereof.

## **Chapter V**

### **Procedures for Settling Disputes regarding Granted Financing of a European Union Fund**

#### **Section 23. Procedures for Settling of Disputes**

A dispute regarding granted financing of a European Union fund shall be settled in accordance with the procedures specified in the Administrative Procedure Law, the Civil Procedure Law and other regulatory enactments.

#### **Section 24. Decision regarding Recovering of the Granted Financing**

A decision regarding recovering of the granted financing shall be taken in the cases specified in Section 19, Paragraph four of this Law and in accordance with the procedures specified in the Administrative Procedure Law, if a final beneficiary may be the addressee of the administrative act pursuant to Section 20, Paragraph two of this Law and compulsory execution may be directed to him or her.

#### **Section 25. Settling of Disputes According to Civil Legal Procedures**

(1) If application of the procedures for recovering of the financing specified in Section 24 of this Law is not useful, as well as in cases when the provisions of Section 19, Paragraph four and Section 24 of this Law are not applicable for recovering of the granted financing, the granted financing shall be recovered or a dispute regarding disbursement or continuation of disbursement of financial resources shall be settled according to civil legal procedures.

(2) If a final beneficiary is a direct or indirect State administrative institution of the State, a derived public person or another State institution, a dispute regarding disbursement or continuation of disbursement of granted financial resources shall be settled according to civil legal procedures, except for the possibility to settle the disputed by judicial process.

## **Chapter VI**

### **Final Provisions**

#### **Section 26. Updating of a Project Submission of a European Union Fund**

A submission of a European Union fund project shall not be updated after the submission thereof and during evaluation of the project.

## **Section 27. Restrictions to the Persons Involved in the Management of European Union Funds**

Restrictions of commercial activity, earning of income and combination of offices, as well as other restrictions and duties of persons involved in the management of European Union funds shall be specified in the Law On Prevention of Conflict of Interest in Activities of Public Officials.

## **Section 28. Rights to Become Acquainted with a File**

(1) A submitter of a European Union fund project has the right to get acquainted with the file of the submission of the European Union fund project submitted thereby at any stage of the process.

(2) A submitter of a European Union fund project is entitled to get acquainted with the evaluation materials of the submission of the European Union fund project submitted thereby only after a decision regarding the approval or rejection of the submission of the European Union fund project has come into effect.

(3) A submitter of a European Union fund project shall not be disclosed information regarding persons who evaluate or have evaluated the submission of the European Union fund project in getting acquainted with the file of submission of the European Union fund project.

## **Section 29. Freedom of Information**

(1) A file of a submission of a European Union fund project shall be restricted access information.

(2) After the taking of a decision regarding the approval of a submission of a European Union fund project, the following information shall be regarded as generally accessible:

1) the final beneficiary (the given name and surname of a natural person or the name and legal address of a legal person);

2) the title of the project of the European Union fund;

3) the amount of the financing of the European Union fund granted;

4) the activity intended in the planning document, within the framework of which the financing of the European Union fund has been granted;

5) the place of implementation of the project of the European Union fund; and

6) a summary regarding the activities to be carried out within the framework of the project of the European Union fund.

(3) Information referred to in Paragraphs one and two of this Section shall be available in the amount and according to the procedures specified in the Freedom of Information Law after the decision of the institution referred to in Section 19, Paragraph two or three regarding the submission of a European Union fund project has come into effect.

## **Section 30. State Fee in Applying to the Court**

The managing authority, the paying authority, the certification institution, the responsible institution and the co-operation institution shall not pay a State fee in applying to a court of general jurisdiction regarding a contractual dispute.

## Transitional Provisions

1. The Cabinet shall issue by 1 May 2007 the regulations referred to in Section 18, Clauses 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11 of this Law.
2. By 31 December 2010 the Cabinet shall issue the regulations referred to in Section 18, Clause 10 of this Law.
3. Institutions involved in the management of European Union funds and the final beneficiary shall store the originals of all the documents related to implementation of the projects of European Union funds until 31 December 2021.

This Law shall come into force on 1 March 2007.

This Law has been adopted by the *Saeima* on 15 February 2007.

President

V. Vīķe-Freiberga

Rīga, 23 February 2007