

The *Saeima*¹ has adopted
and the President has proclaimed the following Law:

Law On Management of European Union Structural Funds and the Cohesion Fund for the 2014-2020 Programming Period

Chapter I General Provisions

Section 1. Terms Used in this Law

The following terms are used in this Law:

1) **Responsible Institution** — the line ministry or the State Chancellery, which as an intermediate body implements a part of the functions of the Managing Authority, that are laid down in Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (hereinafter – Regulation No 1303/2013), in the amount laid down in this Law;

2) **beneficiary** —

a) a direct or indirect administrative institution, derived public person, another State institution, a project application of which is approved in accordance with the procedures laid down in this Law,

b) a natural person registered as a performer of economic activities or association of such persons (hereinafter – a natural person), a project application of which is approved in accordance with the procedures laid down in this Law,

c) a legal person registered in the Republic of Latvia or association of such person (hereinafter – a legal person), a project application of which is approved in accordance with the procedures laid down in this Law,

d) a legal person in the case of financial instruments and the fund of funds in conformity with that laid down in Article 2(10) of Regulation No 1303/2013;

3) **planning documents** — partnership agreement and operational programme;

4) **project applicant** — a direct or indirect administrative institution, derived public person, another State institution, a natural person, and also a legal person submitting a project application;

5) **project application** — an application (a filled-in form, annexes thereof and other documents) submitted by the project applicant in order to candidate for the funding necessary for the project from the European Union Structural Fund or Cohesion Fund (hereinafter – the European Union fund);

6) **file of a project** — a project application, evaluation documents of the project application, civil legal contract (hereinafter – the Contract) or agreement regarding project implementation and other documents related to the project;

7) **project** — a project application, which complies with the project application evaluation criteria and which is approved by the Co-operation Institution;

¹ The Parliament of the Republic of Latvia

8) **project application selection methodology** – a document which contains a description regarding the types of project application evaluation criteria, development and evaluation principles, and also regarding the principles for project application selection;

9) **project application selection regulations** — a set of documents where information regarding the procedures for submission of project applications and evaluation thereof, project application evaluation criteria, methodology for the application of project application evaluation criteria, draft contract or agreement regarding project implementation and other information necessary for project application selection is included;

10) **project application evaluation criteria** — conditions in accordance with which a project application is assessed and a decision is taken to approve it, to approve with a condition or to reject it;

11) **methodology for the application of project application evaluation criteria** — a document which contains a description regarding application of each criteria for project application evaluation and which is to be observed by the members of the project application evaluation committee and involved experts in the evaluation of project applications for a particular specific objective;

12) **Co-operation Institution** – direct State administrative institution, which as an intermediate body implements a part of the functions of the Managing Authority, that are laid down in Regulation No 1303/2013, in the amount laid down in this Law;

13) **eligible State budget co-funding** — a part of the State funding which is planned in addition to the funding of European Union fund to cover eligible expenditure of a project;

14) **State budget co-funding rate**— eligible State budget co-funding in per cent against total eligible expenditure of a project;

15) **overcommitments** — additional commitments to make payments from the State budget to cover eligible expenditure that exceed amount of the funding of the European Union fund and eligible State budget co-funding.

Section 2. Purpose of this Law

The purpose of this Law is to ensure the efficient and transparent implementation of the European Union funds in Latvia in accordance with the principles of sound financial management.

Section 3. Scope of Application of this Law

(1) This Law prescribes the rights and obligations of institutions involved in the management of European Union funds and the beneficiary, the procedures for taking, contesting and appeal of decisions taken by the involved institutions, and also the amount of the State budget co-funding rate and conditions for planning of overcommitments.

(2) When implementing financial instruments and the fund of funds, this Law shall be applied insofar as it is in accordance with the provisions of Regulation No 1303/2013.

(3) Chapter IV of this Law shall not apply to financial instruments and the fund of funds.

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, implementation of financial instruments and the fund of funds, development of the project application evaluation criteria, selection of project applications, control, auditing, monitoring and evaluation of a management system of European Union funds and projects, certification of expenditure made within the projects, development and maintenance of the information system for the management of European Union funds.

Section 5. Rights to Receive Funding of European Union Funds

Submission of a project application in accordance with this Law shall not make any obligation for the institution involved in the European Union fund management to grant funding to a project application for the project implementation. A decision to refuse to grant funding within the meaning of the laws and regulations governing administrative proceedings shall be evaluated as a negative administrative act, but shall not be considered as an unfavourable administrative act.

Section 6. Amount of the State Budget Co-funding Rate

The State budget co-funding rate shall not be higher than minimum possible with which it is possible to ensure the co-funding rate of the European Union fund laid down for the relevant priority axes of operational programme in the decision of the European Commission to approve operational programme.

Section 7. Amount of Overcommitments

Overcommitments shall not exceed five per cent of the funding of the European Union funds planned for the operational programme. The Cabinet may decide on increase of the overcommitments above this limit, if it is necessary for complete use of the European Union funds and if it does not cause any risk for additional expenditure to cover eligible expenditure planned in the State budget.

Section 8. Horizontal Principles

The institutions responsible for co-ordination of horizontal principles referred to in Articles 7 and 8 of Regulation No 1303/2013, rights and obligations thereof shall be determined by the Cabinet.

Chapter II

Provision of Management of European Union Funds and Project Implementation

Section 9. Institutions Involved in the Management of European Union Funds

(1) Management of European Union funds shall be provided by the following institutions involved in the management of European Union funds:

- 1) Managing Authority;
- 2) Responsible Institution;
- 3) Co-operation Institution;
- 4) Audit Authority;
- 5) Certifying Authority;
- 6) Monitoring Committee.

(2) In order to achieve the objective of this Law, institutions involved in the management of European Union funds shall develop methodology materials and co-operate with other institutions in accordance with the procedures laid down in the State Administration Structure Law.

(3) In order to perform efficiently the obligations referred to in Section 11, Paragraph three and Section 12, Paragraph three of this Law, especially in the cases when the Co-operation Institution requires support in sector policy issues, the Co-operation Institution and Responsible

Institution or other direct administrative institution shall enter in to interdepartmental agreement by co-ordinating it with the Managing Authority.

Section 10. Managing Authority, Duties and Rights Thereof

(1) The functions of the Managing Authority shall be fulfilled by the Ministry of Finance.

(2) The Managing Authority has the following duties:

1) to ensure efficient management of the implementation of the European Union funds;
2) to ensure the development of planning documents, by taking into account partnership and multilevel management principle;

3) to develop and submit a description of management and control system to the Audit Authority;

4) to carry out supervision and control of activities of Responsible Institutions and Co-operation Institution;

5) to ensure the management of technical assistance of European Union funds and efficiency of implementation thereof, including performing the duties of the Responsible Institution referred to in this Law for the implementation of this task;

6) to co-ordinate and submit an application of the major project (within the meaning of Article 100 of Regulation No 1303/2013) to the European Commission in accordance with the provisions included in Articles 101 and 102 of Regulation No 1303/2013;

7) to ensure performance of the management information, publicity and communication measures of European Union funds, including to develop the communication strategy referred to in Article 116 of Regulation No 1303/2013;

8) to provide information to Responsible Institutions and Co-operation Institution according to the competence thereof in accordance with Article 125(2)(c) of Regulation No 1303/2013;

9) to develop methodology for selection of project applications in conformity with Article 125(3)(a) of Regulation No 1303/2013, to submit it for approval to the Monitoring Committee on the basis of Article 110(2)(a) of Regulation No 1303/2013;

10) to develop procedures referred to in Article 125(4)(d) of Regulation No 1303/2013 in conformity with the competence thereof;

11) to develop strategy for fraud and corruption combating in conformity with Article 125(4)(c) of Regulation No 1303/2013;

12) to ensure measures for the evaluation of the implementation of the European Union funds;

13) to co-ordinate information to be submitted to the Certifying Authority prepared by Co-operation Institutions regarding expenditure to be included in the payment application and to provide the information at the disposal thereof to the Certifying Authority for drawing up of the payment application and closure of accounts;

14) to develop management declaration referred to in Article 125(4)(d) of Regulation No 1303/2013 in conformity with the competence thereof;

15) to perform the functions referred to in Article 125(1), (2)(a) and (b) and (3)(g) of Regulation No 1303/2013;

16) to ensure the strategic management of the information system of European Union funds;

17) to enter into a delegation agreement with a republic city local government regarding integrated implementation of territorial investments in accordance with Article 7(4) and (5) of Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006. The Managing Authority shall develop a draft agreement in co-operation with the Responsible Institution which ensures the implementation of the relevant specific objective. Tasks which

are not delegated to the relevant local governments shall be performed in accordance with procedures laid down in this Law;

18) to carry out other duties laid down in this Law.

(3) The Managing Authority has the following rights:

1) to propose to carry out and to carry out control of the implementation and auditing of the European Union funds;

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 beneficiaries;

3) in accordance with the procedures and cases stipulated by the Cabinet to suspend temporarily further declaration of expenditure made within the framework of the operational programme, priority axes, investment priority, specific objective or project to the European Commission and adjust the amount of expenditure declared previously;

4) in order to fulfil the duties referred to in Paragraph one of this Section efficiently, to issue internal regulatory enactments binding to the Co-operation Institution in relation to the fulfilment of tasks assigned thereto.

(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, including from functions which it fulfils as a beneficiary.

Section 11. Responsible Institution, Duties and Rights Thereof

(1) The functions of the Responsible Institution shall be fulfilled by the Ministry of Economics, Ministry of Education and Science, Ministry of Culture, Ministry of Welfare, Ministry of Transport, Ministry of Justice, Ministry of Health, Ministry of Environmental Protection and Regional Development, Ministry of Agriculture and the State Chancellery.

(2) The Responsible Institution when performing the duties laid down in Paragraph three of this Section shall be under supervision of the Minister for Finance. The Minister for Finance shall implement the functional supervision by mediation of an authorised official (the Head of the Managing Authority).

(3) The Responsible Institution has the following duties:

1) to participate in the development of planning documents;

2) in conformity with planning documents to ensure achievement of the results of a specific objective, including supervision of achievement of output and result indicators;

3) to develop conditions for implementation of specific objectives referred to in Section 20, Clause 13 of this Law, by ensuring approval of such project application to which particular field of operation of the European Union fund applies, and it can be applicable to a category of intervention;

4) to develop project application evaluation criteria in conformity with Article 125(3)(a) and (f) of Regulation No 1303/2013, and also methodology for the application of such criteria;

5) on the basis of Article 110(2)(a) of Regulation No 1303/2013 to submit the criteria referred to in Clause 4 of this Paragraph and methodology for the application of the relevant criteria for approval to the Monitoring Committee;

6) to develop procedures referred to in Article 125(4)(d) of Regulation No 1303/2013 in conformity with the competence thereof;

7) in conformity with the competence to provide information to the Managing Authority and Co-operation Institution which is essential in the performance of duties of these institutions;

8) in conformity with Article 125(2) (e) of Regulation No 1303/2013 to enter data in the information system of the management of European Union funds regarding result indicators of the specific objective, if they are not directly arising from data entered in the system in conformity with Section 12, Paragraph three, Clause 15 of this Law;

9) to use the information system of the management of European Union funds for supervision of achievement and implementation of specific objectives;

10) to draw up an aid programme or individual aid project and to submit it for initial assessment to the Ministry of Finance in accordance with the procedures laid down in the Law On Control of Aid for Commercial Activity;

11) if it is necessary for more efficient analysis of the results achieved in the implementation of a specific objectives, to participate in project verifications carried out by the Co-operation Institution, including to provide proposals to the Co-operation Institution regarding the scope and time of the verification, as well as opinion regarding the detected during abovementioned verifications;

12) to carry out other duties laid down in this Law.

(4) The Responsible Institution has the right to request and receive information from the institutions involved in the management of European Union funds which is necessary for the implementation of a specific objectives and performance of other duties of the Responsible Institution.

(5) The institution shall ensure that the functions, which it fulfils as the Responsible Institution in accordance with this Law, are separated from the other functions thereof, including from functions which it fulfil as a beneficiary.

Section 12. Co-operation Institution, Duties and Rights Thereof

(1) The functions of the Co-operation Institution shall be fulfilled by the Central Finance and Contracting Agency.

(2) The Co-operation Institution when performing the duties laid down in Paragraph three of this Section shall be under subordination of the Minister for Finance. The Minister for Finance shall implement the functional subordination by mediation of an authorised official (the Head of the Managing Authority).

(3) The Co-operation Institution has the following duties:

1) in conformity with the competence to provide information to the Managing Authority and Responsible Institution which is essential in the performance of duties of these institutions;

2) to carry out the function referred to in Article 115(1)(c) of Regulation No 1303/2013, including to provide consultations to project applicants regarding submission of project applications;

3) to carry out selection of project applications in conformity with Article 125(3)(a) and (f) of Regulation No 1303/2013, except selection of project applications for integrated territorial investments;

4) taking into account the legal status of the project applicant, to enter into a contract or agreement with a beneficiary regarding project implementation, by complying with that laid down in Article 125(3)(c) of Regulation No 1303/2013;

5) to enter into agreement regarding implementation of a financial instrument and fund of funds;

6) to consult beneficiaries regarding project implementation in conformity with Article 125(2)(c) of Regulation No 1303/2013;

7) to perform the functions referred to in Article 125(3)(b) of Regulation No 1303/2013;

8) to carry out the functions referred to in Article 125(2)(e) (except Section 11, Paragraph two, Clause 8 of this Law), (3)(d) and (e), (4)(a)(b) and (c) (except Section 10, Paragraph two, Clause 11 of this Law), and also (5) of Regulation No 1303/2013;

9) to ensure supervision and control of project implementation, supervision of achievement of project objectives and output indicators, to analyse problems of the project implementation and to submit proposals to the Responsible Institution, Managing Authority and Monitoring Committee regarding improvement of project implementation;

10) to carry out ex-ante control of procurement documentation and process of the procurement procedure of the projects on a sample basis;

11) to develop procedures referred to in Article 125(4)(d) of Regulation No 1303/2013 in conformity with the competence thereof;

12) to verify and approve payment request of a beneficiary, to prepare and submit information to the Certifying Authority regarding expenditure to be included in the payment application and to provide other information at the disposal thereof for drawing up of the payment application and closure of accounts;

13) to approve expenditure included in the payment request of the beneficiary, if they are eligible;

14) to provide information to the community, to ensure publicity and communication in issues related to project implementation;

15) to develop and maintain the information system of the management of European Union funds in conformity with Article 125(2)(d) of Regulation No 1303/2013, as well as to perform data entry in the system, unless electronic data exchange system is used;

16) to submit a project application for initial assessment to the Ministry of Finance in the cases laid down in the law or regulatory enactment referred to in Section 20, Clause 13 of this Law and in accordance with the procedures laid down in the Law On Control of Aid for Commercial Activity;

17) to carry out other duties laid down in this Law.

(4) The Co-operation Institution has the following rights:

1) to request and receive information from the institutions involved in the management of European Union funds, project applicant and beneficiary that is necessary in order to enter into a contract or agreement regarding project implementation and also ensure project supervision and control;

2) to suspend temporarily payments to a beneficiary in conformity with that laid down in Article 132(2) of Regulation No 1303/2013.

(5) The Central Finance and Contracting Agency shall ensure that the functions, which it fulfils as the Co-operation Institution in accordance with this Law, are separated from the other functions thereof, including from functions which it fulfil as a beneficiary.

Section 13. Audit Authority, Duties and Rights Thereof

(1) The functions of the Audit Authority shall be fulfilled by the Ministry of Finance.

(2) The Audit Authority has the following duties:

1) to carry out initial compliance assessment of the Managing Authority and Certifying Authority in conformity with the criteria laid down in Annex XIII to Regulation No 1303/2013;

2) if in performing initial compliance assessment it is concluded that the Managing Authority or Certifying Authority fails to comply or only partially complies with the criteria referred to in Annex XIII to Regulation No 1303/2013, to determine the actions to be taken by the relevant institution and time period for rectification of deficiencies;

3) to submit initial compliance assessment report and opinion of the Managing Authority and Certification Authority to the Cabinet;

4) to inform the Cabinet, if the Managing Authority or Certifying Authority fails to carry out actions for rectification of deficiencies referred to in Clause 2 of this Paragraph;

5) if in performing current audit it is concluded that the Managing Authority or Certifying Authority fails to comply or only partially complies with the criteria referred to in Annex XIII to Regulation No 1303/2013, to determine the actions to be taken by the relevant institution and time period for rectification of deficiencies;

6) to inform the Cabinet if there is information at the disposal thereof that implementation of the European Union funds may be significantly influenced or the results of the current audit referred to in Clause 5 of this Paragraph demonstrate that the Managing

Authority or Certifying Authority fails to ensure the conformity with the criteria referred to in Annex XIII to Regulation No 1303/2013;

7) to inform the Cabinet if the actions referred to in Clauses 2 and 5 of this Paragraph are implemented and all deficiencies are rectified;

8) to perform the functions referred to in Article 127 of Regulation No 1303/2013.

(3) The Audit Authority has the right to request and receive information, which is necessary for the performance of the duties thereof, from institutions involved in the management of European Union funds and beneficiaries.

(4) The Audit Authority has the right to request and obtain direct access to data in the State information systems in such amount which is provided for in the laws and regulations governing the relevant system and which is necessary for the performance of duties of the Audit Authority.

(5) The Ministry of Finance shall ensure that the functions, which it fulfils as the Audit Authority in accordance with this Law, are separated from the other functions thereof, including function which it performs as a beneficiary.

Section 14. Certifying Authority, Duties and Rights Thereof

(1) The functions of the Certifying Authority shall be performed by the Treasury.

(2) The Certifying Authority has the following duties:

1) on the basis of the decision of the Managing Authority referred to in Section 10, Paragraph three, Clause 3 of this Law or the results of audit performed by the Audit Authority or under the responsibility thereof referred to in Article 126(f) of Regulation No 1303/2013, to suspend further declaration of expenditure made within the framework of the operational programme, priority axes, investment priority, specific objective or project to the European Commission and adjust the amount of expenditure declared previously;

2) to perform the functions referred to in Article 126 of Regulation No 1303/2013.

(3) The Certifying Authority has the following rights:

1) to perform verifications of implementation of the European Union funds that are necessary for approval of reports to be submitted to the European Commission;

2) to request information from the institutions involved in the management of European Union funds and beneficiaries that is necessary for approval of reports to be submitted to the European Commission and performance of financial records;

3) to adjust the amount of eligible expenditure included in reports to be submitted to the European Commission in accordance with the procedures laid down by the Cabinet.

(4) The Treasury shall ensure that the functions, which it fulfils as the Certifying Authority in accordance with this Law, are separated from the other functions thereof, including function which it performs as a beneficiary.

Section 15. Monitoring Committee and Composition Thereof

(1) The duty of the Monitoring Committee is to monitor the process of the implementation of the European Union funds and to carry out other duties laid down in Articles 49 and 110 of Regulation No 1303/2013.

(2) The composition of the Monitoring Committee, including institutions and partners the representatives of which may participate in the work of the Monitoring Committee in an advisory capacity, shall be approved by the Cabinet by taking into account the conditions of Article 48(1) of Regulation No 1303/2013. The staff of the Monitoring Committee shall be approved by the chairman of the Monitoring Committee.

(3) The chairman of the Monitoring Committee shall be the head of the Managing Authority.

(4) The Managing Authority shall ensure the performance of the functions of the Monitoring Committee.

(5) The Monitoring Committee may establish one or several sub-committees for discussion of certain issues.

(6) The types of documents to be examined in the Monitoring Committee and sub-committees, procedures for lodging and co-ordination thereof, the procedures for drawing up and course of the meetings and other issues of internal procedures and operation of the Monitoring Committee and sub-committee shall be determined in the regulations of the Monitoring Committee and sub-committee. The regulations shall be drawn up and approved by the Monitoring Committee in conformity with Article 47(2) of Regulation No 1303/2013.

Section 16. Transparency of Operation of the Monitoring Committee

(1) The Monitoring Committee shall inform the community regarding the operation thereof and decision taken. Issue of information shall be restricted in accordance with the Freedom of Information Law.

(2) The meetings of the Monitoring Committee shall be open. The procedures for applying for the participation to the meetings of the Monitoring Committee, restrictions for participation and procedures for the course of the meetings shall be determined by the regulations of the Monitoring Committee.

(3) Agenda of the meeting of the Monitoring Committee, methodology for selection of project applications, project application evaluation criteria, methodology for application of project application evaluation criteria and other draft documents to be examined, minutes of the meeting and approved documents shall be published on the website – in the document management system of the Monitoring Committee.

Section 17. Duties and Rights of the Procurement Monitoring Bureau

(1) The Procurement Monitoring Bureau has the following duties:

1) to ensure ex-ante control of the public procurement documentation and process of procurement procedure of the projects in accordance with the procedures and in the amount laid down by the Cabinet;

2) to develop methodology for the performance of ex-ante control of the public procurement documentation and process of procurement procedure of the projects (hereinafter – the ex-ante control methodology);

3) to ascertain that the Co-operation Institution carries out ex-ante control of a public procurement in conformity with the ex-ante control methodology.

(2) The Procurement Monitoring Bureau has the right to request information from the institutions involved in the management of European Union funds and beneficiaries that is necessary to ensure the performance of the duties referred to in Paragraph one of this Section.

Section 18. Duties and Rights of the Beneficiary

(1) The beneficiary has the following duties:

1) to ensure project implementation in accordance with the laws and regulations of the European Union and the Republic of Latvia and contract regarding project implementation, if the beneficiary is a natural person or legal person;

2) to ensure project implementation in accordance with the laws and regulations of the European Union and the Republic of Latvia and agreement regarding project implementation, if the beneficiary is a direct or indirect administrative institution, derived public person or another State institution;

3) to ensure that funding granted for the project is used in accordance with the principle of sound financial management, by taking into account economy, usefulness and efficiency principles;

4) to ensure that expenditure made within the framework of the project is directly related to achievement of the project objectives and conforms to the conditions for use of the funding granted for project implementation;

5) to inform immediately the Co-operation Institution regarding any changes and conditions that may negatively affect the project implementation;

6) to ensure retention and sustainability of the project results, by taking into account the conditions and time periods laid down in Article 71 of Regulation No 1303/2013 and regulatory enactment referred to in Section 20, Clause 13 of this Law;

7) to ensure a separate accounting record for expenditure of each project or conforming accounting code system in respect of all transactions related to the project;

8) to provide reports and information regarding project implementation and ensure access to originals of all documents related to project implementation and accounting system, as well as the site of the relevant project implementation for the representatives of the European Commission, the European Anti-fraud Bureau, the institutions involved in the management of European Union funds, Corruption Prevention and Combating Bureau and Procurement Monitoring Bureau.

(2) The beneficiary has the following rights:

1) to receive funding of the European Union fund, if the project is implemented in accordance with the laws and regulations of the European Union and Republic of Latvia and contract or agreement regarding project implementation by taking into account the laid down procedures and time periods;

2) to implement the project together with a co-operation partner by taking into account the conditions laid down in the regulatory enactment referred to in Section 20, Clauses 2 and 13 of this Law;

3) to receive information necessary for the project implementation from the institutions involved in the management of European Union funds and Procurement Monitoring Bureau.

Chapter III Competence of the Cabinet

Section 19. Approval of the Compliance of the Managing Authority and Certifying Authority

(1) The Cabinet shall approve the compliance of the Managing Authority and Certifying Authority with the criteria laid down in Annex XIII to Regulation No 1303/2013, on the basis of the evaluation report and opinion referred to in Section 13, Paragraph two, Clause 3 of this Law.

(2) If the Managing Authority or Certifying Authority fails to ensure the compliance of the institution with the criteria laid down in Annex XIII to Regulation No 1303/2013, the Cabinet, by taking into account the report of the Audit Authority that is abovementioned in Section 13, Paragraph two, Clause 6 of this Law, shall repeal the decision to approve compliance of the relevant institution referred to in Paragraph one of this Section.

(3) The Ministry of Finance shall inform the European Commission regarding compliance of the Managing Authority and Certifying Authority with the criteria and changes laid down in Annex XIII to Regulation No 1303/2013 in accordance with the procedures laid down in Article 124 of this Regulation.

Section 20. 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 requirements for the establishment of the management and control system of European Union funds;

2) the procedures for ensuring drawing up of planning documents and implementation of the European Union funds by the institutions involved in the management of European Union funds, including project application selection, content of the project application selection regulations, procedures for evaluation of meeting the exclusion provisions referred to in Section 23 of this Law by a project applicant, evaluation of contracts and agreements regarding project implementation, content thereof, procedures for entering into and amending, and also conditions for attraction of project co-operation partners;

3) the procedures for planning of resources in the State budget, and also procedures for examination of payment requests, performance of payments and drawing up of payment application and closure of accounts to be submitted to the European Commission;

4) the procedures for provision and examination of information regarding application of value added tax within the framework of projects and taking of a decision to include the value added tax in the eligible costs of projects;

5) the procedures for ensuring of functions of the Audit Authority in the management of European Union funds;

6) the provisions and procedures for application of simplified costs;

7) the procedures for performance of on-the-spot verification of a project;

8) the procedures for performance of ex-ante control of procurement documentation and process of the procurement procedure of the project by the Co-operation Institution on a sample basis, and the procedures and amount for performance of ex-ante control of the public procurement documentation and process of procurement procedure of the project by the Procurement Monitoring Bureau, and also for developing and updating of ex-ante control methodology;

9) the procedures for reporting irregularities detected in the implementation of the European Union funds, for writing-off, withholding or recovery of expenditure made incorrectly, and also application of proportional financial correction;

10) the procedures for publication of information regarding projects and ensuring of compliance with the requirements of publicity, communication and of visual identity European Union funds;

11) the procedures for monitoring and evaluation of the implementation of the European Union funds;

12) the procedures of establishment and use of the information system of the management of European Union funds, including electronic data exchange system;

13) an objective of the specific objective, available funding, requirements for a project applicant, requirements for co-operation partners (if any is invited) of a project, conditions for the activities to be supported, eligibility of costs, and also for unilateral notice of a contract or agreement regarding project implementation and procedures for implementing the specific objective of European Union fund indicated in the operational programme;

14) procedures for implementation of financial instruments and the funds of funds, available funding, conditions for activities to be supported and for eligibility of costs;

15) procedures for and cases when the Managing Authority shall suspend temporarily further declaration of expenditure made within the framework of operational programme, priority axes, investment priority, specific objective or project in the European Commission, and procedures for adjusting of the amount of eligible expenditure included in reports to be submitted to the European Commission by the Certifying Authority.

Chapter IV

Project Application Selection and Taking of a Decision on a Project Application

Section 21. Project Application Selection

(1) Project application selection may be:

1) open – if an equal competition among applicants of project applications takes place for the approval of the project application and granting of the funding of the European Union fund; or

2) restricted – if the range of project applicants who are invited to submit project applications is previously known. In such case all project applications shall be approved and financed which comply with the project application evaluation criteria, if none of the exclusion provision referred to in Section 23 of this Law apply to the project applicant.

(2) Co-operation Institution shall carry out project application selection in accordance with project application selection methodology and project application selection regulations. Project application selection regulations shall be developed and after co-ordination with the Responsible Institutions and the Managing Authority approved by the Co-operation Institution.

(3) In project application selection regulations only those project application evaluation criteria shall be included which are approved in conformity with Article 110(2)(a) of Regulation No 1303/2013 in the Monitoring Committee.

(4) Notification regarding call for open project application selection and indication to website on which project application selection regulations are published, and also a notification regarding extension, discontinuation or termination of project application selection shall be submitted by the Co-operation Institution for the publication in the official gazette *Latvijas Vēstnesis*.

(5) A project applicant shall draw up and submit a project application in accordance with the requirements of the project application selection regulations.

(6) A decision of the Monitoring Committee on approval of project application evaluation criteria and decision of the Co-operation Institution on approval of project application selection regulations may not be contested and appealed.

Section 22. Project Application Evaluation Committee

The Co-operation Institution shall establish project application evaluation committee for project application evaluation in the composition of which shall be at least one representative from the Responsible Institutions in the supervision of which is the relevant specific objective and a representative of the relevant line ministry (where necessary). The representative of the Managing Authority may participate in the meeting of the project application evaluation committee in the capacity of observer.

Section 23. Exclusion Provisions of Project Applicants

(1) The Co-operation Institution shall refuse a project application if any of the following case is applicable to a project applicant who is a natural person or legal person:

1) a project applicant or a person who is a member of the board of directors or of the council or a general representative of the project applicant, or a person who is authorised to represent a project applicant in activities related to a subsidiary, has been found guilty in any of the following criminal offences by such punishment prescription of a prosecutor or a judgement of a court that has entered into effect and is non-disputable and not subject to appeal:

a) bribetaking, bribery, bribe misappropriation, intermediation in bribery, unauthorised acceptance of benefit or commercial bribery,

- b) fraud, misappropriation or laundering,
 - c) evading payment of taxes and payments equivalent thereto,
 - d) terrorism, financing of terrorism, invitation to terrorism, terrorism threats or recruiting and training of a person for performance of terror acts;
- 2) a project applicant, by such a decision of a competent authority or a judgment of a court which has entered into effect and has become non-disputable and not subject to appeal, has been found guilty of an infringement of employment rights which means
- a) employment of such one or more citizens or nationals of countries, which are not citizens or nationals of the European Union Member States, if they reside in the territory of the European Union Member States illegally;
 - b) employment of one person without entering into a written employment contract, not submitting an informative declaration regarding employees in respect of such person within a time period laid down in the laws and regulations, which is to be submitted regarding persons who commence work;
- 3) a project applicant, by such a decision of a competent authority or a judgment of a court which has entered into effect and has become non-disputable and not subject to appeal, has been found guilty of infringement of competition rights manifested as a vertical agreement aimed at restricting the opportunity of a purchaser to determine the resale price, or horizontal cartel agreement, except for the case when the relevant authority, upon determining infringement of competition rights, has released the candidate or tenderer from a fine or reduced fine within the framework of the co-operation leniency programme;
- 4) insolvency proceedings have been declared for a project applicant, legal protection proceedings are enforced by a court judgment, extrajudicial legal protection process is enforced by the court decision, the economic activity of a project applicant has been suspended or discontinued, legal proceedings have been initiated regarding the bankruptcy of a project applicant or a project applicant is wound up;
- 5) if the decision of the Co-operation Institution referred to in Section 27 of this Law on the prohibition for participation in the project application selection has come into effect.
- (2) The Co-operation Institution shall not exclude a project applicant from participation in project application selection, if from the day, when the following cannot be contested and appealed:
- 1) the sentence, prosecutor's injunction regarding punishment or the decision taken by other competent institution in relation to the infringements referred to in this Section, Paragraph one, Clauses 1 and Clause 2, Sub-paragraph "a", three years have passed;
 - 2) the sentence or the decision taken by other competent institution in relation to the infringements referred to in this Section, Paragraph one, Clause 2, Sub-paragraph "b" and Clause 3, 12 months have passed.

Section 24. Types of Decisions of the Managing Authority and the Co-operation Institution

- (1) The Managing Authority or the Co-operation Institution shall issue an administrative act or take an administrative decision according to the legal status of the project applicant.
- (2) If a project applicant is a natural or legal person, a decision of the Managing Authority and Co-operation Institution is an administrative act.
- (3) If a project applicant is a direct or indirect administrative institution, derived public person or another State institution, a decision of the Managing Authority and Co-operation Institution is an administrative decision.
- (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 Managing Authority or the Co-operation Institution;
 - 2) addressee – a project applicant;

- 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;
- 7) conditions (where necessary);
- 8) the procedures for contesting a decision of the Co-operation Institution.

Section 25. Approval of a Project Application, Approval with a Condition or Refusal in Open Project Application Selection

(1) The Co-operation Institution on the basis of the opinion provided by the project application evaluation committee shall take a decision to approve a project application, approve with a condition or to refuse.

(2) A decision to approve a project application shall be taken, if all of the following conditions are met:

1) none of the exclusion provisions referred to in Section 23 of this Law is applicable to a project applicant;

2) a project application complies with project application evaluation criteria;

3) funding is available for the project implementation within the framework of the project application selection round of a specific objective.

(3) A decision to refuse a project application shall be taken, if at least one of the following conditions has set in:

1) at least one of the exclusion provisions referred to in Section 23 of this Law is applicable to a project applicant;

2) a project application fails to comply with project application evaluation criteria and rectification of deficiency in accordance with Paragraph four of this Section can affect a project application in fact;

3) funding is not available for the project implementation within the framework of project application selection round of specific objective.

(4) A decision to approve a project application with a condition shall be taken if a project applicant must carry out the activities laid down by the Co-operation Institution in order the project application will completely comply with the project application evaluation criteria and project could be implemented appropriately. Conditions may be included in the decision and performance thereof shall be controlled by taking into account the project application selection regulations. If any of the conditions laid down in the decision is not fulfilled or is not fulfilled within the time period laid down in the decision, a project application shall be regarded as refused.

(5) If a project application is submitted after the end date for submission of project application, it shall not be evaluated. The Co-operation Institution shall inform a project applicant thereon. If the project application is refused due to the reasons referred to in this Paragraph and the project applicant appeals the refusal to the court, the adjudication of the Administrative District Court regarding the relevant issue may not be appealed.

Section 26. Approval of a Project Application, Approval with a Condition or Refusal in Restricted Project Application Selection

(1) The Co-operation Institution on the basis of the opinion of the project application evaluation committee shall take a decision to approve a project application, approve with a condition or to refuse.

(2) A decision to approve a project application shall be taken, if all of the following conditions are met:

- 1) none of the exclusion provisions referred to in Section 23 of this Law is applicable to a project applicant;
- 2) a project application complies with project application evaluation criteria.
- (3) A decision to refuse a project application shall be taken, if at least one of the following conditions has set in:
 - 1) a project applicant is not invited to submit a project application;
 - 2) at least one of the exclusion provisions referred to in Section 23 of this Law is applicable to a project applicant.
- (4) A decision to approve a project application with a condition shall be taken if a project applicant must carry out the activities laid down by the Co-operation Institution in order the project application will completely comply with the project application evaluation criteria and project could be implemented appropriately. Conditions may be included in the decision and performance thereof shall be controlled by taking into account the project application selection regulations.
- (5) If a project applicant fails to fulfil the conditions included in the decision to approve a project application with a condition or fails to fulfil them within the time period laid down in the decision, the Co-operation Institution shall repeatedly take a decision to approve a project application with a conditions in conformity with Paragraph four of this Section. If any of the conditions laid down in the repeated decision is not fulfilled or is not fulfilled with the time period laid down in the decision, a project application shall be regarded as refused.
- (6) The Cabinet shall laid down the procedures for evaluation and approval of the application of a major project (within the meaning of Article 100 of Regulation No 1303/2013).

Section 27. Decision to Prohibit to Participate Temporarily in Project Application Selection

The Co-operation Institution is entitled to take a decision to determine prohibition for a natural or legal person or a person who is a member of the board of directors or of the council or a general representative of the relevant legal person, or a person who is authorised to represent a project applicant in activities related to a subsidiary, to participate in project application selection for a time period which does not exceed three years from the day of coming into effect of the decision if such person:

- 1) has knowingly provided false information that is essential for the evaluation of a project application;
- 2) when implementing a project within the meaning of this Law, has knowingly provided false information to the Co-operation Institution or acted otherwise ill-intentioned in relation to the project implementation that has served as the basis for deduction or recovery of expenditure made inappropriately and the Co-operation Institution has used the right provided for in the regulatory enactment referred to in Section 20, Clause 13 of this Law to withdraw unilaterally from the contract regarding a project implementation.

Section 28. Contesting and Appeal of a Decision of the Co-operation Institution and the Co-operation Institution

- (1) A project applicant may contest a decision of the Co-operation Institution referred to in Sections 25, 26 and 27 of this Law to the Managing Authority. The administrative act issued by the Managing Authority regarding contested decision of the Co-operation Institution may be appealed by submitting an application to the relevant courthouse of the Administrative District Court. The administrative decision taken by the Managing Authority regarding contested decision of the Co-operation Institution may not be appealed.
- (2) An opinion of the Co-operation Institution regarding the fulfilment of the condition included in the decision referred to in Section 25, Paragraph four or Section 26, Paragraph four or five

of this Law may be contested and appealed in accordance with the same procedures and within the same time periods as a decision regarding fulfilment of the condition of which the opinion is drawn up. The opinion on fulfilment of the condition included in the decision may be contested and appealed separately from the decision in which the condition is included.

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

(4) The head of the Managing Authority shall take a decision on the basis of the opinion of the application examination committee.

(5) The Managing Authority shall establish application examination committee in the composition of which shall be at least one representative from the Responsible Institution in the supervision of which is the relevant specific objective and a representative of the relevant line ministry (where necessary), if they have not been the member of the relevant project application evaluation committee.

Section 29. Time Period for Taking of a Decision

(1) The Co-operation Institution shall take a decision to approve a project application, to approve with the condition or to refuse it within three months after the end date of the submission of the project application, unless other time period is laid down in the law or regulation regarding implementation of a specific objective.

(2) If time period laid down in Paragraph one of this Section cannot be complied with due to objective reasons, the Co-operation Institution may extend it for a time period that is not longer than six months from the end date of the submission of the project application, by notifying a project applicant thereon. A decision to extend a time period may be contested, but not appealed.

Section 30. Adjusting of Project Application

A project application after submission thereof until taking of a decision to approve it, to approve with a condition or to refuse it cannot be adjusted.

Chapter V

Procedures for Settlement of Disputes Regarding Implementation of a European Union Fund Project

Section 31. Procedures for Settlement of Disputes, if a Beneficiary is a Natural or Legal Person

If a beneficiary is a natural or legal person, disputes referring to performance of a contract regarding project implementation, including disbursement of financial resources granted, continuation of disbursement or recovery thereof, shall be settled in accordance with the civil legal procedures. Documents which are drawn up and taken for performance of the activities referred to in the first sentence of this Section (for example, decisions, opinions, warnings, contract) shall not be examined in accordance with the procedures of administrative proceedings.

Section 32. Procedures for Settlement of Disputes, if a Beneficiary is a Direct or Indirect Administrative Institution, Derived Public Person or Other State Institution

(1) If any disagreement arises between beneficiary, who is a direct or indirect administrative institution, derived public person or other State institution, and Co-operation Institution regarding the decision to disburse granted funding, to continue to disburse or taken within the

framework of the agreement or other decision, and agreement is not reached through negotiations, the beneficiary may appeal it in the Managing Authority.

(2) The Managing Authority shall evaluate an application of the beneficiary referred to in Paragraph one of this Section and take one of the following decision within a month after receipt of an application:

1) to leave a decision of the Co-operation Institution non-amended;

2) to revoke a decision of the Co-operation Institution entirely or in any part thereof and, where appropriate, to assign the Co-operation Institution to examine objections of the beneficiary repeatedly, by taking into account the indications of the Managing Authority;

3) to issue other decision in terms of content.

(3) If a time period laid down in Paragraph two of this Section cannot be complied with, the Managing Authority may extend it for a time period that is not longer than four months from the day of receipt the application, by notifying an applicant thereon.

(4) Information that is required to take an administrative decision referred to in Paragraph two of this Section, the Managing Authority shall acquire, by applying the procedures for co-operations of institutions and acquiring of information in the administrative proceedings in the institution.

(5) Administrative decision taken by the Managing Authority referred to in Paragraph two of this Section may not be appealed.

Section 33. State Fee in Applying to the Court

The Co-operation Institution shall not pay a State fee in applying to a court of general jurisdiction regarding a contractual dispute.

Chapter VI Final Provisions

Section 34. Rights to Become Acquainted with a Project File

(1) An applicant of a project has the right to get acquainted with the project file submitted thereby at any stage of the process, by taking into account the laid down in Paragraph two of this Section.

(2) An applicant of a project is entitled to get acquainted with the evaluation materials (including expert opinions, minutes and decision of the evaluation committee) of the project application submitted thereby only after a decision to approve, to approve with a condition or to reject the application of the project has come into effect.

(3) The Co-operation Institution shall provide the information referred to in Paragraph two of this Section within 10 working days after the receipt of the request or within five working days after the receipt of the request shall invite an applicant of a project to get acquainted with the requested information on time mutually acceptable for the institution and applicant.

Section 35. Freedom of Information

(1) A file of a project of a natural or legal person shall be restricted access information until the time when a decision to approve an application or refuse it or an opinion regarding performance of the conditions included in the decision has come into effect. The file of the project shall be available in the amount and in accordance with the procedures laid down in the Freedom of Information Law and Article 115(2) of and Annex XII to Regulation No 1303/2013 after coming into effect of the abovementioned decision or opinion.

(2) A project file of a direct or indirect administrative institution, derived public person or another State institution shall be generally accessible information, except for the summary of

the project budget, including a plan for indicative project costs. Information regarding the abovementioned project shall be available in the amount and in accordance with the procedures laid down in the Freedom of Information Law and Article 115(2) of and Annex XII to Regulation No 1303/2013 after the end date for submission of the project application. The information referred to in Section 34, Paragraph two of this Law in relation to evaluation of the project application shall be available after the decision to approve the project application, to approve it with a condition or to reject it has come into effect.

Section 36. Eligibility Time Period of Costs Incurred in the Project

Costs incurred in the project may be regarded as eligible, if they have incurred and paid after 1 January 2014 and another time period is not laid down in the regulatory enactment referred to in Section 20, Clause 13 of this Law.

Transitional Provisions

1. By 1 October 2014 the Cabinet shall issue the regulations referred to in Section 8, Section 20, Clauses 1, 2, 3, 4 and 15 and Section 26, Paragraph six of this Law.
2. By 1 December 2014 the Cabinet shall issue the regulations referred to in Section 20, Clauses 5 and 10 of this Law.
3. By 1 January 2015 the Cabinet shall issue the regulations referred to in Section 20, Clauses 7, 8, 11 and 12 of this Law.
4. By 1 March 2015 the Cabinet shall issue the regulations referred to in Section 20, Clause 9 of this Law.
5. By 1 July 2015 the Cabinet shall issue the regulations referred to in Section 20, Clause 6 of this Law.
6. By 31 December 2017 the Cabinet shall issue the regulations referred to in Section 20, Clauses 13 and 14 of this Law.

Informative Reference to Directive of the European Union

The Directive 2009/52/EC of the European Parliament and of the Council of 18 June 2009 providing for minimum standards on sanctions and measures against employers of illegally staying third-country nationals.

This Law shall come into force on the next day following the proclamation thereof.

This Law has been adopted by the *Saeima* on 3 July 2014.

President

A.Bērziņš

Rīga, 10 July 2014