



The translation of this document is outdated.

Translation validity: 18.07.2009.–31.12.2013.

Amendments not included: 19.11.2013., 31.05.2016.

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Republic of Latvia

Cabinet

Regulation No. 644

Adopted 25 June 2009

Procedures for Implementation of Projects Financed by the Climate Change Financial Instrument, the Submission and Examination of Reports Thereof

*Issued pursuant to Section 10, Paragraph three, Clause 2
of the Law "On Participation of the Republic of Latvia in the
Flexible Mechanisms of the Kyoto Protocol"*

I. General Provisions

1. These Regulations prescribe the procedures for the implementation of projects financed by the climate change financial instrument (hereinafter - financial instrument), the submission and examination of reports thereof.

2. The Ministry of Environment is the responsible authority regarding the preparation of project implementation contracts, the entering into, amending and termination thereof, the examination of the project implementation reports and the control of project implementation.

3. The responsible authority shall ensure the fulfilment of the functions referred to in Paragraph 2 of these Regulations, taking into account the legislative acts in force and the agreements entered into by the government of the Republic of Latvia regarding the trade of greenhouse gas (hereinafter - GHG) emission units owned by the State (hereinafter - international agreements).

4. The aim of project implementation is the restriction and reduction of greenhouse gas emission (hereinafter - reduction of GHG emission). The amount of the reduction of GHG emission shall be calculated in accordance with the regulatory enactments regarding the tender regulations for project applications (hereinafter - tender).

5. The projects shall be financed from the resources of the financial instrument and co-financed from the resources of the project implementer (hereinafter - beneficiary of financing). The beneficiary of financing is entitled to receive funding of the financial instrument in accordance with the results of the tender organised by the responsible authority, if it has entered into a contract regarding project implementation (hereinafter - project contract).

II. The Preparation, Entering Into and Amendment of a Project Contract

6. The project contract shall be prepared by the responsible authority. The project contract shall include the following:

6.1. contact and banking details of the responsible authority;

6.2. contact and banking details of the beneficiary of financing;

6.3. project name, objectives, tasks and amount of financing;

6.4. project activities, the time for implementation thereof and the results to be attained by the project, including the reduction of GHG emission to be attained;

6.5. term of validity of the contract and the monitoring requirements for the reduction of GHG emission;

6.6. liability, rights and duties of the responsible authority;

6.7. liability, rights and duties of the beneficiary of financing;

6.8. content and terms for the submission of the project implementation report;

6.9. procedures for dispute settlement;

6.10. conditions of publicity; and

6.11. other conditions.

7. The project application shall be attached to the appendix of the project contract as an integral part thereof, for which the relevant responsible authority has taken a decision regarding the entering into of the project contract in accordance with the results of the tender.

8. The project applicant shall enter into a project contract with the responsible authority according to the terms specified in the regulatory enactment regarding the tender regulations.

9. If after the entering into the project contract it is necessary for amendments to be made therein, the beneficiary of financing shall submit a request to the responsible authority regarding the amendments necessary in the project contract, justifying the necessity of the amendments.

10. If after the entering into the project contract it is necessary for amendments to be made therein and the initiator of the amendments is the responsible authority, it shall send the amendments prepared for the project contract to the beneficiary of financing as well as justify the necessity for the amendments. The beneficiary of financing shall provide an answer regarding the amendments to the project contract that are received from the responsible authority, within a period of 10 working days from the receipt of the amendments to the project contract.

11. If it is necessary to make amendments in the project contract because the data of the beneficiary of financing has changed (contact information or banking details), the responsible authority shall prepare the relevant amendments to the project contract within a period of five working days from the receipt of the request.

12. If it is necessary to make amendments to the project contract because information has changed that is not the data of the beneficiary of financing, the responsible authority shall evaluate the necessity of the amendments to the project contract following the receipt of the request and provide an answer within a period of 20 working days from the receipt of the amendments to the project contract.

III. Submission and Examination of Project Reports

13. The following reports shall be utilised in the monitoring of project implementation:

13.1. a report regarding the progress of project implementation in the previous quarter (hereinafter - interim report);

13.2. a report regarding project implementation on the whole (regarding the whole period of project implementation) or a final interim report (hereinafter - final report); and

13.3. a report regarding the monitoring of project results (hereinafter - monitoring report).

14. The form and deadlines for submission of reports shall be determined by the project contract.

15. The beneficiary of financing shall submit the report in electronic and paper form together with the supporting documents referred to in the project contract.

16. The responsible authority shall examine the report received and the supporting documents referred to in the project contract and within a period of 20 working days shall prepare a decision regarding the approval of the report or shall request in writing that the beneficiary of financing submit additional information or revise the report within a specified time period . The deadline for the submission of additional information and project revision shall not be longer than 10 working days.

17. The responsible authority shall examine the projects at the project implementation sites according to the random selection method. In order to examine the genuineness of the information provided by the beneficiary of financing and the conformity of project implementation with the project application and project contract, as well as these Regulations, the responsible authority has the right to invite independent experts. the responsible authority has the right to invite independent experts.

18. Within a period of 10 working days from the receipt of additional information the responsible authority shall inform the beneficiary of financing in writing regarding the approval or rejection of the project report.

19. If the beneficiary of financing does not submit the project report according to the deadline specified in the tender regulations or project contract, the responsible authority is entitled to withhold payments from resources of the financial instrument up to the day that the beneficiary of financing fulfils the appropriate obligations according to the procedures specified in the project contract.

IV. Control and Audit of Project Implementation

20. Within the meaning of these Regulations, control and audit of project implementation (hereinafter - project inspection) shall be as follows:

20.1. selective inspection of project implementation progress (hereinafter -project progress inspection);

20.2. selective audit regarding the compliance of expenses indicated in the project reports (hereinafter - expense compliance inspection); and

20.3. selective post-evaluation of project implementation (hereinafter - post-project assessment).

21. The project inspections referred to in Paragraph 20 of these Regulations shall be performed by a responsible authority or by auditors authorised by a responsible authority.

22. Each year by 31 January the responsible authority shall prepare a project inspection plan to be performed in the current year, which is based on the random selection method.

23. In the project progress inspection the compliance of the project progress with the planned schedule for the introduction of activities and the conditions of project implementation that are specified in the project contract and the regulatory enactment regarding tender regulations shall be evaluated. If necessary, the project progress inspection shall be performed in the place of project implementation.

24. In the expense compliance inspection the compliance of the expenses indicated in the project reports submitted by the beneficiary of financing with the eligible costs specified in the tender regulations shall be evaluated. If necessary, the expense compliance inspection shall be performed in the place of project implementation.

25. In the post-project assessment the compliance of the project implementation with the results to be achieved indicated in the project application shall be evaluated, and the sustainability of the project results shall also be evaluated. If necessary, the post-project assessment shall be performed in the place of project implementation.

26. The beneficiary of financing for whom the financing granted for an implemented project exceeds LVL 200 000, shall ensure an audit of the annual report and by 1 March of the following calendar year shall submit an audit report and annual report to the responsible authority.

27. The beneficiary of financing shall provide the responsible authority and the authorised auditors thereof with the following:

27.1. access to documents associated with the project, to include the project contract and amendments, other contracts entered into within the framework of the project, the deeds of transfer and acceptance of work, invoices, payment orders, interim reports and the final report and monitoring reports (in electronic and paper form);

27.2. access to the buildings, premises and other material values associated with the project, in relation to the examination to be performed; and

27.3. the preparation of extracts and copies of the necessary documents.

28. Documents associated with the implementation of a project shall be stored for 10 years following the expiry of the project contract by the responsible authority, the beneficiary of financing and third persons with whom the

beneficiary of financing has entered into a contract regarding the performance of work and who have received financing from the resources of the financial instrument for the introduction of the project.

V. Monitoring and Evaluation of the Implementation of Project Tenders

29. Each year by 31 January the responsible authority shall prepare a plan of measures for monitoring for the current year.

30. Within the meaning of these Regulations monitoring of the implementation of tenders is as follows:

30.1. monitoring of the compliance of the utilisation of resources of a financial instrument;

30.2. the financial audit of the responsible authority;

30.3. the audit of the activities of the financial instrument; and

30.4. the audit of the management and control systems of the financial instrument.

31. The monitoring referred to in sub-paragraph 30.1 of these Regulations shall be performed by the Advisory Council of a Climate Change Financial Instrument in accordance with the regulations approved by the Cabinet.

32. The audit referred to in Sub-paragraph 30.2 of these Regulations shall be performed by the State Audit Office within the framework of annual audits.

33. The audit referred to in Sub-paragraph 30.3 of these Regulations shall be performed by an internationally recognised independent auditor. The performance of such an audit shall be ensured by the responsible authority in accordance with international agreements.

34. The audit referred to in Sub-paragraph 30.4 of these Regulations shall be performed by the internal audit unit of the responsible authority in accordance with the regulatory enactments regarding internal audit.

35. Implementation of a tender in accordance with international agreements shall be evaluated by representatives with whom the government of the Republic of Latvia has entered into international agreements, based on the following:

35.1. reports regarding the granting of financing and the regulations for the introduction of a tender according to each separate tender (hereinafter - project funding report); and

35.2. the annual informative report regarding the progress in the project implementation (hereinafter - progress report).

36. The responsible authority shall prepare project funding reports within a period of 10 working days from the publication of the results of a tender in accordance with the deadline specified in the regulatory enactment regarding tender regulations.

37. The following information shall be included in the project funding report:

37.1. the project applications received within the framework of the tender;

37.2. rejected project applications;

37.3. approved project applications;

37.4. the total costs of financed projects; and

37.5. the total reduction of GHG emission, on implementation of the projects.

38. The responsible authority shall prepare a progress report according to the requirements specified in international agreements in relation to each international agreement separately. The following shall be included in a progress report:

38.1. information regarding implemented tenders, including announced tenders and completed tenders;

38.2. information regarding implemented projects, including launched projects and completed projects;

38.3. information regarding the planned and achieved reduction of GHG emission within the framework of a project;

38.4. information regarding the payments performed for a project and non-utilised financing; and

38.5. the results of the audit of the activities of the financial instrument.

39. The responsible authority shall provide the following to the performer of an audit:

39.1. access to the documents associated with the implementation of a financial instrument, including project contracts and amendments, interim reports and the final report and the monitoring reports (in electronic and paper form);

39.2. access to the buildings, premises and other material values associated with the financial instrument, in relation to the examination to be performed; and

39.3. the preparation of extracts and copies of the necessary documents.

VI. Closing Provisions

40. The responsible authority shall develop and introduce an internal control system for the implementation of a financial instrument within a period of 40 working days from the coming into force of these Regulations, in accordance with the regulatory enactments in force.

41. The responsible authority shall develop a logo for the financial instrument and the guidelines for use thereof within a period of 30 working days from the coming into force of these Regulations.

Prime Minister V. Dombrovskis

Minister for the Environment R. Vējonis

Notation of the Editorial Board: These Regulations shall come into force on 18 July 2009.

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