The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Law on the Management of the Programmes of the Objective “European Territorial Cooperation” of the European Structural and Investment Funds**

**Section 1. Terms Used in this Law**

The following terms are used in this Law:

1) **financial control**– examinations carried out by a control authority, as determined by the partner country of the programme, in conformity with Article 125(4)(a) of 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) and Article 23(4) of Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal (hereinafter – Regulation No 1299/2013);

2) **previously determined project**– a project the implementation of which has been agreed upon by all partner countries of the programme and which cannot be selected by tendering procedure;

3) **national sub-committee**– a collegial body established in Latvia which ensures the advisory function for the national responsible authority in respect of the programme management and control and which operates in accordance with the by-laws approved thereby;

4) **national responsible institution**– a national institution of the partner country of the programme which ensures the fulfilment of the commitments undertaken by the partner country of the programme in respect of the development of the programme document and the programme management and control;

5) **non-conformity**– a breach in accordance with Article 2(36) of Regulation No 1303/2013;

6) **programme**– in accordance with Regulation No 1303/2013 and Regulation No 1299/2013, a scheme of operations developed by the Member States for the achievement of certain objectives, the description of the implementation and mechanisms of control thereof;

7) **programme document**– a document which is drawn up by the partner countries of the programme of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds, as implemented with support from the European Regional Development Fund (hereinafter – ERDF), and which is approved by the European Commission, and which is binding on the authorities involved in the implementation of the programme and projects and prescribes the development strategy, the programme objectives and a set of thematic priorities, the programme management and control system, and also the procedures and conditions for the implementation of the programme and projects;

8) **beneficiary of the programme financing**– a legal person governed by public or private law in conformity with the programme conditions to which the programme financing has been granted;

9) **partner countries of the programme**– a European Union Member State or a state outside the territory of the European Union the regions of which have been determined as an eligible territory in the programme;

10) **certification authority**– an institution selected jointly by the partner countries of the programme which performs the functions referred to in Article 24 of Regulation No 1299/2013;

11) **managing authority**– an institution selected jointly by the partner countries of the programme which performs the functions referred to in Article 23 of Regulation No 1299/2013;

12) **State budget co-financing**– a part of the State budget financing which is planned in addition to the ERDF financing for covering the total eligible expenditure;

13) **State budget co-financing rate**– the percentage of the State budget co-financing against the total eligible expenses of the project;

14) **agreement on the introduction of the programme**– the agreement of the partner countries of the programme on the liability, rights, and obligations of the authorities involved in the management and control of the programme, the commitments of the partner countries, including the amount of the national co-financing for the technical assistance budget of the programme, the decision-making process, the financial management and control of the programme, the activities in relation to breaches, the procedures for recovering the irregular expenditure or other conditions in conformity with the decision of the partner countries;

15) **overcommitments**– additional commitments for making payments from the State budget to cover the eligible expenditure which exceeds the part of the ERDF financing and State budget co-financing of the programme which is planned in addition to the ERDF financing for covering the eligible expenditure of the project;

16) **group of auditors**– a collegial body which consists of a representative of each respective partner country of the programme and which performs the functions assigned to it in accordance with Article 25(2) of Regulation No 1299/2013;

17) **audit authority**– an authority selected jointly by the partner countries of the programme which performs the functions referred to in Article 25 of Regulation No 1299/2013;

18) **monitoring committee**– a collegial body which performs the functions referred to in Articles 49 and 110 of Regulation No 1303/2013 and the composition of which is established in accordance with Article 48 of Regulation No 1303/2013.

**Section 2. Purpose of this Law**

The purpose of the Law is to determine effective, transparent, and proper management in Latvia of the programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds to be implemented with support from the ERDF, which conforms to the financial management principles, insofar it is not determined by the directly applicable legal acts of the European Union.

**Section 3. Scope of Application of the Law**

(1) The Law determines the management of the following programmes:

1) Estonia–Latvia Cross-Border Cooperation Programme;

2) Latvia–Lithuania Cross-Border Cooperation Programme;

3) Central Baltic Sea Region Cross-Border Cooperation Programme;

4) Baltic Sea Region Transnational Cooperation Programme;

5) INTERREG EUROPE Interregional Cooperation Programme;

6) URBACT III Interregional Cooperation Programme;

7) ESPON Interregional Cooperation Programme;

8) INTERACT III Good Governance Programme of the Territorial Cooperation Programmes;

9) other programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds which are to be implemented with support from the ERDF and in which beneficiaries of the programme financing registered in Latvia may participate in accordance with the programme conditions.

(2) The Law applies to the 2014-2020 planning period.

**Section 4. State Budget Co-financing Rate**

(1) The State budget co-financing rate for the implementation of the approved projects of the programmes shall not be higher than the minimum possible rate specified for Latvia in the programme document by which it is possible to ensure the ERDF co-financing rate specified for the relevant priority direction of the programme in the decision of the European Commission on the approval of the programme, except for the cases referred to in Paragraph two of this Section.

(2) The Cabinet may decide on increasing the rate of the State budget co-financing referred to in Paragraph one of this Section for the previously determined projects if, during the implementation of the programme, there has been an objective increase in the costs necessary for the implementation of the project.

**Section 5. Overcommitments**

(1) The managing authority may undertake overcommitments if all the partner countries of the programme agree thereon.

(2) The overcommitments and the amount of the increase referred to in Section 4, Paragraph two of this Law shall not exceed five per cent of the ERDF financing planned for the programme, except for the cases referred to in Paragraph three of this Section.

(3) The Cabinet may decide on increasing the amount of the overcommitment limit referred to in Paragraph two of this Section if it is necessary for the full use of the ERDF financing and does not present a risk that additional expenditure from the State budget will be necessary to cover the eligible expenditure.

(4) If the managing authority undertakes overcommitments, the Cabinet shall determine the procedures by which overcommitments are granted.

**Section 6. Institutional Structure of the Programme Management**

The programme management shall be ensured by the following authorities:

1) the national responsible institution;

2) the national sub-committee;

3) the managing authority;

4) the certification authority;

5) the audit authority;

6) the monitoring committee;

7) the joint secretariat.

**Section 7. National Responsible Institution, its Obligations and Rights**

(1) In relation to the programmes referred to in Section 3, Paragraph one, Clauses 1, 2, 3, 4, 5, 6, 7, and 8 of this Law, the national responsible institution has the following obligations:

1) in cooperation with the partner countries of the relevant programme, to ensure participation in the development of the programme document, submission thereof to the Cabinet for approval, participation in the introduction, monitoring, and assessment of the programme, performance of the financial control and audit;

2) to represent Latvia as a partner country of the programme in taking of the decision on amendments to the programme document;

3) in relation to the Latvia–Lithuania Cross-Border Cooperation Programme – in addition to the obligation referred to in Paragraph one, Clause 1 of this Section, to ensure the submission of the programme document to the European Commission for approval and to ensure negotiations on the approval of the programme document;

4) to ensure signing of the agreement on the participation of Latvia in the programme and the introduction of the programme and to ensure the fulfilment thereof;

5) to approve in writing that Latvia consents to the content of the programme in accordance with Article 8(9) of Regulation No 1299/2013;

6) to represent the national interests of Latvia by approving representatives and ensuring participation in the monitoring committee of the programme, and also in taking of the decisions referred to in Section 12, Paragraph four of this Law in conformity with the principles of efficiency and efficacy;

7) to ensure operation of the national sub-committee;

8) to ensure planning of the State budget co-financing and making of the payments for the technical assistance budget of the programme or the programme implementation if all the partner countries of the programme agree thereon;

9) to ensure planning of the State budget co-financing, granting thereof, and making of the payments for the beneficiaries of the programme financing registered in Latvia in conformity with the procedures laid down in Section 15, Clause 3 of this Law;

10) to determine the executor of the function of the financial control authority for the beneficiaries of the programme financing registered in Latvia, except for the ESPON Interregional Cooperation Programme, and to ensure the methodological management of financial control;

11) to ensure participation in the group of auditors of the programme;

12) upon request, to provide an opinion to the authorities and persons involved in the programme management on conformity of the potential beneficiaries of the programme financing registered in Latvia for the participation in the project in conformity with the project partner conformity criteria specified in the document of the relevant programme;

13) to provide the information to the managing authority and audit authority of the relevant programme, and also to the European Commission, on the non-conformities detected in the introduction of programmes, and also to provide the information to the managing authority which is necessary for ensuring the programme management;

14) to ensure information and publicity measures by promoting project development and participation in programmes by the beneficiaries of the programme financing registered in Latvia;

15) to perform activities to recover the expenditure which does not meet the programme conditions from a beneficiary of the programme financing registered in Latvia.

(2) In relation to the programmes referred to in Section 3, Paragraph one, Clause 9 of this Law, the national responsible institution has the following obligations:

1) to ensure signing of the agreement on the participation of Latvia in the programme and the introduction of the programme and to ensure the fulfilment thereof;

2) to determine the executor of the function of the financial control authority for the beneficiaries of the programme financing registered in Latvia and to ensure the methodological management of financial control;

3) upon request, to provide an opinion to the authorities and persons involved in the programme management on conformity of the potential beneficiaries of the programme financing registered in Latvia for the participation in the project in conformity with the project partner conformity criteria specified in the document of the relevant programme;

4) to provide the information to the managing authority and audit authority of the relevant programme, and also to the European Commission, on the non-conformities detected in the introduction of programmes, and also to provide the information to the managing authority which is necessary for ensuring the programme management;

5) to perform activities to recover the expenditure which does not meet the programme, from a beneficiary of the programme financing registered in Latvia.

(3) The national responsible institution has the following rights:

1) to consult with the national sub-committee on the proposed amendments to the programme document, monitoring of the introduction of the programme, conformity of the projects submitted within the scope of the programme with the national and regional planning documents and the priorities thereof, the risk of overlapping of projects with other projects of national or international programmes, and also forwarding of the project applications submitted by the potential beneficiaries of the programme financing registered in Latvia within the scope of the programme for the receipt of the financing in the monitoring committee of the relevant programme;

2) to request and receive information from other programme management authorities and beneficiary of the programme financing in order to ensure taking of the decisions related to the programme management and control;

3) to express an opinion on the approval of the submitted project for receiving of the programme financing or on the refusal thereof in the monitoring committee of the relevant programme (except for the programmes referred to in Section 3, Paragraph one, Clause 9 of this Law);

4) to propose the authorities involved in the programme management to carry out project implementation inspections or other control measures.

(4) The Ministry of Environmental Protection and Regional Development shall perform the functions of the national responsible institution.

(5) The Ministry of Environmental Protection and Regional Development shall ensure that the functions which it performs as the national responsible institution are separated from other functions thereof.

**Section 8. National Sub-committee, its Obligations and Rights**

(1) The national sub-committee has the following obligations:

1) to provide consultations to the national responsible institution on preparing an opinion on the introduction and monitoring of programmes (except for the programmes referred to in Section 3, Paragraph one, Clause 9 of this Law);

2) upon request of the national responsible institution, to provide consultations on the conformity of the project applications, as submitted by the potential beneficiaries of the programme financing registered in Latvia within the scope of the programme, with the national and regional planning documents and the priorities thereof, and also to consult it on the risk of overlapping of projects with projects of other national or international programmes;

3) upon request of the national institution, to provide an opinion on the amendments to the programme proposed by the authorities involved in the programme management;

4) to promote the publicity of programmes in accordance with its competence.

(2) The national sub-committee has the right, on the basis of the information referred to in Paragraph one, Clause 2 of this Section, to propose to the national responsible institution the approval of the project applications submitted by the potential beneficiaries of the programme financing registered in Latvia within the scope of the programme for the receipt of the programme financing or the refusal thereof or defining additional conditions.

(3) The composition of the national sub-committee shall be approved by the national responsible institution. The composition of the national sub-committee shall include:

1) one representative from the Ministry of Defence, the Ministry of Foreign Affairs, the Ministry of Economics, the Ministry of Finance, the Ministry of the Interior, the Ministry of Education and Science, the Ministry of Culture, the Ministry of Welfare, the Ministry of Transport, the Ministry of Justice, the Ministry of Health, the Ministry of Environmental Protection and Regional Development, the Ministry of Agriculture, and the Cross-Sectoral Coordination Centre;

2) one representative from Kurzeme planning region, Zemgale planning region, Latgale planning region, Vidzeme planning region, and Rīga planning region;

3) one representative from the Association of Local and Regional Governments of Latvia, the Association of Cities of Latvia, the Employers’ Confederation of Latvia, and the Latvian Chamber of Commerce and Industry.

**Section 9. Managing Authority, its Obligations and Rights**

(1) The managing authority has the obligation to carry out the management of the programme according to the principle of sound financial management by ensuring the establishment and maintenance of an efficient and proper management and control system, and also granting of the programme financing based on principles of transparency and equal treatment.

(2) The managing authority shall, upon request, provide information on the progress of the introduction of the programme to the monitoring committee.

(3) The managing authority has the right to request the information necessary for ensuring the programme management from the national responsible institution, the audit authority, the certification authority, the financial control authority, and the beneficiary of the programme financing.

(4) The functions of the managing authority in respect of the Latvia–Lithuania Cross-Border Cooperation Programme shall be performed by the Ministry of Environmental Protection and Regional Development which shall determine the official responsible for the performance of the function.

(5) The Ministry of Environmental Protection and Regional Development shall ensure that the functions which it performs as the managing authority are separated from other functions thereof.

**Section 10. Certification Authority, its Obligations and Rights**

(1) The certification authority has the obligation to perform the management and control of the financial flow of the programme in order to ensure timely reimbursement of the eligible expenditure to the beneficiaries of the programme financing and the submission of payment applications to the European Commission.

(2) The certification authority has the right to request the information and relevant documents necessary for certifying the expenditure from the managing authority, the audit authority, the financial control authority, and the beneficiary of the programme financing.

(3) The certification authority has the obligation to provide information to the managing authority which is necessary for ensuring the programme management.

(4) Upon agreement by the partner countries of the programme, the functions of the certification authority may be delegated to the managing authority in accordance with Article 21 of Regulation No 1299/2013.

(5) The functions of the certification authority in respect of the Latvia–Lithuania Cross-Border Cooperation Programme shall be performed by the Ministry of Environmental Protection and Regional Development which shall determine the official responsible for the performance of the function.

**Section 11. Audit Authority, its Obligations and Rights**

(1) The audit authority has the obligation to ensure the performance of audits on due operation of the programme management and control system and, on the basis of appropriate selection, to conduct audits on the declared programme expenditure.

(2) The audit authority has the obligation to provide information to the managing authority which is necessary for ensuring the programme management.

(3) The audit authority has the right to request the information from the authorities involved in the programme management and the beneficiary of the programme financing which is at their disposal and which is necessary for the performance of its obligations.

(4) The functions of the audit authority in respect of the Latvia–Lithuania Cross-Border Cooperation Programme shall be performed by the Ministry of Environmental Protection and Regional Development which shall determine the official responsible for the performance of the function.

(5) The audit authority shall establish and manage a group of auditors for the performance of its functions, and also ensure its management.

(6) The Ministry of Environmental Protection and Regional Development shall ensure that the functions which it performs as the audit authority in accordance with this Law are separated from other functions thereof.

**Section 12. Monitoring Committee, its Obligations and Rights**

(1) The monitoring committee shall operate according to the by-laws approved by it.

(2) The monitoring committee shall perform the functions specified in Articles 49 and 110 of Regulation No 1303/2013 and in the by-laws approved by it.

(3) The monitoring committee shall approve the project assessment criteria and the guidelines for the preparation, submission, selection, and implementation of projects, and also the eligibility of programme costs in conformity with the programme document which has been developed jointly by the partner countries of the programme and which has been supported by the Cabinet in the Republic of Latvia and approved by the European Commission. The abovementioned guidelines shall be binding on the authorities involved in the management of the programme, the applicants of the project applications, and the beneficiary of the programme financing.

(4) The decisions taken by the monitoring committee shall be binding on the authorities involved in the management and control of the programme in Latvia, the applicants of the project applications, and the beneficiaries of the programme financing.

(5) The decisions of the monitoring committee are published on the programme website.

**Section 13. Joint Secretariat**

In order to ensure the programme management, the managing authority shall establish a joint secretariat. The joint secretariat shall perform the functions referred to in Article 23(2) of Regulation No 1299/2013.

**Section 14. Rights and Obligations of the Beneficiary of the Programme Financing**

(1) The beneficiary of the programme financing has the following obligations:

1) to ensure efficient and timely implementation of the project of the programme in conformity with the agreement on the project implementation entered into;

2) to ensure that the programme financing granted to the project is used according to the principle of sound financial management in conformity with the principles of economy, efficiency, and effectiveness;

3) to ensure that the expenditure incurred within the scope of the project would be directly related to the achievement of the programme objectives and attributable to the financing granted for their achievement;

4) to ensure accounting records separately for each project of the programme;

5) to inform, without delay, of any changes and circumstances that may have a negative effect on the implementation of the project;

6) upon request, to provide the information on the project implementation and to ensure access for the representatives of the authorities involved in the programme management, and also for the representatives of the financial control authority to the originals of all the documents related to the implementation of the relevant project, and also to the place of the project implementation;

7) to ensure the saving of programme results in conformity with the conditions and time limits specified in Article 71 of Regulation No 1303/2013.

(2) The beneficiary of the programme financing has the following rights:

1) to request State budget co-financing for the implementation of the approved projects of the programmes within the scope of the financing of the relevant State budget sub-programme in accordance with the procedures laid down in Section 15, Clause 3 of this Law;

2) to receive the information related to the programmes from the national responsible authority;

3) to receive informative support from the joint secretariat of the programme for the implementation of the project measures.

**Section 15. Competence of the Cabinet in Ensuring the Programme Management**

In order to ensure the programme management, the Cabinet shall determine:

1) the procedures by which reports on the non-conformities established in the introduction of the projects financed by the programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds shall be provided and the programme financing shall be recovered;

2) the procedures by which the authorities involved in the management of the programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds in Latvia shall publish the information on the projects approved within the scope of programmes;

3) the procedures by which the State budget funds shall be granted to the beneficiaries of the programme financing from Latvia of the programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds;

4) the procedures by which the funds shall be planned in the State budget for the implementation of the programmes and projects of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds and the payments shall be made;

5) the procedures by which the financial control of the projects funded by the programmes of the objective “European Territorial Cooperation” of the European Union Structural and Investment Funds shall be carried out.

**Section 16. Contesting and Appealing of the Decision of the Monitoring Committee**

(1) The submission of a project application in accordance with this Law shall not establish the obligation to grant financing to the project applicant for the project implementation.

(2) The decision of the monitoring committee to approve the project application, to approve on a condition, or to refuse it may be contested before the managing authority if the managing authority is located in the Republic of Latvia.

(3) The managing authority shall issue an administrative act or take an administrative decision in conformity with the legal status of the project applicant.

(4) If the project applicant is a legal person governed by private law, the decision of the managing authority shall be an administrative act.

(5) If the project applicant is an institution of direct or indirect administration, a derived public entity, or another State institution, the decision of the managing authority shall be an administrative decision.

(6) The administrative act issued by the managing authority on the contested decision of the monitoring committee may be appealed by submitting an application to the respective courthouse of the District Administrative Court. The administrative decision taken by the managing authority on the contested decision of the Monitoring Committee may not be appealed.

(7) Contesting and appeal of the decision of the Monitoring Committee referred to in Paragraph two of this Section shall not suspend its operation.

(8) If the managing authority is not located in the Republic of Latvia, the decision of the monitoring committee shall be contested and appealed in conformity with the procedures laid down in the programme document approved by the European Commission.

**Section 17. Recovery of Irregular Expenditure**

(1) In case of non-conformities, the programme financing shall be recovered in conformity with the procedures laid down in the document of the relevant programme which has been approved by the European Commission.

(2) Recovery of the irregular expenditure from the beneficiary of the programme financing registered in the Republic of Latvia which is a legal person governed by private law shall be carried out in accordance with the civil legal procedures.

**Section 18. Settlement of Disputes Related to a Project Implementation**

(1) If the managing authority is located in the Republic of Latvia, the disputes which apply to the execution of the agreement on the project implementation, including the disbursement of the allocated funds, the continuation or recovery of the disbursement, shall be settled:

1) in accordance with civil legal procedures if the beneficiary of the programme financing is a legal person governed by private law. The documents which are prepared and taken for the performance of the activities referred to in the first sentence of this Paragraph (for example, decisions, opinions, warnings, agreement) shall not be examined in accordance with the procedures of administrative proceedings;

2) by contesting the decision of the managing authority as the administrative decision in accordance with the procedures laid down in the State Administration Structure Law before the head of the institution of direct administration within the scope of which the managing authority has been established if the beneficiary of the financing is an institution of direct or indirect administration or a derived public entity. An administrative decision taken by the head of the institution of administration within the scope of which the managing authority has been established may not be appealed before court.

(2) If the managing authority is not located in the Republic of Latvia, the disputes which apply to the execution of the agreement on the project implementation, including disbursement of the allocated funds, continuation or recovery of the disbursement, shall be settled in conformity with the agreement on the project implementation entered into.

**Section 19. State Fee upon Turning to the Court**

Upon referring contract disputes to the court of general jurisdiction, the national responsible institution and the managing authority shall not pay the State fee.

**Section 20. Freedom of Information**

The file of the project application shall be restricted access information until the time when the decision to approve, to approve on a condition, or to refuse the project application has entered into effect. After the entry into effect of the abovementioned decision, the file of the project shall be available to the extent and in the manner specified in the Freedom of Information Law and in Article 115(2) of and Annex XII to Regulation No 1303/2013.

**Transitional Provisions**

1. The Cabinet shall, by 31 December 2014, issue the regulations referred to in Section 15, Clauses 4 and 5 of this Law.

2. The Cabinet shall, by 1 April 2015, issue the regulations referred to in Section 15, Clauses 1, 2, and 3 of this Law.

The Law shall come into force on the day following its proclamation.

The Law has been adopted by the *Saeima* on 4 September 2014.

President A. Bērziņš

Rīga, 16 September 2014