

**MINUTES OF THE ANNUAL REVIEW MEETING
CONCERNING THE LATVIAN FEAD OPERATIONAL PROGRAMME
(CCI 2014LV05FMOP001)
Riga, 5 December 2019**

Part 1 (Commission, national authorities and stakeholders)

1.Introduction

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

M.Guin on behalf of the European Commission thanked the Latvian authorities and stakeholders for the good implementation of the FEAD programme.

2.Current situation with regard to poverty and severe material deprivation in Latvia.

Presentation by Ms E.Celmina, Director of Social inclusion policy department (*the Ministry of Welfare*).

In 2017, 23.3% or 446 thousand people were at risk of poverty. It is 1.2% more than in 2016 (22.1% or 425 thousand people). It shows that the number of people at the risk of poverty is increasing. This was the third highest number among EU Member states. In Latvia, the at-risk-of-poverty threshold in the same year was EUR 367 per month for a single person. The age group 65+ (45.7%) is most vulnerable and most exposed to the risk of poverty. The poverty and social exclusion remain high for the elderly and the people with disabilities.

The income inequality is high and also increasing. In 2017, the richest 20% of the population had income 6 times higher than the income of the poorest 20% (EU:5.1, 2017). The Gini coefficient of equalised disposable income (Eurostat data) also shows the increasing tendency (from 34.5 to 35.6).

Approved Minimum Income Plan 2020-2021

For the third time, the Ministry of Welfare (MoW) revised and resubmitted the **Minimum Income Plan 2020-2021** (the Plan) to the government. The Plan defines the minimum income level according to the OECD poverty measurement methodology, setting it at 40% of the national median equalised income. The Plan will serve as a reference point for the improvement of the support measures established by the social security system. On **13 August 2019**, the Plan was conceptually **approved** by the Cabinet of Ministers. The measures and the budget allocations need to be discussed during budget's preparation each year. i.e. in September 2019 for the budget of 2020.

For next year, the government has **allocated EUR 10 million** to implement the measures set out in the Plan. However, to implement the Plan in full, EUR 28 million per year are needed. Therefore the measures can be implemented only partially, and next year the focus will be on **people with disabilities, people at retirement age and people who have lost the capacity to work**.

The measures of the Plan include increasing the base for the calculation of the state social security benefits for people with disabilities from EUR 64 to EUR 80 (for people with disabilities

since childhood to EUR 122.69), increasing the base for the calculation of the minimum disability pension, compensation for the loss of capacity to work and compensation payments, setting the amount of state social security benefits for people with disabilities at Eur 80 (for people with disabilities since childhood to EUR 122.69), setting the base for the calculation of the minimum state old-age pension at EUR 80 (for people with disability since childhood to 122.69).

The EC enquired about the Plan's dependency on the local governments' budget and the effect of the National Territorial and Administrative reform on the implementation of the Plan. The MoW explained that the measures proposed in the Plan shall be implemented by using financial resources from the state budget (basic budget and social insurance payment budget) and the local governments' budget. Thereby, the implementation of the measures that will be introduced in 2020 will be financed by the state budget, showing to the local governments that the state government is willing to support the implementation of the Plan. Furthermore, the implementation of the measures that will be introduced in 2021 is planned to be financed from the budget of the local governments. The MoW also explained that the National Territorial and Administrative reform will reduce the fragmentation of the local municipalities. It will increase the capacity of the municipalities for the implementation of the Plan. Therefore, the MoW expects that the local governments will start implementing the Plan by setting in 2021 the GMI income level at 99 euro (or 20% of the median income).

In reply to the EAPN-Latvia comment on the needy person's status (EUR 128.06) and GMI (EUR 53.00) levels being not adequate to the current economic situation, the MoW explained that to provide support to broader vulnerable groups, the eligibility threshold for the FEAD support has been increased to EUR 242.00.

3. Progress of the implementation of FEAD operational programme since 2015, result indicators, results of the annual survey. Presentation by the FEAD Managing Authority (*the Ministry of Welfare*).

A significant increase of the number of persons aged 65 years or above (20 % in 2018, 22 % in 2019) can be observed, and the number continue to increase. The number of persons with disability from the total number of FEAD end-recipients remains at the same level (approx. 16-17%). There is a slight decrease of the number of children over the recent years: 14223 individuals in 2017, and 13457 in 2018.

In 2018, 93,14 % of all eligible persons for FEAD support received it. The number of persons who have used their rights to receive FEAD support has increased by 13,5 % since the beginning of the OP implementation (83,6% in 2015, 89,4% in 2016 and 97,1% in 2017).

The number of accompanying measures had gradually decreased during the last years (10873 in 2016, 7960 in 2017, and 6304 in 2018). However, the number of people receiving the accompanying measures remains the same, at 10% of all end-recipients.

In 2018, compared to 2017, the number of soup kitchens has increased (16 in 2017, 23 in 2018) and consequently the number of people receiving meals also increased (4482 in 2017, 5315 in 2018).

From 1 January 2019, the eligibility threshold for receiving the FEAD support was raised to EUR 242,00. The new threshold corresponds to the severe material deprivation index in 2017.

From 1 January 2019, the basic material assistance (hygiene and household items) became

available for all deprived people in Latvia (previously it was limited to the underage children). The decision on expanding the range of recipients was taken based on the results of FEAD annual survey as well as the opinion of the FEAD consultative working group.

Results of the annual survey 2018

In addition to the Structured survey submitted to the EC in March 2018 as defined in the EU FEAD regulation, the MA annually provides an additional assessment of the effectiveness and efficiency of the support provided under the FEAD programme.

The results of the surveys and the statistical data are the indicators if any adjustments or improvements are needed in the implementation of the FEAD programme. Previously based on the results of the surveys and statistical data, the Operational programme was amended to increase the income threshold for the eligibility of the FEAD support, adjust the frequency of the delivery of the support, and improve the content of the packages.

In 2018, 1 408 individuals were interviewed for the survey (1150 unique respondents among the end-recipients of aid packages and 258 unique respondents among the people receiving meals).

The majority of people receiving the food packages are women, however among the people receiving meals at soup kitchens, majority are men. The average age of the people receiving packages was 41,8 (38,5 in 2017, and 37,1 in 2016), but the majority of people receiving meals at the soup kitchens are over 55+, and during the last years this group has been increasing. This result corresponds to the statistical data showing that seniors are at great risk of poverty and social exclusion. The percentage of households without children among the aid recipients has increased over the last three years (67,8 % in 2016, 68,5 % in 2017, and 73,3 % in 2018). At the same time number of households with children has decreased. This can be explained by social policy measures undertaken by the state recently. The biggest proportion of all FEAD support (33 %) is distributed in the Latgale region. The highest amount of people registered with a needy status or a low income status in Latvia compared to other regions are registered in Latgale at 31 %.

According to the results of the surveys, saved financial resources due to received FEAD support, were mainly spent on needs such as buying food, paying utility bills, financing after-school activities for children.

Difficulties encountered and the outlook on programme implementation in 2019 -2020

In 2019, as a result of the procurement procedure, three suppliers for provision of the FEAD were contracted. The Intermediate Body (Society Integration Foundation) has monitored the transition between the supply contracts ensuring that there are no gaps between the provisions. The Intermediate Body worked closely with the Partner Organizations monitoring their distribution plans to ensure smooth transition between supply contracts.

In the first quarter of 2020, the results of 2019 annual survey will be available for analysing whether any adjustments in the content of aid packages are needed or any administrative changes are required. The EC appreciated the fact that Latvia is making efforts to have a regular feedback from the end-recipients.

The EC noted that the sociodemographic analysis presented by the Managing Authority, fully converge with the EC analysis of the most vulnerable parts of society (as elderly and people with disabilities) indicated in the Country specific recommendations for Latvia 2019.

4. Financial progress of the OP and the forecast for the remaining years, use of technical assistance. The Certifying Authority (*the Ministry of Welfare*).

FEAD interim payment claims submitted to the EC by the end of 2018 :	Total EUR 17 590 053,00 (FEAD EUR 14 951 545,00).
FEAD interim payment submitted to the EC in 2019 :	Total EUR 4 767 983,00 (FEAD EUR 4 052 785,00).

In December 2019, the CA will submit to the EC the next interim payment claim in the amount of EUR 1 461 751,00.

The CA will even out the TA levels (currently above 5%) before the end of the programming period.

5. Results of the 2019 public procurement, territorial coverage, distribution of FEAD packages and meals, implementation of accompanying measures, including synergy with the European Social Fund (ESF), publicity and visibility measures, difficulties encountered in programme implementation and solutions found. Presentation by The FEAD Intermediate Body (*Society Integration Foundation*).

The Intermediate Body (*Society Integration Foundation*) presented the recent figures on the number of FEAD packages and hot meals distributed. It also informed on the outcomes of the public procurement procedure on the selection of suppliers for provision of FEAD support.

Table 1. Number of packages/meals distributed and number of end recipients 2015 – 2019(30.09)

	Number of packages/meals distributed					Number of people receiving aid				
	2015	2016	2017	2018	2019 30/09	2015	2016	2017	2018	2019 30/09
Food packages	285 362	353 926	322 571	312 221	268 070	68 876	61 497	60 482	65 657	66027
Baby food packages	-	-	5 960	4 705	3288	-	-	951	1172	916
Household and hygiene items	49 920	55 130	49 493	40 640	128 484	25 675	19 657	18 196	17439	66059
Baby hygiene packages	-	-	4 461	3 966	2 817	-	-	1 359	1 632	1298
School supplies	-	24 186	12 221	9 672	7 955	-	24 186	10 233	9672	7955
Meals (in soup kitchens)	2 205	204 900	307 170	330 060	264 165	32	2 428	4 482	5315	4703

In 2018, the number of food packages distributed had increased. In 2019, the number of household and hygiene packages had increased significantly due to the amendment broadening the target group eligible for receiving basic material assistance under FEAD support.

In 2018 and 2019 the public procurements for the selection of suppliers was finalised to ensure a provision of goods for the FEAD food and material assistance packages until the end of 2021.

Following the feedback received from the end-recipients from the survey, with the new procurement procedure some products were replaced (oil) and additional products (peas, condensed milk) were included in the FEAD food packages.

Accompanying measures, including synergy with the ESF

In 2019, in order to offer a larger variety of accompanying measures to the FEAD target group, a new set of activities was launched - *social networking activities*.

The decrease in attendance by the end-recipients of the accompanying measures is explained by the Intermediate Body, namely that the FEAD target group participates in other activities, which also cover the same target group and have similar objectives. For instance, the ESF projects within measure 9.2.4.1. “Complex Health Promotion and Disease Prevention Measures” can be mentioned.

In 2018, the **total** number of **accompanying measures 1137** (1217 in 2017) with the **total** number of participants **6304** (7960 in 2017) were organized. The highest number of accompanying measures were on life skills (234), health promotion (223), and cooking skills (222).

The EC noted that FEAD food and basic material assistance provides a significant support to the most deprived, but it cannot solely solve social exclusion. The role of accompanying measures is crucial to assist the beneficiaries in access to health and social services, labour market activation measures. The EC noticed that the number of health related measures has slightly decreased. To underline the importance of health promotion, the EC referred to the OECD/EC “State of Health 2019” report, which concluded that 51% of all deaths in Latvia are attributable to behavioural risks and more attention should be paid to health promotion. The EC asked to reflect on the synergies with ESF measures and motivation to participate.

The Intermediate Body confirmed that FEAD accompanying measures are complementary to ESF, yet they have a different aim. They either focus on immediate urgent advice to beneficiaries on some health related questions, or serve as a reference point to more elaborated measures. Some partner organisations, like the Latvian Red Cross, develop health promotion events series.

The representative from the Latvian Association of Local and Regional governments (LALRG) agreed that the measures that are organized under the FEAD programme are an attempt to motivate the most deprived people to engage in activities promoting their social inclusion. The LALRG also expressed concerns regarding the fact that the ESF funding for the health promotion measures in municipalities will be cut substantially. This is a very bad sign for society, as health promotion activities should be a long-term project, because they require behavioural change.

6. Best Practice Presentations by FEAD Partner Organizations “Samaritan Union of Latvia” and “Samaritan Foundation”.

From 1 July 2019, it is allowed to transfer food with a soon-to-expire “use by” date for donation. However, the food must comply with the safety requirements specified in the regulatory acts on the circulation of food (regulation No 261 “Requirements for the distribution of food after the date of the minimum term of validity”).

Currently, there are only a few shops that provide regular food donations in Latvia. Certain adjustments of the internal practices and operations of shops are required to provide food donations on a regular basis (e.g. packaging, labelling, transportation). The “**Samaritan Union of Latvia**” cooperates with three shops of a large supermarket chain that provide food donations in Riga.

The MA is considering integrating food donation in the ex-FEAD programme for the period 2021-2027. It is also considering applying a flat rate to support transportation costs for Partner Organizations. This concept needs to be elaborated further when drafting the ex-FEAD Operational Programme. The EC will follow up on the flat rate regulations.

The “**Samaritan Foundation**” gave a presentation on the FEAD accompanying measures it is organizing for the FEAD target groups. Apart from consultations on childcare for young mothers, patient care for family members and health prevention measures, the Foundation provides consultations with food and nutrition experts from the Latvian Agriculture Academy, and legal consultations with an expert from the University of Latvia. The Foundation also cooperates with private donors and companies providing food, clothes and household items to those in need.

The EC appreciated the work of the FEAD Partner Organizations in providing support to the most deprived. The EC noted that food donation is a good supplement to the regular FEAD food support. Food donation will contribute to the reduction of unnecessary food waste, and in the broader context will support actions against climate change.

The EC also advised to consult other best practices on the facilitation of food donation in the EU that are available on the EU Platform on Food Losses and Food Waste.

7. Preparation for the 2021-2027 Period: State of Play. Presentation by The FEAD Managing Authority (*the Ministry of Welfare*).

Support for the most deprived in Latvia will continue to be addressed in the next programming period. The Managing Authority (MA) referred to the socio-demographic data and the EC “Country Report Latvia 2019” Annex D underlining that when addressing material deprivation in the 2021–2027 period, FEAD support is important.

The MA contributed to the drafting of the National Development Plan, where the ex-FEAD Operational Programme is included as one of the measures for addressing material deprivation in Latvia for the 2021–2027 period (*NDP, activities No 99 and No 122*).

The ex-FEAD programme will be a separate Operational Programme (institutional system and managing and control system) and the Ministry of Welfare will remain as the MA of the Operational Programme.

The indicative amount for the ex-FEAD Operational Programme is projected to be 5% of the ESF+ resources (49 million EUR including national funding). This would ensure that the MA can continue with the same type and scope of support as in the current period (in the current period the total funding is 48.2 million EUR including national funding).

Overall, the ex-FEAD Operational Programme will continue to provide the same type of support as in the current programming period. In addition to food, meals, basic material assistance and accompanying measures, the MA is considering integrating a new element - food donation activity. The MA expressed its reservations regarding the integration of e-vouchers in the ex-FEAD Operational Programme as it may risk increasing the expenses of the programme.

The MA estimates that the current period’s FEAD allocation will be completely absorbed by mid-2022. FEAD food support would be fully available by mid-2022 and FEAD basic material assistance would be partially or fully available until the end of 2021. Thus, the gradual transition

to ex-FEAD support for the most deprived in the 2021-2027 period would be ensured, provided that there are no extensive delays in the adoption of the ex-FEAD Operational Programme.

The EAPN-Latvia asked the MA whether it plans increasing the income level threshold for receiving FEAD support as it did in 2018 and 2019. The MA explained that the income level for receiving FEAD support will be aligned with the Minimum Income Plan that will come in force in 2021. Since there were no approved Minimum Income Plan at national level, the MA had to react to the sociodemographic situation and increase the income level threshold at least at the FEAD programme level.

The EC noted that the ESF+ regulation proposal defines a minimum allocation of 2% of ESF+ resources for ex-FEAD types of actions. However, at the EU level the objective is to allocate at least 4 %. For Latvia, the EC would support at least a 5% allocation as an absolute minimum.

The EC informed the MA that DG EMPL has launched a study on how to apply e-vouchers when providing support for the most deprived. The results of the study will be available at the end of 2020.

The EC noted that the ESF+ legal basis fully endorses an integration of food donation in the ex-FEAD programme.

PART II (partner organisations are not present)

8. Anti-fraud measures. Presentation by the FEAD Managing Authority (*The Ministry of Welfare*).

The responsibility for effective and proportionate anti-fraud measures is set in the Law. The MA ensures elaboration of all necessary anti-fraud measures in cooperation with all in FEAD management involved institutions

The MA also has elaborated guidance on anti-fraud measures, which have to be implemented at each stage of all operations by all in FEAD management and implementation involved institutions.

All measures undertaken for combating fraud are based on assessment of identified risks. Initial and following assessment of the risks of fraud is carried out (once a year) by the institutions involved in the risk management working group. The risk management process is being documented (Work table for the documentation of the evaluation process in FEAD MA, certifying authority and IB).

Anti-corruption measures of FEAD MA are included in the anti-corruption measures plan of the Ministry of Welfare for 2017-2019.

9. Audit findings and potential risks. Presentation by the Audit Authority (*The Ministry of Finance*).

The Audit Authority (AA) has a reasonable assurance that the management and control system in Managing Authority (MA), Certifying Authority(CA) and Intermediate Body (IB) generally works effectively and complies with EU and LV regulations. However, as a result of the findings of an audit on the Management and Control System (MCS), the AA elaborated a Deficiencies elimination plan with a list of recommendations for the improvement of the MCS. The MA has

partly implemented these recommendations at the stage of the preparation of the final text of the audit report (during the contradictory procedure). The deadline for the implementation of the recommendations with high priority was on 2 December 2019.

The MCS for FEAD programme is *heavy* due to elements introduced additionally to the requirements that are set in the regulation (*goldplating*). The AA invites the MA to simplify the management and control system in the next programming period for ex-FEAD Operational programme.

The MA explained that following the AA recommendations, it has developed a new approach to internal control system simplifying it (avoiding *goldplating*) and minimizing administrative burden to the MA, CA, IB and POs. The new approach will focus on these four programme management areas:

- ensuring risk assessment of beneficiaries in a more efficient way;
- ensuring effective management checks applying a result-based approach and avoiding “*goldplating*”;
- getting assurance that delegated functions are carried out at an appropriate level avoiding increase of administrative work;
- strengthening assurance that all the records of irregularities and other data collected in IT system (PEVS) are precise and reliable.

The EC noted that, for the implementation of adjustments in the internal system control, both institutions should work closely ensuring regular feedback exchange.

FOLLOW UP:

- Further developments on the synergies of the FEAD accompanying measures with the ESF measures (particularly in access to health and social services, labour market activation measures).
- Further developments on the preparation of the ex-FEAD programme for next programming period 2021-2027.
- The EC has to clarify the use of flat rates for the ex-FEAD programme (transportation costs for food donation).

Annexes: The participant list and the ARM presentations.