

**MINUTES OF THE ANNUAL REVIEW MEETING
CONCERNING THE LATVIAN FEAD OPERATIONAL PROGRAMME
(CCI 2014LV05FMOP001)
27 November 2020, video-conference**

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).

While the overall risk of poverty and social exclusion slightly decreased (27.3%, 2019), more than half of older people (LV: 50.5%, 2019; EU: 18.7%, 2018) and 42% of persons with disabilities are at risk of poverty or social exclusion (29% in the EU). The at-risk-of-poverty rate among the unemployed stands at 57.7% (2019), amongst the highest in the EU (49%). Compared to other groups, 3 out of 4 older people over the age of 65 living alone are at risk of poverty. In 2018, the highest proportion of the population at risk of poverty was in Latgale (40.4%) and the lowest – in Pieriga (14.4%) and Riga (16.1%).

Material deprivation and severe material deprivation rates have slightly improved. The share of persons with a needy status among the Latvian population was 2.2% and GMI recipients 0.9%. The Ministry of Welfare (MoW) is of the view that support should be provided to a wider share of population.

The judgment of the Constitutional Court of Latvia

On 25 June 2020, the Constitutional Court ruled out that: a) the current Latvian practice of determining the GMI value does not comply with the Satversme (Constitution); b) a valid and substantiated method for defining GMI level (in line with socio-economic indicators) has to be elaborated; c) a common approach should be applied for setting a minimum threshold for material support provided by the state and local authorities (currently thresholds varies among municipalities), and d) the minimum income threshold has to be revised at least every 3 years.

Until now, the level of GMI was determined not by any methodological substantiation, but in accordance with the political agreement of local governments and the state government when forming the state budget.

The amendments of the legislation

On 1 January 2021, the changes in legislation will come into force increasing:

- **the guaranteed minimum income from EUR 64 to EUR 109 per month** for the first and single person in the household, and EUR 76 per month for every other member of the household.
- **the income level determining the status of a needy person to EUR 272** for the first and single household member, and EUR 190 per month for every next member of the household.
- the **state social security benefit** for persons who have reached the retirement age but are not entitled to an old-age pension, as well as for persons with disabilities, to EUR 109, but for people with disabilities since childhood to EUR 136. Coefficients to be applied to different disability groups.
- the base of the **minimum old-age pension and disability pension to EUR 136**, but for persons with disabilities since childhood to EUR 163.

In 2021, for implementation of these measures set in the legislation, **the state budget resources** will be allocated in the amount of 70.66 mEUR, and **the local governments' budget resources** of 25.04 mEUR.

A representative of the NGO "Latvian Association of Local and Regional governments" (LALRG) draw attention to various risks, such as local government budget reduction next year by about 90 mEUR (the most significant drop in revenue is expected in Latgale region and other municipalities that lie on the border), and an increase in compulsory payments (expenditure) of at least 50 mEUR. The norm on co-financing from the state budget for the provision of GMI and housing benefits has been excluded from the Law on Social Services and Social Assistance. Although the support for the low income families is guaranteed, the part of the population such as elderly people, who have so far been eligible for receiving the municipal support, is "falling out" of this category. Therefore, the support for elderly people, which is a group most at risk of poverty, will reduce.

The EC enquired about the **GMI setting methodology** and how frequently the GMI level will be updated. The MoW explained that in its initial proposal to the government it proposed to establish the thresholds for income support based on median income (EUR 544.41), i.e. needy person status at 50% of the median income level (EUR 272), GMI at 20% (EUR 109). However, the government has decided to include only the amounts in the legislation, without any reference to the percentages. The government tasked the MoW to elaborate a methodology to be presented together with the next year budget plan. A revision of the minimum income threshold is foreseen at least every 3 years. The changes will impact about 140 000 of inhabitants, but the impact will be seen only after 2 years.

The EC enquired about the intended **impact on the size of the FEAD target group** once the threshold will be raised (planned for January 2021). The MA explained that the amendment to the FEAD Implementing Regulation (No727) is in preparation. With this amendment, the threshold for receiving FEAD support will be raised to the level of 60% from the median income, i.e. **EUR 327** for the first person in the household, and EUR 229 for every next person.

3. Difficulties encountered in the programme implementation and solutions found

Mr R. Lasmanis, Head of FEAD Intermediate Body (Society Integration Foundation) and Ms A. Stratane, Senior Expert of FEAD Managing Authority of Ministry of Welfare.

There was **no disruption in the delivery network of FEAD support** to the most deprived during the state of emergency situation due to COVID-19 in Latvia. Distribution of FEAD support continues throughout Latvia by **453 distribution points** and **23 soup kitchens**. Partner Organizations (PO) had to act very swiftly to ensure that the distribution points comply with the safety requirements. Still POs had to ensure from their own resources the first protective equipment. The Intermediate Body (Society Integration Foundation) along with POs ensured **communication measures** informing the FEAD target group on the conditions for receiving FEAD aid packages during the state of emergency.

The provision of food and basic material support (presented by the IB)

The scope of the support remained at the same level as before, with no reductions in the volume of provided support. However, at the beginning of the pandemic, as the COVID-19 crisis brought much unknown, people were unsure whether the support will continue to be in sufficient quantities for everyone. Therefore, unexpectedly high number of people chose **to collect a maximum amount of aid packages (food, hygiene goods, school supplies) at once**. Thus, **bigger quantities of aid packages were delivered to distribution points** during the state of emergency. The increased turnover of the support packages required additional workload from POs.

In the second quarter of 2020, compared with the same period of the previous year, the number of distributed food packages raised by 18.1 %.

For those who could not come to collect the FEAD support package at the distribution point (due to sickness, quarantine, age, being at risk of contamination due to chronic diseases), the rules for collection of the FEAD support were made more flexible. **The package could be collected and delivered to their home** by a volunteer, relative or municipal representative.

Soup kitchens continued working by providing **take away meals**. Some kitchens even extended their working hours due to the emergency situation, as the demand for hot meals increased. In the second quarter of 2020, distributed **hot meals** in soup kitchens increased by **34 %**.

Accompanying measures, including synergy with ESF

Those **accompanying measures** that POs could ensure in compliance with safety requirements were continued. In the first three quarters of 2020, there were **828 accompanying measures** organized and attended by **4 375 participants**. Some of the accompanying measures became more popular during the COVID-19 crisis, particularly, **on health promotion**. On the latter, 248 events took place (until 30.09.2020), compared to 213 events in 2019, and 223 events in 2018.

The largest number of the accompanying measures had been organized in Riga region (Riga not included) – 188 accompanying measures. However, the largest number of participants was in Kurzeme region – 1 468 participants.

As a follow up to the ARM 2019, the Intermediate Body, informed on **synergies** of the FEAD accompanying measures **with the ESF measures** (particularly in *access to health*,

social services and labour market measures) to promote social inclusion of the most deprived.

Impact of COVID-19 crisis on the implementation of the FEAD programme (presented by the MA)

The state of emergency in the country due to COVID-19 pandemic was declared by the government on 13 March 2020. As a response to the epidemiological situation, the MA decided to **complement basic material assistance packages by adding hand sanitizers** for three months (*April, May, June*). FEAD support recipients highly appreciated the hand sanitizers as, at the beginning of a state of emergency, hand sanitizers were not widely available in stores and the product was expensive.

The government decided to organize a centralized procurement to purchase protective materials and equipment for the state needs. The organization of the procurement procedure was delegated to the state agency *Center for Defense Military Sites and Procurement*. The MA's request for provision of protective materials and equipment for FEAD POs was included in the centralized procurement.

The protective materials were delivered to priority areas such as hospitals and care homes first. POs received the **protective materials** at a later stage, but **not in sufficient quantity**.

According to the amendments to the *Law on Social Services and Social Assistance*, the status of a needy person and a low-income person, which was expiring in March, April, May or June, has been automatically extended until 31 July 2020. Therefore, in 2020 the period for the eligibility to receive FEAD support was prolonged significantly. Consequently, the amount of distributed FEAD packages increased.

On the additional financial resources, the MA informed that it has estimated a need of **14.11 mEUR** that could be reallocated **from REACT-EU**. The additional funding would cover the expenses of increased FEAD target group, and expenses of complementary products that will be included in basic material support packages (hand sanitizers and face masks), and protective materials for POs. The additional resources could ensure that there are no gaps in provision of the FEAD support.

The **EC thanked** all stakeholders involved for being flexible and reactive during this unprecedented situation caused by the COVID-19 crisis, and enquired for how long the purchased protective equipment will be sufficient for POs to ensure the distribution of the FEAD support. The MA explained that currently the protective material are still available, but as the epidemiological situation has worsened, additional supplies of protective materials will be needed.

As to EC's question on the possible additional difficulties for the provision of FEAD support during the second wave, the Intermediate Body replied that they have become more experienced to manage the implementation of the programme in a state of emergency situation.

The representative from the **Latvian Red Cross**, thanked the MA and all stakeholders for efficient support that POs received at the beginning of the state of emergency situation. The representative has observed that the number of most deprived has increased since the

beginning of the COVID-19 crisis, and the numbers continue to grow. The representative also noted that in the FEAD distribution points, many elderly volunteers are working, therefore provision of protective material is essential.

The representative from the **Latvian Association of Local and Regional governments (LALRG)** supported the MA initiative to add face masks to the basic material packages. In October, the state provided 2 masks per person to the most deprived people. However, this support will not be sufficient in the long term. Therefore, the MA initiative is very timely and welcome. The representative suggested the MA to consider the introduction of vouchers for providing such type of material support as personal protective equipment. Especially it might be relevant in case of the third wave of the pandemic.

4. Covid-19 impact on the implementation of FEAD measures and lessons learned

Ms I. Krastiņa, Representative of FEAD partner organisation “The Salvation Army”

The FEAD PO “**The Salvation Army**” shared its experience on providing support to the most deprived during the state of emergency caused by COVID-19 crisis.

At the beginning, **the number of distributed hot meals at soup kitchens almost doubled**. In Daugavpils (the second biggest city in Latvia), compared to the usual average of 100 meals per day, the number increased to 150-200 meals daily.

As schools changed to remote studies, children were staying at home and parents were collecting hot meals also for their kids.

Due to the epidemiological situation, the PO also followed the safety measures requirements that included disinfection of the premises and keeping 2 meters distance. Therefore, meals were served as a take away food. If people did not have their own containers with them to take the meal, PO provided take-away packages (these were additional costs for the PO). To avoid crowding of people at the kitchen’s entrance and to organize crowds according to all safety measures (queues were getting very long due to 2 meters distance requirement), the PO asked the municipal police for an assistance in organizing the queues.

Accompanying measures were adapted to individual consultations by phone or, when a phone was not available, people could sign up for appointments at the FEAD support distribution centres.

The EC thanked the PO for its commitment in implementing efficiently the FEAD support so that it could reach the ones who needed it the most in this special time.

5. Preparation for the 2021 -2027 period: state of play

Ms A. Stratane, Senior Expert of FEAD Managing Authority of Ministry of Welfare

The ESF+ programme for addressing material deprivation (ex-FEAD) in Latvia will be a separate programme with a separate Managing Authority – the Ministry of Welfare. The institutional system and the management and control system (MCS) will remain the same as

in the previous programming period. The type of material support for most deprived will remain the same as in 2014-2020.

The first draft of the ESF+ Programme for addressing material deprivation in 2021 – 2027 was sent to the Commission services for an informal consultation on 30 September 2020. DG EMPL provided its preliminary comments.

The MA has sent the first draft of the programme to the ‘FEAD Advisory Working group’ members for their recommendations. As a next step, the MA plans to launch a public consultation by the end of 2020.

When the MA contributed to the drafting of the National Development Plan (NDP) in 2019, proposing ESF+ Programme for addressing material deprivation for the 2021 – 2027 period (approved by the Parliament of Latvia on 2 July 2020), the impact of COVID-19 crisis was not estimated. Therefore, the budget for the implementation of the programme was approved without taking into account COVID-19 caused consequences. As a result of the crisis the expenses of the programme will change substantially. Due to the increase of the number of the most deprived and additional expenses for the safety measures, the MA would need a closer cooperation with the Ministry of Finance finding solution to increase of the allocations for the ESF+ programme for addressing material deprivation.

The negotiations on the allocations for the priority activities to be financed from additional resources of REACT EU instrument are still ongoing.

The EC inquired why the budget of 2021-2027 (44 mEUR) compared to 2014-2020 (48,2 mil EUR) has decreased. The MA explained that at this stage there is no final decision on the budget by the government. In 2019, when the National Development Plan was drafted, the MA submitted request for a higher amount (49 mEUR) for the ex-FEAD activities. However, the amount was decreased as a result of the consensus between the government and the parliament on the national priorities. The MA also added that it relies on the resources from the REACT EU to balance out the financial needs that are caused by the COVID-19 crisis.

The EC noted that it reiterates the importance of adequate support to the most deprived and will be attentive to the decisions on the allocations.

PART II (partner organisations not present)

6. Anti-fraud measures. *Ms I. Latviete, Senior Expert of FEAD Managing Authority*

The MA has elaborated guidance on anti-fraud measures, which have to be implemented at each stage of all operations by all institutions involved in the implementation of the FEAD programme. This guidance is also included in the general anti-fraud measures plan of the Ministry of Welfare for 2020-2022.

All measures undertaken for combating fraud are based on an 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 EC inquired whether the risk assessment procedure has been reinforced for the management of the emergency caused by COVID 19 crisis. Emergency procedures may lead to lower quality of tender specifications, making it easier for fraudsters to inflate costs or

reduce quality during implementation. Transparency on the final beneficiaries, contractors and subcontractors is essential to prevent and investigate fraud. The MA informed that the majority of the FEAD procurement procedures were finalised before the emergency situation. The AA added that in the next auditing period, it will be analysing the purchases that were made in COVID 19 emergency situation.

7. Audit findings and potential risks. *Ms A.Šteigmane, Audit Authority (the Ministry of Finance) and Ms L.Grafa, Head of FEAD Managing Authority of the Ministry of Welfare.*

As a result of the system audit (audit report 19.10.2020), the Audit Authority has a reasonable assurance that the **management and control system** in the Managing Authority, Certifying Authority and Intermediate Body **generally works effectively** and complies with EU and LV regulations. However **there is a need for improvements**. The AA has included 14 recommendations in the audit report. The effectiveness of the activities performed to eliminate the deficiencies will be checked during subsequent audits.

As a follow up to last year's audit report (audit report 30.08.2019), the MA, IB and CA have implemented 23 out of 27 recommendations prepared by the AA.

Comments by the Managing Authority on the audit findings

The MA considers it to be positive that all the findings are without financial impact. The MA has partly implemented the recommendations (audit report 19.10.2020) at the stage of the preparation of the final text of the audit report (during the contradictory procedure).

Regarding last year's audit report (30.08.2019) with 27 recommendations, the MA informed that 23 recommendations have been implemented. The MA continues improving the management and control system by preparing for the implementation of the last three recommendations (the MA is responsible for). These are recommendations on the justification of the sample for the checks and a link to the risk assessment, planning and performance of management checks (including on-the-spot visits), and monitoring of the process of irregularities management.

The EC inquired how COVID-19 restrictions affected audit work and particularly on-the-spot audit missions. The AA explained that it was not organizing on-the-spot audit missions when a state of emergency was declared. Instead it was analyzing the documentation that was made available by the MA, IB and CA. The on-the-spot visits were organized when the epidemiological situation slightly improved in summer.

The MA added that the IB has performed all the on-the-spot checks that were scheduled for this year.

FOLLOW UP:

- Further developments on the preparation of the ESF+ Programme for addressing material deprivation in 2021 – 2027
- Negotiations on the allocations from the REACT-EU due to the increase of the number of the most deprived and additional expenses for the safety measures as a result of the COVID 19 crisis.

Annexes: The participant list and the ARM presentations.