

**MINUTES OF THE ANNUAL REVIEW MEETING
CONCERNING THE LATVIAN FEAD OPERATIONAL PROGRAMME
(CCI 2014LV05FMOP001)
15 December 2021, video-conference**

Part I (Commission, national authorities and stakeholders)

1. Introduction

L. Grafa, on behalf of the **FEAD Managing Authority** (MA, i.e. the Ministry of Welfare) **welcomed the participants and introduced the meeting agenda**. M. Guin, representing the **European Commission** services (COM), **thanked the MA** for the preparation of the meeting, acknowledged the effect of Covid-19 on the Programme implementation **and reminded participants of important relevant EU initiatives** (for ex: REACT-EU, the policy frameworks including the European Child Guarantee and the European Platform to Combat Homelessness, as well as EPSR new headline 2030 targets, which will be translated soon into respective national targets for each MS).

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)

The MA presented developments in socio-economic indicators. The risk of poverty index and inequality indicators have decreased significantly from 2018-2020. It is clear that changes in social inclusion policy have been successful. A more profound positive trend is noted for the reduction of material deprivation and deep material deprivation indicators. Thresholds for Guaranteed Minimum Income (GMI) were too low between 2018 and 2020, so a limited number of persons qualified for support. Along with the GMI, the minimum pensions and several social benefit thresholds were raised in 2021. **The MA acknowledges that the improved GMI support** of 109 EUR for the first and single person in a household (76 EUR for every other member of the family) **remains low with respect to the poverty line**, but it reflects what the state can afford at the moment. The MA further explained that there are **additional non-monetary support measures to the persons receiving GMI**. The MA also presented a **medium-term plan for the minimum income support system improvement for 2022-2024**. The ambition is set high and envisaged changes in social inclusion measures will require **financing to increase from 18m EUR in 2022 to 71m EUR in 2024**.

COM is pleased with the positive trends in GMI policy and the fact that children as part of end-recipients of FEAD have significantly decreased in the previous years. COM inquired about the reasons behind the reduction in children as part of the FEAD target group. Moreover, COM inquired about the **potential further impact on reducing child poverty with the new reform on family social benefits**, which will raise the social support for families with children, starting from 1 January 2022. Finally, COM asked the MA to expand on the **reasons behind a lower adopted FEAD threshold for low-income families**, when compared to the newly set national-level maximum threshold in 2021.

The MA explained that the number of children under the poverty line has decreased significantly since 2014 and that this positive trend is largely attributed to the provided state support to families with children. Even though the Operational Programme (OP) does not necessarily target children, the criteria for eligible support is based on the household income level and the **MA has witnessed a significant reduction in the number of young families with children as end-recipients over the years.** On the other hand, the Covid-19 crisis has shown that when restrictions are increased, more of these young families have to turn to FEAD support, as employment opportunities are negatively affected. It appears that young families with children are more motivated to work compared to other FEAD target groups, which explains the overall gradual reduction of the target group over the years, but **steeper and more volatile increases/decreases of the target group in crisis situations.** The **FEAD threshold** for low-income families stands at **60% of the median income** and accounts for the **population at risk of poverty.**

3. Difficulties encountered in programme implementation and solutions found

Mr R Lasmanis, Head of FEAD Intermediate Body (Society Integration Foundation)

Ms A. Stratane, Senior Expert of FEAD Managing Authority

SIF updated the participants on the implementation progress in 2021. Overall, **26 partner organisations (POs)** provided support in **446 distribution points and 29 soup kitchens.** Q2 2020 saw the **introduction of hand sanitizers in aid packages**, which were gradually used up. Highest number of food and hygiene packages were distributed in Q1 2021. Most school supplies were distributed in Q3 2021. **Total meals distribution rose gradually over the past two years.** Additionally, 2021 saw the organisation of 2,027 accompanying measures for 4,194 participants, with more than half organised in the Q1 2021. Nevertheless, the numbers of involved participants remained rather stable over the three quarters. This is partially explained by a change in the accounting methodology for individual consultations in Q3 2021. In general, **POs had to organise more accompanying measures in the form of individual consultations**, due to the epidemiological requirements: masks, distancing, disinfectants, meals for takeaway, gathering restrictions. POs also had to evaluate the risk of their operations with respect to vaccinations of their staff. Risk is adequate and **most staff members hold valid Covid-19 certificates.**

The MA presented the development of the criteria for receiving FEAD aid over the years. The threshold has risen from **128.06 EUR in 2015** to **327 EUR in 2021** for the first and single household member. **Support packages have also increased in size** (in 2015 - 10 products, in 2022 - 18 products). This was possible because of the feedback received from the annual end-recipient questionnaires. MA then highlighted the rising costs for food in whole of the EU. In response, during **Q4 2021, recipients were allowed to receive an additional food package** to the existing two food packages that they were entitled to. The action **reduced the negative impact of inflation on the target groups.** **Soup kitchens meals have also increased in size** in 2021. Additionally, in **Q1 2022, the MA will add two face masks to the material support packages.** The MA assured the participants that it has avoided the risk of buying goods quickly

in response to the pandemic, without following the necessary procedures. The FEAD MA **has approached procurement in a planned, systematic way** and complied with all the procedures.

COM thanked both SIF and the MA for their presentations. It noted that **Zemgale has the lowest number of accompanying measures** and wanted to understand the **extent of the problem**. Additionally, COM asked how the more **individualised measures** have impacted the **success** of the accompanying measures. Regarding the **public procurements of SIF for 2022**, COM was interested in the **state of play**. Finally, COM posed a question to the MA about the **REACT EU 2021 impact and the envisaged 2022 envelope** (i.e. if there is an intention for a top-up in 2022).

SIF explained that it wants to ensure there are no disruptions in deliveries of packages to POs for 2022. Procurements on food and hygiene packages have already been concluded. Others remain under negotiation. **SIF expects to conclude all the contracts by the beginning of January**. Whereas children's food and material packages procurement procedures were initially stopped due to inadequate proposals, they have been relaunched and it appears these will be concluded in time by 2022. Regarding the accompanying measures in Zemgale, **SIF explained that some social services did not conduct accompanying measures**. Nevertheless, in consultations with POs, they see that **end-recipients** were less interested in such measures during the pandemic. **Individualised procedures have not affected** significantly the **number of accompanying measures received**, even though the number of participants is lower compared to last year.

The MA **followed up on the issue of procurements**, explaining that it appears as if there will be **no disruptions in deliveries**. 2022 will start with a new round of delivery companies. On **REACT EU, a decision was made this year to adopt 9.3m EUR** with national co-financing (REACT EU 2021 and 2022). This **extra financing has allowed** the MA to include **hand sanitizers and Covid-19 masks** in the support packages. Additionally, **more persons are receiving support this year** (69 thousand persons in 2020 and 77 thousand persons Q1-Q3 2021). **REACT EU has also helped deal with the recent increases in the prices of food procurements**.

The **Latvian Red Cross** representative updated the participants on the PO's experience in 2021. It was **more difficult to implement programme this year due to Covid-19**, especially in Daugavpils, Latgale. It was impossible to avoid people from coming on a certain day and to avoid gatherings, as the target group requires support whenever necessary. **Queues persisted** throughout 2021 and the **number of pension-aged persons as the end-recipients increased significantly**. The **queues were particularly hard to handle in the winter time**, as the participants were not allowed to gather indoors. The Red Cross representative highlighted the usefulness of the inclusion of masks and hand sanitizers in the support packs. **All support boxes are now aesthetically formed**. Whereas the NGO had disposal issues with carton boxes being left behind some years ago, today the boxes are taken home by the recipients. Some pensioners come to the delivery points by taxis or expensive cars of friends, which has raised questions about their eligibility for the support. However, this speculation appears false, as these persons tend to have difficulties with mobility, which requires them to arrange less frequent trips to the distribution site (e.g. once every 6 months). **If someone is not able to pick up the packages in person, then the Red Cross delivers them to their home (at least 50 persons per month**

receive support at home). The representative then assured the participants that all packs will be distributed for the month of December and that the packs for January will be received by 22 December 2021. Red Cross has **no complaints about the delivery of packages from the distributors** in 2021. It has served around 1,000 visitors per month in the delivery points. Finally, the Red Cross representative presented a **separate project with NGOs and SIF**. The organisations have **informed 1,500 persons** (mostly Russian speaking) **about** the need for **vaccinations**. Around 10-15% of the informed persons have then received vaccinations. **Another health promotion measure** that is done together with a NGO is **making people aware about testing anonymously against Hepatitis C**. These are **not counted as accompanying measures**, but rather informative side measures.

4. Covid-19 impact on the implementation of FEAD measures and solutions found

Representative of FEAD Partner Organisation ‘The Association Integration Centre ‘Open Doors’’

Integration Centre ‘Atvērtās Durvis’’ started its operations in 2004 in order to help the disadvantaged persons in Kurzeme. Now, it **works with the Ventspils district social centre on FEAD**. Together with the Latvian Red Cross, there are **2 distribution points in Ventspils and 12 distribution points in Kurzeme**. Before Covid-19, accompanying measures were held in a social manner, which promoted persons from certain villages to discover other parts of Kurzeme. The pandemic has made such accompanying measures harder to implement. The data shows that **the NGO organised less accompanying measures in 2020**, when compared to 2019. Similarly, **less persons received support packages in 2020**. On the other hand, **more meals were distributed in soup kitchens** and the indicators show an **increase in distributed packs**, compared to 2019. This is likely explained because of **recipients taking out multiple packs at once**. Covid-19 **restrictions have required an increase in distancing and hygienic measures**. If before, many people could walk inside the distribution centre, then now only one household is allowed inside the centre. The ‘‘Atvērtās Durvis’’ representative then explained that provided **accompanying measures also involve other organisations, so that the recipients do not feel marginalised** due to receiving support from an EU-funded Programme. **In special cases, the NGO brings support packs to households of recipients.**

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

Ms A. Stratane, Senior Expert of FEAD Managing Authority

The MA presented the state of play in negotiations on the ESF+ Programme for Addressing Material Deprivation 2021-2027. It **appears that the financial allocation will be insufficient** until the end of 2027. However, the **MA has agreed with the Ministry of Finance** (the MA of the cohesion policy multi-fund Programme 2021-2027) **to conduct a mid-term review in 2024**. This will allow the MA to identify a need for further financing. Next steps for the negotiation are submission and acceptance of Partnership Agreement and then the submission and acceptance of the separate ESF+ Programme for Addressing Material Deprivation. National regulations need to be finalised for the ESF+ implementation 2021-2027.

COM does not consider that the proposed financing for 2021-2027 is appropriate, nor that the negotiations with Latvia are finalised. In addition, the CPR 2021-2027 has been adopted since the latest presented draft for the ex-FEAD Programme; so the draft Programme will need to be updated. COM will **share technical comments with the MA in the coming weeks.** Finally, the **COM inquired about envisioned synergies with other funds** for the next period.

The MA replied that the multi-fund and the ex-FEAD Programmes will be separate. On a positive note, FEAD recognition is rising in society. **Through the multi-fund measures, FEAD support is being recommended to end-recipients.** De-institutionalisation has strong links with FEAD. Persons with disabilities tend to receive information from ESF+ support measures about the available FEAD support. The **MA will await the COM comments** on the new draft.

PART II: Commission and the national authorities

6. Antifraud measures

Ms I. Latviete, Senior Expert of FEAD Managing Authority

The **Anti-fraud system works** the same way as before, **with the involvement of the MA, the intermediate body (IB), the certifying authority (CA) and the auditing authority (AA).** Same normative acts are followed for the mechanism. If there is a red flag signal, and there is a **high risk of fraud, then the case is automatically included in the register** of the risk assessment procedure. **Medium risk fraud cases are first examined** by the authorities and then added to the register, if needed. Additionally, a **permanent representative of the MA works within** the working group under AFCOS. The Ministry of Welfare and the **MA are also part of the “#Atrāpies” [“#FraudOff”] movement.** From a practical point of view, the MA is **interested in the finalisation of the red flag hand-book** which would provide the authorities involved in the control mechanism with useful guidance.

7. Audit findings

Representatives of FEAD AA (the Ministry of Finance) and SIF

The AA explained that **one monitoring and control system audit** was conducted **this year.** The AA considered previous findings and last year's suggestions in designing the audit. Overall, the **system is working well, with some improvements needed.** Following the creation of new instruments in response to Covid-19, notably the RRF, conflict of interest has been deemed as especially important to analyse. **All findings with a potential financial impact** (in total – 7,041.54 EUR) **are related to one distribution point** and the impact of the crisis situation. The financial implication are not significant in size. The **AA believes** that the **key focus areas for monitoring are public procurement, potential end-recipient fraud and the Covid-19 impact.**

SIF contacted the supplier Ltd “Sanitex” to point out the deficiency in delivery supporting documents. The **supplier has since included appropriate indications in the delivery notes.** **Regarding deficiencies in the documentation of the public procurement procedure, the IB (SIF) intends to provide explanations.** The **IB proposed actions** (such as drawing the attention of all POs to the AA findings in a separate meeting, deciding and recovering costs for cases of

non-compliance, and amending contracts with POs by updating the publicity conditions) **to deal with the preliminary findings of the AA.**

The MA added that it **plans to conduct a re-evaluation of risks** in light of the AA findings. It explained that **public databases of SIF and the MA are used for fraud analysis.** Moreover, the MA believes that the **PO capacity is important to monitor.** It has heard that in other MS, all data is collected in a digital manner. It **will thus pilot a new IT solution in the larger cities of Latvia,** which will require regular updates of the concerned end-recipients' certifications and the number of received packages. This IT solution is currently not feasible in rural areas, but after the pilot, it could be expanded across Latvia.

COM explained that the European Commission together with OLAF have raised the MS attention to the further **risks associated with the creation of new funds** to tackle the Covid-19 pandemic. COM praised the fact that this was reflected on by the AA. Moreover, COM remains interested in hearing about **the implementation progress of the proposed solutions by SIF and the MA.** Even though the total potential financial impact is not significant, some important issues have been identified. **COM inquired about the MA's intention to introduce food donations in the new programming period** and informed the MA that a recent guidance on SCOs in this area has been published. Finally, COM inquired about the status of the year's last expected interim payment claim.

The MA explained that the **interim payment claim has been certified and submission to COM is planned for Friday, 17 December 2021** (amount of 2,7m EUR). Regarding food donations, the MA has interviewed POs, and found that food donations in Latvia are very low in numbers and that they are rather irregular. Moreover, the costs for food donation are hard to identify. **At this point, the MA has therefore decided to not include food donations in the future ex-FEAD Programme,** but POs can nevertheless use food donations at their own initiative. **Latvia will use flat rates for TA** for the new Programme, but **no "off the shelf" SCOs,** which would only make sense in the case of food donations. The inclusion of food donations remains at the level of discussions with the POs and **is not ruled out indefinitely from the new Programme.**

FOLLOW-UP:

COM will follow-up with the MA on some of the discussed issues in the ARM and provide suggestions for adjustments of the draft ex-FEAD programme in the beginning of 2022. REACT EU 2022 allocations to be discussed at technical level between COM and MA.

Annexes: The participant list and the ARM presentations.