



EUROPEAN COMMISSION
Employment, Social Affairs and Inclusion DG

Social Affairs
Finland, Lithuania, Estonia, Latvia

**MINUTES OF THE ANNUAL REVIEW MEETING
CONCERNING THE LATVIAN FEAD OPERATIONAL PROGRAMME
(CCI 2014LV05FMOP001)
Riga, 28 November 2018**

Part 1 (Commission, national authorities and stakeholders)

1. Introduction

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

M.Guin (EC) appreciated the written answers received from the MA¹ on the FEAD implementation in Latvia and well-prepared visits to the POs –NGO "Charity mission Food for Life" in Riga and the Social service centre of Babite municipality.

2. Current situation with regard to poverty and severe material deprivation in Latvia and poverty reduction policy initiatives (*Presentation by E.Celmina, Director of Social inclusion policy department of Ministry of Welfare (MoW)*)

In 2016, 22.1% of Latvian population was **at a risk of poverty**. The at-risk-of-poverty threshold in the same year was EUR 330 for a single person per month. The share of persons with a **needy status** (5.2% - 2014; 3.2% - 2017) and **GMI recipients** (2.3% - 2014; 1.3% - 2017) is decreasing. However, the needy person (EUR 128.06) and GMI (EUR 49.80) levels remain unchanged. Latvia still has one of the highest rates of **severe material deprivation** in the EU, although the rates are decreasing (40.0% – 2015, 32.9% - 2016, 28.6% – 2017).

As for policy initiatives, the MoW referred to the Plan for Development of the **Minimum Income Support System 2019-2020**. The Plan was revised and resubmitted to the Government multiple times since 2014 (latest version submitted in May 2018), yet has not been adopted. Currently, the Plan is included in the next year's budget proposal, and awaits the Government decision. Among other changes (Annex 2), the Plan also suggests to increase the needy person income level to EUR 188. The municipalities have preliminarily agreed to the proposal.

The EC also pointed out that income inequality and poverty remain important challenges for Latvia, especially for people with disabilities, the elderly and unemployed. The EC also mentioned limited access to the adequate housing as an obstacle for social inclusion and labour mobility. The country specific recommendations of the Council of the EU over several years suggest improving the adequacy of the social safety net in Latvia, as the adequacy of pensions is low and unemployment benefits provide only a partial protection from poverty.

¹ Ares(2018)5825389 - 14/11/2018

3. Progress of the FEAD OP implementation since 2015, results of evaluation and survey, difficulties encountered, outlook on programme implementation 2019 – 2021. *(Presentation by Z.Kaljo, Senior Expert of FEAD Managing Authority, Ministry of Welfare)*

Implementation progress

The implementation of the programme is rather smooth. The distribution of all types of packages is on-going. Baby hygiene packages are in high demand, especially because they contain diapers, which is an expensive product. Demand for the school supply packages has slightly decreased. The region most in need of FEAD support is Latgale – the number of distributed aid packages in Latgale is almost three times bigger than in other regions. The number of homeless persons receiving FEAD support has increased due to the expansion of the FEAD soup kitchens network. **In 2017, 97% of all eligible persons for FEAD support received food support..**

Participation in **accompanying measures** has decreased (Table 2). In 2016, there were more resources available for POs and more volunteers, therefore measures offered were more versatile. The MA explains the decrease in the number of people participating in accompanying measures with a **change of the FEAD target group profile**. According to the POs observations, the share of the elderly (65+ years old), in particular single elderly, and jobless people in pre-retirement age is increasing among the FEAD recipients. These groups are not active in labour market and cannot significantly improve their financial situation. Therefore, they are rather passive.

Results of the structured survey of 2017

In March 2018, according to the requirements of FEAD Regulation, Latvia submitted the **structured survey** on the effectiveness of FEAD OP to the EC. 1440 persons participated (1135 packages' recipients and 305 meals' recipients).

The results indicate a high level of satisfaction with FEAD support (Annex 3). The survey has also shown a larger impact on decreasing the budgetary burden of the end recipients. The majority used saved resources for additional food supply (84%). The share of people who use saved resources for children extra-curriculum activities (9% - 2015; 16% - 2017) and free time activities (4% - 2016; 8% - 2017) is increasing. In the meantime, the share of people paying off debts is decreasing (14% - 2015; 5% - 2017).

The accompanying measures were attended by 12% of the survey respondents. The satisfaction level is higher among soup kitchens' clients – 81% found the measures very useful. The share of the same response among the aid packages' recipients was also high – 65%.

Latvia has performed surveys of FEAD recipients annually since 2015 (not required by the EU Regulations, but voluntarily). Therefore, dissatisfactions with food packages expressed by the target group were identified and addressed earlier. No significant changes in the FEAD support packages are foreseen at the moment. However, in 2019, the MA will evaluate the possibility to increase the nutritional balance of food packages by including peas and condensed milk.

Difficulties encountered and the outlook on programme implementation 2019 – 2021

The number of needy persons have decreased by 13,5% since the beginning of the OP implementation and continues to decrease (82 361 – 2015; 62 260 – 2017). The 2017 amendments of the eligibility threshold had a limited impact on the target group's size (~5%), due to the overall decrease of the number of persons with needy status. The MA informed about further measures to address the issue.

First of all, the MA developed a **new amendment proposal to raise the threshold to EUR 242**, which corresponds to the severe material deprivation index in 2017 (expected to come in force on 1 January 2019). After raising the existing income limit (EUR 188) up to EUR 242, the MA

estimates that **FEAD allocation will be completely absorbed by the end of 2021**. In particular, FEAD food support would be available fully and FEAD basic material assistance partially or fully until the end of 2021. Thus, the gradual transition to next ESF+ support to the most deprived in 2021-2027 would be ensured, if the next programming period starts on time.

Secondly, the MA decided to **extend the range of recipients of basic material assistance**, taking into account the expressed views in the 2017 Annual review meeting (01.12.2017) and FEAD stakeholders' meeting (06.06.2018), as well as the support received from the municipalities.

As a result of both measures, there will be:

- increased diversity of FEAD support per adult – up to 2018 adults had access only to the food support; starting from 2019 they will have access also to the hygiene and household items;
- increased support amount per person on average by EUR 22 or 33 % yearly (till 2018 – EUR 66, starting from 2019 – EUR 88);
- significantly increased number of end recipients of FEAD basic material assistance (till 2018 – only children, starting from 2019 – children and adults);
- the range of FEAD end recipients will increase indicatively up to 35,9 % in 2019. It is possible that the range of FEAD end recipients will increase indicatively also in 2020 and 2021. However, there may be legislative changes that can influence the number of FEAD end recipients.

The EC appreciated the efforts of the MA and all FEAD parties involved for searching solutions to address the needs of the most deprived people in Latvia and increase the coverage of FEAD support. The EC also clarified that the second structured survey, required by the EU FEAD Regulation Article 17 (2) in 2022, can be done also before 2022, given that the financial resources are likely to be spent by the end of 2021.

In reply to the EAPN-Latvia comments regarding the need to deliver packages to people's homes, especially for the elderly, the MA and the Red Cross representative replied that it is already being done once the end recipient request such service from the PO.

In reply to the LALGR's comment on the in-sufficient amount of food in baby packages, the MA replied that the majority of the recipients report that the food is sufficient for over one month. However, some recipients may not know how to use baby food properly and do not read the instructions, therefore use all the content in one week. The Red Cross representative stressed out that FEAD is a *support* measure and is not supposed to satisfy 100% of all the needs. Otherwise, the motivation to integrate into society would diminish.

4. Financial progress of the OP and the forecast for the remaining years, use of technical assistance *Ms L.Seisuma, Senior Expert of FEAD Certifying Authority*

The CA informed about the financial progress of the FEAD OP. Up to 30 September 2018, Latvia submitted EUR 14,95 million in payment claims to the EC, which is equal to 31 % (19 % - 2017) of the total FEAD allocation (Annex 4). In 2018, Latvia has declared to the Commission 80% of the amounts initially forecasted.

The CA is aware of the fact that the Technical Assistance (TA) share is currently exceeding 5% limit, which was discussed with the EC last year. The CA will even out the TA levels before the end of the programming period.

5. Results of the 2018 POs selection procedure and territorial coverage, implementation of accompanying measures, publicity and visibility measures, difficulties encountered

(Presented by E.Kleina, IB, Society Integration Fund)

Selection of partner organisations (PO) and territorial coverage

The IB presented the recent figures on the number of FEAD packages and hot meals distributed (Table 1 and Annex 5), and informed of the outcomes of the partner organisations selection procedure.

	Number of packages/meals distributed				Number of persons receiving aid			
	2015	2016	2017	2018 30/09	2015	2016	2017	2018 30/09
Food packages	285 362	353 926	322 571	234 216	68 876	61 497	60 482	60 382
Baby food packages	-	-	5 960	3 525	-	-	951	916
Household and hygiene items	49 920	55 130	49 493	31 128	25 675	19 657	18 196	16 050
Baby hygiene packages	-	-	4 461	2 990	-	-	1 359	1 424
School supplies	-	24 186	12 221	8 296	-	24 186	10 233	8 296
Meals (in soup kitchens)	2 205	204 900	307 170	243 000	32	2 428	4 482	4 326

Table 1. packages/meals distributed and number of people receiving aid

In February and March 2018, the IB signed contracts with 29 POs, including 13 municipalities and their bodies, 13 NGOs and 3 religious organisations. There were no significant changes in PO composition, 26 of them continue the work, and three POs are new – one NGO and two municipalities that have previously participated in FEAD activities in co-operation with the Latvian Red Cross. Currently there are 460 storage/distribution places (a decrease by 15) and 23 soup kitchens (an increase by 7 soup kitchens). POs cover all administrative territories of Latvia, except the territory of Tervete county (57 people were registered as the most deprived in September 2018). Nevertheless, Tervete Social service cooperates well with the existing POs in neighbouring regions.

Accompanying measures, incl. synergy with ESF

The **attendance** of the target group in accompanying activities is a difficult issue. The figures for 2018 are likely to be lower than in 2017 (Table 2). According to the IB, the situation could have been affected by several factors: decrease of the number of target group and changes in the socio-demographic profile of the end recipients, limited number of the topics offered, taking into account limited resources of PO, other activities/projects for the same target group financed by ESF and State Employment Agency.

The IB informed that every year it conducts a **survey of partner organisations**. In 2018 survey the IB included a question on the way POs get information about the interests of FEAD recipients before organising the accompanying measures. Majority of POs (54%) ask for feedback during the packages distribution, 22% conduct surveys, 23% - via individual conversation. The reported motivational factors of almost equal importance are suitable time and place (25%), provision of snacks, tea and coffee (20%), opportunity to use the items produced during the workshops (22%) and possibility to receive individual consultations (24%). Provision of childcare was also mentioned as a motivating factor (5%).

	2015	2016	2017	2018 30/09
Total number of accompanying measures, including:	950	1873	1217	823
Specialists' consultations (including individual consultations)	169	632	104	54
Nutrition and cooking	162	289	334	181
Practical life skills	124	262	194	136
Health promotion	185	281	255	173
Sports and free time activities	310	160	81	29
Employment opportunities	(other)	63	37	45
Budget planning, finances		39	12	21
Other activities (education possibilities, support and self -		147	127	59
Accompanying measures for families with children ²	-	-	73	125
The total number of participants	9604	10873	7960	4687

Table 2. Information on accompanying measures

Difficulties encountered and solutions found

Representatives of the target group, living further from the places of distribution, wanted to receive the packages for the whole period determined in the statement of status of a needy and low income household or being in crisis. Amendments to the Cabinet of Ministers Regulations No 727 accepted in March this year **made changes to the terms of package distribution frequency**, by allowing to receive all packages in parts or all at once.

Packages of **hygiene goods for small children** are divided into 4 age groups and they are received according to the child's age. However, the IB received information about some cases when a child was under 6 months old, yet the diapers in the package for his age group were too small. The **ongoing amendments** to the Cabinet Regulation No. 727 include changes in the distribution of FEAD packages, allowing parents to **choose a kit of a different age group**.

The **public procurement** for food suppliers is announced. In April 2019, the IB expects to sign contract with the supplier for the provision of food and material assistance. Some changes in the content of the food packages are also expected. The IB informed of measures, based on their previous experience, to ensure smooth transition to the new packages (order only the necessary amount, redistribute between nearby distribution points, if necessary), make sure that there are no gaps between the supply contracts, and POs are timely informed of the changes.

6. Discussion with partner organizations on their experience of the implementation of accompanying measures (Moderated by L. Grafa, Head of FEAD Managing Authority)

The discussion was initiated to exchange the best practices among POs with a particular focus on the accompanying measures, which has been repeatedly considered a difficult issue due to a decrease of accompanying measures organized by POs, lowering attendance rates and some audit findings in 2017. The POs reconfirmed the reasons for decreasing attendance listed by the MA.

Two POs presented their experience with FEAD implementation: Latvijas Pirmās palīdzības vienība (First Aid Unit) and Latvijas Sarkanā krusta viduslatvijas komiteja (Latvian Red Cross). The First Aid Unit (FAU) is a partner organization of the FEAD network since 2015, and manages 9 FEAD distribution points and a charity shop. The Latvian Red Cross (LRC) manages 27 distribution centres.

The LRC organizes accompanying measures every three months in each district, where FEAD packages are distributed. In the last nine months of 2018, 23 accompanying measures (events/individual consultations) were organized, and attended by at least 150 participants. In 2017, 22% of those who received FEAD support attended accompanying measures organized by the FAU (monthly 27 persons; total 194).

Both POs gather feedback of the end recipients to adjust the events to their interests. The FAU focuses their accompanying measures mostly on practical skills. The LRC regards individual consultations (on budget, finance (loans), job search, psychological support) as the most efficient measures to accelerate resocialization.

The AA recalled the audit findings, when no evidence was gathered from on-the-spot visits of accompanying measures in 2017 and conclusion of system audit of 2018 on effectiveness of MA verifications showing the same problem. Therefore, the AA could not provide an opinion on the practical usefulness of such control activities. However, the AA agreed that promotion of social inclusion activities for the FEAD target audience is important.

The LRC representative stressed that the mission of the fund should be kept in mind, i.e. to provide a temporarily aid for those in need while promoting their social inclusion. The main task of the FEAD is to support reintegration of those members of society who are willing to do it and seek for help. Therefore, the content of the accompanying measures should correspond to that task. The POs should keep a balance between events with a socializing purpose only and events that deliver educational, practical information and provide psychological support.

In reply to the LALRG enquiry, whether those who do not hold a needy person's status could attend accompanying measures, the MA explained that the primary audience of accompanying measures is the FEAD target group. However, it does not exclude other members of society to attend the events. Moreover, the LALRD are welcome to organize additional measures for the FEAD target group in cooperation with the local PO. The MA advised to contact the local municipality for more information.

The EC appreciated the POs presentations on the FEAD implementation in their regions and encouraged POs to organize also cross-border exchanges of best practices. The EC also informed that two Latvian examples of accompanying measures will be included in the catalogue of best FEAD practices at EU level, to be published by the end of the year.

7. ESF+ Regulation 2021-2027 (Presented by M. Guin, EC)

M. Guin presented the Commission's proposal for ESF+ Regulation, the aim of the fund, its structure and principles, specific objectives, thematic concentration, eligibility of expenditure for ex-FEAD actions, simplifications of indicators, audit trail and reporting (Annex 6).

The EC encouraged the MA to engage with the stakeholders to discuss at national level the best approach for Latvia: to have a separate programme for the ex-FEAD type of actions or to combine a programme with the rest of the ESF+.

8. Discussion about the FEAD future with stakeholders and partner organisations

The MA informed that the discussions are already initiated at national level. The MA invited the Ministry of Finance (managing authority for Cohesion policy funds) to set up a meeting to discuss the ESF+ Regulation. The MA expressed an opinion that given the opportunity to choose between two options, either to manage the ex-FEAD programme as a part of ESF+ or as a separate

programme, the MA (in consultation with the other stakeholders) is rather in favour to continue managing the ex-FEAD as a separate programme.

The MA outlined its vision for the goals and basic principles for the 2021-2027 programming period (Annex 6) and invited the stakeholders to share their opinion.

The MA indicated that it is important to maintain the principle of partial support instead of full provision. To stimulate the discussion, the MA presented several options for:

- definition of eligible target group (needy persons (status quo), low income households with income threshold in absolute numbers, or low income households with a threshold defined based on statistical evidence);
- type and scope of support (with/without means tests, same support for all recipients or special types of support for certain groups, i.e. babies, school age children, elderly)
- provision of direct (status quo) vs indirect (vouchers) support.

The LRC stressed high fraud risk in case of indirect support via vouchers. The MA clarified that vouchers may be used also for a small group or a targeted product, i.e. baby diapers. However, the MA also highlighted the risks of lower quality products and less balanced support in case vouchers will be used.

The EC emphasized that there is no need to change the whole intervention logic if in case of Latvia direct support works better and ensures contact with people for additional social inclusion measures.

The MA asked the EC to clarify the interpretation of the voucher's definition in the ESF+ Regulation.

Various stakeholders found it difficult to arrive to any conclusions before the financial allocation for the programme is defined. The EC explained that the ESF+ Regulation proposal defines a minimum allocation of 2% of ESF+ resources for ex-FEAD type of actions. However, this is also a subject of negotiations by the EU legislators.

Part 2 (Commission and national authorities)

9. Audit findings and potential risks. *Presented by N.Lasmane, EU fund Audit Department, the Audit Authority*

The AA stressed that due to the FEAD delivery scheme design in Latvia, the audits of operations represent a major challenge for the AA. An additional challenge is due to the fact that the national FEAD rules suggest that flat rates are paid to the POs based on the amount of packages *distributed* to the end recipients, not the amount of purchased goods as indicated in the FEAD Regulation (i.e. the packages *delivered* to the POs). The AA informed that in October 2018 it was agreed with the EC auditors that the burden of verifications of distributed packages will be reduced to recalculation of the flat rate during audits of operations and by checking the delivery to the distribution point, not to the end recipient.

The design of the FEAD scheme has an impact on the number of staff members required to audit the FEAD OP. Instead of 0.8 staff units envisioned for the programme, in 2017 the AA had to engage 1.8 staff units in auditing FEAD, and during ten months of 2018 – 1.6 staff units. The AA also added that despite the FEAD OP is considered a comparatively small programme, the verifications needed for the implementation of the audit requirements are almost the same as for the ESIF programme. These challenges should also be taken into account in the planning of ESF+ and ex-FEAD actions and for formulating audit requirements for the next programming period.

Regarding the implementation of accompanying measures, the AA informed that a risk of non-existence of accompanying measures is still present. The AA and MA (as concluded during the last system audit) attempts of on-the-spot verifications of the announced accompanying measures failed in 2017. The AA acknowledged that in the course of audit missions some misunderstandings occurred regarding the place and time of accompanying measures. This year, the AA is considering to use as the evidence of accompanying measures the information presented during the ARM, as well as information available on POs' web pages. However, the AA still does not have a clear understanding, whether this is acceptable by the EC. It is to be clarified with the EC auditors.

The MA has reconfirmed that the verifications on accompanying measures are also performed by the MA, the IB and the CA. MA have had numerous possibilities to verify that the accompanying measures are taking place and according to the schedule. The EC informed that on 28 November 2018, when the EC, the MA and the IB visited two partner organizations, in one of them a workshop was on-going as a part of accompanying measures.

Among other high-risk areas, the AA noted public procurements and possible fraud of end-recipients (Annex 7). Regarding the audit visits to distribution centres, the AA informed that this year it will limit visits to distribution centres due to satisfactory audit results of the last three years, when no significant discrepancies were found concerning the packages received and distributed. There are audit findings in the monitoring and control system without financial impact, and the monitoring system is improved regularly (Annex 7).

The AA enquired regarding the remuneration and reporting on the technical assistance. Currently the AA proposed to use a flat rate instead of monthly reports on 0,8 staff units, which is time consuming and inefficient. The EC agreed to follow up this question after the meeting.

FOLLOW UP:

- Further developments on amending the threshold for a needy person status at the national level.
- The impact of the legislative changes and the OP amendment on the size of the FEAD target group.
- Results of the public procurement in 2019, and possible further improvements of the packages based on the survey results and provision of hygiene/household goods to all FEAD recipient groups (not only to families with children).
- Further developments of discussions on the future of FEAD (separate OP or integrated actions).
- Synergies with ESF measures (motivational programmes and health promotion measures). Verify if FEAD recipients receive sufficient information on ESF measures via next surveys.
- Clarify the definition and application of vouchers in ESF+ for ex-FEAD actions, and the use of flat rate for the technical assistance (EC).

Annexes: The participant list and ARM presentations