



Is the Management of Reclamation Systems Sustainable and Effective?

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Audit Report

Is the Management of Reclamation Systems Sustainable and Effective?

Compliance/ Performance Audit “Is the Management of Reclamation Systems Sustainable and Effective?”

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Dear Reader,

Taking into account the climatic conditions of Latvia, the functioning of land reclamation systems is vital for our economy because it affects not only the productivity of agricultural land, the quality of forestry land but also the transport infrastructure and the security of built-up areas, including residential areas. The total length of land reclamation systems in Latvia is similar to the total length of motorways, and a fragmented ownership structure characterises it. While farmers generally have a professional understanding of land reclamation systems, the public usually finds out about the operation of those systems when problems occur and when floods occur due to, for example, heavy rains or untended ditches. Under the influence of climate change, the significance of land reclamation systems is increasing, but a different understanding of the landowners about the necessity to maintain land reclamation systems, attitude, and financial capabilities have deteriorated the land reclamation system in the country.

The State Audit Office has completed the audit on the sustainability of the management of land reclamation systems and drafted an audit report.

The Ministry of Agriculture is the leading responsible authority for the land reclamation systems in the country; whereas the maintenance and renovation of the state-owned land reclamation systems have been delegated to the state-owned limited liability company “*Zemkopības ministrijas nekustamie īpašumi*”. In general, this system involves many public authorities and local and regional governments.

The State Audit Office assessed both the activities of the Ministry of Agriculture in the development and supervision of amelioration policy and the actions of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd in the use of financing allocated by the government and European Union funds during the audit.

We have concluded that one has neglected the land reclamation for a long time in the country, the responsible state institutions do not possess extensive and reliable information on the condition of the land

reclamation systems, and there is no vision on the development of land reclamation in the future. One distributes the funding from the state budget and the European Union in a non-transparent manner; one does not always know the real costs of maintenance work. Moreover, the grants from the state budget envisaged for land reclamation are used to finance another line of activities of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd, thus affecting the profit indicator as well. Such management cannot achieve the best possible results with the public funds allocated, which are not sufficient to cover all the needs for restoration and maintenance but are significant at the same time (above 15 million euros per year). Such management does not ensure the fairest possible treatment of all owners affected by land reclamation systems. Rather, it focuses on maintaining the *status quo* of the enterprise. Given a large number of institutions and individuals involved in maintaining land reclamation systems and the planned decentralisation of supervision by entrusting it to local and regional governments, there is a growing need for extensive and up-to-date information using modern technology and for proficient coordination that would provide cooperation among the institutions involved.

We hope that the Ministry of Agriculture will not postpone the implementation of the audit recommendations to streamline land reclamation systems in the country.

We would like to thank the Ministry of Agriculture, state-owned Ministry of Agriculture real estate” Ltd, the Rural Support Service, and the Certification Centre for Hydro-Reclamation Construction Specialists, local and regional governments that provided their opinion and participated in the survey, and the Latvian Association of Local and Regional Governments for their cooperation in the audit.

Respectfully yours,
Ms Inga Vilka
Department Director



Summary

Motivation

Land reclamation systems not only increase the value of land as a productive resource and contribute to the development of agriculture and forestry but also improve the habitat environment of the population and affect infrastructure (roads, streets, etc.). At the same time, land reclamation systems have mixed effects on environmental aspects such as biodiversity and hydrological regime of water bodies.

The origins of land reclamation in Latvia date back to the late 18th century. In 1919, shortly after the establishment of an independent state, the Land Reclamation Board was founded which planned and managed land reclamation systems within the framework of agrarian reform, including large-scale studies in the areas with insufficient run-off for new farms to further reclaim their land and cultivate. One set rules also for state allowances for land reclamation and the rules on what works one could carry out from public funds¹.

Most of the existing land reclamation systems were built from the 60s to the 90s of the 20th century and adapted to the economic model of the time based on centralised planning and collective farms. Significant resources were allocated for land reclamation; for example, there was the Ministry of Land Reclamation and Water Management, with almost 20 thousand employees in this governmental agency in Latvia².

After the restoration of Latvia's independence, only a small part of land reclamation systems was recognised as a state-owned land reclamation systems, but most (about 70%) of the systems were transferred to landowners by vesting legal responsibility in them for the operation and maintenance of the systems. Technically unified infrastructure turned into fragmented infrastructure in terms of ownership because it was state-owned, managed by various state institutions, possessed by local and regional governments, as well as belonging to many private owners both legal entities and individuals. Differing perceptions of the landowners regarding the need for maintaining the land reclamation systems and funding opportunities have deteriorated the condition of land reclamation systems.

All land reclamation systems are very valuable assets, and, according to estimates of the Latvian Hydrologist Association, their total value constitutes at least 7 billion euros³.

Given the processes caused by climate change, precipitation has increased over the last 50 years, and one expects that the precipitation and the number of days with heavy and very heavy precipitation will increase⁴ in the future. The transformation of agricultural land into built-up areas also increases the risk of flooding, which means that land reclamation systems are becoming increasingly important and must be able to perform their functions to an even greater extent than before. Failure to maintain the built land reclamation systems will aggravate the situation in agriculture and forestry, and the impact of floods on infrastructure and populated areas will also increase. Therefore, we must be aware that we risk reaching a critical point when we may lose significant assets of the land reclamation system and be forced to build them again.

The rains in 2017 and the subsequent floods raised the issue of the condition of land reclamation systems, including their prolonged non-renewal and maintenance. The floods caused damage to the population and

infrastructure of the affected areas, as well as to farmers and foresters. The losses to state and municipal infrastructure and to the agricultural sector exceeded 380 million euros⁵. The losses incurred by farmers were partially offset by allocating 22.8 million euros to farmers from the state budget and European Union funds, while 17.7 million euros were allocated from the EU Solidarity Fund⁶ for the restoration of land reclamation systems, roads, bridges, and railways.

Regular renovation and maintenance of land reclamation systems require financial resources. Since 2007, more than 230 million euros⁷ has been invested in the maintenance and renovation of land reclamation systems from various sources of public finance (state budget funds, European Union funds, etc.).

There are many institutions from different sectors involved in land reclamation, and there is a need for coordination of the operation of those institutions. The Ministry of Agriculture⁸ of the Republic of Latvia (hereinafter - the Ministry of Agriculture) is the policymaker of land reclamation in the country. Therefore, the audit only assesses actions taken by the Ministry of Agriculture within its mandate. During the audit, we assessed whether one managed land reclamation systems in a manner that facilitated the regulation of soil moisture and flood protection and inquired whether:

- The activities of the Ministry of Agriculture in the development, implementation, and monitoring of land reclamation policy were sufficient to promote effective management of land reclamation systems;
- The effective operation, maintenance, and monitoring of land reclamation systems were provided in accordance with the law;
- Sustainable financing for the operation and maintenance of the state-owned and federal land reclamation systems was ensured, and public funding for the management of the land reclamation systems was allocated in a targeted manner, in a reasonable amount, and spent usefully.

Main Conclusions

The approach to managing land reclamation infrastructure, fragmented in terms of ownership, following the restoration of Latvia's independence is unsustainable and ineffective and contributes to the degradation of non-renovated land reclamation systems. The problem of wetlands, extinct forest stands, flooded houses, washed-away roads will only get worse, especially because of climate change. The fact that sustainable management of reclaimed land and maintenance of state-owned land reclamation systems is one of the priorities of the Ministry of Agriculture has also failed to streamline the domain.

One has not identified the condition of land reclamation systems in the country for a long time, long-term and short-term plans are missing, and no one has assessed the suitability of the existing land reclamation system built during the Soviet times for modern farming methods and climate change. The vast majority, more than 70%, of state-owned land reclamation systems have not been renovated for at least 30 years due to lack of funding, and maintenance work is also inadequate. Besides, those neglected land reclamation systems are maintained much less frequently than “new” land reclamation systems, while no information at all is available on the condition of land reclamation systems owned by local and regional governments and other owners. It results in remembering about the condition of land reclamation systems only when the consequences have already occurred, the areas have been flooded, and one must mobilise the resources for remediation and for indemnifying the losses caused.

Renovation of land reclamation systems depends on the financing of the European Union funds, and that external financing also influences the scale of maintenance of state-owned land reclamation systems. Thus, the sustainability of the maintenance of land reclamation systems after the end of the programming period of the European Union funds is endangered.

There is still no national policy on land reclamation, including no prioritisation and no relevant information publicly available such as a plan to restore state-owned and federal land reclamation systems. This prevents other owners of land reclamation systems from planning their work rationally. The lack of plans has not prevented investment of more than 230 million euros in the renovation and maintenance of land reclamation systems from the European Union funds and state budget funds since 2007. Without defining the fund allocation principles in public policy, there is a possibility to justify the investment of available funds in almost any state-owned land reclamation system and to decide on the renovation of a particular land reclamation system in the interest of its stakeholders. In addition, one cannot assess the effectiveness of investments made without clear objectives and a serious plan at all.

In order to plan the future development of the system wisely, the Ministry of Agriculture cannot avoid solving the issue of monitoring of land reclamation systems by including not only sanctions, but also regular situational awareness, education of many landowners, and coordination of institutions involved. At present, neither the Ministry of Agriculture nor state-owned limited liability company “*Zemkopības ministrijas nekustamie īpašumi*”⁹ provides it.

! Up-to-date, extensive, and accurate information on land reclamation systems and their condition is not available to the public or policymakers

Making informed decisions requires up-to-date, extensive, and accurate information. Therefore, the Land Reclamation Cadastre Information System is a significant source of information on land reclamation systems (hereinafter referred to as the Land Reclamation Cadastre). It is a topical, systematic, digital single database of all the land reclamation systems located in the territory of the country according to the law¹⁰ that includes information on the qualitative and quantitative condition of a land reclamation system (including information on technical condition), system status, and other data. Although the Land Reclamation Cadastre is intended to be a single database of all land reclamation systems in the country, it actually contains information mainly on reclaimed agricultural land and is also “ordered” by using technical documentation of “Soviet time”. However, information on land reclamation in forest areas, populated areas, and the areas of gardening societies are either incomplete or not available at all.

The last comprehensive inventory of land reclamation systems on agricultural and forestlands was carried out thirty years ago and has since been carried out on a small scale, for example by planning the renovation of land reclamation systems. According to the Ministry of Agriculture, one of the solutions for the renewal of Land Reclamation Cadastre is the renovation projects of reclamation systems, after whose completion one also updates the information in the Land Reclamation Cadastre. For example, one has renovated only 5.6% of the total length of watercourses during the programming period 2007-2013 of the European Union funds, so it does not address the issue in full. The findings of the audit show that even after the implementation of renovation projects of land reclamation systems and maintenance works, the information included in the Land Reclamation Cadastre differs from the situation in nature. As a result, up-to-date, extensive, and accurate information on all land reclamation systems, including their existence, condition, and dynamics, is not available, which, according to the auditors, not only affects thought-out decision-making but also poses a risk to the preservation of land reclamation systems not included in the Land Reclamation Cadastre.

The audit found that there was insufficient research regarding land reclamation. Although the Ministry of Agriculture has initiated various studies (impact assessment of land reclamation in populated areas, agricultural land, and forestland, etc.), one has not conducted them yet. Nobody has assessed how much the existing land reclamation systems meet modern needs at all, including the changes in farming practices and methods, land use objectives, and climate change. In addition, one should also take into consideration the contradictory views on the impact vector of land reclamation systems on the hydrological regime and biodiversity.

! Management of land reclamation systems lacks clear policy goals and deliverables. Renovation of state-owned and federal land reclamation systems in the conditions of insufficient funding misses a plan and priorities

The goals and objectives set in the national development planning documents are consistent with the Sustainable Development Goals of the United Nations (UN) inter alia improving land and soil quality,

increasing productivity and production, adapting to climate change, reducing the direct economic losses of natural disasters. However, channelling the goals down to their implementers “breaks” at the level of the Ministry of Agriculture. Drafting¹¹ a policy for the governance of forest and agricultural land resources (including land reclamation) is one of the functions of the Ministry of Agriculture, but it has not drafted a development-planning document for land reclamation yet.

The performance indicators of land reclamation, which are performance indicators by their very nature, are defined only in the context of budget planning and related to the maintenance of state-owned and federal land reclamation systems and the Land Reclamation Cadastre. Thus, they do not direct towards the area of land reclamation as a whole. The indicators set do not reflect the benefit to the public of using the state budget funds to achieve those indicators. Internal audit in the Ministry of Agriculture has pointed to deficiencies in the definition of performance indicators related to land reclamation, but it has still not made significant improvements.

State-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd¹² maintains and operates state-owned and federal land reclamation systems. It manages 1,589 watercourses of 13,808 kilometres, 97 polder protection dams of 422 kilometres, and other elements of the land reclamation system. The prolonged financing gap for the renovation and maintenance of land reclamation systems has contributed to the deterioration of land reclamation systems. Prior to the commencement of investments during the programming period 2014-2020 of the European Union funds, more than 70% of federal watercourses had not been renovated for 30 years or longer. There are 80 million euros available for the renovation of state-owned and federal land reclamation systems during the programming period 2014-2020 of the European Union funds, whereas more than 30 million euros were allocated for the programming period 2007-2013. The available funding is not sufficient for the rehabilitation of all land reclamation systems that have not been renovated for a long time and are in poor condition. In such a situation, prioritising and developing criteria for targeted planning for the renovation of land reclamation systems are crucial. In addition, one must act in such a manner as to ensure equal and fair treatment of the population of the areas affected by the land reclamation systems and of the owners of agricultural land and forestland.

Neither the Ministry of Agriculture nor state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd has developed a plan for the renovation of land reclamation systems that would evaluate and prioritise all state-owned and federal land reclamation systems. One divides the number of renovation projects of land reclamation systems among the regional units of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd depending on the situation in the unit (workload of employees, phase of projects under implementation, and availability of funding) rather than a comprehensive assessment of the condition and the needs of land reclamation systems. Project specification, that is, the selection of land reclamation systems for rehabilitation work, takes place at the level of regional units and sectors and is non-transparent. Information on the selection process and its results are not available to the public, which prevents landowners from planning and implementing the renovation or reconstruction of related land reclamation systems in a timely manner. One has not assessed the criteria provided for in the internal regulations for all land reclamation systems, as one assesses the criteria only for those land reclamation systems whose renovation has already been decided, thus turning the assessment of criteria into a formal process. Such an approach allows for the subjective selection of projects and increases the probability of a decision on the renovation of a particular land reclamation system being taken in the interest of the stakeholders involved in its rehabilitation. Thus, there is no confidence that land reclamation systems pushed onward for the EU support are indeed selected in the first order and that the renovation of the specific land reclamation systems is the best option.

The State Audit Office judges that the Ministry of Agriculture and state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd should make the planning process of renovation of land reclamation systems more transparent by also estimating the necessity of criteria assessment.

! Maintenance of state-owned and federal land reclamation systems depends on the amount of available funding, does not comply with the laws and regulations, and also lacks any plan and priorities

One finances the maintenance of state-owned and federal land reclamation systems from the state budget¹³, and despite the funding increase in general in recent years, one has maintained only about one-tenth of the total length of watercourses and one-fourth of the length of protective dams in 2019. Although one must plan the maintenance work of land reclamation systems in compliance with the requirements stipulated in the law¹⁴ for the use, maintenance, and preservation of land reclamation systems, one determines the actual amount of work according to the amount of available financing instead of the need for maintenance work.

It follows from the internal regulations¹⁵ of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd that one shall prioritise the preservation of deteriorated land reclamation systems with progressive damage, for which one has given the highest score during the assessment of criteria. However, one maintains the renovated land reclamation systems in particular, which are in good or satisfactory condition, in order to meet the requirements of the European Union for the maintenance of land reclamation systems. For example, between 2017 and 2019, 73% of the watercourses maintained had been renovated in the last ten years. This approach also facilitates achievement of easier performance indicator, id est, length of maintained watercourses (km) because the maintenance of the renovated watercourse is up to 35% cheaper than maintaining non-renovated land reclamation systems. In addition, planning of the maintenance work on newly renovated and well-reconditioned land reclamation systems primarily reduces the opportunity to expect anyone to maintain long-neglected land reclamation systems.

Like in the case of renovation of land reclamation systems, the planning of maintenance work is not transparent either because the established criteria and the score received during the assessment do not play a significant role in the decision-making. One performs maintenance on land reclamation systems with minimal or incorrectly determined score and even those with no score determined at all. Fixed. The annual schedule for the maintenance of land reclamation systems also includes land reclamation systems that do not meet the priorities and criteria set forth in the internal regulations¹⁶. The State Audit Office thinks that one cannot consider such an approach as good practice because the existence of land reclamation systems and their proper maintenance or renovation are a precondition for higher yield of agricultural land and increase of forest value, as well as the extension of the working season¹⁷. Therefore, in order to ensure equal and fair treatment of landowners and that any landowner could expect that, subject to certain criteria, the state-owned and federal land reclamation system affecting agricultural and forestland, as well as the populated areas, would be maintained or renovated, the decision-making on the maintenance or renovation of land reclamation systems should be transparent, and the decisions should be publicly available themselves.

! The accounting of the expenses for maintenance of the state-owned and federal land reclamation systems and of the Land Reclamation Cadastre is not accurate

One finances the operation and maintenance of state-owned and federal land reclamation systems from the state budget¹⁸, and the financing for the maintenance of land reclamation systems and of the Land Reclamation Cadastre reached 4.1 million euros in 2019. Albeit one used the funding granted to cover the costs of maintaining land reclamation systems mainly, at least 12,223 euros¹⁹ of the state budget funds allocated for the maintenance of land reclamation systems and the Land Reclamation Cadastre have been used for other activities of the enterprise such as the activity related to the management of the real estate. In addition, one also detected the payments of 23,702 euros to the Board of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd not stipulated in the law²⁰. In general, almost half²¹ of the cost of maintaining land reclamation systems is the cost of administering the land reclamation work, including every seventh euro²² that is spent to remunerate the Board of the enterprise.

State-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd does not provide an accurate accounting of maintenance costs of land reclamation systems at the level of measures, because one allocates the expenses to the measures according to historical proportions that are at least 10 years old, about which no information regarding the conditions for determination and assumptions is available. It is therefore not possible to ascertain the actual cost of every measure, for instance, the maintenance of watercourses.

The funding available for management expenses of the projects funded from the European Union also influences the expenses for the maintenance of land reclamation systems and the Land Reclamation Cadastre in a current year. One spends that funding to finance the salaries of staff involved in the implementation of the projects. For example, every third euro spent on land reclamation specialists and administrative staff is paid from the funding available for project management from the European Union in 2018. Such practice endangers the continued maintenance of land reclamation systems in the future or does not ensure the sustainability of land reclamation systems. In the event of a disruption in the implementation of projects funded by European Union, one will need to find additional annual funding of almost 800,000 euros from the state budget or to decide upon other corrective actions such as reducing staff by one third or reducing the scope of maintenance work on land reclamation systems significantly.

The funds allocated for the maintenance of land reclamation systems and the Land Reclamation Cadastre are also used to finance the drafting of ERDF project applications by affecting the amount of maintenance work on land reclamation systems. For example, if one had not spent 79,000 euros to finance the drafting of the project applications in 2017, one could have carried out the maintenance work on approximately 90 kilometres²³ of watercourses or could have performed 7% more work.

Determining and reporting on the costs of implementing a specific measure is not only the formal accumulation of indicators but also a tool for making economically sound decisions in the future, therefore improving the planning of the actual costs of the measures for maintaining the land reclamation systems and the Land Reclamation Cadastre and determination of actual execution.

! Calculation of funding required for the maintenance of renovated land reclamation systems includes incorrect assumptions and untraceable cost calculation

The state budget funding for the maintenance of land reclamation systems increases every year, assuming in the calculation that one will carry out the maintenance work in all renovated land reclamation systems once a year. As a result, one-third of the funding allocated for this purpose (833,000 euros)²⁴ has been used to maintain other land reclamation systems. Not disputing the fact that maintenance work must be carried out on the land reclamation systems whereto the funding is channelled, but this funding is not used in a transparent manner given the overall practice in planning that maintenance work.

The audit found several indications that one had not determined a justified amount of the cost of carrying out the maintenance work per one kilometre. Since 2016, those costs have not changed, although the total scale of the maintenance of land reclamation systems has almost doubled, average maintenance costs and monthly salaries of employees have increased, etc.

The above shows that the calculations of the financing required for the maintenance of land reclamation systems so far have not relied on reasonably determining costs and assumptions and therefore, must be improved.

! Shared land reclamation systems of municipal significance is a step towards the arrangement of shared land reclamation systems, which is not taken without additional funding

With the Amendments to the Land Reclamation Law²⁵ taking effect, one can assign the status of the land reclamation system of municipal significance to shared systems that affect the hydro regime in the territory of local or regional government significantly from the beginning of 2015. There are 42 local and regional governments applied this possibility so far by determining the status of a shared land reclamation system of municipal significance to 431 watercourses of 633 kilometres. Granting of status is one of the solutions for the arrangement of shared land reclamation systems if the landowners cannot agree on the arrangement thereof. Simultaneously with the determination of new status, one solved the issue of the availability of the European Union funds for the renovation of shared land reclamation systems of municipal significance. The audit established that the availability of funding was a key prerequisite for the determination of that status. It indicates that, at least for the time being, the streamlining of land reclamation systems of municipal significance is viable only if funding is provided to renovate them.

The law²⁶ stipulates that the local or regional government may engage in the maintenance and renovation of the land reclamation system after determining the status of a shared land reclamation system of municipal significance, but the landowners shall cover the cost of those works in certain cases. However, the audit findings prove that the rule of requiring the landowner or legal possessor to cover the cost of the work carried out on the land reclamation system does not actually work due to complicated administration. Instead, the local and regional governments use the opportunity to implement such projects for the rehabilitation of land reclamation systems whose costs they are entitled to bear according to the law²⁷.

The Interinstitutional Working Group has initiated the changes that make the defrayment of expenses more flexible and capable of addressing the administrative issue related thereto. At the same time, this could further increase inequality among landowners, as only a small proportion (1.5% of the total length) of the shared systems have a relevant status and the resulting opportunities for arranging the land reclamation systems. Given that the improvement of land reclamation systems has a positive impact on the quality of life of the population, increases the value of the real estate, promotes agricultural and forestry activities, the landowners, who have already obtained renovated land reclamation system operating pursuant to the requirements without their financial participation due to the status of a shared land reclamation system of municipal significance, will be able to receive the support of local or regional government also for maintenance of shared land reclamation systems after the changes to the procedure of defrayment of expenses. Therefore, in the opinion of the State Audit Office, one should consider the intention to expand the possibilities of local and regional governments to cover the costs of maintenance or renovation of shared land reclamation systems of municipal significance in the context of ensuring equal treatment of all residents of that local or regional government.

! Supervision of the operation and maintenance of land reclamation systems is a long-standing, unresolved issue without a clear vision for the future

The audit established that there was no comprehensive supervision of land reclamation systems in the country. Neither the Land Reclamation Law nor other laws and regulations explained what the supervision of land reclamation systems was all in all and what actions state and municipal institutions mentioned in the Land Reclamation Law should make for supervision. Over the past ten years, the supervision of land reclamation systems has been largely manifested itself in a narrow way as reliance on the Administrative Violations Code and the mandate of the administering public authorities involved (mainly the Rural Support Service) and local and regional governments. After evaluating the existing supervision practice and its effectiveness, the Ministry of Agriculture has concluded that municipal officials could provide supervision in land reclamation most efficiently. The audit found that the Ministry of Agriculture has not sufficiently assessed the current situation. Local and regional governments have a different understanding of the implementation of supervision and control of land reclamation systems; they have neither sufficient competence nor resources, including financial resources.

In order to ensure the involvement of municipal officials, one has amended the Land Reclamation Law, which will take effect simultaneously with the Law on Administrative Responsibility. The amendments stipulate that an official of the municipal construction board and a municipal environmental control officer will execute the infringement process for pollution, letting to overgrow of land reclamation systems and other infringements. The State Audit Office assesses that the new approach will not solve the problems existing in the supervision of land reclamation systems, as it will still be focused on punishing, will not be comprehensive and a common approach-driven.

By increasing the role of local and regional governments in the supervision of land reclamation systems, the Ministry of Agriculture will have to solve the issues of the supervision of systems whose operation involves and interests several local and regional governments and to provide a single approach in all local and regional governments because all land reclamation systems are interconnected and form a single whole regardless of their type and ownership. Therefore, the auditors are of the opinion that the Ministry of Agriculture needs to ensure coordination of the activities of the institutions and local and regional

governments involved in the supervision by properly assessing reorganisation of state-owned “Zemkopības ministrijas nekustamie īpašumi” Ltd (by assessing legal status, mandate, financing, reporting, organisational structure, etc.) in order to strengthen supervision.

Major Recommendations

Following the findings of the compliance/ performance audit and the conclusions of the auditors, there are 17 recommendations made whose implementation will safeguard that:

- The public will have access to up-to-date, extensive, accurate, comprehensible, and easy-to-use information on land reclamation systems and their condition;
- Local and regional governments, landowners, and other stakeholders will have access to complete and understandable information on the renovation and maintenance work planned for the state-owned and federal land reclamation systems, thus
 - Enabling rational planning of their work;
 - Making operation of operators of state-owned and federal land reclamation systems more transparent and responsible;
- Investments in state-owned and federal land reclamation systems will be based on the public needs and requirements and will be as effective as possible;
- Land reclamation policy will be sustainable and quality data-based and will ensure effective and targeted management of all existing land reclamation systems in the country;
- Regular monitoring, assessment, and damage prevention of land reclamation systems will be secured within the framework of the supervision of land reclamation systems;
- Funding for the maintenance of state-owned and federal land reclamation systems will be provided in a targeted and reasonable manner, and control over the effective execution of financial and performance indicators will be improved.

¹ Agrarian reform in Latvia (1930): http://www.periodika.lv/periodika2-viewer/view/index-dev.html#panel:ppissue:/g_001_0302013962|article:DIVL17|issueType:undefined, viewed on 28 January 2020.

² “So that national treasure does not sink into the swamp” (*Lai nacionālā bagātība nenogrimst dūkstīs*), available at <https://www.vestnesis.lv/ta/id/68565>, viewed on 28 January 2020.

³ Draft Informative Report VSS-652 “On Priority Action in Land Reclamation Policy” (promulgated at the meeting of state secretaries of 4 July 2019), available at <http://tap.mk.gov.lv/lv/mk/tap/?pid=40475156>, viewed on 5 November 2019.

⁴ Latvia’s Adaptation Plan to Climate Change for the Period until 2030 (approved by Cabinet Order No 380 of 17 July 2019 (Minutes No 33 §74)), p. 12.

⁵ Informative Report “For Financial Assistance to Latvia from the European Union Solidarity Fund”, available at <http://tap.mk.gov.lv/mk/mksedes/saraksts/protokols/?protokols=2018-12-11#69>, viewed on 7 November 2019.

⁶ Cabinet Order No 617 on the Allocation of Financial Resources from the State Budget Program “Contingency Funds” of 25 October 2017, Cabinet Regulation No 157 “Procedures for Granting European Union Emergency Support to Farmers for Unsown or Lost Winter Crops” of 13 March 2018, Information on Financing from the European Union Solidarity Fund, available at <http://www.europarl.europa.eu/news/en/press-room/20181106IPR18323/parliament-approves-EU17-7-million-in-eu-aid-after-intense-floods-in-latvia>, viewed on 7 November 2019.

⁷ The amount includes the funds spent on the renovation and maintenance of various land reclamation systems, for a breakdown of the amount see the section “Land Reclamation Outlook” of the audit report.

⁸ Company number 90000064161.

⁹ Company number 40003338357, hereinafter referred to as state-owned “Zemkopības ministrijas nekustamie īpašumi” Ltd.

¹⁰ Paragraphs 2 and 5.1 of Cabinet Regulation No 128 “Regulations of the Land Reclamation Cadastre” of 26 March 2019.

¹¹ Subparagraph 4.1.19 of Cabinet Regulation No 187 “Regulations of the Ministry of Agriculture” of 30 April 2019.

¹² Section 19 of the Land Reclamation Law.

¹³ Section 27 of the Land Reclamation Law.

¹⁴ Cabinet Regulation No 714 “Regulations on Operation and Maintenance of the Land Reclamation System” of 3 August 2010.

¹⁵ Procedures for the Maintenance of State-owned Land Reclamation Systems and Federal Land Reclamation Systems (approved by Board Meeting No 11 of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd on 24 May 2012), Articles 16 and 17 of the Methodology for Inspection of Watercourses and Protective Dams (approved by Board Meeting No 5 of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd on 10 May 2015).

¹⁶ Procedures for the Maintenance of State-owned Land Reclamation Systems and Federal Land Reclamation Systems (approved by Board Meeting No 11 of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd on 24 May 2012), the Methodology for Inspection of Watercourses and Protective Dams (approved by Board Meeting No 5 of state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd on 10 May 2015).

¹⁷ Draft Report of Scientific Research “Forecasting Agricultural Development and Development of Policy Scenarios until 2050”, pages 133 and 134, available at https://www.llu.lv/sites/default/files/files/projects/S320_I.Pilvere_18-100-INV18-5-000001.pdf, viewed on 20 November 2019.

¹⁸ Section 27 of the Land Reclamation Law.

¹⁹ In two years, 2017 and 2018.

²⁰ Paragraphs 7 and 8, Section 79 of the Law on the Management of Capital Shares and Enterprises of a Public Entity and Article 2 of the Law on the Prevention of Embezzlement of Financial Resources and Property of a Public Entity.

²¹ Remuneration expenses were 56% in 2016, 42% in 2017, and 47% in 2018 of the total expenses.

²² Remuneration to the Board (related to land reclamation) was 200,357 euros in 2017, 209,318 euros in 2018, with total expenses for remuneration (related to land reclamation) constituting 1,450,437 euros and 1,697,037 euros respectively.

²³ Auditors’ estimate taking into account maintenance costs per kilometre calculated by state-owned “*Zemkopības ministrijas nekustamie īpašumi*” Ltd.

²⁴ Funding allocated from 2017 to 2019.

²⁵ Amendments to the Land Reclamation Law, effective from 1 January 2015.

²⁶ Subparagraph 14.2 of Cabinet Regulation No 378 “Procedures for the Calculation, Allocation, and Settlement of Construction, Operation, and Maintenance Costs of a Land Reclamation System and Procedures for the Participation of a Local or Regional Government in the Construction, Operation, and Maintenance of a Shared Land reclamation System of Municipal Significance as well as Defrayment Thereof” of 7 July 2015.

²⁷ Subparagraph 14.1 of Cabinet Regulation No 378 “Procedures for the Calculation, Allocation, and Settlement of Construction, Operation, and Maintenance Costs of a Land Reclamation System and Procedures for the Participation of a Local or Regional Government in the Construction, Operation, and Maintenance of a Shared Land reclamation System of Municipal Significance as well as Defrayment Thereof” of 7 July 2015.