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LATVIJAS REPUBLIKAS
FINANŠU MINISTRIJA



EIROPAS ZIVSAIMNIECĪBAS FONDS:
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EIROPAS LAUKSAIMNIECĪBAS FONDS LAUKU ATTĪSTĪBAI:
EIROPĀ INVESTĒ LAUKU APVIDOS



EIROPAS SAVIENĪBA

Partnership Agreement for the European Union Investment Funds Programming Period 2014 – 2020

MODIFICATIONS: THE CABINET OF MINISTERS OF LATVIA ORDER NO363 (23.07.14.)

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ABBREVIATIONS AND TERMS USED

HEI	Higher Education Institutions
RES	Renewable energy sources
ARACHNE	EU risk scoring tool which can increase efficiency of selection of projects, management audits and support fraud detection, discovery, prevention.
MFA	Ministry of Foreign Affairs
BEMIP	Baltic Energy Market Interconnection Plan
EUSBSR	EU Strategy for the Baltic Sea Region
COSME	Programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises
CEF	Connecting Europe Facility
CFCA	Central Finance and Contracting Agency
OP	Operational Programme
NRS	Natural Resources Tax
EIB	European Investment Bank
EEA	European Economic Area
EPS	Electronic Procurement System
EMFF	European Maritime and Fisheries Fund
ESF	Economic size category of agricultural farms
EC	European Commission
EC Position Document	European Commission Position Document, presented on 4 December 2012
EMT	Electrical means of transportation
EAFRD	European Agricultural Fund for Rural Development
MoE	Ministry of Economics
EHEA	European Higher Education Area
E-government	Information technology solutions for supporting implementation of ESI
ERDF	European Regional Development Fund
EU	European Union
EQAR	European Quality Assurance Register
Strategy „Europe 2020”	Europe 2020: strategy for smart, sustainable and inclusive growth
ESF	European Social Fund
ESI funds	ESF; ERDF; CF;EAFRD; EMFF
EU Council Recommendation	European Union Council Recommendations on Latvia’s National Reform Programme 2013 and delivering Council Opinion on Latvia’s Convergence Programme 2012 - 2016
ESCO	Energy Service Company
ETC	European Territorial Cooperation
EUR	Euro of European Union
ISN	Internal Security Fund
FOP	Fisheries operational programme
MoF	Ministry of Finances
MIA	Ministry of Internal Affairs
ICT	Information and Communication Technologies
GDP	Gross Domestic Product
MES	Ministry of Education and Science

YEI	Youth Opportunities Initiative
CF	Cohesion Fund
MoC	Ministry of Culture
CAP	Common Agricultural Policy
CP	Cohesion Policy
CP funds	ESF, ERDF, CF
CCFI	Climate Change Financial Instrument
RSS	Rural Support Service
LAP 2014-2020	„Latvian Rural Development Programme 2014-2020” (EAFRD)
RDP	Rural Development Policy
AL	Arable Land
ECL	Employers’ Confederation of Latvia
TFEU	Treaty on Functioning of European Union
MW	Ministry of Welfare
Cabinet	The Cabinet of Ministers
NDP 2020	Latvian National Development plan 2014 – 2020
NIP	National Industrial Policy Guidelines 2014 - 2020
LALRG	Latvian Association of Local and Rural Governments
LAG	Local Action groups
NRP	Latvian National Reforms Programme for Implementation of „Europe 2020” Strategy
ESA	Employment State Agency
SME	Small and medium sized enterprises
R&D	research and development
CSCC	Cross-Sectoral Coordination Centre
PA	Partnership Agreement for the ESI funds programming period 2014–2020
VAT	Value Added Tax
ICS	Interim Committee for Supervision of CP Funds
Cooperation partners	Latvian Confederation of Employers, Latvian Union of Free Trade Unions, associations, foundations, industrial associations, planning regions
GHG	Emissions of greenhouse gases
MT	Ministry of Transportation
Strategy „Latvia 2030”	Latvian Sustainable Development Strategy up to 2030
STEM	<i>Science, Technology, Engineering and Mathematics</i>
CLLD	Community led local development
CWGTA	Consulting work group for topical assessment of EU Funds
MJ	Ministry of Justice
MC	Monitoring Committee for CP funds
RE	Register of Enterprises of the Republic of Latvia
MEPRD	Ministry of Environmental Protection and Regional Development
General Regulation	Regulation (EU) Nr.1303/2013 Environmental Protection and Regional Development Ministry according to which common rules are set for European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, Cohesion Fund, European Maritime and Fisheries Fund, and general conditions regarding the European Regional Development,

SC
MH
CSF
MoA
OPDF 2014-2020
HEI

European Social Fund and Cohesion Fund and Council Regulation
(EC) No.1083/2006 is revoked
State Chancellery
Ministry of Health
EU EC Common Strategic Framework for 2014 – 2020
Ministry of Agriculture
Operational Programme for Development of Fisheries 2014-2020
Higher Education Institutions

1. ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH

1.1. ANALYSIS OF DIFFERENCES, DEVELOPMENT NEEDS AND GROWTH POTENTIAL

- (1) In the 2014–2020 programming period Latvia will have access to investments from five ESI structural policy financing instruments: ERDF – to use investments in research and innovation, information and communication technologies in order to support development and structural adjustment of economies for purposes of increasing competitiveness of SMEs, CF – in order to promote integration in common market of the EU and to promote application of environmental standards and construction of main transportation infrastructure, ESF – for improvement of employment possibilities, strengthening of social integration, decreasing poverty, promoting education opportunities and lifelong learning and developing active, comprehensive and sustainable social integration, EAFRD – to promote agricultural competitiveness, to ensure sustainable management of natural resources and actions in the area of climate policy, as well to achieve a balanced territorial development of rural economies and communities, inter alia by creating and maintaining employment, and EMFF for purposes of promoting fishery that is competitive, economically viable and sustainable from the social and environmental point of view, as well as facilitating balanced and inclusive territorial development of fishery regions.
- (2) Purpose of investments from ESI funds is to strengthen competitiveness of Latvia and to ensure economical, territorial and social cohesion with smart, sustainable and inclusive growth and balanced territorial development based on balanced macroeconomic and fiscal policy.
- (3) In general the investment strategy of ESI funds is developed so as to ensure concentration of resources and critical mass of investments in order to achieve desired changes in Latvia considering defined needs, which would provide direct contribution to the achievement of objectives of „Europe 2020” strategy and implementation of recommendations of the EU Council.¹
- (4) The ESI investment strategy is based on development areas and challenges set in the strategy „Latvia 2030”, NRP and NDP 2020 considering development areas set in EUSBSR.
- (5) NRP also lists quantitative objectives to be achieved in Latvia within the context of **strategy „Europe 2020”**:
 1. 73% employment rate in the age group between 20 and 64;
 2. investment into research and development – 1.5% of GDP;
 3. share of population aged 30-34 having acquired tertiary education 30 and 34 – 34–36%;
 4. share of early school leavers in the age group between 18 and 25– 13.4%;
 5. share of persons at-risk-of-poverty - 21%² or 121 000 people lifted out of the risk of poverty or exclusion
 6. primary energy savings 0.670 Mtoe;
 7. 40% share of renewable energy sources in gross final energy consumption;
 8. to limit GHG emissions in areas outside of ETC so that the increase would not exceed 17% compared to 2005;

¹ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/2012/index_lv.htm

² The objective includes two indicators – poverty risk index and/ or share of persons in low work intensity households. The objective was set on the basis of 2008 data, when 26.1% or 588 thousand residents were exposed to risk of poverty and/ or were residing in households of low work intensity. According to Eurostat (EU-SILC), in 2012 this indicator in Latvia was 22.1% or 448.5 thousand residents were exposed to risks of poverty and/ or residing in households of low work intensity. However it must be considered that data of 2012 is based on number of population acquired from Population census of 2011, while data of 2008 have not been adjusted according to Population census of 2011.

9. to limit overall GHG emissions of the country so that in 2020 they would not exceed equivalent of 12.20 Mt CO₂.
- (6) From all the above listed objectives of the strategy „Europe 2020” the largest challenge for Latvia will be achieving the objectives which are concerned with investments in research and development, primary energy savings and share of renewable energy. The challenge to planning of action policy is created by a risk that economic growth could promote the increase of poverty risk when the income of poor people would not increase along with that of wealthy people; in 2011 the stabilisation of economic situation was felt mainly by wealthy households, while households with low income felt very little effect of economic recovery. In addition, in national planning documents the target set for share of residents who have not graduated in 2020 is up to 10%, taking into account the current value of the target.
- (7) Investments of ESI funds will help to introduce five of EU Council recommendations, which are concerned with long-term and youth unemployment, scope of social services and measures for activation of beneficiaries of social assistance benefits, reforms of higher education and research institutions, energy efficiency and increase of efficiency of judicial system. Implementation of the 3rd Recommendation of the EU Council (regarding reforms of social assistance) will be based on changes in tax and benefit policy and improvement of social security system (within framework of state budget), as well as expansion of state budget supported approach to childcare services and reimbursement of education costs. ESF support is planned for improvement of professional social work and monitoring of poverty and social exclusion risk and situation.
- (8) The linking of particular investments for achievement of objectives of „Europe 2020” strategy and implementation of EU Council recommendations is given in descriptions of action programme specific objectives.
- (9) **Considering the analysis of above listed sources, the main challenges hindering the development of Latvia’s competitiveness and economic, social and territorial cohesion within context of ESI funds investment are the following:**
1. low economic productivity and dissatisfactory achievements in innovation, research and science;
 2. quality of transportation infrastructure, which is hindering economic development;
 3. inefficient use of resources;
 4. high poverty and unemployment rate, especially youth and high long-term unemployment;
 5. insufficient quality and unconformity of education with the requirements of labour market;
 6. territorially misbalanced economic development³ –.
- (10) **On the basis of the above listed factors hindering the development of competitiveness, the following overall priorities of ESI funds development are set in the PA:**
- 1) increase of economic productivity, value added, quality of innovation, research and science;
 - 2) sustainable and efficient transportation infrastructure;
 - 3) sustainable use of natural and cultural resources;
 - 4) high employment rate in inclusive society;
 - 5) high quality and efficiency of education system;
 - 6) balanced and sustainable territorial development.

Low economic productivity and dissatisfactory achievements in innovation, research and science

- (11) Research, development and innovation. It is emphasized in the EU Innovation Union Scoreboard (2013) that low performance of Latvia in the area of innovation still has negative impact on competitiveness of the country, while low scientific performance hinders the development of national innovation system. . Latvia’s participant success rate in the EU 7th Framework Program

³ social, demographic and economic challenges are especially distinct outside of Riga agglomeration

was 22% (the EC average success rate – 21%), however the total ESI funding granted to the supported participants (EUR 40.60 million EUR) – should be rated as low if compared to Latvia’s contribution (approximately 80 million EUR).

- (12) Private sector investments in R&D ratio is still one of the lowest in the EU (0.19% of GDP in 2011, compared to EU average of 1.26 %). Local enterprises and linked enterprises of large foreign groups’ investments in R&D are insignificant in order to facilitate specialization in knowledge intensive and innovation- driven sectors.
- (13) Comparing Latvia’s R&D investments with the investments of EU-28, it can be concluded that by investing only 0.7% of its GDP in R&D in 2011, Latvia takes modest place between EU-28 Member States, performing similarly as Croatia and Slovakia, leaving behind only Bulgaria, Cyprus and Romania (see Figure 1).

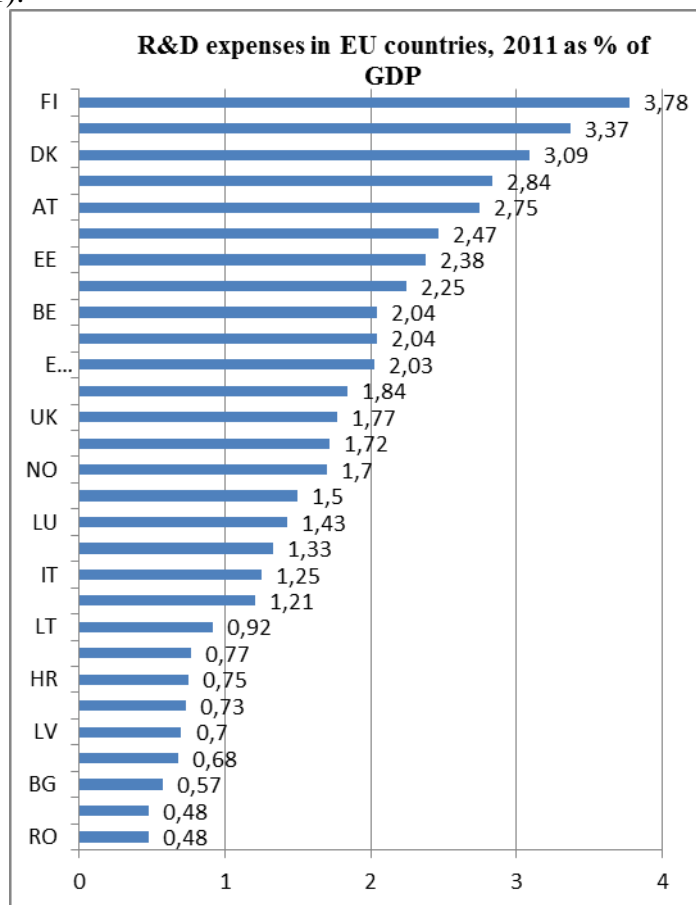


Figure 1 R&D expenses in EU countries in 2011. Source of information: data of the European Commission Statistics Office

- (14) Within the context of „Europe 2020” strategy Latvia has set a national R&D intensity target of 1.5% of GDP by 2020, at the same time promoting increase of share of R&D investments by private sector. The trajectory of the increase of R&D investments is included in the NRP (see Table 1 below).

Table 1.1. The trajectory of the increase of investments in R&D

	2008	2009	2010	2011	2012	2020
Total R&D funding (millions EUR)	130,6	83,8	116,0	137,4	147,8	553,5
% of GDP	0,62	0,46	0,60	0,7	0,66	1,5

- (15) CP funds' investments of programming period 2007-2013 of total amount about 313.03 m EUR provided a significant contribution in strengthening capacity of science sector – by providing support for new research groups, support for practical research projects, including cooperation with industries, promotion of international cooperation of Latvian scientific institutions and to upgrade research infrastructure. Support has been provided also for promotion of research in private sector and provision of research services to private sector, for example, in competence centers joint research projects were carried out and new technologies and products were developed by cooperation of scientific institutions and businesses. As of 2011 concentration of science resources was initiated, as well as targeted and concerted planning of research infrastructure acquisition was ensured in nine national level research centers, which covers nationally defined priority science areas and ensure synergy with the research directions of competence centers and priority sectors of the national economy.
- (16) Experience of CP funds programming period 2007 – 2013 as regards **support for research** shows that there are several main challenges as regards increase of R&D investments like financial capacity of scientific institutions, “project to project” based research funding structure what is related to extremely low allocation of the State budget funding for institutional (base) expenditures and for implementing research as well as limited access to research funding and interruptions in the availability of funding granted in tender procedures what creates succession and sustainability risks. Similarly the application of state aid rules to the development of R&D infrastructure was a challenge that has created a non-proportional financial burden for scientific institutions co-financing research infrastructure to be also used for commercial purposes. Science sector co-operation with higher education institutions and private sector in realization of research projects has been estimated as being insufficient. For the following CP funds programming period such support measures will be developed that promote science, higher education and business sector co-operation. Taking into account that the biggest part of human resources development, applied research and research infrastructure projects in CP funds programming period 2007 – 2013 will be implemented until the end of 2015, the assessment of these investments will be carried out in 2016 and accordingly will be taken into account when planning investment for the next CP programming period.
- (17) In CP funds programming period 2007 – 2013 as regards **promotion of innovation**, R&D and innovation support was concentrated in certain directions, e.g. investments in fixed assets for businesses representing high-technology and medium-high technology industries were supported in high-value added investments activity. As a result structure of industries supported within the activity is similar to the national economy's structure in Scandinavian countries, thus enabling development of industries with higher value added. In addition creation of multiple technology transfer points in universities has contributed to cooperation between educational institutes and businesses. With provided support 18 international patent applications have been submitted until the end of 2013. The same time when analysing the results achieved within the activity, it has been concluded that support must be focused in fewer centres, while expanding the offer of services, improving capacity to ensure professional selection of projects with commercialization potential, patenting, licensing and providing financing to commercialization of research results.
- (18) Current investments have been very important in increasing competitiveness of research sector and businesses, yet a purposeful strengthening of capacity of research basis is required, supporting creation and development of human capital for science and technologies, further improvement of research infrastructure required for it, promoting international cooperation and ensuring linking together research with industry in response to challenges of community development and of national

economy in line with Smart Specialisation strategy⁴ which is justified by international and local studies and analysis. **Support within 1.st thematic objective will be provided according to Smart Specialisation Strategy.**

- (19) According to Smart Specialisation Strategy Latvia's growth priorities include modern education, developed knowledge basis and human capital in fields of knowledge where Latvia has relative advantages and which are important in process of transformation of economy towards creation of higher value added, inter alia – 1) knowledge intensive bio-economy, 2) bio-medicine, medical technologies, bio-pharmacology and bio-technology, 3) smart materials, technologies and engineering systems, 4) smart energy and 5) ICT according to the development needs of these fields and Key Enabling Technology areas identified by the EC.
- (20) In 2013, there has been external assessment of Latvia's research and innovation conducted, analyzing situation in Latvia's science sector within the context of European Common Research Area and co-operation in research. Results and recommendations of the assessment are used in the planning of sector policy and contributions, for attaining the objectives of science, technological development and innovation policy and for implementing structural reforms of the sector, inter alia implementing consolidation of scientific institutions and improvement of operating capability of most competitive scientific institutions.
- (21) To facilitate development of innovative solutions, potential of public sector driven demand and financing options in this area in different sectors must be evaluated. This includes implementation of innovative energy efficiency solutions that would complement investments in 4.th thematic objective.
- (22) Today's low level of Latvian innovation indicates that current system has significant deficiencies. Deficiencies identified at national level are concerned with each element of innovation system in particular and their interaction in the whole system.

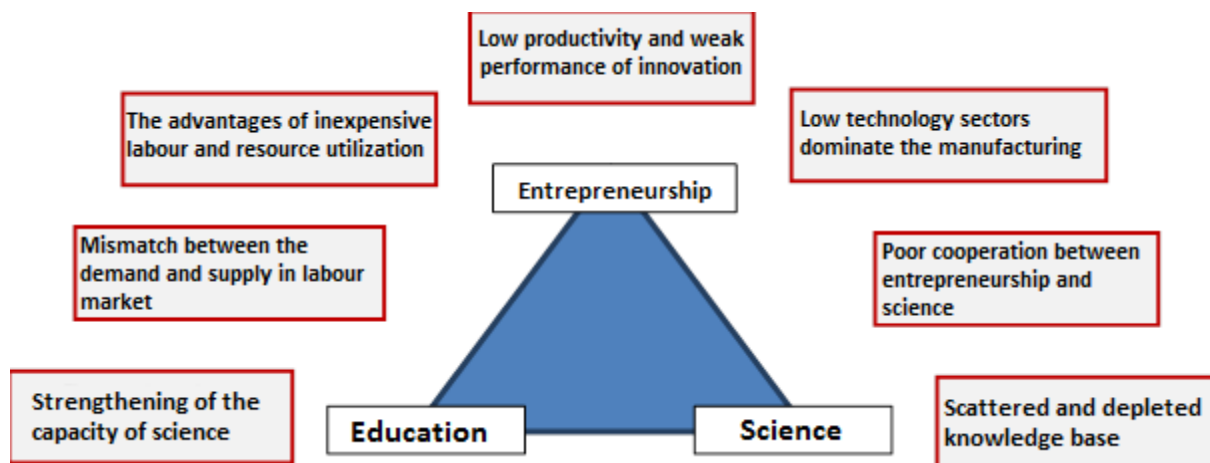


Figure 2 Deficiencies of innovation system and main challenges. Source of information: Smart Specialisation Strategy.

- (23) Analyses performed within Smart Specialisation Strategy identifies the following innovation system deficiencies and main challenges:
 1. **Insufficient number of researchers, insufficient renewal of science and technology human capital, aging of scientists :**

⁴ Smart specialization strategy - a national strategy for economic development of targeted investments of research and innovation with focus on areas of knowledge, where the country has comparative advantage or the existence of assets on whar basis such advantages can be made.

- 1.1. although the number of doctoral students has increased over past years, it still is not sufficient in order to ensure necessary renewal of science and technology human capital and increase in the number of researchers ;
 - 1.2. according to data of 2013, 42% of researchers are older than 50 years, and the number of doctoral students to replace retired scientists is not sufficient⁵;
 - 1.3. number of R&D employees involved full-time equivalent (FTE) in 2010 was 0.57% from the total number of employees, compared to Lithuania where it was 0.88%, in Finland – 2.28%, the EU average – 1.15%. In 2012 number of employees in science and research in Latvia reached 5593, out of which ~ 63%, are employed in the higher education sector was ~ 63%, in public sector ~ 21% and in private sector ~ 15%.
 - 1.4. the small number of employees involved in R&D in private sector suggests of insufficient ability of industry to absorb knowledge which in turn is not facilitating cooperation between science and industry. According to Central Statistical Bureau of Latvia, in 2012 343 enterprises were performing research works and 594 people were employed as scientific personnel (in the full time equivalent) or 15% from the total number of people employed as scientific personnel in the country;
 - 1.5. weak international cooperation hindering alignment with European Research Area and research networks of excellence;
- 2. Fragmented and underdeveloped knowledge basis:**
- 2.1. Disproportionally low share funding allocation and interruptions in the availability of funding granted in tender procedures lead to non-strategic „from project to project” oriented approach in development of science and create succession and sustainability risks. Disproportion is also observed between R&D investments in public and private sectors. According to data of Central Statistical Bureau of Latvia, in 2012 total financing for scientific research work reached 145.4 mil. EUR, out of which only 24% or 34.6 mil. EUR was funding from enterprises, the same amount came from state funding- 24% (34.7 mil. EUR), universities provided only 2%, meanwhile foreign funding and foreign funding was – 50% or 73.3 mil. EUR. Compared to EU-27 average indicator, private sector R&D expenditure in 2011 were 1.26% from GDP, while in Latvia – a mere 0.19% (Eurostat data).
 - 2.2. underdeveloped R&D infrastructure, underdeveloped e-infrastructure, insufficient number of laboratories with advanced equipment for implementation of technology projects, while the number of scientific institutions is relatively high (88)⁶;
- 3. Cooperation of private sector with research institutions is weak and system for technology transfer is underdeveloped, low level of commercialization.**
- 3.1. low income from commercialization of research results (e.g., from license agreements), low number of patent applications in European Patent Office per million residents (in 2011 Latvia made just 8.96 applications, compared to 107.47 applications in EU-27) (Eurostat data), Latvian scientists so far have not been focusing on solving problem of commercialization, success stories of commercialization of ideas are missing which could promote increased interest of private sector capital, therefore commercialization of innovation has not been significant source of financing for universities;

⁵ Relative number of science doctors in Latvia still (2012) is merely 0.5 doctors per 100 residents, which is below EU 27 average – 1.5 science doctors per 100 residents. Contribution of mathematics, information technologies and engineering sciences plays significant role in creation of innovative products and services – in 2012 39% from all doctor graduates have degree in these areas which, considering the age structure of these areas, is insufficient for ensuring the renewal of human resources.

⁶ According to data from the register of scientific institutions. Data source: MES, 01.10.2013.

3.2. in order for innovation system to be efficient, cooperation between all of its elements has to be ensured. In the case of Latvia cooperation between research institutions and researchers with industry representatives is weak, which significantly hinders introduction of new technologies and innovative solutions in production.

4. **Small share of processing industries in the economy.** Promotion of growth of processing industries is an integral part of competitiveness policy, it plays significant role in creation and absorption of innovation and technologies.
 5. **Low productivity and weak innovation performance.** Productivity level of Latvian industries is considerably below the EU average level. Low current innovation capacity and knowledge absorption ability in the business sector weakens chances of achieving fast improvement of situation. Insufficient investments in innovation and unsuitable environment for development of manufacturing, restrict the development of new products and technologies and productivity growth rate.
 6. **Current business model is weakly oriented to innovation.** Economic advantages are based on cheap workforce and use of natural resources. Produce of low or medium low technology industries prevails in the export structure, profitability of export is low, high energy intensity dominants, small share of processing industry in economy, at the same time the industry plays significant role in creation and absorption of innovation and technologies.
 7. **Lack of conformity between demand and supply of workforce.** Only 21% from the total number of students were willing to study in areas which are of crucial significance for development of Latvia – engineering sciences and natural sciences in 2011. If no significant changes will be implemented in the education system, this disparity will remain also in medium period.
- (24) Economic productivity and competitiveness of SMEs. At the time of crisis, along with decrease of overall salary level and prices in internal market, the competitiveness of Latvian manufacturers increased, what was a basis for increase in export volumes and therewith – to a development of the manufacturing industry, whose increment rate by recovery of national economy, was significantly higher than the overall growth rate of national economy. Currently manufacturing industry is the main driving force for growth of the national economy.

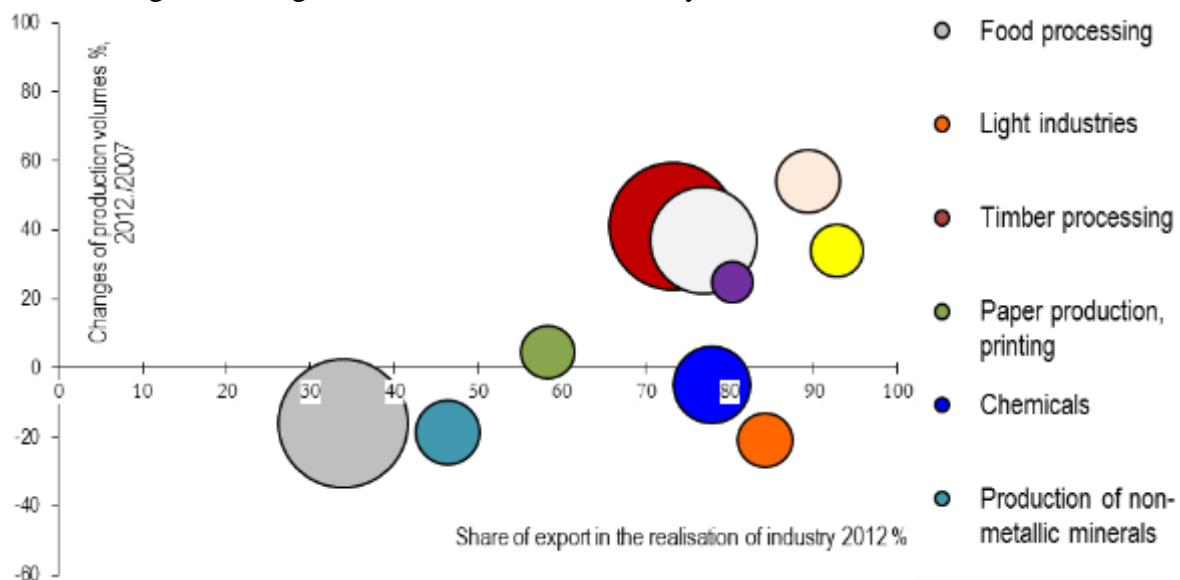


Figure 3 Share of the industry, changes in production volumes and share of export in sales. Source of information: NIP⁷

- (25) Structural changes in the economy should be implemented in the direction of production of goods and services with higher value added, including increase of the role of industrial production, modernization of industry and services and the development of the export complexity, thus promoting well balanced growth of the Latvian economy, that is resistant against external risks. That is a significant pre-condition for the convergence of national economy of Latvia with developed EU countries.
- (26) Choice of strategy for transformation of national economy is tightly dependent on the overall development level of the economy and competitive advantages (existing and potential) on national and regional level. For purposes of eliminating systemic challenges of the market, the following directions for transformation of economy are set within the framework of Smart Specialisation Strategy and NIP:
- 1) changes in production and export structure in traditional areas of economy;
 - 2) develop future growth areas where products and services with high added value are created or could be created;
 - 3) develop areas with significant horizontal influence and contribution to the transformation of the economy (areas which serve as a base for development of new, innovation based relative advantages shall be developed – increase of energy efficiency, wider application of information and communication technologies, upgrading of education system, increasing the capacity of science, research, technology development and innovation, including transfer of creativity into innovative, commercialized products and promotion of balanced development of territories.
- (27) Within the framework of CP funds programming period of 2007 – 2013 measures have been implemented to increase the competitiveness of Latvian enterprises abroad by providing support for marketing activities in external markets and consulting concerned persons on foreign markets, thus facilitating the growth of export volumes for Latvian enterprises . Within the framework of clusters programme, cooperation between autonomous enterprises, research, education and other institutions was facilitated, competitiveness of enterprises of the industry was increased, and innovation and creation of new products was promoted. Also the development of tourism was encouraged by organizing promotional campaigns abroad and featuring national stands in international trade fairs. Measures have also been taken to improve access to financing by developing venture capital sector, as well as by issuing loans to enterprises for starting and developing business activities and by guaranteeing loans. To support start-up of businesses, financial support was provided alongside with consulting services in business incubators. In order to promote increase of qualification of employed persons in line with the needs of employers, industry associations representing various industries have implemented projects for employee training.
- (28) Main Latvia's advantages as regards most exportable products manufacturers and services' providers identified in the SWOT analysis within the framework of NIP and reflected in the Smart Specialisation Strategy are low labour costs, good communications and IT infrastructure in industrial centers, well-developed logistics and convenient location, fast and inexpensive launch of business, flexibility in adapting to specific market needs, safety of investments.
- (29) Analysis carried out within the framework of NIP, identifies Latvia's main challenges as regards increase of SMEs competitiveness and encouraging businesses to focus on innovation and creativity:

⁷ Size of each circle in the diagram demonstrates the share of the particular sector in manufacturing. Vertical axis – changes of production volumes of each sector in 2012 compared to pre-crisis level in 2007. Horizontal axis – share of export in sales.

- 1) **low productivity**, especially in the manufacturing industry, where productivity is just 35% of the EU average indicator (in 2011 according to data of Eurostat⁸) and low share of knowledge-intensive products in the manufacturing industry and export structure (6.3% in Latvia, while the EU average indicator in 2012 was 15.6%⁹);
- 2) **low innovation performance** (share of innovative companies in Latvia is just 29.9 %, in Lithuania - 34.5%, in Estonia – 56.8%, EU average is 52.9%) (according to data of Eurostat Innovation Survey¹⁰) and relatively large share of low and medium low technologies in Latvian economy, inter alia in the manufacturing industry (see Figure 3), low share of products with high added value (according to CSB¹¹ and Eurostat¹²);

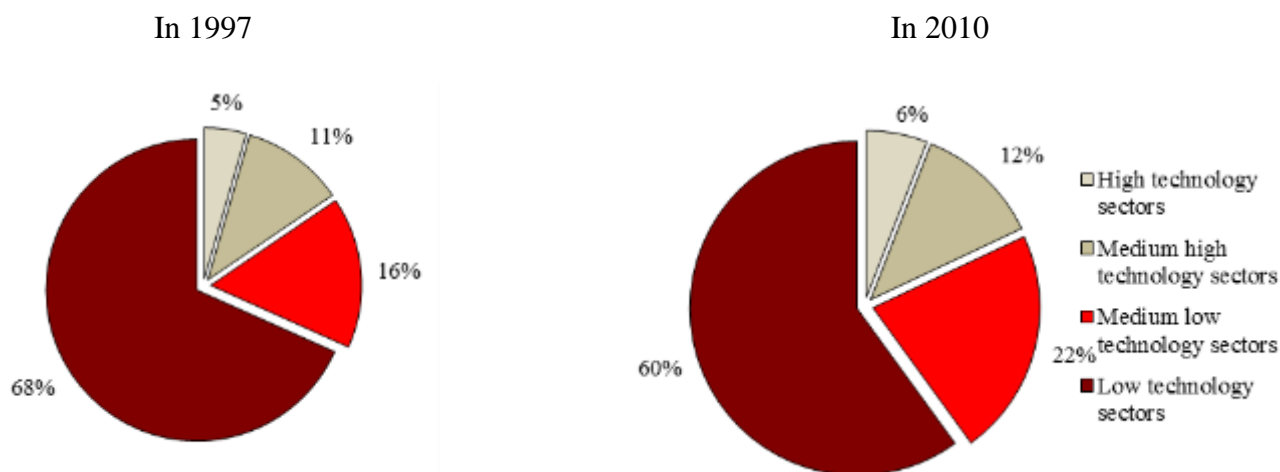


Figure 4 Structure of the manufacturing industry by technology level (percentage share). Source: NIP

- 3) **weak initiative for starting economic activities**, shortage of fundamental skills for starting business and low rate of business survival in the first years of operation. In 2011, 13.55 new enterprises were registered per 1000 residents of working age (data of CSB and Lursoft), while the number of rapidly developing companies („gazelles”) (in terms of increase of sales) is low – 921 such enterprises in 2007, 258 in 2008 and 98 in 2009 (latest CSB data available);
- 4) **limited access to financing**, especially in the start-up phase. Amount of loans issued by commercial banks to enterprises is still decreasing since 2008;
- 5) **low quality of public and business infrastructure and shortage of industrial areas and infrastructure suitable for development of manufacturing**, including insufficient network of engineering communications, what restricts a formation of new entrepreneurs, expansion and modernisation of manufacturing entrepreneurs, as well as the attraction of investments. Significant challenge in the products market is the quality of public infrastructure and logistics costs associated with that both for delivery of raw materials and transportation of final products;
- 6) **shortage of export skills in SMEs**, which prevents full use of opportunities offered by external markets, therefore larger attention should be paid to cooperation, development

⁸ <http://appsso.eurostat.EK.europa.eu/nui/submitViewTableAction.do>

<http://appsso.eurostat.EK.europa.eu/nui/submitViewTableAction.do>

⁹ <http://epp.eurostat.EK.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tin00140&plugin=1>

¹⁰ http://epp.eurostat.EK.europa.eu/cache/ITY_PUBLIC/9-11012013-AP/EN/9-11012013-AP-EN.PDF

¹¹ <http://data.csb.gov.lv/DATABASE/rupnbuvn/lkgadējie%20statistikas%20dati/Rūpniecība/Rūpniecība.asp>

¹² <http://appsso.eurostat.EK.europa.eu/nui/setupModifyTableLayout.do>

opportunities of industry cooperation (clusters) in national and international context, as well as place of Latvian enterprises in value chains;

- 7) **mismatch of skills and qualification of work force** with needs of labour market and employers;
 - 8) **insufficient inter-sectoral cooperation** at local and international level that aims to commercialize creativity and innovation by developing new goods and services and increasing value added to them. By facilitating technological and non-technological, as well as social and eco-innovation process linkage with entrepreneurship, innovation capacity will be strengthened, as well as in creativity transfer rooted purposeful new product and technology development.
- (30) In 2009 and 2010 the increase of productivity was more rapid than the growth of labour costs, which means that the competitiveness of Latvian manufacturers in external markets improved. By the recovery of economy growth in 2011 and 2012, labour costs have been increasing faster than productivity. In 2012 labour costs per employee in Latvia were 36% of the EU average level. In the coming years the gap between productivity and wage dynamics will most likely persist. On the other hand, increase of labour costs has a negative impact on competitiveness and may become serious stimuli for innovation and investments in new technologies in order to decrease costs and increase the productivity of production resources¹³.

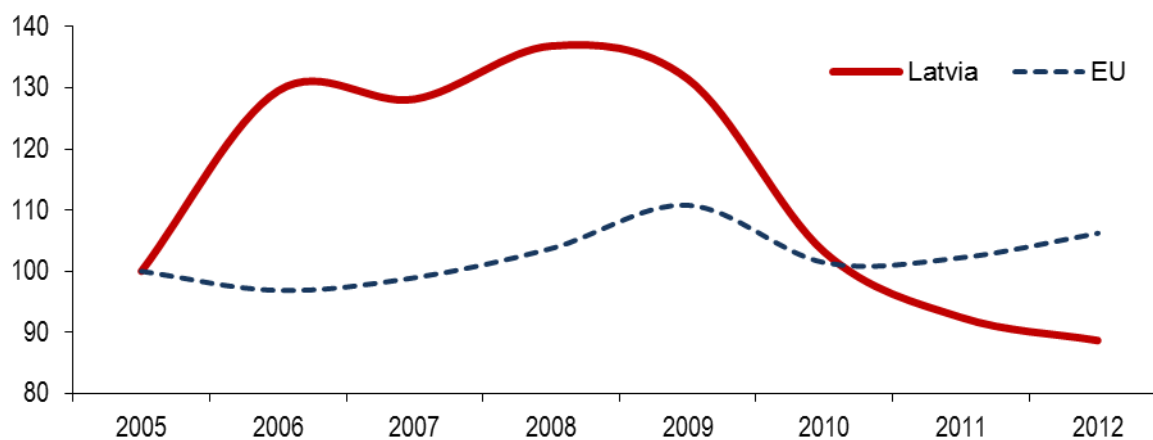


Figure 5 Labour costs per production unit in manufacturing industry, Nominal ULC, year 2005 = 100

- (31) Availability of financial resources plays crucial role in economic development, since investments in economic activities promote growth, ensuring efficiency and competitiveness of economic activities. Post-crisis lending volumes still are at very low level, which is largely due to aggravated risk perception of financial market from both lenders and borrowers. Limited access to financing becomes a serious investment and development obstacle for many entrepreneurs. Start-up businesses are often unable to define their product or service, as well as its niche and the business development model that suits them best, therefore this group needs advisory support for the pre-incubation and incubation period.
- (32) One of the most crucial factors limiting the development capacity and abilities of enterprises is the limited offer of industrial areas and premises, inter alia premises suitable for businesses in high-technology and medium-high technology sector, as well as lack of necessary infrastructure – access roads, electricity, gas, communications etc. services. The identified challenge in particular is

¹³ Ministry of Economics: Report on the Economic Development of Latvia (June 2013)

applicable to regional dimension and the enterprises in transition from the incubation stage of operations to stable growth stage. Statistical data reveal that in 2011 investments in construction of industrial premises were 53.4 m EUR, in reconstruction of industrial premises – 44.1 m EUR. Major share of these investments was made to adjust premises to the needs of individual enterprises. The share of investments in industrial premises envisaged for renting is very small except for Riga and Jelgava. Latvia has considerable number of buildings that have not been reconstructed or are not fully utilized, but could potentially be rented out to enterprises in manufacturing industry. More than 40 % of buildings that are registered as production premises are unused. Thus again confirming that there are insufficient investments in such premises in regions. Market trends show that average demand for small-scale storehouses or auxiliary rooms are 150-300 m², for production facilities for small or new enterprises 500-1000 m² and for expansion of production or to move production to new facilities – 1200-1500 m². Outside Riga, where demand for storehouses in retail and service industries is lower, high is demand for premises suitable for manufacturing industry. Statistical data on building-permits for construction or reconstruction of production premises issued by self-governments indicate that construction of such premises often is more efficient option compared to reconstruction of such premises:

- premises constructed under Soviet Union are in bad technical condition and reconstruction of such premises is economically disadvantageous;
- there are multiple owners for some of the unused premises that cannot agree on reconstruction of these premises;
- high technology and medium-high technology enterprises have particular and higher technical requirements (height of roof, ventilation and heating systems, floor construction and other) compared to premises constructed in Soviet Union period.

(33) A substantial problem is also creation of industrial connections, increase of power as well as high adjustment costs for territories and premises, which delay the formation of innovative and new industrial entrepreneurs, as well as increase in current operational productivity and expansion of economic activity. Integrated support is necessary for the promotion of investments by entrepreneurs in manufacturing industry and in innovative businesses, i.e. for the creation of small scale infrastructure and necessary industrial connections primarily corresponding to the priority directions prescribed by the Smart Specialisation Strategy and to the plans provided in community led development strategies. By implementing the aforementioned measures, conditions will be eased for entrepreneurs to expand their business activities and raise productivity, introduce innovations and new products as well as technologies in manufacturing and there will be a possibility created to attract new knowledge and investments, including foreign investments and economic activity in regions will develop more evenly, employment, development of entrepreneurship will be promoted and the level of welfare in regions will increase. Taking into account the necessary amount of capital investments for the development of businesses in the manufacturing industry, there is a need for substantial support in form of appropriate infrastructure. Provision of an industrial infrastructure allows businesses in manufacturing industry to reduce the amount on non-productive investments and to focus on the development of their own operations, instead of solving issues regarding a base infrastructure, thus neglecting productivity improvements. Therefore a provision of small scale industrial infrastructure (premises, connections, equipment) suitable for the manufacturing industry and innovative manufacturing is directly related to an improvement in competitiveness of SMEs and investments of businesses in R&D and innovations as well as to the attainment of policy objectives provided in the National Industrial Policy – increase in the proportion of the manufacturing industry in Latvia's GDP. Investments of that kind should be supported only on condition that entrepreneurs provide co-funding in compliance with the conditions of the state aid rules.

- (34) Analysis of costs for entering new markets shows that in export markets, especially in markets of third countries and concerning regulated product groups, buyers require market specific product registration and quality assurance standards for each market, which increases costs associated with introduction of new product into the market, as well as costs of existing products production, where the share of expenses related to quality assurance and laboratory testing is ever increasing.
- (35) Latvian export markets and structure has become more diversified, and dependency from a certain trade partner or area of export is decreasing. Two thirds of Latvian export is composed of export to EU -15 and the Baltic States.

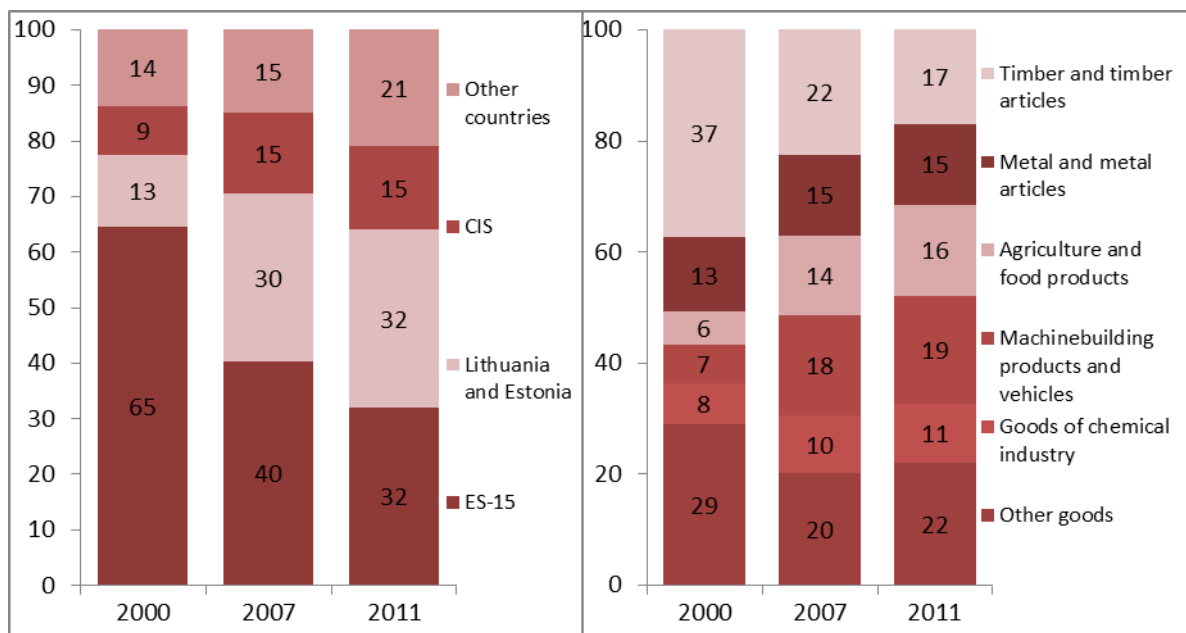


Figure 6 Latvia's export markets and industry structure 2000 – 2011, %. Source: CSB

- (36) Therefore transformation of international business poses significant challenge to development of Latvian enterprises. It is characterized by creation of so called value chains which include fragmentation of production, geographic relocation of businesses, need for new production coordination and reintegration models based on presence and management of new competitive advantages of business in existence and management. Cooperation between businesses can be facilitated within cluster initiatives by encouraging horizontal and vertical cooperation among businesses and facilitating emergence of higher value supply chains. Along with export performance improvements of manufacturing businesses, it is important to enhance profitable services industry export and reduce service industry dependence on limited number of target markets. As one of the service industries with significant impact on national economy is tourism industry, which in 2012 accounted for 580.5 m EUR or 16.5% of entire service industry export and 4.3% of total goods and services export and in 2010 tourism industry accounted for 5.3% of total value added in Latvia.
- (37) Measures concerned with facilitation of economic activities and business operations stimulate a higher demand of labour and expand employment opportunities. At the same time the structure of economy is changing and a mismatch between labour supply and demand may occur According to forecasts of MoE, demand for labour force will continue its growth trend also in medium-term. However, increase of employment rates will be slower than economic growth, since production output will be based on increase of productivity. Growth in tradable sectors will be mainly based on the growth of productivity, which will have a critical impact on ensuring competitiveness, therefore

increase of employment in these areas could be relatively slower. By 2020 the number of employees in majority of sectors will increase. Along with improvement of economic situation in Latvia, demand for labour gradually increases and already now in certain areas shortage of specialists is noted. Shortage of appropriate labour force can become a factor hindering the growth in the future.

- (38) One of the most important market shortcomings identified in the NIP is availability and skills of labour. In order to mitigate the negative impact of demographic changes to modernisation of production, the development of vocational education and lifelong learning system needs to be encouraged, by putting more emphasis on the improvement of skills of workers and increasing professional mobility. Measures will be introduced on a regular basis, with certain support from state, as well as involvement from employers and employees.
- (39) In the manufacturing industry, especially in engineering, specialists of engineering sciences are ageing and leaving labour market, which can be demonstrated by employee breakdown by age groups.

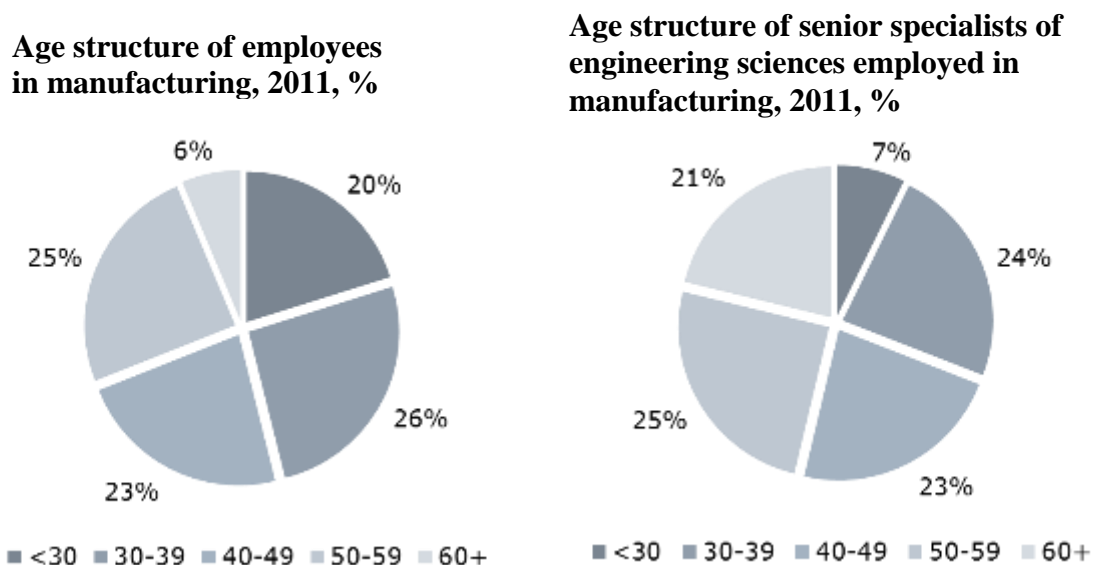


Figure 7 Employee breakdown by age. Source: CSB, ME medium and long term forecasts for labour market

- (40) Productivity in all sectors of fisheries is low – in the manufacturing of fishery products it is mere 8%, but in aquaculture – 3% of the EU average indicator, while gross value added per one fisheries employee is by 88% lower than the EU average.
- (41) In comparison with EU countries, in Latvia output value of agricultural products per employee is by 67% lower, the productivity and efficiency of food processing industry is also low, which hinders potential development pace. From all the biological products produced only 20-40% is sold as biological products, which significantly affects the demand in such products.
- (42) Considering the increased concentration of agricultural production and efficiency of industry, loss of about 80 thousand jobs is possible, therefore support for creation and development of alternative agricultural enterprises is necessary in order to prevent migration of population from rural areas and to provide alternative sources of income, as well as improve the wellbeing of population by channeling ESI fund investments to the development and launch of business activities in rural areas. Moreover, the support is required also for development of research and innovation – in agricultural, food processing, fisheries and forestry industries thus promoting production of goods with high

added value and innovative products and knowledge transfer, at the same time increasing competitiveness of companies in local and global markets.

- (43) There are more than 300 thousand hectare of agricultural land in Latvia, and in order to achieve the objective of productive use of every hectare of agricultural and forest land, their efficient use in agriculture or forestry shall be stimulated by productive use measures.
- (44) Although, during the last seven years, comparatively considerable capital investment were made in Latvia's sector of agriculture that was made possible mainly by the available support however, as compared with results of other EU Member States, there is the lowest provision with capital in Latvia among EU Member States. Only 26% of farm managers has a higher or professional agricultural education. In the ESI funds planning period 2007-2013, upon solving structural problems, insufficient attention was paid to education of people engaged in agriculture and facilitating of innovations, still the training provided in agriculture ensured improvement of economic indicators of 77,4% enterprises, particularly valuable was the knowledge on analysis of economic activity, restructuring and production of goods in domestic conditions.
- (45) ICT. In the current phase of development of society which could be described as information society, considerable economic development is possible only by widely applying ICT in public government, economic activities and especially in SMEs, as well as in households. Digital content has an increasingly crucial role in the country's economic and social development, it plays a significant role in research and education. Within the framework of the Smart Specialisation Strategy the ICT industry is defined as a horizontal development precondition.
- (46) In view of the current situation analysis of the information society, as well as Information Society development guidelines 2006-2013¹⁴ and the final impact assessment which was developed on basis of the aforementioned guidelines, as well as the priorities set in EU planning documents for Information Society, the working group¹⁵ for planning period 2014-2020 has set priorities¹⁶ within which investments in ICT sector (internet access availability, a modern and efficient public administration, e- services and digital content for society, cross-border cooperation within the digital single market, ICT education , e –skills, ICT research and innovation, trust and security in e-environment) have to be made. At the same time after assessment of performance framework it is planned to review measures planned in the scope of CP funds, in case, if in order to reach targets set in ICT sector additional resources will be required and efficiency of planned investments will be assessed. So far the Latvian e-government has been used as a support and promoter mostly at the national level, however Latvian public services and, in some cases, also data shall be available throughout the common market, by ensuring especially good access in the Baltic Sea region, thus promoting achievement of goals defined in the EUSBSR. Currently in Latvia there is no infrastructure available that could support comprehensive opening and publishing of data contained in public structure, including in machine-readable format. The legal framework provides for receipt of request-based public data instead of proactive publishing for repeated use. According to the Information Platform of European Public Sector, in Latvia almost nothing is done to facilitate the use of open data (information on available data sets, educational measures and initiatives promoting creation of solutions). By ensuring free access to data controlled by the state, an opportunity will be created for direct involvement of private, non-governmental and scientific sector in the development of ICT products based on state data, as well as direct analysis and study of situation, thus promoting

¹⁴ Information Society development guidelines 2006-2013 are available here: <http://polsis.mk.gov.lv/view.do?id=2005>

¹⁵ Working group comprised of representatives from ministries, the State Chancellery, the ICT industry associations, the Latvian National Commission for UNESCO, the Latvian Chamber of Commerce, the Latvian Employers' Confederation and the Latvian Association of Local Governments

¹⁶ A detailed description of the priority axes and needs assessment is included in the Information Society Development Guidelines 2014 to 2020, available <http://polsis.mk.gov.lv/view.do?id=4518>.

economic growth of the country, creation of work places and innovation, as well as modelling and forecasting of social processes.

- (47) Latvia, in the same way as the rest of the European Community member states, should contribute to successful implementation of the INSPIRE directive. This issue is of crucial significance – currently situation in the area of spatial information can be described as critical and no full-bodied involvement of state in INSPIRE initiatives is ensured. One of the drawbacks is that electronic access to spatial information is not fully ensured, especially to the spatial maritime information. INSPIRE is being built on the basis of geo-spatial data infrastructure, where every organization or person would have access to information and thus the principle would be adhered that spatial Community data has a single access point, where information is gathered from all member states data holders.
- (48) In the programming period before 2013 valuable experience has been gained which shall be considered when planning investments in the future. During the 2007 – 2013 programming period e-services have been introduced in the areas of health, education, wellbeing and social services. Several services have been introduced for businesses – e.g., electronic company registration and other services of the Register of Enterprises, services of State Environmental Service, e-services of State Labour Inspection, etc. From the shared platform of portal www.latvija.lv more than 60 e-services of various authorities are available in one single place. Intensity of its use in 2012 exceeded 1 million hits. Electronic Procurement system has been set up, and its turnover is constantly growing (e.g., in 2012 it was 26 mil. EUR, which is by 37% more than in 2011). Electronic identity cards have been introduced, which include identification and electronic signature tools required for use of e-services. As to e-health, by the end of the 2007 – 2013 programming period e-health portal, electronic booking and e-messaging information system, electronic health cards, e-prescriptions and integration platform solution information system, as well as health statistics and data analysis information systems will be introduced.
- (49) In Latvia the public data infrastructure is based on information systems which have been built in various periods more than ten years ago, and their development has been carried out in a decentralised way, without application of unified IT standards and methods. As a result of this operation, maintenance and use of state information systems has not been efficient and the public was not able to fully use the opportunities of ICT.
- (50) Synergy from digitalisation of processes, access to e-services and readiness of private sector to use electronic services has so far been insufficiently utilised. Application of such synergy will support creation of innovative products and solutions. Failure to apply such approach is caused by focusing on digitalisation of operational processes within each particular authority and basing the operational processes of hard-copy document flow. There is a huge potential of unrealised e-management features, especially in cross border cooperation matters. According to the assessment of services performed within the framework of the Public Services System Improvement Project¹⁷, it would be appropriate to ensure access electronically to ~600 services out of 2135. By the end of the 2007 – 2013 programming period about 240 out of these 600 services will be available electronically.
- (51) Digitalisation of services is not a goal in itself. It has to be considered within the context of operational processes, which need to be made more efficient by use of technologies. Development of technologies has to be associated with analysis of operational processes in respective areas before introduction of such technology, thus leading to harmonization of processes and avoiding a situation when ICT solutions are introduced following the same scheme as for paper documents, without reviewing the nature of processes, but merely making them electronic. Despite the number of

¹⁷ Project „Improvement of the Public Services System” under the activity 1.5.1.2. „Reduction of the Administrative Burden and Improvement of Public Service Quality” of the ESF operational programme „Human Resources and Employment” (programming period 2007-2013)

digitized services, the survey performed at the end of 2012 shows that awareness about the availability of services electronically is low and internet environment is not trusted – 39% of respondents have reported insufficient level of information on e-services. Lack of understanding and motivation about the need to acquire e-skills has been noted.

- (52) Given that the ICT sector is one of the main priorities identified, as well as the area of specialization of the Smart Specialization strategy, investments in products and services that contribute to the advantages offered by ICT will be actual within thematic objectives “Strengthening research, technological development and innovation”, “Improving SMEs and the agricultural sector (for the EAFRD) and fisheries and aquaculture sector (for the EMFF)”, “Investing in education, skills and lifelong learning”.
- (53) The framework document of Latvia’s Smart Specialisation Strategy is Science, Technology Development and Innovation Guidelines of 2014–2020 which are developed for attaining the objectives set in NDP 2020 and NRP. Policy objectives and attainable results which were defined in sectoral policy planning documents before the approval of Smart Specialisation Strategy, i.e. NIP, Guidelines on Development of Information Society 2014–2020, Regional Policy Guidelines 2013–2019 were taken into consideration by developing the Smart Specialisation Strategy. As regards those policy planning documents that were not developed by the moment of approval of the Smart Specialisation Strategy, i.e., Education Development Guidelines 2014–2020, Latvian Tourism Development Guidelines 2014–2020, Culture Policy Guidelines 2014–2020 „Creative Latvia” and Intellectual Property Rights and Assurance Guidelines 2014–2018, for those the planning strategic settings and complementarity with lines of action and synergy with Smart Specialisation Strategy must be ensured. Planning of ESI funds’ investments will accordingly be based on directions of the national economy transformation, growth priorities and identified areas of smart specialization defined within the framework of the Smart Specialisation Strategy (*linkages between the Policy Planning Documents can be found in Figure 8*)

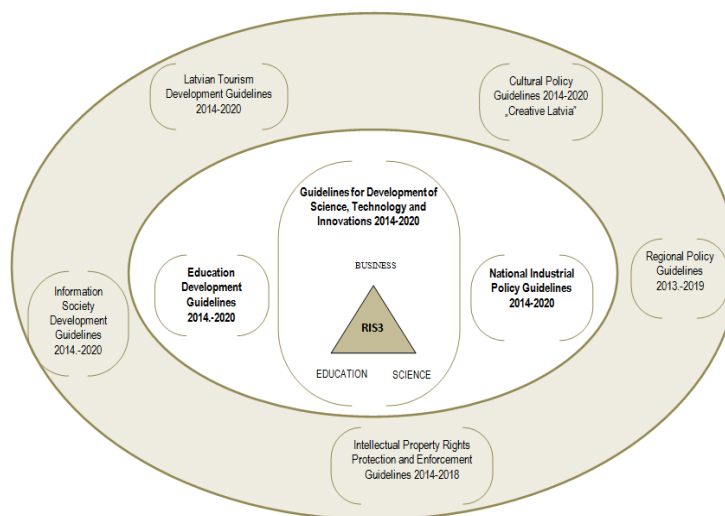


Figure 8. Smart Specialisation Strategy’s linkages with other policy planning documents

- (54) Business environment. According to Index of Economic Freedom¹⁸, Latvia’s weak points are the work of judicial system, procedure for starting and winding up business. The „Doing Business”

¹⁸ Index of Economic Freedom. 2013. <http://www.heritage.org/index/country/latvia>

report on assessment of business environment¹⁹ states that the time required for export and import procedures in Latvia in average is by 30% longer than in the neighboring countries. In the Global Competitiveness Report Latvia was ranked 79 from 148 countries of the world²⁰. One of the objectives of the flagship initiative „Integrated Industrial Policy for the Globalization Era” of the „Europe 2020” Strategy is to improve environmental of business activities. Improvement of institutional skills and efficiency of public administration are crucial preconditions within the context of Doing Business assessment. Given the increasing global competition over investments, the performance in this assessment and success are rather critical for improvement of business environment. NRP also lists improvement of business environment as one of the main macro-structural challenges to growth. Measures proposed for decrease of negative influence factors are seen in the NRP policy area „Business environment and modernization of public administration”, which will provide part of solutions for implementation of EU Council recommendation – decreasing workload of courts and improved efficiency of administration of judicial system. Implementation of the EU Council recommendation requires complex approach – increase of qualification and widening of knowledge basis for employees of courts and law enforcement authorities.

- (55) A perfect business environment includes well organized legal base, foreseeable work of state support and supervision, state services focused on needs of businesses and streamlining of administrative procedures. According to Index of Economic Freedom²¹ Latvia’s weak points are the work of judicial system, procedure for starting and winding up business.
- (56) According to Judiciary Development Guidelines 2009 – 2015, the main challenge of institutional capacity and efficient public administration is to ensure lawful, efficient, quality work of judicial system that matches the needs of society, promoting realisation of such fundamental values stemming from the notion on fair trial as independent, accessible court and efficient course of judicial process within a reasonable time frame. Securing of all these fundamental value is the determining factor for public trust in courts. Implementation of reforms carried out so far has led to more numerous civil cases being heard by courts against the number of civil cases received in court in 2012, therefore for the first time in past three years period the number of backlog cases has started to decrease. However challenges to be solved are still present – ensuring unified court practice, especially in the aspect of European Court of Human Rights and European legal system, efficient location of courts, wider digitalization of judicial processes, etc.
- (57) Total value of backlog civil cases in the first instance courts (amount of „frozen assets”) is 304.3 mil. EUR, but only in cases about recovery of debts and losses alone – 287.55 mil. EUR²². Considering the above, significant financial means have been blocked from use in business due to lengthy judicial processes, which otherwise would have been freely available and could contribute to economic growth. The assessments of public services provided in certain areas on multiple occasions emphasize the need for upgrading and digitalisation of services process.²³
- (58) Report of the survey of entrepreneurs „Administrative procedures and business environment in Latvia 2001 – 2011” by the Ministry of Economics (August, 2011) demonstrates that the main obstacles listed by entrepreneurs concerning business activities were the frequent amendments to

¹⁹ Doing Business report. 2012. <http://www.doingbusiness.org/reports/global-reports/doing-business-2012>

²⁰ Global Competitiveness Assessment Report. 2013
http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

²¹ Index of Economic Freedom. 2013. <http://www.heritage.org/index/country/latvia>

²² As at 29 May, 2013. Data from Judicial Information System

²³ Results of assessment and classification of all state provided public services, 2012.
http://www.varam.gov.lv/lat/fondi/ESper07_13/15120/?doc=15503

laws and regulations (59%), tax laws and regulations, tax administration (59%), lack of state support (33%), corruption in state administration (31%), safety at work requirements (30%), labour laws and regulations (30%), state procurement procedure (24%) and possibilities to access state information (23%). The World Bank²⁴ has concluded that corruption is one of the most critical obstacles to economic and social development, since distortions in the power of law and weakening of work of the authorities, the economic development depending on such authorities is also hindered. In accordance with Eurobarometer²⁵ that has been created to make measurements on prevalence of corruption, 83% of the respondents consider that in Latvia the corruption is widespread (average EU level – 76%). The inspections and criminal investigations that have been made in institutions involved in the prevention of corruption are suggesting that even the eradication of situational corruption in unplanned daily contacts between state officials and the customers of institutions, would not reduce the inclination of several dishonest persons to benefit themselves or to favor other persons by abusing their official position. It has been recognized that more and more often persons involved in the personal gain have created close personal ties, they are working conspiratorially, they are able to adjust legislations that are open to various interpretations to their desired outcome, to make unlawful payments they are using chains of intermediaries, “dummy companies”, offshore commercial companies and other schemes for money laundering. This can be mostly observed in sectors that manage significant financial resources, notably, public procurements in such sectors as public service providers, public corporations, and in areas where the state is observing the legitimacy of oligopoly and fights shadow economy. The forms and ways of expression of corruption are becoming more and more complex and they are difficult to identify, specific knowledge and close exchange of experience with foreign institutions is needed to recognize them. Currently lack of administrative capacity of controlling institutions is associated with their ability to identify risky areas of corruption and identify through risk analysis the persons whose activities might feature signs of violations of legislative acts.

- (59) In the impact of global financial crisis, since year 2008 most of the measures concerning reconsideration of institutions' functions, structures and actions within public administration were aimed at mechanical reduction in amount of institutions, employees and allocated finance, thus significantly limiting motivation and the professional improvement measures of the employees²⁶. The evaluation of the parameter "Government Effectiveness" by the indicator GRICS²⁷ that was made by the World Bank is also testifying that it is necessary further to increase the efficiency of public administration. According to this evaluation, during the period from 2007 to 2010 this parameter was increasing from 0,49 to 0,70 points, but in year 2011 it declined to 0,68 points. Similar negative trends of the efficiency of public administration in Latvia can be observed in the Global Competitiveness Report²⁸ which is made by The World Economic Forum, where ineffective

²⁴ Integrity Vice Presidency FY13 Annual Update -http://siteresources.worldbank.org/INTDOII/Resources/588889-1381352645465/INT_Annual_Update_FY13_WEB.pdf

²⁵ Special Eurobarometer 397, field work in February and March 2013;

http://ec.europa.eu/public_opinion/archives/eb_special_399_380_en.htm#397

²⁶ The final report on the evaluation of government policies and proposals for the next programming period, Page 54 <http://www.mk.gov.lv/lv/esstrukturfondi/vk-realizetie-projekti/strukturereformuistenosana/reformu-novertejumi-un-petijumi/>

²⁷ GRICS (Governance Research Indicator Country Snapshot) is a complex indicator which is being prepared each year (until 2002 - every two years) by World Bank, consisting of several hundred different variables collected from the information of 18 different international organizations. The index values are measured in the range of +2.5 to -2.5. More information on this indicator is available on the World Bank's website at: <http://info.worldbank.org/governance/wgi/index.aspx#home>

²⁸ The Global Competitiveness Report 2013-2014, Page 246

http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

and bureaucratic public administration is cited as the most significant obstacle to the development of the economic activity and the business.

- (60) Due to the budgetary consolidation in recent years the role of the Public Administration School as well as its available budget has been significantly reduced consequently the trainings of employees of public authorities who are providing the development of the regulatory framework directly affecting the arranging of the business environment, reducing the administrative burden and corruption prevention have been irregular and highly dependent on the available funding amount of the ESI funds which has undermined the ability of employees to carry out the policy and administrative burden impact assessments corresponding to the action policy with respect to the economic activity environment within process of drafting normative acts and their enforcement, as well as to effectively identify corruption-risk areas and persons and to provide timely operational investigation process with the most current methods. Inequality of training opportunities and their insufficiency within public administration institutions is also supported by the data of findings of the State Chancellery survey (2012) where more than 1/3 or 45% of public administration employees assessed negatively opportunities to regularly improve professional skills (18% had no opinion on the matter) while only 6% of respondents strongly agreed that professional development measures offered to public administration employees ensure their professional development.
- (61) In the area of strengthening administrative capacity of 2007 -2013, the ESI funds support was aimed at strengthening capacity of national, regional and local level administrative authorities through increasing their efficiency and contribution to economic and social growth of the country, as well as by promoting mutual cooperation of state, regional and local level administrative authorities, social partners, associations and foundations in introduction of policy focused on needs of society, as well as development of efficient public government. Within the area of enhancing the efficiency of the public administration including result-oriented performance planning and evaluation system has been introduced, state civil service reform has been launched, wage equalization within performers of similar work in various state budgetary institutions measures have been taken and implementation of working time analysis has been launched.
- (62) In order to address the above identified problems, within framework of PA the development priority is defined **Increase of productivity, added value, innovation and quality level of economy which is planned to be promoted by investments within the framework of thematic objectives No 1, 2, 3, and 11.**

Quality of transportation infrastructure hindering economic development

- (63) NRP, NDP 2020 and the EC position document identifies quality of transportation infrastructure as a constraint to economic growth and competitiveness of the economy.
- (64) EC transport policy "White Paper" states that large differences still are seen between Eastern and Western parts of the EU from the transport infrastructure point of view and therefore in order to create fully integrated European transport network, differences shall be eliminated, namely, market access to ports, capacity of railway networks shall be improved by creating cargo transport corridors which would be optimised from the energy consumption and emissions point of view, thus decreasing the negative environmental impact, and making them appealing due to highest trustfulness, less congestions, low maintenance and administrative costs.
- (65) In the ESF financed study "Assessment of Latvian Competitiveness 2011" performed by Riga School of Economics more than 100 indicators of Latvian competitiveness were analyzed – starting from achievements in the area of wellbeing and ending with intermediate indicators and fundamentals of competitiveness. The general overview is typical for society unable to permanently realise its potential – current state of wellbeing is one of the worst in the EU, and core indicators of competitiveness indicate to shortcomings persisting for many years period. Latvian transport and

logistics infrastructure was marked as a relatively strong side. The study states that in order to achieve best effect, the country should focus on limited number of priorities. Improvement of transport infrastructure was listed as one of three priorities, which would improve performance in other areas from the point of view of influencing factors and wellbeing indicators. It was especially noted that Latvia is lagging behind as to the quality of roads, which influences international networks and – much more importantly – mobility of goods and population in the territory of Latvia. The transport infrastructure affects the productivity of all sectors of economy in general, and hence investments in the infrastructure would have a significant effect on increasing competitiveness.

- (66) Differences in quality of transportation infrastructure are seen also in the regional level. Quality of Latvian roads infrastructure significantly lags behind that of Estonian and Lithuanian roads, and in the period from 2005 – 2010 these differences only increased. At the same time the quality of Latvian railway infrastructure can be compared to that of other two Baltic States.
- (67) Taking into account that transportation and logistics industry contributes 10% of GDP and it employs 9% from all employees, the suboptimal capacity of railway network and the bad condition of roads in the country hinder further economic development.
- (68) Transport Development Guidelines 2014-2020 provide comprehensive vision of the above listed challenges and offer policy areas of action dependent on the strategic transport policy objective – a competitive, sustainable, comodal transport system supporting high quality mobility through efficient use of resources, including ESI funds.
- (69) SJSC „Latvijas Valsts ceļi” upon delegation from the MT have developed the “Programme for Upgrading of State Motor Roads 2014 – 2020”, which will allow for support from the state budget to be provided for improvement of qualitative indicators of state motor roads network as identified in the NDP 2020.
- (70) Critical condition of roads infrastructure which was negatively affected by consolidation of state budget during the crisis is one of the most critical problems threatening sustainable development of Latvia, since it is hindering the ability of the country to attract investments for development of manufacturing industry, where good transport connections with suppliers and markets are a precondition. Public access to education, social and health services is also restricted, which aggravates social economic regional differences and slows regional development, as well as encumbers growth of the logistics sector.
- (71) 53.7% from state regional²⁹ roads are in bad or very bad shape, 46.3% from central motor roads (TEN-T) are in bad or very bad shape, which is one of the critical risks of road safety, and also a factor hindering transit development. Rate of casualties of road accidents in Latvia in 2011 per one million residents was 1.3 times above the average EU indicator. The most intensely loaded sections of roads have been identified in the part of motor roads, where geometric parameters are unable to support safe and comfortable traffic. Large cities centers are loaded with transit cargo traffic, which are polluting the environment. Especially in the area of the Riga metropolis the development of capital city transport infrastructure and roads connecting the capital city with adjacent urban areas has not been able to adjust to the rapid growth of the number of vehicles in the region. Share of population of the Riga Planning Region in the total number of population of the country has increased by 2.7 percentage points over the period from 2003 to 2012, thus increasing the load on the infrastructure. For the period from 2000 to early 2010 the number of cars in Riga has increased by 60%, while the number of vehicles of entering Riga in 24 hours has doubled over the past decade.

²⁹ In accordance with the National Law on roads Article 3 - State regional roads are roads, which connect the district administrative centres among themselves or with cities, or metropolitan, or with the main or regional roads, or themselves major cities. <http://likumi.lv/doc.php?id=65363>

The network of central streets of Riga is fragmented, and majority of road transport arriving in Riga goes through the city centre, which has led to significant increase of air pollution.

- (72) To achieve the objectives and industry policy results in a Transport Development Guidelines for 2014-2020 regarding to safety on roads, the Road Safety Plan 2014-2016³⁰ has been developed for this reason. Plan is developed to stipulate the objective in accordance with the EU strategy for 2020 to reduce road fatalities by 50% (compared to 2010), as well as reduce a serious injuries by 50%. ESI Funds have been planned to provide investments and to improve road safety pursuant to provisions of the EC Directive 2008/96/EC.
- (73) Latvian railway network can be characterized by a low electrification rate and high wear and tear of existing system, which increases the price of transportation and leaves negative environmental impact
- (74) The existing analogue stations and train radio communication system reduces the Latvian railway corridors international competitiveness, because did not comply with the EU requirements of interoperability and compatibility with neighboring railways, where the implementation of its interoperability is already under way or being planned.
- (75) Lack of railway connection with Western Europe leads to a situation when rights of free movement of persons in reasonable quality (length and cost of travel) can only be ensured by air transport. To tackle this challenge, in the TEN-T multi-annual program 2007. -2013. EC has already approved the MoT submitted research projects on the feasibility study and technical studies of new European gauge line of Rail Baltica Latvian section and preliminary design and operations studies for Rail Baltica railway line Latvian section. A detailed technical study is expected to be completed by the end of the year 2015 and it aims to identify the exact position of the planned railway line Rail Baltica, including all possible routes in the study, namely, the line connecting the center of Riga, International Airport "Riga" and Free port of Riga areas of the river Daugava on the right and on the left bank and also take the necessary preparations for the construction of the railway line.
- (76) The existing rail infrastructure (platform) height difference with rolling stock significantly restricts the passenger rail infrastructure accessibility to all categories of passengers as well as the safe movement of trains within the station.
- (77) With the increase of passenger traffic and the number of aircraft in International Airport "Riga" increasing air traffic impact on the environment, which can be prevented by improving the airport infrastructure. Thereby, taking into account the further development of International Airport "Riga" investment is needed to improve the situation of the environment and security, accelerating the aircraft exit from the runway, reducing the time between operations on the runway and increasing aircraft servicing options at the specific weather conditions. The current rainwater drainage system is deteriorated and surface runoff, including oil spills from vehicles comes into the storm water sewer system. Also in heavy rainstorms may be temporarily halted transport and pedestrian movement in the International Airport "Riga".
- (78) The public infrastructure which are accessible to all users of Riga, Ventspils and Liepaja ports with direct access to inland and sea is underdeveloped, due to the critical state of common hydro technical structures and bad quality of access roads (motor roads/ railways), thereby creating challenges for safety, and environmental risks. Ports growth is necessary to balance with interests of the city, requires traffic diversion outside the city center, creating a comfortable and secure connections with the main road inputs in urban areas. For ports effective integration into TEN-T network is a need to improve connections for direct land and sea access, including infrastructure connections necessary for transport operations within the port area, and the connection with other modes of TEN-T network.

³⁰ Road Safety Plan 2014-2016 <http://likumi.lv/doc.php?id=264508>

- (79) Within the framework of ESI funds programming period 2007 – 2013, in the area of development of transport sector significant investments were made in improvements of infrastructure. Significant works were performed in improving quality of main roads and regional roads, measures taken for improvement of road traffic safety, increasing safety of pedestrians, bicyclists, motorcyclists and their passengers, car drivers and their passengers, decrease of number of casualties from road traffic accidents. For the period from 2001 to 2010 Latvia has done a lot of work in the area of improvement of road traffic safety, achieving decrease of number of deaths from road traffic accidents by 60.9 %, thus achieving the ambitious goal set by the EU – to decrease number of deaths by 50% till 2010. Investment in the International Airport "Riga" has provided an adequate infrastructure to the growing traffic volume.
- (80) In the implementation period of ESI funds 2007 – 2013, work continued in improving railway infrastructure. Latvian railway transportation in 2012 has grown by 10%, with total volume of 60.6 million tons of cargoes transported. Although investments made in the 2007 – 2013 programming period have facilitated the achievement of the objective Quality and Competitive Transportation System Integrated in Common Eurasia Transportation System, however the pace of transport development is not rapid enough, therefore additional investments in transportation industry will be required for upgrading of multimodal transport system.
- (81) In the airport Riga within ESI funds programming period 2007-2013 renovation of runway surface, strengthening of runway lane and safety zone of northern end, construction of light system of II category at the northern end of the runway, reconstruction of apron and establishment of two anti-icing processing areas have been carried out. Investments in the airport Riga have ensured that the infrastructure corresponds to the increasing volume of transportation, therefore it is necessary to solve the issue of improvement of environmental and safety measures.
- (82) Within the framework of ESI funds programming period 2007 – 2013 investments were made to increase Riga, Ventspils and Liepaja port carrying capacity, namely, multi-functional bulk cargo berths, dry bulk terminals and related infrastructure construction, as well as fairway and deepening port aquatory, construction of new access roads to the existing terminals and industrial zones. However, there are still insufficiently developed publicly accessible port infrastructure in terms of direct access to the land and sea, which is related to the critical condition of common hydro-technical structures, namely, port of Liepaja breakwaters and port of Riga and Ventspils port mole built in the early 19th century and are currently significantly deteriorated and do not fully securing the port basin the protection from the wind and the wave exposure resulting in a reduction the safety of navigation and increase environmental risks at port aquatory and the whole Baltic Sea.
- (83) Investments in transport sector will improve the situation in the area of public transport directly (railways, urban public transport) as well as indirectly (road quality). Regional inter-urban routes and regional routes of local significance are reviewed continuously to respond to changes in demand and financing allocated to ensure public transport services. Law on public transport services³¹ states that when planning routes of a regional route network of inter-urban significance with large passenger flow, the routes along railway tracks shall be created at first. The average costs of transportation of passengers by bus in regional route network of inter-urban significance were 0,98 EUR per kilometer in 2011, while the average costs of transportation of passengers by train were 9,32 EUR per train-kilometer (taking into account that 45% of total costs, related to passenger transportation by railway constitute payments for use of railway infrastructure). Therefore, railway transport is efficient in areas where the average number of passengers per trip exceeds 160, while bus transportation is efficient in areas, where the number of passengers per trip is 16 – 60. Therefore,

³¹ Law on public transport services <http://likumi.lv/doc.php?id=159858>

passenger transportation in regional route network of inter-urban significance by railway is defined as priority, taking into account the possibility to carry large passenger flows.

- (84) Providing public transport services is considered the traits of low income consumers and the need to comply with the statutory social functions, therefore certain public transport fares specified by customer are lower than a cost of service. Regular public transport services are subsidized by the state budget and local budgets to provide the service.³²
- (85) Additionally to the Transport Development Guidelines for 2014-2020 further on future activities is foreseen to perform a comprehensive assessment of the public transport system, determining the most effective measure to improve the system to provide the necessary access to public transport with the least public funding and determine in a long-term economically and financially justified and passengers' flows corresponding railway and road route network and capacity. Investments for environmentally friendly urban public transport can make a significant contribution to facilitation of mobility and reduction of pollution. However, Latvian transport sector is characterized by high energy dependence. Investments for environmentally- friendly urban public transport can make a significant contribution to facilitation of mobility and reduction of pollution. In order to reduce air pollution and the development of environmentally - friendly transport infrastructure in the largest cities, it is necessary to examine possible solutions and potential use of RES in urban public transport.
- (86) In order to address the above challenges, the development priority is set within the framework of PA – **Sustainable and Efficient Transportation Infrastructure**, which is planned to be facilitated by investments within the framework of thematic objectives No 4 and No 7.

Inefficient use of resources

- (87) The energy industry is one of the most crucial areas of economy with direct influence on overall growth of the national economy. Latvian Energy Long Term Strategy 2030 – Competitive Energy Industry for Society takes into consideration the challenges set by “Europe 2020” Strategy and NRP, and sets long-term objectives of Latvia’s energy policy. The long-term energy policy is planned on the basis of updated forecasts of state economic development, including demographic, GDP and sectoral development trends for the time period until 2030, as well as considering EU framework binding to Latvia in the context of energy efficiency of GHG emissions, as well as RES.
- (88) **Main problems** in the energy industry are heavy dependence on imported fuel (natural gas), decentralisation of heat supply, poor technical state of heat supply systems and low energy efficiency by consumers of heat energy (inter alia households and industrial sector). The low capital turnover ratio typical for heat supply, voluminous investments required and lengthy payback period of investment are the main causes for bad technical state of heat supply systems and low energy efficiency. Low energy efficiency in turn poses risks of energy safety, sustainability and compatibility.
- (89) **The following challenges have been identified in the NRP regarding energy efficiency:**
1. low energy efficiency in the sectors of end consumption of energy;
 2. recovery of energy efficiency potential in the heat supply system and decreasing large losses of thermal energy in pipelines;
 3. growing end consumption of energy in the transportation sector, especially in the road transportation.
- (90) Latvian energy intensity index (ratio of energy consumption to GDP in comparison against 2000) is constantly decreasing (Figure No 9³³), however the overall consumption of primary energy

³² Wider description of public transport analysis included in the Transport policy guidelines 2014 - 2020.

³³ Publication of the Ministry of Economics and CSB „Latvian Energy in Numbers, 2013”

resources has remained quite constant over the past years. In comparison to EU-27 average indicator, where in 2011 the energy intensity was 144 kg of oil equivalent to 1000 EUR of GDP, while in Latvia this indicator was more than twice higher – 323 (Eurostat data).

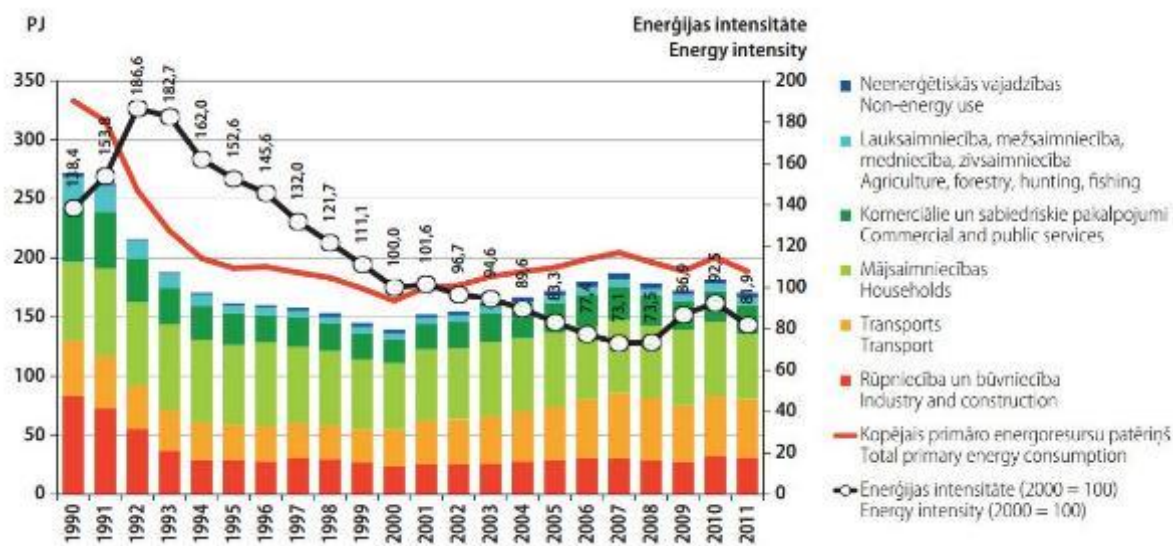


Figure 9 Dynamics and structure of Latvian energy intensity starting from 1990. Source: MoE

- (91) Changes in the structure of Latvian energy end consumption are depicted in Figure 10³⁴. Major energy end consumers in Latvia are households and the transportation sector, as well as industrial production and construction. Reduction in energy consumption can be achieved by investing in end consumption sectors – households, transportation and industrial premises – in such manner energy consumption would be reduced, and socio-economic conditions for households would be improved, consumption of resources would be reduced and resource productivity in manufacturing sector would be improved. Energy efficiency measures in manufacturing industry are foreseen in NIP as a significant investment priority.
- (92) Despite the fact that energy end consumption in transportation and construction sectors has decreased since independence, further increases in prices of energy resources can affect multiple significant industries in economy – wood processing, metal processing and food processing industries together account for largest share of energy consumption in manufacturing industry. Costs of raw materials identically affect local producers as well as regional competitors; however costs of energy can affect producers’ regional competitiveness. Therefore targeted investments in energy efficiency in manufacturing industry will reduce energy resource expenses while enhancing sustainability, competitiveness and environmental friendliness of the industry. It must be noted that although different industries have different energy needs, businesses in Latvia have production premises with substantially different energy efficiency indicators. Therefore investment needs to increase energy efficiency of producing enterprises must be determined at enterprise level rather than at industry level. Such approach would ensure the greatest economic benefit from investments in energy efficiency.

³⁴ Publication of the Ministry of Economics and CSB “Latvian Energy in Numbers, 2013”

Enerģijas galapatēriņa struktūra sektoru griezumā 1990. un 2011. gadā (%)
Structure of final energy consumption by sectors in 1990 and 2011 (%)

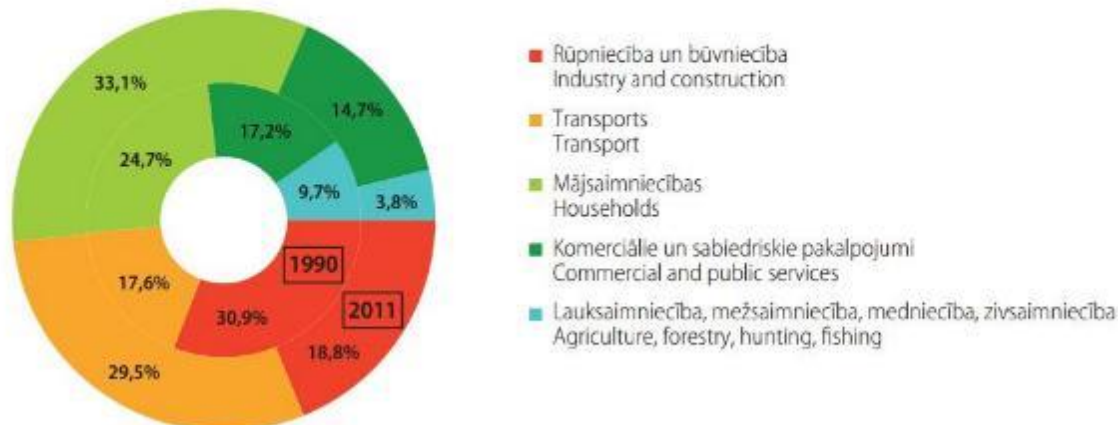


Figure 10 Dynamics and structure of Latvian energy intensity starting from 1990. Source: MoE

- (93) The achievable energy efficiency objectives set in the “Europe 2020” Strategy indicate recommended areas for investments; investments should be aimed at achieving energy savings in the end consumption and in the transformation sector, reduction of GHG emissions and increase in use of RES.
- (94) To achieve the 20% energy efficiency objective set in the “Europe 2020” Strategy, Latvia’s indicative national energy efficiency target is to achieve 0,670Mtoe (28PJ) savings in primary energy by 2020 that includes energy savings in residential buildings, public buildings, manufacturing, service and transportation sectors as well as in centralized heating systems. To estimate energy savings and calculate targets GDP forecast till 2020 was used, indicating changes in energy demand, and current energy policy was taken into account that defines RES policy targets for 2020 and energy efficiency policy targets till 2016. Latvia is advancing towards target of 0,670 Mtoe energy savings in 2020 (total energy savings for final energy consumption as well as for transformation sector). The latest statistical data highlight that gross national primary energy consumption went from 4.47 Mtoe in 2008 to 4.41 Mtoe in 2012. Significant importance in reduction of energy consumption by 0.06 Mtoe have had implementation of energy efficiency measures.
- (95) Within the context of the „Europe 2020” Strategy, Latvian objective is to reach 40% share of RES in the final energy consumption – for comparison in 2005 it was 32.6%, in 2011 – 33.1%. In 2012 electric energy produced from RES against the forecast target of 2020 consumption of electric energy produced from RES (4600 GWh) was 89.23% (i.e. in the energy sector the target has already been achieved almost by 90%). While in total energy consumption of 2011 the share of RES heat energy sector in the total heat consumption was 58.4%, the share of transport sector – 26.1%, while the share of electric energy sector was just 15.5% from the total energy consumption in Latvia. Considering that in the Latvian energy balance the share of electric energy is just 15%, the largest potential for introduction of RES for purposes of achieving the target is in the heat supply and transport. Thus investments in district heating systems are planned, including reconstruction of heating networks and reconstruction to enable use of RES. Therefore, projects with planned switch from fossil fuels to RES will be tackled, thus helping Latvia to achieve 40% RES target and reduce its dependence on imported energy. Total planned increase of power capacity derived from RES is approximately 143MW, which 70MW will be built with CF funds support, while the remaining 73 MW financed by private businesses

- (96) Already in the **CP funds programming period 2007-2013** several support programmes were implemented for improvement of energy efficiency of buildings: measures for improvement of energy efficiency in multi-apartment and social residential buildings and improvement of energy efficiency of buildings of public sector, which was supported within framework of projects for improvement of urban environment and from CCFI funds. The real results of the implemented energy efficiency measures can be assessed only after several years (several heating seasons) after completion of energy efficiency works. Indicative savings of energy in the first 125 renovated buildings show that annual savings of 16.11 GWh of energy have been achieved and eligible costs of these projects are 14.7 million EUR. Thus owners of apartments enjoy energy cost savings of 1.15 million EUR every year and the investments will pay back in less than 13 years. It can be expected that after implementation of ERDF co-financed activity for thermal insulation of multi-apartment buildings more than 130 GWh of energy will be saved every year in the renovated buildings.
- (97) Regarding achievements already made, it can be said that within framework of CP Funds programme 2007 – 2013 2.5% of multi-storey buildings (at least 800 buildings) will be renovated. Within the framework of the 2004 – 2006 programming period 50 km of heat pipelines were reconstructed, but in programming period 2007 – 2013 – 168 km as well as supported instalment of more than 350 MW RES heat energy power. In order to support investments already made, it is especially important to ensure that along with measures for increase of energy efficiency of buildings also the measures for increase of energy efficiency of heat sources and heat pipelines will be implemented.
- (98) Latvian energy dependency in the transportation sector is even larger than in the economy as a whole. 97% of energy amount used in Latvian transportation is fossil energy, which is 100% imported. For purposes of transportation Latvia is importing fossil fuel worth more than 0,7 billion EUR every year. Therefore transportation sector can provide significant contribution to use of renewable energy and decrease of pollution.
- (99) Latvia, taking part in the clean fuel initiative, launched by Commission Vice President Siim Kallas in 2013, and in accordance with Transport development guidelines 2014-2020, has prepared and adopted Latvian Electromobility development plan 2014-2016, which aims at reducing of dependence of Latvian transport system on oil, increasing its efficiency, ensuring mobility and promoting creation and use of innovative technologies in Latvian transport sector. The plan foresees 38 measures split into four directions:
1. Support to science and development of innovative products;
 2. Administrative capacity building and information measures;
 3. Development of electric vehicles charging infrastructure;
 4. Promotion of purchase of electric vehicles.
- (100) The Electromobility plan also addresses the issue of ensuring of sustainable development of urban mobility in accordance with targets defined in EC White paper, foreseeing support actions to purchase of electric buses for city transport. In urban areas it is important to create and develop qualitative, attractive and competitive public transport system, giving preference to electric and railway transport models. In order to improve urban environment and ensure stability of electrical transmission network, one of the priority directions in the future is to reduce the volume of outdated electric transport overhead contact lines, especially in cities historic centres and to replace them with wireless energy charging systems.
- (101) Significant role in development of energy policy of Baltic countries and development of energy markets is played by regional cooperation; at the EU level several significant regional cooperation frameworks are introduced – BEMIP and all available EU financial instruments, including the CEF instrument planned for 2014, within which only cross-border energy projects will be supported, thus

contributing to development of connectivity of energy networks, as well as creation of liberal, efficient and safe energy market. To develop energy infrastructure Latvia has submitted the following projects for funding from CEF:

1. Kurzeme Ring electricity network connection
2. the Third Latvian-Estonian transmission network interconnection in electricity
3. Modernization and expansion of Inčukalns Underground Gas Storage.

Implementation of these measures is significant to ensure compatibility with the EU energy infrastructure, thus contributing implementation of the EU Council country specific recommendation for Latvia No 5. At the same time it is expected to reconsider the planned CP funds measures in 2016 in case there is no financing for planned CEF projects. It is also necessary to develop the Latvian internal electricity networks investing both in electricity transmission and distribution networks, addressing the identified problems and needs in municipalities. To ensure an adequate security level of supply of electricity AS “Augstsprieguma tīkls” will carry out the development of the transmission network and the other upgrades until 2023, such as investments in substations, cable lines, overhead lines etc. AS “Sadales tīkls” has developed the development plan to increase quality and security of power distribution network until 2023 and for the next 10 years will provide different investment programs - reconstruction of the current grid, development of smart grids, construction of an isolated network, construction of a new substation construction etc.

- (102) Latvia is committed to complete the opening of the electro energy market by January 1, 2015 and stop electricity price regulation for households. Latvia joined the Nord Pool Spot on the 3rd of June 2013 and a new Elspot bidding area was opened in Latvia, realising the long term goal of creating a transparent and open Baltic power market with public, reliable prices, connected to the Nordic region. The open market will be characterized by non-discriminatory prices, free choice of electricity providers and a focused social support instrument. Regarding liberalization of the natural gas market amendments have been prepared in the Energy Law for a gradual market opening of the by 2014 and planning to fully open 2017. Latvia is obliged to transfer into national legal regulation several requirements of the European Parliament and Council Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing of the Directive 2003/55/EC, the most significant of which are access of third parties to the system of natural gas; separation of distribution system operators.
- (103) There are more than 300 thousand ha of agricultural land in Latvia, and in order to achieve the objective of productive use of every ha of agricultural and forest land, their efficient use in agriculture or forestry shall be stimulated by productive use measures.
- (104) Although Latvia is one of the greenest and environmentally most friendly EU member states, in the area of environmental protection, sustainable use of resources, as well as increase of their economic potential several challenges are still to be addressed. The EU recommendation on the Common Environmental Action Programme “Living well within the limits of our planet” indicates that member states integrate environmental and climate objectives in the financing strategies and programmes concerned with economic, social and territorial cohesion, rural development and maritime policy, early use of financing in areas of environmental and climate changes shall be set as priority and ability of implementation structures to achieve beneficial and sustainable investments must be strengthened in order to ensure adequate required financial support to investments in these areas.
- (105) According to the study “Screening of waste management performance of the EU Member States”³⁵ Latvia has received negative valuation in several criteria, including regarding low volumes of waste

³⁵ Screening of waste management performance of EU Member States, July 2, 2012, http://EK.europa.eu/environment/waste/studies/pdf/Screening_report.pdf

recycling and regeneration, volumes of buried waste, as well as excessive amounts of buried biodegradable waste. So, for example, in 2010 in Latvia:

1. 382,099 tons of biodegradable waste were produced, out of which 40.11% were recycled,
2. 649 485 tons of household and similar waste was produced in 2010, out of which 15.63% were recycled;
3. volumes of packaging produced amounted to 213,906 tons, out of which 48.92% were recycled;
4. respectively, 10 640 and 5 020 tons of waste from used vehicles of transportation and electrical and electronic devices were produced, and 85% from the collected amounts were recycled.

(106) However it must be indicated that in Latvia a trend is observed that volumes of household and similar waste are decreasing (from 861 thousand tons in 2007 to 613 thousand tons in 2012), amounts of household waste buried in dump sites is decreasing (from 820 thousand tons in 2007 to 543 thousand tons in 2012) and at the same time volumes of recycled household waste (all non-hazardous) are increasing – from 475 thousand tons to 1166 thousand tons. Decrease in volumes of household and similar waste production was due to economic crisis, changes in consumption caused by it, decrease of number of population, as well as a result of activities focused on decrease of production of waste. However we cannot rely on this trend to continue since the economic situation will improve and the number of population will stabilise. Decrease of volumes of buried waste and increase of volumes of recycled waste is achieved by targeted implementation of state waste management policy.

(107) In the time period starting from 2000 by attraction of CF and ERDF financing, 137.3 millions of EUR were invested in order to create base structure in Latvia which would support the burial of waste in line with environmental protection requirements along with closing and remediation of landfills which did not conform to legislative requirements (124.2 mil. EUR of total financing were invested in development of waste landfills infrastructure, 11.8 mil. EUR in remediation of landfills not conforming to legislative requirements, and 6.7 mil. EUR in development of sorted waste collection infrastructure by setting up more than 1000 sorted collection points, 29 waste sorting fields, 11 composting sites and 15 sorting reloading centres). The implementation of the projects of the 2007 – 2013 programming period are still in progress, so it is expected that values of indicators will increase.

(108) When in 2007 about 70% of all buried unsorted household waste was buried in landfills, then in 2012 such waste was 100% buried in landfills compatible with requirements of legislative acts (by attracting co-financing from the CF and ERDF, by 2012 11 waste burial landfills were created, including one landfill for burial of hazardous waste, 316 of landfills not conforming to legislative requirements have been remediated). Introduction of sorted waste collection system has been started, which will have to be significantly developed in the future period in order to successfully ensure availability of this service to residents of the entire country and to implement the waste hierarchy. It must be noted that as a result of construction of new regional waste management landfills and closing of landfills not conforming to legislative requirements the waste management statistics have improved.

(109) At least minimal opportunities to take part in sorted waste collection system is shared by the population of ~ 80%, while the full services of separate waste collection system is available ~ 37% national population. Special waste group (goods harmful to the environment, waste electrical and electronic equipment, end-of-life vehicles) management service availability is considered to be provided, because principle of producer responsibility is applied to this group of waste, also because of the creation of a network of collection points throughout the territory of Latvia. Started development of sorted waste management infrastructure however cannot ensure the required

territorial coverage, e.g., only 25% of required economically feasible sorted waste collection points have been set by the end of 2012. The above threatens the achievement of environmental *acquis* in the area of creation of sorted waste management system for paper, metal, plastics and glass, preparation of waste for recycling or reuse, as well as regarding regeneration and processing of packaging and used packaging and end-of-life vehicles.

(110) According to state statistical data majority of sorted waste collected is exported. In 2012 more than 80% of paper and cardboard packaging, paper and cardboard were exported, ~90% of plastic packaging and plastic were exported, export of metal waste is also considerable – 75% from the collected amounts³⁶, since waste processing capacity in Latvia is either insufficient, or it is more reasonable from the economic aspect to transport waste abroad for processing.

(111) According to the above, Latvia in many aspects is not fulfilling the waste management directives (Directive 2008/98/EC, Directive 1999/31/EC, Directive 94/62/EC, Directive 2012/19/EC, 2000/53/EC):

1. as the fulfilment of the Directive 2008/98/EC requirements is concerned, Latvia has not yet reached the set target for setting up and developing system for sorted waste collection. In 2012 sorted waste collection service was available in 74 municipalities and 15.2% from household waste collected were recycled. However the target regarding preparation of construction and demolition waste for recycling, reuse and other regeneration was achieved and in 2011 95.5% from collected construction and demolition waste were recycled;
2. regarding requirements of the Directive 1999/31/EC concerning requirements for landfills, in 2011 58.79% from biodegradable waste was buried in landfills in 2011, but in 2012 this amount fell to 58.1%; regarding compliance with Directive 94/62/EC – in 2011 in Latvia 54% of such waste was regenerated and for some types of materials the regeneration volumes are lagging behind the set targets. However in 2011 51% from set packaging has been recycled;
3. as the Directive 2012/19/EC is concerned, Latvia has not yet achieved the targets set there, in 2012 about 2 kg of EEIA were collected per capita and 25% from the amount (mas) launched to market during the previous calendar year.
4. regarding the Directive 2000/53/EC on end-of-life vehicles, Latvia has achieved the set recycling objective and in 2012 86% from the total weight of vehicles were recycled;
5. concerning the Directive 2006/66/EC, Latvia has achieved the set collecting and recycling targets respectively in 2010 and in 2012.

(112) Upon assessment of Latvia's ability to achieve the set waste management objectives, problems have been identified in certain areas:

1. the sorted waste collection infrastructure that is being created will fail to ensure:
 - 1.1. Necessary territorial coverage. Sorted waste collection system (paper, metal, plastics and glass) will not ensure access to this service in the entire territory of the country, problems will be also concerned with preparation for reuse and recycling of at least 50% (by weight) of paper, metal, plastic and glass waste found in the household waste and similar waste flows (European Parliament and Council Directive 2008/98/EC of 19 November 2008 on waste and repealing certain Directives),
 - 1.2. Preconditions for regeneration and recycling of packaging and used packaging according to the European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste,

³⁶ <http://parissrv.lvgmc.lv/#viewType=wasteReports&incrementCounter=1>

- 1.3. Preconditions for collection, regeneration and recycling waste electric and electronic equipment according Directive 2012/19/EC of the European Parliament and of the Council of 4 July 2013 on waste electrical and electronic equipment;
 2. Although the managers of waste landfills start paying larger attention to decrease of volumes of waste to be buried, when handing over sorted waste for recycling it will still be difficult to reduce the amount of biodegradable waste in buried waste to 35% of quantity of biodegradable waste buried in 1996 (the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste).
 3. Waste for recycling it will still be difficult to reduce the amount of biodegradable waste in buried waste to 35% of quantity of biodegradable waste buried in 1996 (the Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste).
- (113) Regarding water management infrastructure in agglomerations where population equivalent is above the 2000 (PE.>2000), access to centralised water management services is not ensured for 100%, therefore some households continue to use individual solutions for handling sewage, which increases environmental pollution risk. Spills from obsolete sewage networks are causing environmental pollution.
- (114) By using CF and ERDF funds available in the ESI funds programming period 2007 – 2013, by the end of 2012 164 water and wastewater infrastructure development projects were completed, as a result of which number of Latvian population having access to centralised waste water collection and treatment services has increased. In total, throughout the country access to centralised water supply services has increased from 56.37% in 2009 to 61.96% in 2012. At the end of 2012 preparation of drinking water and collection of waste water conforms to requirements of legislative acts in 62 from 89 agglomerations. At the same time not all residents of agglomerations with PE above 2000 have been provided with access to centralised water management services, therefore either individual solutions are used or just one of types of services is provided – only centralised water supply or just centralised waste water collection system. In 2012 preparation of drinking water was provided to 1.37 mil. of population of agglomerations, waste water treatment – to 1.27 mil. of population.(113)
- (115) Through investments in the development of community water management system, share of pollution emitted in environment from overall pollution emitted in the environment from single point pollution sources, and also losses of drinking water from centralised water supply networks have decreased. According to indicators of implementation of projects completed in the programming period 2007 – 2013, losses from drinking water supply networks have decreased in general by 42% per year, but average decrease of spills from waste water networks for projects was by 22%. In regard to emitted pollution, the BSP5 share has decreased from ~85% in 2008 to ~48% in 2012, total nitrogen share from ~94% to ~75% and total phosphorus share from ~93% to ~64%. It has been indicatively established that upon completion of projects of 2007 – 2013 programming period, after provision of actual connection of services in 89 agglomerations with PE >2000, the volumes of pollution emitted in environment in 2015 will have decreased by nearly 50% in comparison to 2007.
- (116) It is planned that after implementation of projects of the 2007 – 2013 programming period in 22 from 89 agglomerations the requirements of EU Directive 91/271/EEC will be fulfilled, in 67 agglomerations the requirements will not be fulfilled. Out of 67 agglomerations where non-conformity with requirements of the EU Directive 91/271/EEC was established, 24 agglomerations drain waste waters directly into water bodies ‘at risk’, but 11 – into the basins of sensitive water bodies ‘at risk’. In addition, upon implementation of projects of the 2007 – 2013 programming period, 13 more agglomerations will require upgrading of waste water treatment plants, since river basin management plans recommend necessary side measure – tertiary waste water treatment.

- (117) Additional 189 urban settlements with PE 200 – 2000 , which drain waste waters into basins of water bodies ‘at risk’, have been identified. 78 from such urban settlements are draining their waste waters directly into water bodies ‘at risk’. In River basin management plans 14 urban settlements that are included in the group of settlements with PE 200 – 2000, are detected as places where additional measures for improvement of sewage treatment plants should be implemented. This is because pollution discharged into environment exactly from these facilities is the cause of the poor status of the water quality in the water body. Characteristics of villages concerning amounts of total waste water produced and volumes of collected waste waters and purification quality are very diverse. There are large villages with high volumes of PE and weak infrastructure and small villages with fully functioning system. Such situation was possible because improvement of systems for the period 2007 – 2013 was voluntary and was based on the initiative of municipalities.
- (118) According to the evaluation of The Health Inspectorate, exemptions to the water reduced harmless or quality requirements are defined for several agglomerations with population over 2000. They include the specific norms concerning iron, sulphate or manganese content. Exemptions for agglomerations are fixed even up to year 2016. In case the water quality standards in those towns will not be achieved after implementation of projects of the ESI funds programming period 2007 – 2013, additional investments for assurance of water safety or quality may be required.
- (119) Local residents have insufficient financial resources for construction of access points and internal pipelines in their property, which would enable them to use centralised water management services. Special support should be given for residents who are subjected to poverty and social exclusion risks.
- (120) Majority of protected areas in Latvia are covered by forests (49%) and arable land (24%), while the rest is water bodies (12%), swamps (12%) and other biotopes (1%). Total area covered by inland specially protected nature territories (SPNT) is 17% from the total area of the country. For protection of critical species and biotopes outside of SPNT micro-reserves can be established. Some of SPNT and micro-reserves are included in the EU level network of protected areas Natura 2000 (302 SPNT and 24 micro-reserves). Natura 2000 territories cover 11.5% from the Latvian inland territory and 15% from the marine territory. Environmentally friendly farming in NATURA 2000 territories is fundamental for survival of several rare and endangered species. So far financing for protection of biodiversity has been sufficient in the programming period 2007 – 2013 – investments were made in setting up infrastructure in Natura 2000 territories and creation of *ex situ* infrastructure for protection of biological diversity.
- (121) In order to introduce EU Birds and Biotopes Directive and the Law on Species and Biotopes, nature recovery, maintenance and identification measures should be implemented in Latvia. According to report of 2013 on implementation of Biotopes Directive in 2007- 2012³⁷ it was established that only 13% of biotopes and 28% of species are in beneficial protection state, which indicates to anthropogenic load and insufficient implementation of nature protection measures. Concerning significant part of biotopes the main reason for differences in assessment of their state in report of 2013 and report of 2007 on implementation of Biotopes Directive in 2001-2006²² is caused by more precise application of assessment guidelines. This means that the most recent report is not indicating to sudden negative changes in the nature, but rather to differences in assessment methods and expansion of knowledge. Since it frequently happens that the management measures required for protection of species and biotopes are considered separately from the economic development of the territory, and the financial resources available for the management of biotopes often are limited, measures planned in the nature protection plans for specially protected nature territories are not implemented in full. Therefore no appropriate protection status is ensured for EU level biotopes and

³⁷ Reports on implementation of Biotopes Directives in 2001 – 2006 and 2007 – 2012 are available at <http://biodiv.lvgma.gov.lv/fol302307/fol454010>

species, while the significance of valuable biotopes in the overall biodiversity system is rapidly decreasing.

- (122) Forest fire watching system is underdeveloped in Latvia, therefore implementation of preventive forestry measures should be continued in order to promptly discover forest fires in any weather condition and to timely extinguish them.
- (123) Under RDP 2007-2013, the aid for farmers has been provided in several measures for improvement of the environment and landscape that have contributed to conservation of biological diversity and a traditional rural landscape, encouraging a sustainable agricultural activity by using environmentally friendly agricultural methods. In general, the aid of axis 2 measures has reduced abandonment of land and facilitated increase in cultivated agricultural land areas. However, concerning the contribution by measures toward attainment of the environment-linked objectives, it is obvious, that qualitative indicators have been reached partly, not infrequently assessment of the contribution is difficult due to the lack of data. However, it is essential also in the programming period 2014-2020 to provide support to farmers for a sustainable agricultural activity.
- (124) While implementing support of the European Fisheries Fund in the programming period from 2007 to 2013, Latvia's fishing fleet was balanced with available fishing resources. However, the volume of fishing resources available for the fishing sector is not stable and shows a trend toward reduction thus, the existing fishing fleet capacity can still have a negative impact on achievement of the target of a sustainable use of fishing resources as well as an economic viability of the fishing fleet (according to the annual Report on the Latvia's Fishing Fleet Capacity). In order to achieve the targets of the environmental sustainability and a sustainable use of fishing resources, incl. reduction of castoffs, additional investments in the fishing fleet are needed, including in selectivity of fishing gear. Aquaculture can considerably influence the environment therefore, it is important to support such environmentally friendly measures which eliminate both the environmental pollution and at the same time facilitate conservation and improvement of biological diversity.
(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))
- (125) Due to insufficient financing, environmental monitoring is lacking technical equipment required for ensuring environmental monitoring in line with the requirements of the EU directives and international conventions. Information on environmental state and natural resources, as well as shortage of data hinders the fulfilment of international obligations regarding provision of environmental data to EU and international organizations, and the society also does not receive objective information on environmental state and natural resources. Environmental monitoring data are a crucial for planning and implementation of environmental protection policy, as well as for planning of environment and nature protection measures and control over efficiency of environmental protection, and they also are important in assessment of influence of measures implemented by other sectors of economy, including measures which use ESI financing. Operative and rational environmental monitoring and control is hindered by shortage of good quality output data and cartographic materials. Also in order to improve environmental risk assessment, prevention and administration in order to involve public in decision making, provision of information to general public should be developed – to facilitate the understanding of environmental protection measures and to involve the community in addressing the environmental protection issues according to Sustainable Development Strategy of the Council of Baltic Sea Countries 2010 – 2015 regarding sustainable consumption and production, environmental education and innovation. The abovementioned problems are closely interlinked with one out of three main objectives of EUSBSR “Save the Sea” and its relevant priority areas: 1) Nutri – reducing nutrient inputs to the sea to acceptable levels; 2) Bio – preserving natural zones and biodiversity, including fisheries; 3) Ship – becoming a model region for clean shipping; 4) Agri – reinforcing sustainability of agriculture,

forestry and fisheries; 5) Hazards – reducing the use and impact of hazardous substances; as well as with the horizontal activity of EUSBSR- “Sustainable development and bio-economy”.

(126) Latvia is ranking third among the EU member states by GHG in agriculture – emissions per one hectare of agricultural land amount of 1.3 tons of CO₂ equivalent, which is half of the EU average indicator. However, the share of GHG emissions generated by Latvian agriculture (19.3%) is significant in total GHG emissions and it must be taken into consideration in assessment of influence of this sector’s development to achievement of national objectives. Along with a more rapid economic development, GHG emissions will continue increasing by 2020; the energy sector will account for the most – 42.5% from the total forecast of GHG emissions in 2020, transportation sector – 25.5%³⁸

(127) Flood risks are closely connected with the sub-objective of the strategic objective of the EUSBSR “Increase Prosperity” – “Climate change adaptation, risk prevention and management”.



Figure 11 Latvian coastal territories. Various views (State Regional Development Agency, 2012)

(128) It is important to decrease flood risks and prevent erosion of river and sea banks, which has become a significant problem as a result of climate change. Experts of the National Research Program “Climate change impact on water environment in Latvia” (KALME) in 2006 – 2009 forecast that sea level in the Baltic Sea will increase by 18 cm until 2100, the average annual rainfall will increase by 8-12%, and the maritime coastal erosion will become more intense next 50 years. According to data of the project “Development of recommendations for national flood risk prevention and reduction plan” („Vides projekti”, 2007) 25% of 496 km long sea coast are subject to intense washing away (erosion) as a result of powerful storms and waves. Such erosion influences inland territories within 200 – 1500 m from the coast line. About 20 ha of land are lost every year. The

³⁸ Physical Energy Institute (2011) Study report „Preparation of forecasts of Latvian greenhouse gases emissions and association by 2020 according to the European Parliament and Council Decision No.280/2004/EK

study within the framework of the above project indicates places and objects which are subject to the most extensive erosion caused by tidal waves and autumn floods, including infrastructure objects and residential settlements (also urban areas). Urban areas and people living in vicinity of flooded territories of potamal (slow flow) rivers, which in case of spring floods and heavy rainfall obstruct traffic movement, as well as communications and power supply. The above natural factors lead also to losses of agricultural and forested land, jeopardize the access to medical services, waste management and industrial equipment. According to the Flood Risk Assessment & Management National Programme 2008 -2015, developed in accordance with Directive 2007 / 60 / requirements and containing information on the types of floods, endangered territories (km²) and population, more than 30% of the Latvian population are subjected to flood risk threats, including 6 Latvian cities with dense population (Riga, Ventspils, Liepāja, Daugavpils, Ogre and Jelgava), where the flooding risks are linked with the surge of the sea or silt of river bed or influences of surface runoff on urban drainage systems. 400 thousand population are endangered.

- (129) One of the critical factors affecting the production capacity of agricultural and forested land is regulation of soil humidity, since in the Latvian natural and climate conditions the level of precipitation exceeds summary vaporization in average by 250 mm per year, but in years with excess precipitation even by 500 mm and more. Without regulation of soil humidity and flood protection, no intense development of agriculture and forestry is possible in Latvia, since it has significant negative impact on productivity of agricultural crops and forestry growth. In total in Latvia drained arable lands and forest lands cover 2.1 million ha, out of which 71% of amelioration systems are handed over to land owners, making them legally liable for exploitation and maintenance of such systems. No new amelioration systems have been built already for twenty years.
- (130) Use of ERDF financing available for the CP funds 2007 – 2013 programming period in the OP “Infrastructure and Services” amendments 3.4.1.5 in the activity “Reduction of environmental risks” provides funds only for reducing flood risk in territories, which correspond to the first flood risk or the emergency scenario criteria 1B (difficult to predict cases of appearance of sludge-ice) and criteria 1C (territories which are endangered by a combination of several causes of flood) of the National Programme for the Assessment and Management of Flood Risks.
- (131) **In order to solve the above challenges** a development priority is set within the framework of PA **Sustainable use of natural and cultural resources, which is planned to be facilitated by investments planned for thematic objectives 4, 5 and 6.**

High poverty and unemployment rate, especially long-term and youth unemployment.

- (132) Employment. Along with improvement of economy the situation in labour market continues to improve. In 2012 employment rate in the age group 20 – 64 years was 68.2%³⁹, which was by 1.9 percentage points above the level of 2011, however it still is significantly below the employment level of pre-crisis period (75.8% in 2008) and employment targets set for 2020. Latvian employment policy is developed on the basis of European Employment strategy, strategy “Latvia 2030”, NRP and national legislative acts, and also the common strategic framework for 2020 will be set within Guidelines for Inclusive Employment 2014 – 2020.
- (133) Achievement of employment level set in the NRP requires comprehensible use and development of Latvian human resources potential thus ensuring optimum balance between demand and supply in the Latvian labour market. According to NRP, one of the main macro-structural challenges to Latvian development and employment is a risk of structural unemployment, which is caused by lack of qualification and skills matching to requirements of the labour market. Although in 2012⁴⁰ the

³⁹ Data from the Data base of Central Statistics Bureau

⁴⁰ CSB LFS data

share of job seekers in Latvia decreased to 14.9% of economically active population, it still remains one of the highest in Europe. Minimisation of long-term unemployment is hindered by insufficient demand in labour market (few vacancies), as well as the age of long-term unemployed persons and low level of education and skills. Elderly people are a category of population most exposed to unemployment risk. The share of unemployed at pre-retirement age in total number of unemployed is increasing – at the end of 4th quarter of 2010 it was 10.5%, at the end of 4th quarter of 2011 it was 12.3%, and at the end of 4th quarter of 2012 it was 13.4%. In spite of the fact that Latvia is characterized by regional employment, unemployment and income level disparities, however, a larger proportion of internal mobility takes place between Riga and Pierīga, where jobs concentrate, while a small part of the workforce is going to work in another region.⁴¹

- (134) Investments from ESI funds in 2007 – 2013 were mostly focused on successful inclusion and retention of people in the labour market by providing them with necessary skills, improving safety at work and equality in the labour market, as well as improving health of workforce through active employment measures and other instruments. The support allowed improving the quality of the labour force supply; within the framework of active labour market policy measures, training for necessary skills was offered to unemployed persons and employed persons exposed to unemployment risk.
- (135) The implemented support measures provided a balanced support to decrease short-term social tension and involved persons who have lost their job in activities towards employment, and also promoted long-term development of employment by requalification and acquiring of additional skills in training events, as well as by encouraging to start economic activities on their own.
- (136) The study of the World Bank “Latvia: who is unemployed, inactive or needy? Assessment of post-crisis choices” indicates that priority in the area of employment should be recovering the people who have lost their jobs to the labour market, and identification of groups of population with a weak involvement into the labour market. Mainly these are persons with a low education level and represent various age groups, elderly persons, including ones with chronic illnesses or disability. However, elderly self-employed males were also identified as a risk group, which could be explained by informal employment. Atypical group is females with high education level with small children. The results of the study show that active employment programmes introduced by the government improve employment rate of the persons who attend training.
- (137) Registered unemployment at the end of 2012 was characterised by several indicators⁴², which justify the need for a targeted support to long-term unemployment, persons with low or inappropriate set of skills and qualification, elderly job seekers:
1. more than 44% of unemployed persons were registered in the SEA longer than 12 months;
 2. 50% of registered unemployed have no professional qualification, while among registered young unemployed persons this ratio is 68%;
 3. more than 36% of unemployed are above the age of 50 years;
 4. 76% of unemployed did not receive unemployment benefits.
- (138) According to Eurostat, youth unemployment rate in Latvia in 2012 was 28.4% (or 29.1 thousand young people), which is by 5.6 percentage points above the EU average. The unemployment rate for persons aged 15 – 19 years is especially high, where 50.8% are unemployed (in the EU – 28.2%), but in the age from 20 – 24 – 24.8% (EU – 21.3%). According to Eurostat, the number of young people who are neither studying nor working has increased in Latvia over the past years (s.c. *NEET*-

⁴¹ Confirmed by the data of the Central Statistical Bureau on long-term migration of population (IBG10.); research done by the Bank of Latvia „Internal mobility in the Latvian labour market 2005-2011” (2013); research of the State Regional Development Agency, 2013

⁴² SEA data

not in education, employment or training) - from 4.2% in 2010 to 7.1% in 2012, while the EU-27 average indicator is about 2 times lower (in 2012 – 3.3%).

- (139) Efficient functioning of labour market is one of the most important elements for ensuring economic development and increase of the country's competitiveness. In Latvia active labour market policy is implemented according to employment guidelines, and as one of the critical measures addressed without hesitation according to NRP is: improvement of active labour market policy measures which complies with the 3d EC Council Recommendation: „Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services.” According to the impact evaluation performed by the World Bank with support from ESF, participation in active employment measures carried out in 2007 – 2013 considerably improves the situation of unemployed persons in the labour market in the short-term and in medium-term, with a varying effect across various types of unemployed training.⁴³
- (140) In the coming decades Latvian economy will undergo significant structural changes⁴⁴. In order to prepare and adjust to these changes, overtaking restructuring of the labour market is required. Just like in other new EU member states, emerging measures of labour market development are difficult to be identified also in Latvia, and mostly these are “ad hoc” measures, not structural changes. They are not systematic, with a clear structure, and therefore their various parts serve various purposes, overlap and can be mutually contradictive⁴⁵. To implement changes that overtake the developments in the labour market, it is critical that discussions take place between policy makers themselves and with social partners. Such approach – detailed information and discussions should become a system in policy making.
- (141) NRP lists the upgrading of legislative regulations of labour relations and occupational health and safety at work and improvement of its application and implementation as one of the main policy areas and activities for improving business environment. Improvement of workplaces quality is a policy area proposed for implementation of strategy „Europe 2020” in the Employment Guidelines of Member States approved by the Council Decision (7 guideline). According to the study performed by the European Life and Working Conditions Fund “Workplace quality trends in Europe”⁴⁶, in 2010 in Latvia 26.0% of employees were working at workplaces of insufficient quality. While the analysis of work place accidents statistics collated by the State Labour Inspection shows that improvements are required in companies undertakings working in dangerous sectors, especially in the group of micro and small enterprises, where results of the study “Working conditions and risks in Latvia, 2013” demonstrate deterioration of the situation in the area of safety at work and legal labour relations. Labour market in Latvia can be assessed as very flexible, which means that most effective working modes in specific situation are chosen taking into account flexibility of labour supply and demand. Statistics on the diversity and occurrence of flexible modes of work is not being summarized, however, in the Eurobarometer survey⁴⁷ published in April 2014 27% of Latvian respondents indicated that they have used some forms of flexible work (EU average-26%). At the same time, important issues are the protection of workers in case of hidden forms of employment (e.g. false self-employment), and impact of atypical forms of employment to the employee's socio-economic situation including career and lifelong learning opportunities, as well as

⁴³ www.lm.gov.lv/upload/aktualitates/almp_presentation31.pdf

⁴⁴ Informative report on medium and long term forecasts of labour market; <http://polsis.mk.gov.lv/view.do?id=4407>

⁴⁵ Synthesis report: social partnership for implementation of emerging changes and restructuring. Mutual learning: Finland and Baltic states. November, 2011 <http://arenas.itcilo.org/anticipating-restructuring/synthesis-reports>

⁴⁶ Eurofond, Fifth European Working Conditions Survey, <http://www.eurofound.europa.eu/pubdocs/2012/28/en/1/EF1228EN.pdf>

⁴⁷ Flash Eurobarometer 398 „Working Conditions”, April 2014, 43.lpp., pieejams: http://ec.europa.eu/public_opinion/flash/fl_398_en.pdf

pay, productivity, better work-life balance options, and possibly longer participation in the labour market.

- (142) In the employment structure of municipal areas the largest share of population is employed in agriculture, forestry and fisheries – about 35%, and the number of employees in these areas tends to decrease. Along with concentration and increased efficiency of work agriculture, about ~80 thousand work places could be lost in this area within the next decade.
- (143) Support for creation and development of enterprises in RDP in the programming period 2007-2013 has not reached the objective exactly in terms of creation of new jobs because many projects have not been implemented due to the lack of credit resources as well as a large part of the aid resources was channeled to energy producing enterprises that is an activity not oriented to creation of new jobs.
- (144) Disparity of income, poverty and social exclusion, which has been a topical problem already for many years, is an obstacle to the development of the nation and economic development, including productivity increase. Namely, due to poverty, an individual is unable to access the necessary resources and services, like education and health care services, which in turn are restricting and hindering factors for successful integration into the labour market.
- (145) According to Eurostat,⁴⁸ in 2012 36.6% of Latvian population was exposed to poverty or social exclusion risk, which is the third highest indicator in the EU. Attaining of higher education significantly decreases risk for a person to fall below poverty threshold, while for persons with basic education the poverty risk index reaches 42%. One of the highest children poverty rate of the EU has been registered in Latvia and child poverty correlates with low level of education of their parents’.
- (146) Notable differences are seen between rural and urban residents – rural residents are more exposed to poverty risk. The main groups exposed to poverty risk are single parent and families with many children, single person households, households with low work intensity and households of unemployed, as well as children, youth and pre-retirement age persons⁴⁹.
- (147) Need for a professional social work has significantly increased in society in order to assist in solving social and psychological problems caused by long term unemployment and poverty. A special attention should be paid to social work with families with children, and methods of working with various groups should also be improved, application of social case management methods in social work practice should be expanded. Law on Social Services and Social Assistance provides that in order for the social service to be able to duly fulfil its obligations, at least one social work specialist⁵⁰ shall be provided for every 1000 residents. According to information provided by social services of municipalities, 1162 social work specialists were employed by social services of urban areas and regions in 2012, i.e. one social service specialist per approximately 1742 residents. It is apparent that number of social workers is insufficient, i.e. overall 58% from the required number.
- (148) The analysis of the social services provided reveals such problems as dominant role of institutional care forms and significant differences between regions in provision of services. According to summaries of national statistical data and information of the MW, by 1 January 2013, 13 040 persons were subject to institutional care, while home care in 2012 was received by 9 739 persons. By 18 December 2012, 335 persons were waiting in line for state-financed institutional care for persons with severe mental disorders, and 80 persons were in line for local government financed

⁴⁸ http://appsso.eurostat.EK.europa.eu/nui/show.do?dataset=ilc_peps01&lang=en

⁴⁹ The World Bank study „Latvia: who is unemployed, inactive or needy?”, Labor market and social conditions diagnostic, Poverty, inequality and the social impact of the financial crisis in Latvia, 29.-32.lpp.; http://www.lm.gov.lv/upload/aktualitates/lv_poverty_inequality.pdf

⁵⁰ social work specialist — a person who performs the professional duties of a social worker, caritative social worker, social career, social rehabilitator or social assistance organizer.

institutional care (data by January 1, 2013), while only 2 persons were in line for home care. Insufficient range of health care and social services, services which are provided only in segregated environment (i.e., in the institutions), as well as insufficient focus on individual needs of each service beneficiary are considered to be the main obstacles in Latvia for persons with functional deficiencies and other groups of persons subject to social exclusion risk to fully enjoy their rights to be equal with other members of society. This situation affects not only persons in need for social services, but also their family members, who are often forced to leave the labour market and thus lose their qualification, often unable to return to labour market after lengthy involuntary absence.

- (149) In 2012, 1793 children were stationed in care institutions in Latvia, to whom living in family-like environment should be ensured. In Latvia, the possible alternatives to parents' care (care in family) until the moment when the child is able to return to parents, is adopted or majority is achieved, is cared in a foster family, with a guardian or extra-family care institution. At the end of 2012 there were 4083 guardians, 325 adopting parents and 582 foster families in Latvia.⁵¹ Section 20 of the UN Convention of Children's Rights of 20 November 1989 provides that a child who temporary or permanently has lost his family or who, in order to safeguard his/her best interests, cannot be left in family environment, is entitled to a special protection and assistance from the state.
- (150) Equal rights often involve also direct or indirect discrimination, while prejudices and stereotypes prevailing in the society are among the causes for discrimination. According to survey data⁵² where Latvian residents were surveyed, 63 % of respondents believe that there is an actual discrimination against people above the age of 55 years, and 50% of respondents believe that discrimination on the basis of being a disabled person is rather widespread in Latvia. "The Guidelines for Implementation of the UNO Convention of Rights of Persons with Disabilities 2014 -2020" have concluded that employers have not much understanding about disability, its consequences and restrictions created in the life and employment abilities of the disabled person, which respectively hinders efficient involvement of disabled persons in the labour market.
- (151) Various stereotypes are shared in the society, which cause obstacles for prisoners and their integration in the society and labour market. The existing system of re-socialization of prisoners is fragmentary. Often there are cases when treatment of prisoners criminal behavior problems take longer time than time spent in prison, and an ex-prisoner in society cannot get the specific help that helps to avoid of criminal offences in the first post-prison period. When returning in the society after long-term isolation risks connected with stigma of ex-prisoner (i.e., lack of home, lack of legal income, difficulties to find legal employment, return to the environment where criminal offence was committed, criminal friends, loss of family support, etc.) arise significantly. All this increase the risk of poverty and risk for successful integration in society and in the labour market for convict. The Prison Administration and the State Employment Agency statistics indicate that possibility that the prisoner or ex-prisoner successfully integrate in the labour market and reduce their risk of relapse, is low. For example, only 29% of the prisoners, who are able to work, participating in employment activities in prison (2011 statistics). On the other hand, 411 persons after serving of sentence apply to the State Employment Agency in 2011 (for comparison - in 2011 from prison 2211 persons were released after serving of sentence (about 97% of those of working age)). Statistics also shows that approximately 60% of convicts serving sentences in prison serve it not for first time⁵³, and many of them are persons in the economically active age.

⁵¹ MW data

⁵² Special Eurobarometer. Report No 393, „Discrimination in the EU in 2012”, http://EK.europa.eu/public_opinion/archives/ebs/ebs_393_en.pdf

⁵³ Annual Public Reports by the Direction of Prison Administration of Latvia (2010, 2011, 2012) http://www.ievp.gov.lv/index.php?option=com_content&view=article&id=72&Itemid=75&lang=lv

- (152) The existing fragmented system of support in society is not a full-fledged for supporting of ex-prisoners. Currently, there are none institutions which have responsibility to provide support for ex-prisoners in regard of to their risks of repeated criminal behavior if such risks are not treated during their prison sentence, although for achievement of the goal of re-socialization, including integration into the labour market, it is necessary to continue the ex-prisoner re-socialization in society.
- (153) In order to ensure implementation of the EC recommendations the Law “On Medium Term Budget Framework 2014, 2015 and 2016” (announced on 27.11.2013) defines one of the most important budget policy development priority areas – review of tax load on workforce in order to reduce their income inequality and improve their quality of life, especially for families with children. The most significant measures in this regard are the increase of non-taxable minimum personal income and the increase of tax reliefs for dependent persons, decrease of mandatory social assurance contribution rate, improvement of state social support system for families with children and disabled persons, as well as compensatory measures for low income households due to increase of electrical energy costs. Latvian government is continuing to work on development of recommendations for development opportunities in certain areas of social security system. One of the primary objectives in the proposed changes is to set new minimum income level in the country. This would serve as a milestone for planning of support and policy for Latvian population, and further actions in this area would also depend on it. Recommendations were developed considering the approaches to measuring and reduction of poverty that have been developed globally and by the EU Member States, results of the World Bank study „Latvia: who is unemployed, inactive or needy?”, research done by the MW on specific issues of social security system, as well as social situation of population.
- (154) From the analysis of poverty causes⁵⁴ it was concluded that people are exposed to poverty risk also because of weak physical and mental health, which leads to people of working age joining the economically inactive persons and premature deaths. According to statistical data 70% of persons with primary disability in Latvia are not working⁵⁵, but premature mortality is one of the highest in the EU⁵⁶.
- (155) In 2007 – 2013 social inclusion measures and the development of inclusive labour market were supported from the investment from ESI funds, including providing support for increasing employment opportunities of groups of population exposed to social exclusion risk, as well as the system of work ability assessment was improved and social services developed. As a result of ESF investments in the development of social services 95 projects were implemented, developing 131 social service providers. More than 90% of the beneficiaries have confirmed the continuation of the provision of services a year or more after the end of the project. Although the number of social service providers has increased significantly, long-term care institutions still constitute almost 30% of the registered social service providers. Investments in social infrastructure in 2007 – 2013 were made according to medium-term plans approved in the welfare area for optimisation of state financed social care and social rehabilitation services, and are reflected in Figure 12.

⁵⁴ Social Investment Package, Commission Staff Working Document "Investing in Health", 20.02.2013, EK

⁵⁵ Data of the State Medical Commission for Expertise of Health and Work Ability

⁵⁶ [Data from the Disease Prevention and Control Centre](#)

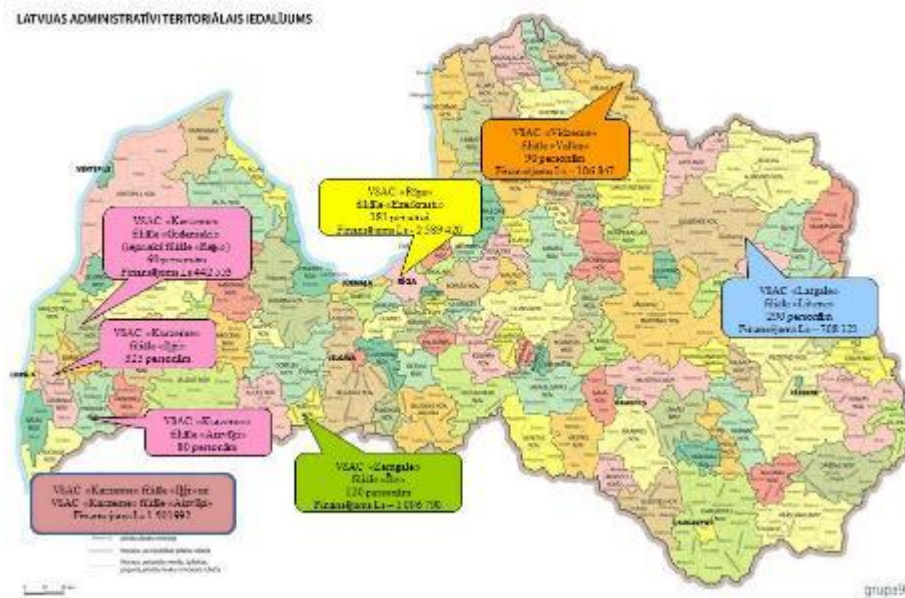


Figure 12 „Investments in the social services infrastructure in the EU funds 2007 – 2013 programming period”, MoW data

(156) The programming period 2007-2013 proved that strategies developed by local action groups (LAG) have a great importance in facilitating social activities of rural inhabitants, the most active in implementation of LEADER projects were associations (76% of all implementing organizations) and local governments (17%) thus, a maximum involvement of local people in their own initiated activities was ensured, and by using their potential, targets set up by rural inhabitants have been achieved thus satisfying their social and cultural needs.

(157) In the 2007-2013 programming period in the health care sector the following was supported: measures for development of human resources, improvement of the infrastructure for family doctors' offices, re-profiling of hospitals into outpatient care institutions, development of emergency medical aid (see Figure 13, as well as development of in-patient health care services through optimisation of health care system, ensuring rational and cost effective location of health care providers in the country, which would allow for optimisation of financing required for the sector, thus increasing availability of services. Therefore the financing from ESI funds allowed for professionals of health care to upgrade their skills, attain and recover specialisation according to new structure, as well as for the health care services providers to upgrade infrastructure required for provision of services in new circumstances. For example, support was given to the former hospitals, which within framework of reforms are transformed into outpatient centres, the Emergency Medical Service implemented measures required for centralisation of the system (including centralisation of dispatcher points, setting up of unified IT system, acquisition of new operative medical vehicles of transportation), while the inpatient health care institutions developed their infrastructure, which is important considering the decreased number of hospitals in the country and specific changes in range of services provided by hospital health care institutions. The analysis of health statistics indicators⁵⁷ allows concluding that reforms performed (including the ones using investments from the CP funds) provided for the restructuring of health care financing by care levels and health care

⁵⁷ (<http://www.spkc.gov.lv/veselibas-aprupes-statistika/>)

institutions, while investments into the infrastructure and development of human resources allowed to retain the accessibility of services and improve their quality.

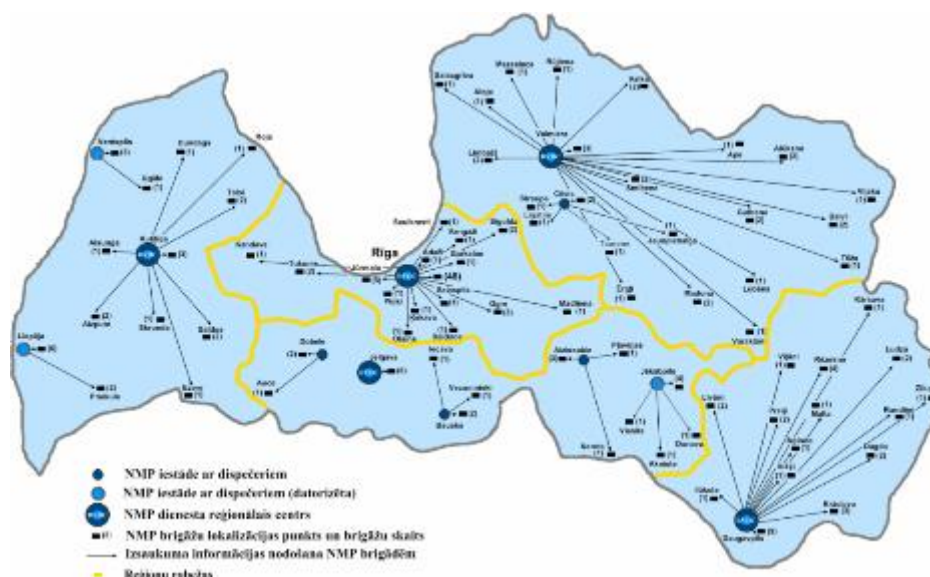


Figure 13 “Territory of operation of the EFA service as of July 1, 2010”.⁵⁸

(158) In the area of health care in Latvia inequality is noted due to socio-economic factors, which is evidenced by various health indicators of various population groups. Poverty is a significant factor leading to bad health, since lack of financial means is a significant factor restricting access to health care services. In the population survey performed by EU SILC in 2012 10.4% of respondents in Latvia have responded that they are unable to afford medical examinations, which is the highest indicator among the EU countries⁵⁹. Respondents with low household income (up to 100 LVL per family member) visit specialist doctors almost two times less than respondents whose household income is average or high⁶⁰. This means that low income level households are more exposed to risk of not receiving necessary medical care than others. Living in poverty often involves bad social behaviour – abuse of psychoactive substances (tobacco, alcohol), depressions, anti-social behaviour and crimes, with increased risk of consumption of unsafe food, wide range of somatic problems.⁶¹

(159) Restricted access to health care services has implicit influence on premature mortality rates, the main causes being of diseases circulatory system, malignant neoplasms and external causes of death (including suicides).⁶² Compared to the EU situation, in 2010 mortality per 100 000 residents (aged from 0 to 64 years) from diseases of circulatory system in Latvia was 140.2 (in the EU – 43.7), from malign tumours – 93.9 (EU – 71.2), from external causes – 78.9 (EU – 27.9), including suicides – 16.8 (EU – 9.5).⁶³ Inequalities among regions and local municipalities exist both – in terms of income and economic activity that provides very different life quality and also in terms of service (including health care service) accessibility. If analysing data on health care personnel, especially coverage of doctors in regional dimension in comparison to other EU countries⁶⁴, it can be

⁵⁸ Information of the EFA Service;

⁵⁹ EUROSTAT data.

⁶⁰ G. Briģis „Iedzīvotāju veselības apsekojuma analīze”, (Analysis of survey of population health) 2008.

⁶¹ WHO Health for All data base

⁶² SPKC Latvijas iedzīvotāju nāves cēloņu datu bāze

⁶³ WHO Health for All database

⁶⁴ MoH analysis based on data of the VI records on medical personnel and medical support receivers of 1 January 2013

concluded that in Latvia there are significant differences in regional placement of doctors, where doctors work mostly in capital city. For example, in Latvia in general average number of doctors per 100 000 inhabitants is 313,7 while in Riga this indicator is twice as large (651,1). A significant aspect in health care provision is professional skills in the frames of speciality for health care and health care support personnel. Public health indicator tendencies show that diseases (heart and circulatory system, oncology, prenatal and neonatal period and mental) are not recognised timely, they are recognized belated, treatment can be initiated to late and also not always appropriate treatment methods are applied, nevertheless ageing society, change of life style habits and development of medical technologies create the necessity to improve health care and health care support personnel skills and knowledge in the frames of their professional qualification. For example, in year 2012 Health Inspectorate evaluated 993 cases and as a result in 193 examinations and inspections the complaints of the patients were affirmed or during the examinations there where inadequacies detected, that either prolonged the treatment process or sick-leave or caused patient complications⁶⁵ due to the quality of health care personnel services and their insufficient qualification. **Financing within the framework of thematic objectives 8 and 9 will be applied to addressing these challenges and problems.**

Insufficient quality and unconformity of education with the requirements of labour market

(160) Education is one of the fundamentals of the country's competitiveness. According to the Latvia's Smart Specialization Strategy and Latvian medium and long term labour market forecasts, restructuring of economy is hindered by shortage of duly prepared specialists. The main problems to be encountered in the future are insufficient number of qualified specialists, especially in areas of natural and engineering sciences (at the level of secondary vocational and higher education) and shortage of highly qualified specialists with skills to be required in the future – technical specialisation combined with business management and problems solving skills.

(161) According to Latvian medium and long term labour market forecasts, subject to current structure of work force training being retained, four main disproportions of the labour market have been identified:

- a. In the higher education level about 52% from the total number of enrolled students were enrolled in humanities and social sciences. In the medium term demand for such specialists will be by 10% or 19 thousand lower than supply;
- b. In natural and engineering science programmes just 25% from the total number of matriculated students were admitted. The share of graduates from Latvian higher education institutions in the areas of mathematics, science and technologies (13%) is one of the lowest in Europe (2008). Among the European comparable countries this indicator exceeds 20%. With such structure of human capital Latvia will not be able also in the future to sufficiently support development of technologies⁶⁶. When taking into account also the age structure, in medium term demand will exceed supply by 27% or 22 thousands.
- c. About 5% of young people every year after graduation from primary school enter the labour market without particular specialisation and skills, while the demand for such work force will decrease;
- d. Labour market includes large share of low qualification persons – by 2020 more than 30 thousands of economically active persons with primary education or even lower education level will require requalification.

⁶⁵ Health inspection data

⁶⁶ Assessment of Latvian competitiveness 2011, 2012. 132.p.

- (162) Demographic situation will cause significant decrease of number of students in schools and universities in 2014 - 2020. According to forecasts in comparison to 2012 in 2020 number of students in the general secondary education will decrease by 11.6 thousands, while in the higher education decrease will be by 27.6 thousand of students. The only education level, where the increase of the number of students is expected is primary education of 7 – 15 year olds. According to CSB in 2013 in Latvia lived 308 thousand youth in the age group from 13 to 25 years, 236 thousand of them where in age from 15 to 24 years. About 71.1 thousand youth in this age were employed, 27.1 were looking for a job and 137 thousand are considered to be economically inactive (mainly in education or studying)⁶⁷. 9.5% of the total number in SEA registered unemployed were young people, 71% of them have no qualifications or have insufficient level of education.
- (163) The aim, set in Latvian NRP for **Higher education**, is to ensure, that by 2020 34-36% of the population (30-34 age group) have higher education.
- (164) The main policy areas and measures for increase of number of graduates of higher education in implementation of NRP are set:
1. modernisation of higher education by increasing efficiency of studies and research, by promoting cooperation with enterprises; improving quality and international competitiveness and ensuring better compatibility of qualification and skills acquired with requirements of the labour market;
 2. modernisation of material technical base of higher education institutions and increase of efficiency of use of resources, by improving provision of advanced equipment, devices and technologies in such study areas as nature sciences, mathematics and information technologies, engineering sciences, manufacturing and construction, as well as rational use of public and private financing attracted;
 3. improvement of quality of studies and scientific work by increasing share of highly qualified specialists in the priority areas of the labour market (nature sciences, mathematics, information technologies, engineering sciences, health care, environmental science and creative industry), including development of new innovative study programmes by increasing number of lecturers and scientific personnel.
- (165) Higher education result characterizing performance analysis and comparison with other EU Member States' performance⁶⁸ indicates the need for improvements in the quality of the studies, as well as in resource focus, cooperation and sustainability. The assessment highlights the drastic differences in quality within the course of study, the lack of integration of science and industry, as well as assessment concludes, that in Latvian higher education system study programmes are fragmented and overlapping, especially at the highest study level, and common use of resources is also underdeveloped. Due to weak inter-university co-operation, inter-university programs and common courses are not formed, study and research environment is not sufficiently open to international cooperation and cooperation with legal bodies, scientific quality of academics⁶⁹, including foreign language are poor, compared to the EU standards of developed countries, training staff skills should be refreshed. Laboratory and research equipment and ICT solutions in STEM, including medical and creative industries⁷⁰, fields of study still does not meet European standards.

⁶⁷ CSP data, 3 quarter 2013

⁶⁸ Overview of results of assessment of higher education study programmes and recommendations for further improvement, upgrading, development, consolidation, closing of study programmes grouped in study areas for purposes of efficient use of resources and financing from state budget funds; Higher Education Council, Riga, 2013.

http://www.aip.lv/ESF_par_projektu.htm

⁶⁹ In 2012 40% from the total number of elected academic personnel were without Doctor's degree thus showing insufficient scientific qualification of the academic personnel.

⁷⁰ According to MC 07.01.2014. decision Nr.1. 40.§ point 2.

- (166) Assessment of the quality of education, collaboration and sustainability⁷¹ shows imperfections in All study programs' quality assurance system, that involves irregular feedback between parties.
- (167) In EDG as a challenge and a problem to be solved in addition, is highlighted the inefficient management of higher education. Organizations and groups, including governments and industry associations are poorly involved in the strategic management of universities.
- (168) To provide study program compliance with the needs of the economy and Latvian economic development interests, higher education sector restructuring measures has started, aimed at changing the proportions of the number of students according to the market mid-and long-term forecasts, gradually changing allocation of seats financed from state budget in favor of STEM areas, including Medicine and the creative industries, taking into account the interests of regional development.
- (169) The accreditation of the course of study principles⁷² was implemented in year 2013, in accordance with the level of defined quality standards and principles in EU, encouraging a thematic resource consolidation and reducing bureaucratic load and promoting higher education's ability to respond flexibly to changes in the labour market, so during the period from 14 May 2013 until 12 March 2014, there was implemented a comprehensive course of study accreditation. 88% of reviewed accreditation applications of higher education institutions (218 of 247) were accredited for 6 years, 11% - 2 years, 1% were denied. The next stage of extensive accreditation will be in year 2019.
- (170) Globalization, economic integration and greater mobility in higher education and professional field, increased the need of recognition of professional qualifications outside the state where it originates. Guidelines for the development of Education for 2014 to 2020 foresee to establish an internationally competitive national higher education institutions and quality assurance measures to support its entry EQAR as the accreditation body no later than 2018. National Agency is planned to set up in 2015, expenditures regarding that will be paid from the state budget. Cooperation with EQAR agency in the process of accreditation will increase the development of higher education cultural⁷³ quality in accordance with the best standards of the EHEA, at the same time will increase the reliability of Latvian higher education and at the diplomas, as well will benefit establishing contacts with foreign partners, thus promoting international cooperation.
- (171) The knowledge base in universities of higher education, research, technological development and innovation policy analysis and monitoring is not developed. Currently, with this policy analysis deals separately individual scientists, which is not enough to establish high-quality educational policy for evaluation of implementation and impact.
- (172) Efforts are being made at work upon the new higher education funding models that would promote improvement of the quality, internationalization, labor market's needs compliance, as well as access to higher education and a concentration of resources. The new funding model is planned to be implemented by year 2016.
- (173) In CP fund 2007 to 2013 planning period, ERAF support of total 121.47 million EUR was assigned for study modernization of infrastructure to 31 higher education institutions, including 11 colleges implementing the priority of higher education programs in STEM fields of study, including medical and creative industries. From 31 projects 23 are concluded, while 8 projects will continue until 31

⁷¹ Overview of results of assessment of higher education study programmes and recommendations for further improvement, upgrading, development, consolidation, closing of study programmes grouped in study areas for purposes of efficient use of resources and financing from state budget funds; Higher Education Council, Riga, 2013.

http://www.aip.lv/ESF_par_projektu.htm

⁷² Standards and Guidelines for Quality Assurance in the European Higher Education Area (ESG) (ENQA Standards and Guidelines were approved by the Ministers in Bergen, 2005), [http://www.lu.lv/materiali/biblioteka/es/pilnieteksti/izglitiba/Standarti%20un%20vadlinijas%20kvalitates%20nodrosinasanai%20Eiropas%20augstakas%20izglibas%20telpa%20\(ENQUA,%202005\).pdf](http://www.lu.lv/materiali/biblioteka/es/pilnieteksti/izglitiba/Standarti%20un%20vadlinijas%20kvalitates%20nodrosinasanai%20Eiropas%20augstakas%20izglibas%20telpa%20(ENQUA,%202005).pdf)

⁷³ Berings, D. Reflection on quality culture as a substantial element of quality management in higher education.

http://www.aic.lv/bolona/2010/Sem09-10/EUA_QUA_forum4/III.7_-_Berings.pdf

August 2015. It is planned that at the end of the program in 2015, material and technical basis will be developed for 80% of total STEM, including medical and creative industries, restively with the help of CP funds of 2014 to 2020 planning period funds, 100% of STEM, including medical and creative industries programs will have upgraded material and technical basis.

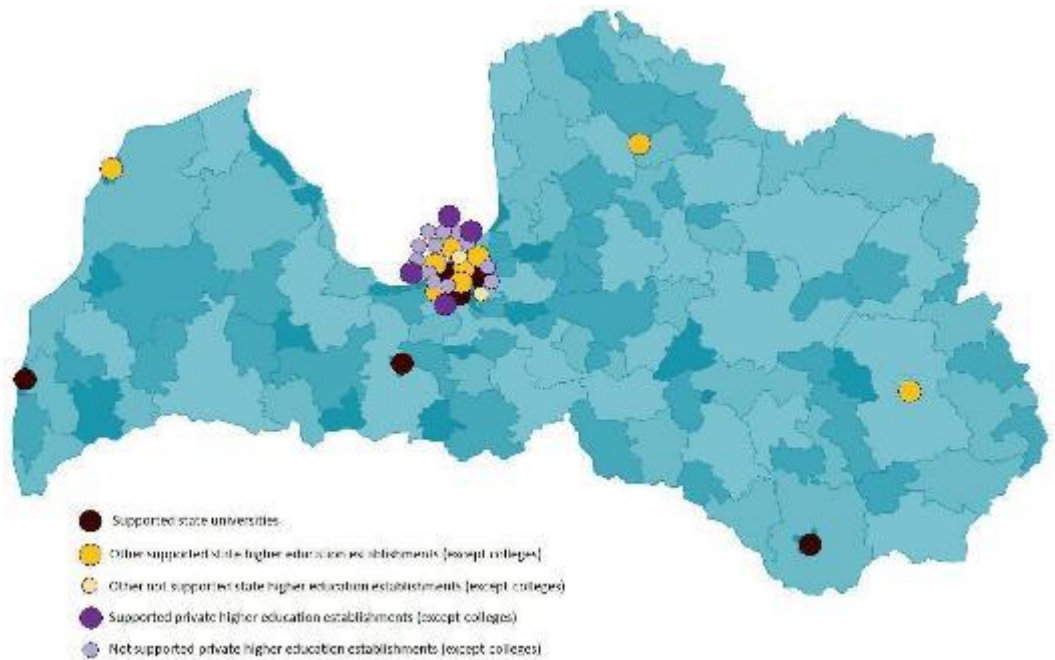


Figure 14 Network of higher education institutions without colleges. Source: MoES

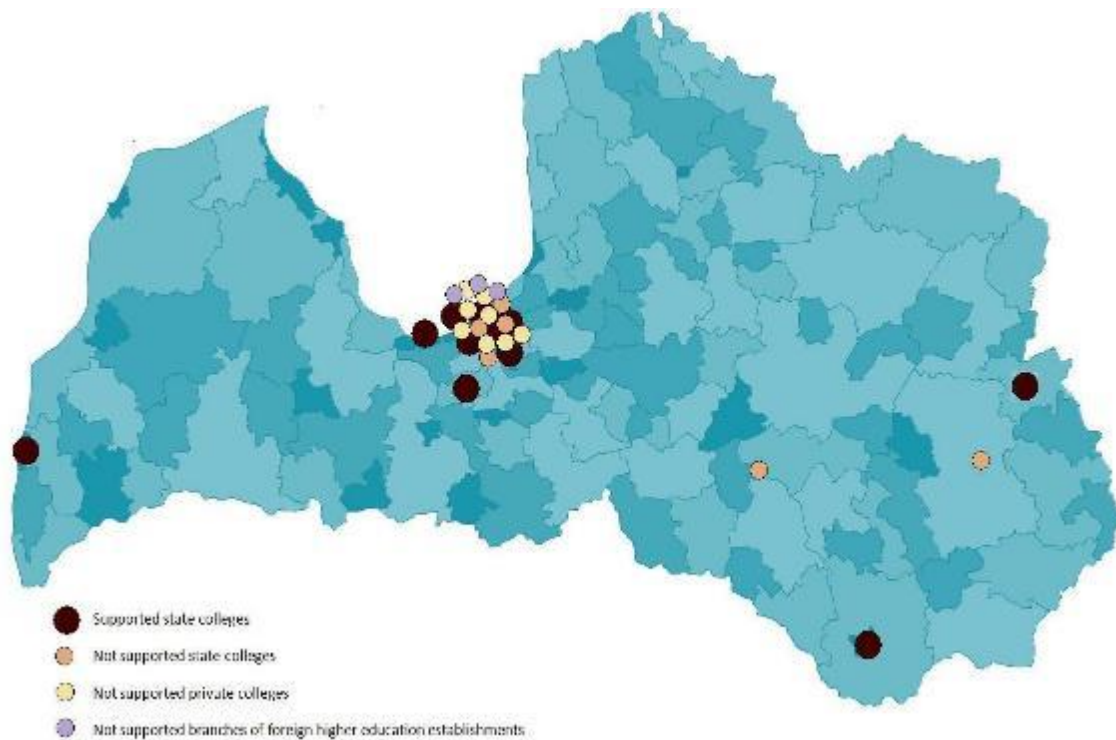


Figure 15 Network of colleges. Source: MoES

- (174) Although in past years numbers of students in vocational education programmes has increased by 5.7%, share of students in general secondary education and vocational secondary education is not even. In 2012 ratio of number of students in general and vocational education at the secondary education stage was about 61:39. Disproportion is noted between choice of general education and vocational education programme after primary school. It is planned to change the ratio of students in the vocational and general education on behalf of vocational education from 39/61 (2012) to 50/50 (2020), thus ensuring increase in share of qualified work force.
- (175) According to forecasts made by the Ministry of Economics greater problems in finding jobs will face inhabitants without professional qualification thus increasing the role of VET decrease of youth unemployment.
- (176) VET study practice is divided into three groups: 1) practical and laboratory work in subjects according to education programme that are organized during the whole education programme; 2) practical study and 3) qualification practice that according to education programme is organized in the 3rd and 4th course. According to the data of MoES 27% practical studies are organized in enterprises, 94% - qualification practices are organized in enterprises.

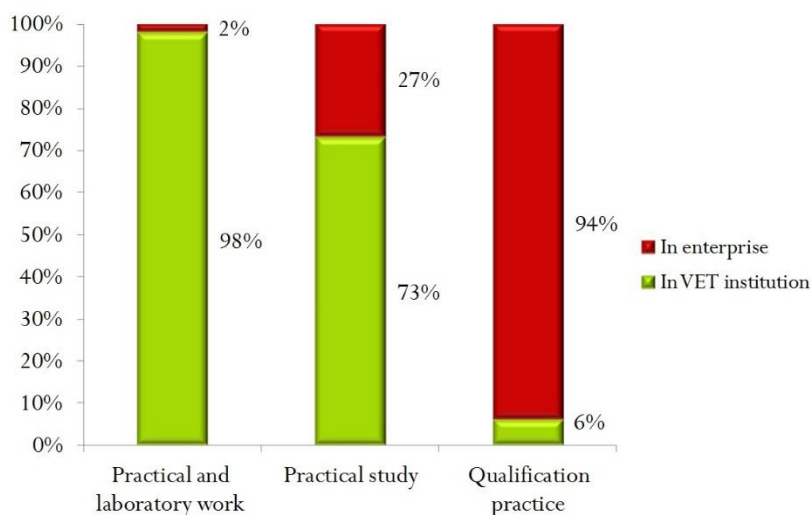


Figure No 16. Implementation of practice in the VET institutions under the Ministry of Education and Science, Source: MoES

- (177) In the academic year 2013/ 2014 work based learning has been launched in 6 VET establishments (Jelgavas tehnikums, Jelgavas Amatu vidusskola, Valmieras profesionālā vidusskola, Ogres tehnikums, Ventspils tehnikums, PIKC Rīgas Valsts tehnikums) providing that more than a half of education programme content is acquired in enterprises. The pilot project is being implemented in 17 education programmes involving 140 students and 29 enterprises.
- (178) Introduction of work based learning in Latvia is a priority for education and employment policy. VE and employment are examined in an integrated way as parts of a single process, thus emphasising the necessity of involvement and importance of employers and social partners in early VE introduction stages already, including as of the VE content and its implementation forms. Experience gained in pilot projects is planned to widen implementation of work based learning in other VET establishments⁷⁴ and develop the model of work based learning.

⁷⁴ According to provisional information given by education institutions, in the academic year 2014/2015, about 25 VEIs are ready to implement more than 25 different programmes in total when collaborating with more than 100 enterprise and engaging 500 pupils. MES has launched consultations with employers' organisations and professional organisation

- (179) In April 2014 MoES has promulgated amendments of Vocational Education Law⁷⁵ planning to strengthen work based learning as one of the education forms, as well as informative report “On opportunities to implement work based learning in the context of VE in Latvia”⁷⁶ giving analyses on opportunities in introduction of work based learning in VE in Latvia and information on the launched measures in implementation of work based learning, their potential benefits and problems.
- (180) Within the context of demographic and youth employment processes the management of VE is of particular importance, taking into account that many questions in VE are more effectively solved in close cooperation with employers and regional social partners. In order to ensure an effective operation and rational expenditure of small VET establishments, in terms of local economic and employment processes, increases the role of municipalities
- (181) Appeal of vocational education is negatively affected by the fact that study environment in some of vocational education institutions is still incompatible for contemporary requirements and prestige of vocational education is relatively low, therefore majority of primary school graduates choose to continue studies in general secondary education institutions, rather than in vocational education institutions.
- (182) Quality of VE programmes are characterized by VE programme standards, study environment and qualification of pedagogues and practice tutors and their correspondence to the needs of labour market. In study year 2013/2014 there are 4061 pedagogues, 2318 of them are VE teachers (51.1%), 1011 general education teachers (24.9%) and 732 other pedagogues (18%). From the total number of pedagogues in VE establishments 8% are with secondary education, 91% are with higher education or equated to higher education, 1% with Doctor’s degree. Analysing age structure still the largest part is above 50. From the total number of pedagogues in VE establishments - 14,52% are up to 34 years old, 46,53% are from 35 to 54, 38,94% are above 55. Gender breakdown among employees in education has not changes much, still there is a female predominance.
- (183) At the end of 2013 the CP fund project “Raise of theoretical knowledge and practical competences for vocational study subject pedagogues and practical tutors” (sub-activity 1.2.1.1.2. “Competence raise for pedagogues involved in VE”) has concluded, implemented by National Centre for Education. Feasibility study showed that all vocational study subject pedagogues and practical tutors need to improve theoretical knowledge, practical skills and professional competences in the field or profession regardless of age or gender. The following fields were pointed out: new technologies, technologies and materials according to current labour market needs, pedagogy, psychology, communication, labour relations, labour environment, work safety and protection, starting and developing business. As a result of feasibility there were defined 9 fields and sub-fields of importance of national economy where traineeships and improvement of competences were foreseen in the project.
- (184) The project ensured improvement of theoretical knowledge competences for 1428 pedagogues, improvement of practical competences for 1827 pedagogues and practical tutors, i.e. 327 pedagogues and practical tutors trained in Latvian enterprises, professional organizations and VE competence centres and 122 pedagogues and practical tutors trained in the EU enterprises, professional organizations and VE competence centres. Not all pedagogues and practical tutors had opportunity to raise their qualification, i.e. there was a limited opportunity to implement traineeships. In order to ensure complex raise of competences for VE pedagogues and practical tutors it is necessary to continue competence raise for VE pedagogues and practical tutors according to labour

chambers, organisations, and associations, field expert boards, municipalities, and other cooperation partners on their chances to involve in introduction of work-based learning. Also informative measures are being carried out, explaining various aspects of implementation of work-based learning.

⁷⁵ <http://www.mk.gov.lv/lv/mk/tap/?pid=40319532>;

⁷⁶ <http://www.mk.gov.lv/lv/mk/tap/?pid=40319533>;

market trends and successful introduction of work based learning, i.e. promoting skills of leadership, creativity, ICT and foreign languages, and strengthening capacity in adult education

- (185) Traineeship of pedagogues and practice tutors are recognised as one of the most effective ways to improve professional skills within the planning period 2007-2013.
- (186) Moreover, within the CP fund project implemented by State Education Development Agency under the activity 1.2.2.3.2. “Support for education research” Latvia participates in education research OECD TALIS 2013 that examines teachers’ working conditions and study environment at schools. The target of OECD TALIS is to give information necessary for education policy that improves quality of teachers’ work and school effectiveness. TALIS 2013 takes place from 2011 to 2014 and gives data in 2013. Results of the mentioned international research will be taken into account while planning improvement of school management and student achievement dynamics. The quality of vocational education programmes are characterised by results of qualification examinations. For a qualification examination to be passed, a pupil should receive at least mark 5. In the academic year 2010/2011, 58 % pupils of the total number of pupils who have taken the qualification examination, received mark 7 and more, i. e., above the average 77. The objective of 2023 is to reach 66 %. In order to gain or keep the status of vocational education competence centre the educational establishment has to provide the average achievements of their students in centralized vocational qualification examinations in the last two years are not below the optimal level defined in the state vocational education standard.
- (187) Within the Sub-activity 1.2.1.1.1.⁷⁸ of the planning period 2007-2013, a reform to VE content was launched. In 2011, 12 Sectoral Expert Councils were established and cooperation with institutions, public authorities, employers, and employees involved in the VE was formed. As a result, field descriptions⁷⁹ and field qualification structures (this includes the general characterisation of the field and a map of field-related professions) were made. In the result of the research, it is possible to define the basic professions, their specialisations, and related professions of the field. The field research is a basis to elaborate or update profession standards, to develop vocational qualification basic requirements for the rest of field-related profession maps, to re-structure the VE content together with the field expert boards. Within the Project of the Sub-activity 1.2.1.1.1 of ESF 60 profession standards and 20 vocational qualification basic requirements are to be elaborated or updated by 2014. In April 2014 the MoES has promulgated amendments in Vocation Education Law that will foresee regulation of operation of Sectoral Expert Councils.
- (188) In order to promote youth employment and accelerate inclusion in labour market, in 2007 – 2013 the current offer of vocational study programmes has been upgraded and opportunity to gain professional qualification during one or one and a half study year has been developed.
- (189) According to statistical data of the MES, in the academic year 2011/2012, 14 % pupils of the total number of pupils were expelled from VE institutions. 16 % of them were expelled as they changed educational institutions, 2 % – due to sickness, 16 % –due to insufficient assessment of achievements, 31 % – due to absence at school, 6 % – due to change of residency, 15 % – due to family conditions, 14 % – due to other reasons.⁸⁰ A large part of VE students come from low income or socially disadvantaged families.

⁷⁷ Data of National Centre for Education: <http://visc.gov.lv/profizglitiba/eksameni/statistika.shtml>;

⁷⁸ Creation of field qualification systems and re-structuring of vocational education

⁷⁹ Limits of the field to be examined, field’s development tendencies in EU and Latvia, the share of small and big enterprises, market volume, investment, characterisation and forecasts of the field’s labour force, changes in numbers, competences and skills of the labour force, characterisation of VE, etc.

⁸⁰ <http://izm.izm.gov.lv/registri-statistika/statistika-profesionala.html>

(190) Development of vocational education is important to the growth of Latvian national economy. In the planning period 2007–2013, investment in VE infrastructure was foreseen for the implementation of VE priority programmes according to Guidelines for network optimisation of VET establishments 2010-2015⁸¹ (thematic fields and programme groups of priority education were also named in Operation Programme Supplement⁸² and Regulation of Cabinet of Ministers on the activity implementation⁸³). From 2007 to 2013 there were established and on 1 March, 2014 existed 11 VE competence centres implementing 66 priority VE programmes, and 18 VE establishments of national importance that specialize in a definite fields implementing 27 priority VE programmes. Currently projects under the activity 3.1.1.1. ensure full modernisation of priority programmes in 4 VE competence centres (81% from total priority programmes) and VE programmes in 3 VE establishments of national importance (37% from total priority programmes) consequently the result of investments of CP funds 2014 -2020 ensures that 100% priority programmes will have modernized study environment and study aid.

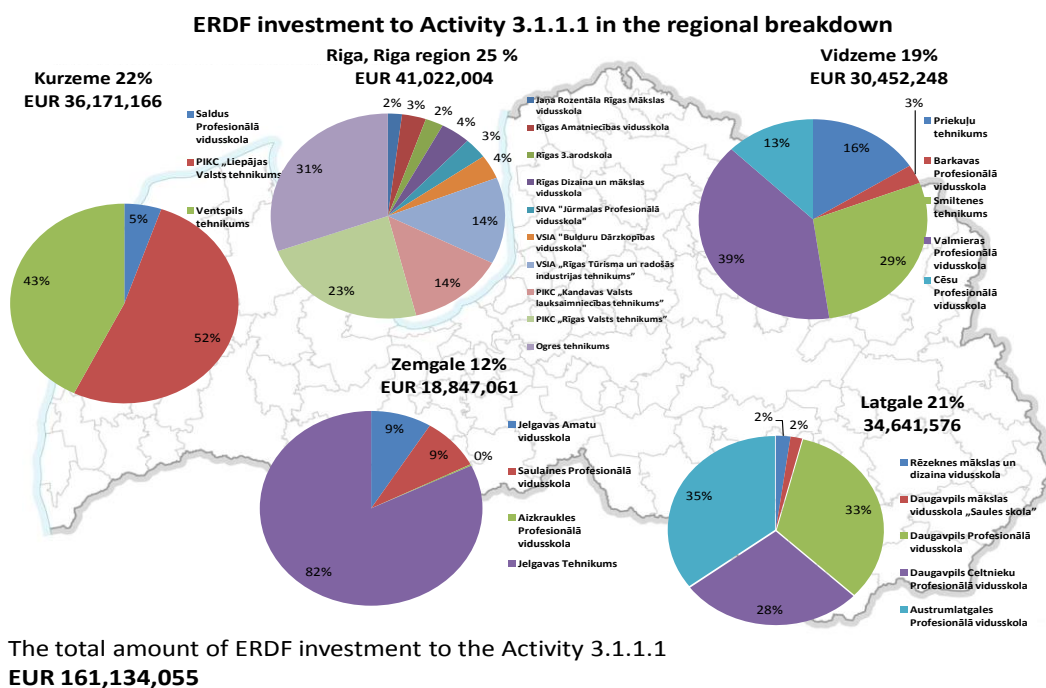


Figure No 17. ERDF investment to Activity 3.1.1.1. in the regional breakdown. Source: MoES

⁸¹ <http://izm.izm.gov.lv/nozares-politika/izglitiba/profesionala-izglitiba/7187.html>

⁸² <http://www.esfondi.lv/page.php?id=546>

⁸³ <http://likumi.lv/doc.php?id=184629>, <http://likumi.lv/doc.php?id=254593>

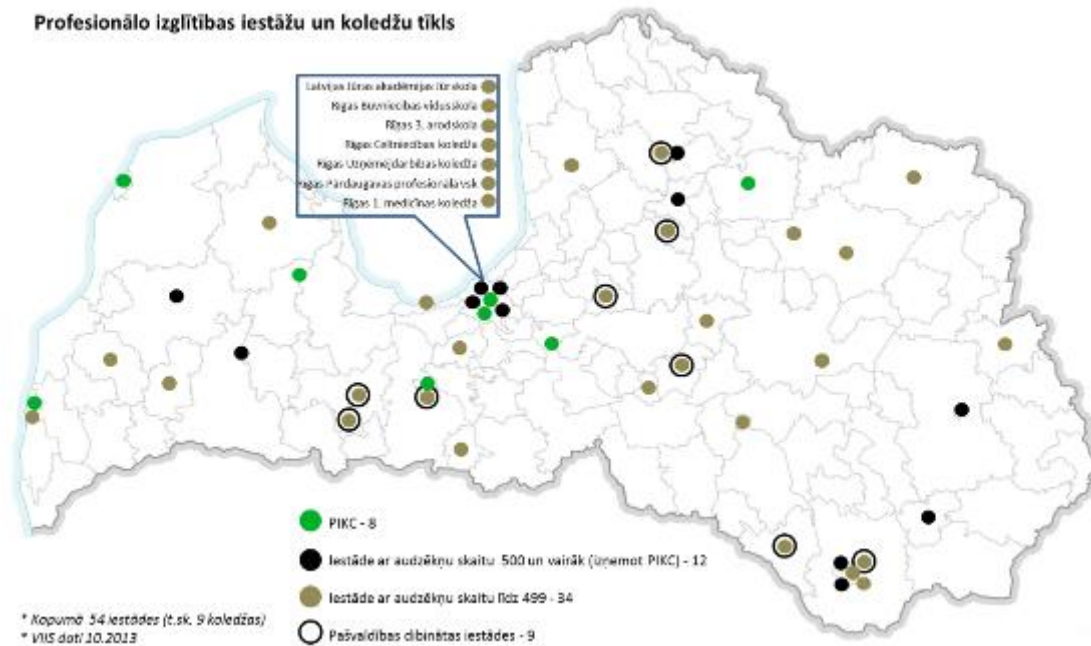


Figure 17.a. The network of vocational education institutions and colleges in Latvia, 01.10.2013. Source: MoES

- (191) The NRP provides that objective of structural changes in vocational education is to increase quality of vocational education by ensuring its conformity with requirements of labour market, as well as promoting more efficient use of available resources. Respective challenges are the following:
1. to ensure provision of material technical equipment conforming to contemporary requirements for vocational education;
 2. to promote cooperation with employers in order to ensure practical apprenticeship opportunities;
 3. to decrease number of students of vocational secondary education institutions, which have been expelled due to bad grades or absence at the from classes;
 4. to improve accessibility of vocational education, this would create employment opportunities and is critical for improvement of structure of economy.
- (192) General education, prevention of pre-term drop out from school and inclusive education: According to NRP the Latvian education system offers sufficiently wide and diverse options and programmes for attaining of education, however part of children and youth who have started studies at the respective level of their age group, are facing various problems in the education process, especially the socio-economic problems, and drop out from studies, and moreover, the children and youth from social risk environment have more limited access to participation in extracurricular and interest groups. According to Eurostat data the share of population without primary school education (in the age group 18 – 24 years) in Latvia in 2013 was 9,8%⁸⁴. The Latvian national target is to ensure that by 2020 the share of population without graduation would be below 10%. Moreover, according to CSB data almost 30 000 youth in 2013 were not in employment, education and training or 12,1% from the total number of youth at age 15-24⁸⁵.
- (193) The State Education Quality Service Data collects data on ESL reasons in general education (for children at the mandatory school age – up to 18). The data are inserted in the State Education Information System, where municipalities update information on children living in their territories. Data gives an overview on reasons for early school leaving that are grouped as follows: long illness,

⁸⁴ http://EK.europa.eu/europe2020/targets/eu-targets/index_lv.htm

⁸⁵ CSB data, 4th quarter, 2013

unknown absence, physical disability, change of the place of residence, adopted to foreign countries, emigrated, other reasons, status not stated. Current monitoring system on early school leaving is not comprehensive and lacks analyses on reasons for early school leaving and drop-out as well as effectiveness and compliance of preventive measures.

- (194) According to data of Eurostat study of 2013 in 2011 the 43.6% of children and youth below the age of 18 years were subject to poverty and social exclusion risk, which the third highest indicator among the EU countries⁸⁶. The majority of population below age of 18 which are subject to poverty and social exclusion risk are children whose parents have low education level – it's 52 %.
- (195) According to the OECD PISA survey results (2012), there are huge differences between average socio-economical index of children in rural schools and city schools, that marks the problem of worse socio-economic status of children in rural schools. Students' achievements in Math, Natural sciences and Reading are higher in Riga than in rural areas. In recent years study achievements among 15 year old students have become more dependent on material welfare of family, available education and cultural resources at home, education and occupation of parents. Researchers emphasize the need for equal accessibility to education. According to the research on impact of education costs to drop out of students at primary schools⁸⁷, reasons for early school leaving are not only economical, but also psychological that depends on family structure and social capital.
- (196) One of the reasons for dropping out of school is underdeveloped inclusive education. In 2012 28% of children with special needs from the total number of children with special needs were integrated in the general education establishments. Number of students using support measures in centralised exams in the 2009/2010 academic year was 30, but in the 2012/ 2013 it has increased to 53 persons. The share of students wrote state tests with support measures in the 2008/ 2009 study year was 0.9% - 3.03%, but in the 2012/ 2013 - 0.5% - 3.46% (depending on the class and subject). The study ordered by the EC regarding persons with special needs and education in the EU has concluded that, notwithstanding the duty of education systems to react to diversity and to ensure successful inclusion of all residents in the education system, children and young people with special needs in the EU are often placed in segregated education institutions or in general education schools, where a necessary pedagogic support is not provided.⁸⁸
- (197) In the 2007 – 2013 the ESI fund support was provided to decrease social exclusion and early school leaving⁸⁹. A support system for integration of students with functional disabilities (special needs) into general education was formed. As a result, inclusive education centres were made in 8 municipalities. Moreover, a support system for decrease of social exclusion at schools was formed, and it was approbated in 15 municipalities. The results of research made within project to decrease social exclusion at schools show, that a risk of early school leaving is not only for children with special needs but also for children and youth with behavioural problems, socio-economic problems, lacking family support and having learning difficulties.
- (198) In the 2007 – 2013 investments in education provided inter alia improvement of infrastructure and study environment of 63 special education establishments and adjustment of 36 general education establishments to students with functional disabilities. Also, investments in vocational education provided adjustment of infrastructure to students with special needs. For promotion of inclusive education, it is necessary to ensure not only infrastructure that allows physically accessible educational institutions but also educates and provides methodological and advisory support for the pedagogues working with educates with special needs, as well as develop correspondent study

⁸⁶ <http://epp.eurostat.EK.europa.eu/portal/page/portal/eurostat/home/>

⁸⁷ Baltic Institute of Social Sciences, "Impact of education costs to drop out of students at primary schools", 2007

⁸⁸ „Education and Disability/Special Needs. Policies and practices in education, training and employment for students with disabilities and special education needs in the EU”, (2012).

⁸⁹ Sub-activity 1.2.2.4.2. „Formation of support system for inclusive education and youth at risk of social exclusion, preparation and competence raise of necessary personnel”

aid. To facilitate integration of people with special needs in the society and labour market, it is not enough with support to general education. It is necessary to create appropriate environment and prerequisites for profession acquisition as well.

- (199) Also, a significant aspect is a discovery and cultivation of individual abilities. Results of OECD PISA in 2006, 2009 and 2012 show that the ratio of students with high achievements in reading ability, mathematics and nature sciences in Latvia is relatively low, and this number continues to decrease.
- (200) Reducing share of students demonstrating weak results in OECD PISA tests is necessary. Although Latvia has achieved significant progress in natural sciences, improvement of reading ability and mathematical competencies is still required in order to achieve objectives set in the strategy „Europe 2020” – to ensure that by 2020 weak results in these three competencies are demonstrated by just 15% of students of respective group.
- (201) In general participation of youth in social activities in Latvia is low - only ¼ of young people regularly participate in any kind of social or interest activities. Comparatively higher proportion of participates is in culture and entertainment (concerts, festivals, cinema, theatre, sport competitions, etc.) – 35% youth participate at least once a month, 24% youth regularly participate in activities of interest, 10% participate in school activities, 6% - in social activities⁹⁰. The low motivation to participate in free time activities is followed by the behaviour and socialization problems and deviant behaviour, as well as low education level⁹¹.
- (202) Demographic situation will lead to significant decrease of secondary education graduates in 2014 – 2020, which will influence improvement of institutional framework, where cooperation between municipalities, planning regions and MES is crucial. According to Education Development Guidelines 2014 -2020 the pre-school and primary school (classes 1 – 6) shall be available as close as possible to place of residence, while the general secondary education and vocational secondary education can be concentrated in regional urban areas and centers of municipalities.
- (203) The greatest challenge for education system, especially in primary and secondary education, is development of the 21st century skills and individualized study process that in long term will promote growth of national economy and competitiveness of Latvian intellectual capital in the global labour market. Today pedagogical skills have to correspond to the needs of study process demands of the 21st century and emphasize interdisciplinary skills and knowledge, i.e. motivation skills, formation of interdisciplinary study content, problem solution skills, critical thinking, formation of practical study content, communication – these are the skills being valued as the most important ones. Most negatively are assessed such skills of teachers as pupil motivation skills (in total, 23% think that these are quite or very poor), interdisciplinary training content formation skills (19%), problem solution skills (19%), foreign language skills (19%) and critical thinking (18%)⁹². As results of the ESF implemented project “Promotion of Competitiveness of Teachers in the Education System Optimisation Circumstances” show, most of teachers need to develop exactly foreign language, ICT, project management and pedagogical strategy skills. The necessity to raise qualification is formulated in the national legislation⁹³, that provides professional competence raise for pedagogues at least once in three years.
- (204) In addition to existing international quality indicators of general education approved by OECD, national level development of unified indicators of quality of general education has been started. Analysis of such indicators – i.e., national quality monitoring system – will allow to obtain comparable data on weak and strong sides of education process provided, as well as to respectively

⁹⁰ Soft skills refer to personal, interpersonal, cognitive skills, achievement skills, etc.

⁹¹ http://izm.izm.gov.lv/upload_file/jaunatne/2013/IZM_Monitorings_2013.pdf

⁹² Survey of pedagogues' continuing education needs, Fieldex, 2011

⁹³ The Regulation of Cabinet of Ministers No363 (2 July, 2013) <http://likumi.lv/doc.php?id=258334>

upgrade and improve education process in general, to improve data base of national level tests, ensuring transparency of education results at each stage of education, tracing dynamics of learning achievements of each student.

(205) The following figures provide information on existing network of education institutions in 2013, which indicates the need to improve the network of Latvian general education schools by considering demographic situation, thus improving efficiency of resources management, developing institutional excellence of educational institutions and consolidation of resources.

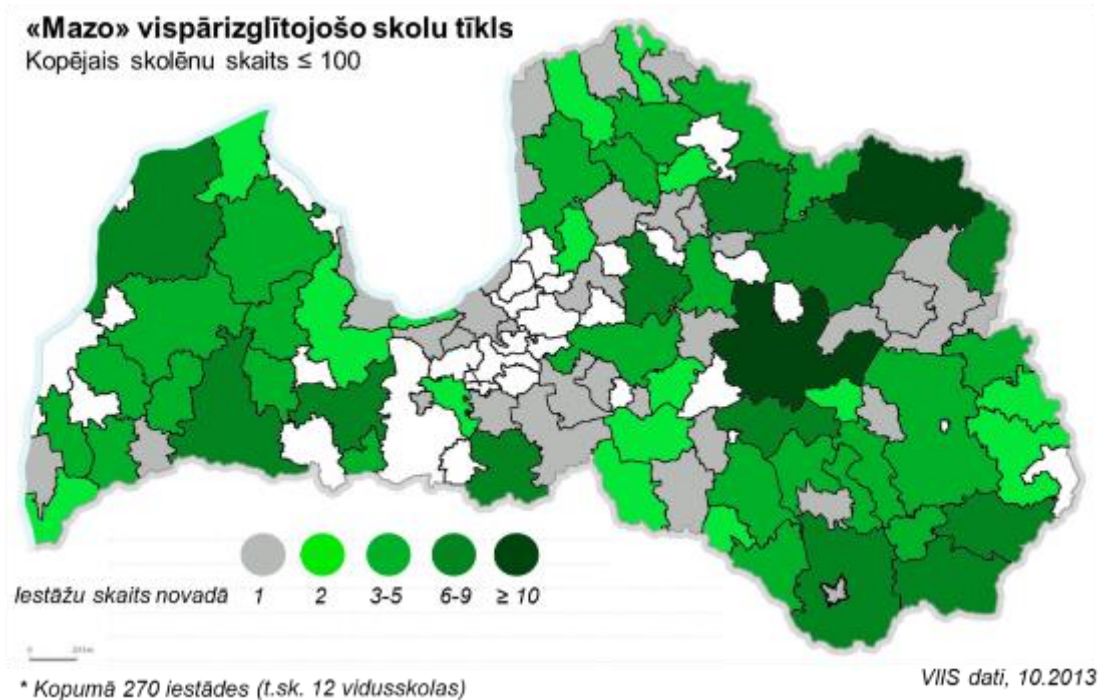


Figure 18 The network of small general education schools in Latvia, 2013. Source: MoES

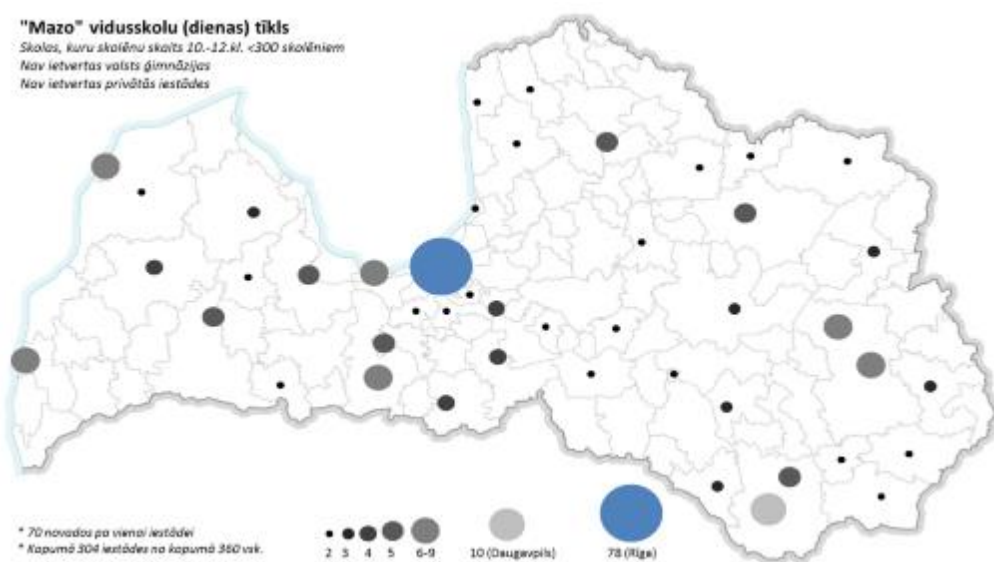


Figure 19 The network of small general secondary schools (day-time) in Latvia, 2013. Source: MoES

(206) One of the education competencies is considered to be carrier education.

- (207) In 2007 National Data Base of Education Possibilities „NIID.LV” was created, the purpose of which is to provide information on education possibilities in Latvia. The data base provides information on study programmes in higher education, vocational education, as well as adult education institutions.
- (208) Within framework of implementation of education policy intense work is done in order to increase number of people with qualification of career advisor. For the period from 2009 to 2012 the qualification of career advisor was obtained by at least 110 persons (the resulting indicator was exceeded by 46%). Achievement of such indicator was strongly supported by state financial aid to students willing to obtain qualification of career advisor.
- (209) Work of pedagogues –career advisors in general education institutions was ensured – in 2013 66 career counselors in general education institutions were active. A career counselor and the ratio of students number amounted – one career counsellors per 700 students.
- (210) However in 2012 no set objective was achieved: although 3800 teachers have undergone professional upgrade courses in career education, the planned 48 carrier information centers have not been set up in vocational and general secondary education institutions. 500 000 children and young persons were not involved in career planning events, as was planned before.
- (211) Taking into account that in CP funds programming period 2007-2013 no support was provided to carrier education, shortage and lack of qualitative career education is noted at all education levels, especially in basic education and vocational education in all Latvia. Already the European Council Resolution on policy guidelines, systems and practice for improvement of career support, dated 21 November 2008 emphasized that all European citizens shall be provided with access to career support services, by paying special attention to risk groups and persons with special needs.
- (212) Investments in further modernization of general, vocational and higher education infrastructure in 2014 – 2020 are planned complementary to previously made investments in 2007 – 2013. In order to ensure effectiveness and purposefulness of ERDF investments there is elaborated Action plan for elaboration of education infrastructure mapping (included in annex No11). Mapping will ensure analyses and needs assessment of infrastructure investments at all education levels.
- (213) Number of population involved in life-long learning, just like number of populations improving their professional competencies in continuing education still remains low. In 2012 involvement of adults (aged 25 to 64 years) in education process has increased reaching 7% (in 2011 – 5.0%)⁹⁴. However Latvian level still is below the average European value – 8.9%. According to data of Adult Education Survey in 2011 people willing to participate in life-long learning activities have mentioned the following hindering factors: too high costs – 53.3%, were not able to afford these, 35.5% were unable to combine training with work and 30.8% - family conditions. Additional, according to the CSB data⁹⁵ as the main barriers to participation in adult education is given high training costs- 11.4%, teaching timetable -7.1%, inappropriate programs -4%, family conditions- 3.6%, requirements for prior learning -2.6% and far distance to the training venue- 1.3%.
- (214) Significant differences can be observed in the regional breakdown 35.7 % of adults of Riga region and 17.3 % of adults near Riga region have got involved in different formal and non-formal education activities, while the lowest participation in adult education is in Kurzeme region - 10%, in the Vidzeme region - 10.9%, Zemgale region - 12.6% and in the Latgale region - 13.5%. There are also differences in gender, age and educational attainment perspective. According to the CSB data, 37.4% of women and only 26.9% of men engage in formal and informal education. Another difference can be seen at the level of educational attainment, if 54.3% of adult with higher education have engaged in lifelong learning, only 10.6% persons with or without primary education have engaged in formal and informal education. There are also changes in a person's engagement in

⁹⁴ MoES data

⁹⁵ CSB, 2013

lifelong learning by their age: aged 25 to 34 years -38% of individuals, aged 35 to 54 years - 34.6%, and from 55 to 64 years -19.9%.

	2011 (Adult education survey = data about the whole year)							
	Participation in formal and/or non-formal education		Participation in formal education		Participation in non-formal education		Non-participation in adult education	
	number, thousand	% of population in the relevant group	number, thousand	% of population in the relevant group	number, thousand	% of population in the relevant group	number, thousand	% of population in the relevant group
TOTAL	396.1	32.4	52.6	4.3	367.5	30.0	827.5	67.7
Men	158.2	26.9	23.5	4.0	142.4	24.3	429.1	73.1
women	237.9	37.4	29.1	4.6	225.1	35.4	398.4	62.7
aged 25-34	126.1	38.0	29.7	8.9	109.4	33.1	202.8	62.0
aged 35-54	218.0	34.6	21.3	3.4	207.7	32.9	414.9	65.4
aged 55-64	52.0	19.9	1.6		50.4	19.3	209.8	80.1
higher education	210.4	54.3	29.8	7.7	196.5	50.8	176.8	45.7
secondary education	169.8	24.7	20.0	2.9	154.6	22.8	517.3	75.3
below the secondary education or having no formal education	15.9	10.6	2.8		18.4	9.5	133.4	89.4
employed	338.2	40.3	44.0	5.2	314.5	37.5	501.1	59.7
job-seekers	35.5	19.8	3.3		34.2	19.1	143.9	80.2
economically inactive	22.4	10.9	5.3	2.6	18.8	9.2	182.5	89.1

Figure 20 Participation in adult education; Source: CSB, year 2011

- (215) According to the Ministries of Economy medium and long-term labor market forecasts in the in the near future appreciable disproportion between labor market supply and demand will remain. Some professions already observed lack of adequate and qualified workforce, and at the same time, there are areas where there are significant labor surplus. By remaining of the current workforce development structure, four major labor market disparities are identified:
- a large surplus of specialists in field of humanities and social sciences;
 - non-conformity between formal education supply and labor market demand. For example, the demand for engineering professionals will be significantly greater than the supply;
 - a large share of young people entering the labor market without any particular profession and skills, while the demand for such labor will decline;
 - a large share of low-skilled persons. In the labor market it is relatively large share of the population with basic education, and in the nearest future it is not expected that proportion would shrink significantly.
- (216) The number of economically active population aged 25-64 in 2012 was 779.3 thousand. According to the information of Ministry of Economic, keeping present structure of the human resources development, by 2020 retraining of 120 thousand persons will be required.
- (217) Within the ESI funds programming period 2007 - 2013 the biggest support for lifelong learning was provided in the implementation of the training of unemployed and job seekers. By the end of 2013 133 thousand unemployed and 5800 at risk of unemployment were involved. In 2013, through

Lifelong learning activities for employed persons supported by ESF⁹⁶, offering a chance to improve the skills and knowledge needed in professional training and non-formal education programmes, 6376 employed or self-employed persons (excluding officials) participated while the total number of the employed persons that have engaged in lifelong learning as of the project's beginning (July 2010) reach 24 914 persons. At the beginning of 2013, support provisions were specified⁹⁷ stipulating that support is available to persons aged over 45 or those with disability, or those having two or more underage children, or poor persons. . In the result of amendments, 42 % of persons that participates in lifelong learning activities supported by ESF in 2013 were over 4. Compliance of lifelong learning activities supported by ESF to requirements of the labour market was ensured commissioning the Training Committee of the Ministry of Welfare in 2012⁹⁸ to decide on training programmes for to engage in lifelong learning the persons at risk of unemployment.

- (218) In addition, there was ESF support to training of the employed for increasing competitiveness engaging 20,615 people in individual and partnership training by the end of 2013. Within support measures, a complex offer the necessary training are being created taking into account development tendencies of a particular field, and in the result there are employees' responsibility and loyalty, as well as productivity in a particular work place increased. Starting from year 2012, there is a requirement defined that at least 20 % of the funding is transferred to train youth and other 20 % – to train employed people in the regions outside Riga.
- (219) ESF support was provided to raising competence and qualification of pedagogues in relation to the latest technologies and work methodology in a particular field thus training in total 6,263 general education pedagogues and 20,138 vocational education pedagogues; besides 28,000 pedagogues have received support for provision of education quality and raising vocational and sectoral mobility under circumstances of optimisation of the education system.
- (220) In addition to the foregoing projects, in order to facilitate improvement of population skills and competences, the MES implements a EU lifelong learning project, "Implementation of European Programme in Adult Education", funded by EU, within which a lifelong learning model will be developed. The aim of the project is to facilitate cooperation and create united coordination/information exchange among higher education institutions, private partners, public, municipal, and non-governmental institutions with an objective to increase the number of Latvian population who improve their skills, abilities, and qualification in a lifelong period of time. Within the projects, people can receive individual career consultations to improve their employment status and plan their future life and career in a determined manner.
- (221) Taking into account a relatively small EAFRD financing provided for training and advisory measures in the period 2007-2013 as well as economic recession, these measures did not yield desirable results in preparing of qualified specialists complying with labor market requirements.
- (222) The most significant activities that characterise development of lifelong learning in Latvia are development process of National qualification framework structure and approximation of their level to European qualification structure providing the system transfer to learning outcomes-based education model, provision of assessment of knowledge, skills, and vocational competence that have been obtained outside the formal education, also the offer of second-chance education as a compensatory mechanism to reduce the number of early school and support to improve employees'

⁹⁶ Sub-activity 1.2.2.1.2."Support to Implement Lifelong Learning Policy Guidelines" of the operational programme "Human Resources and Employment" supplement

⁹⁷ Regulations of the Cabinet of Ministers No.106 of February 26, 2013 "Amendments to the Regulations of the Cabinet of Ministers No.75 of January 25, 2011 "Regulation on organisation of active employment measures and preventive reducing unemployment measures, and financial arrangements and choice principles of implementors of measures"".

⁹⁸ Regulations of the Caminet of Ministers No.511 of July 24, 2012 "Regulation on organisation of active employment measures and preventive measures for reduction of unemployment, and financial arrangements and choice priciples of implementors of the measures""

qualification according to the requirements of employers needed for employee training within the field.

(223) **Addressing of these challenges is planned within framework of 10 thematic objective**

Territorially unbalanced economic development

(224) Latvian regional policy long-term objectives set in the Strategy „Latvia 2030” are:

1. to create equal life and working conditions for all residents regardless of their place of residence, by facilitating economic activities in regions, developing high quality transportation and communications infrastructure, and public services;
2. to strengthen international competitiveness of Latvia and its regions, by increasing role of Riga as Northern European metropolis and international role of other largest urban areas. In order to decrease excessive disproportions between the regions, the Strategy „Latvia 2030”, NDP 2020 and Regional Policy Guidelines 2013 – 2019 provide solution of facilitating polycentric development by defining network of national and regional development centres (9 + 21 cities) as a basis for polycentric population structure;
3. to preserve Latvian originality – diverse natural and culture heritage, typical and unique landscape.

(225) **Similarly as in other countries, there** are significant regional disparities in Latvia. Every country has territories with high development indicators and the ones with lower development level, however disproportions between territorial development indicators in Latvia are too high, and they are excessive also at the EU level. According to Eurostat data by the dispersion of regional GDP per capita⁹⁹ in the group of NUTS 3 statistical regions Latvia was ranking fourth weakest among the EU Member States (43.3%) in 2009. Similar trends are noted also in other indicators of social economic development of territories. Number of population in the period 2000 – 2011 has increased only in territories surrounding the capital city, in the rest of territory it has decreased; in some remote municipalities the decrease is even by 25-30% (data of Population census). Especially negative economic development indicators have been registered in the Latgale region¹⁰⁰.

(226) Development indicators of the capital city Riga and its surroundings are distinctively higher than for the rest of the country. GDP of the Riga Planning Region in 2010 amounted to two thirds or 66.9% of the overall GDP of the country, with shares of other regions in the GDP ranging from 6.7-10.3%¹⁰¹. Monocentric development creates disadvantageous environment for economic activities in regions, contributes to depopulation of territories and inefficient use of regional resources. Ongoing monocentric development will decrease competitiveness of Latvia, since costs of work force and infrastructure in the main centre will increase, while other growth opportunities in regions will not be used. Significantly different economic activities, availability of and access to services leads to diverse standards of quality of life and development opportunities for residents of other territories, and contributes to migration of residents away from less developed to better developed territories, which even more decreases territorial development opportunities of less developed territories.

⁹⁹ Variation coefficient, expressed in percents. Describes regional deviations in % from the average GDP in the country. When the number is 0, no regional differences exist, namely, in all regions of the country identical GDP production is achieved.

¹⁰⁰ According to Eurostat data, the GDP per capita of Latgale planning region by the purchasing parity power (PPP) in 2010 was just 6990 (Latvia – 13 200, EU-27 – 24 500), i.e. by 30% less than average EU-27 average indicator.

¹⁰¹ CSB. *Gross domestic product in statistic regions*. Available at: <http://data.csb.gov.lv/DATABASE/ekfin/Ikgad%C4%93jie%20statistikas%20dati/Iek%C5%A1zemes%20kopprodukts/Iek%C5%A1zemes%20kopprodukts.asp>.

- (227) In order to reduce excessive disproportions between regions Strategy „Latvia 2030”, NDP 2020 and Regional Policy Guidelines 2013 – 2019 set as a solution promotion of polycentric development by defining network of national and regional level centres (9 +21 urban areas) as a basis for polycentric residential settlement. Already now majority of residents, business activities, public services, including educational institutions are concentrated in national and regional level development centres or urban areas. 30 municipalities of development centres are characterised by high concentration of population (71%), absolute concentration of higher education institutions (100%), large number of economically active enterprises (84% from all commercial companies registered in the country), high share of employed persons (81% from persons employed are working in these municipalities), majority of direct foreign investments are made in these municipalities (more than 80%).
- (228) Investments planned in programming period 2014 – 2020 for sustainable development of urban areas are successive of investments of programming period 2007 – 2013 within framework of priority “Polycentric development” of the operational programme “Infrastructure and services” for purposes of increasing competitiveness, economic and social potential of development centres, facilitating accessibility and availability of services, development of attractiveness factors of living and working environment, as well as contributing to mobility of population. The priority “Polycentric development” was created as complementary to measures and activities planned with framework of all the three action programmes of CP funds programming period 2007 - 2013. Until 2014 68 projects were under implementation or completed in this priority, which were selected based on integrated development programs of municipalities (local strategies) and bottom-up principle. As a result of this approach investments were made in municipal infrastructure in places and sectors that enabled the municipality to have the most effect on optimisation of its operation and development, which municipality would not be able to achieve if ESI funding would not be available. This experience in utilisation of the bottom-up principle is going to be used also in 2014-2020 planning period. In addition integrated investments are going to be more strongly facilitated in 2014-2020 planning period that will develop links between urban and rural areas.
- (229) Cities and towns serve as support centres for their surrounding areas, market for agricultural products and places that provide access to various services for residents of rural areas. Considerable part of residents of rural areas go to work to the nearest city or town on a daily basis; on the other hand, rural areas are the place where agricultural and forestry products are produced, area that provides recreational opportunities to residents of urban areas, quality space for living for those working in cities and towns and area for non-agricultural entrepreneurship. Rural areas provide significant resources to the country (energy resources etc.). It is necessary to use more efficiently urban – rural linkages and mutually beneficial interaction opportunities between areas, thus contributing to development of both urban and rural areas.
- (230) In Rural development program 2014.-2020 measure „Investments in material assets”, which will be the most significant investments in rural areas, support is going to be provided also according to the regional principle in order to ensure balanced regional development. In order to promote development of entrepreneurship more CLLD funding of Rural development program for LEADER approach measures is going to be assigned to LAGs, which operate in areas with a lower population density.
- (231) At the same time it has to be emphasized that urban – rural partnership is less a top-down directed process and much more a matter of bottom-up initiative. In addition to naturally existing functional links between urban – rural areas a deeper urban – rural partnership is a matter of cooperation between municipalities, int.al. it depends on ability of municipalities to see shared interests, challenges and interdependence in development processes, willingness to agree on coordinated/joint actions etc. (i.e. it is a form of inter-municipal cooperation). Urban-rural partnership in fact covers

functional area which is characterised by significant mutual linkages (daily commute to work by residents etc.). Urban-rural partnerships are about the proper use of existing potentials of various territories and their new connection to promote spatial development for a better economic performance and a higher quality of life.

- (232) In order to increase contribution of Latvian urban areas in the development of whole territory of the country, decrease flow of residents from other regions to Riga and its surrounding municipalities (as well as to other countries), promote growth of urban areas themselves and solve problems hindering development of urban areas, as well as implement target set by EUSBSR , a set of coordinated activities shall be implemented, covering previously identified **economic, environmental, climate, demographic and social aspects**. In addition development of region with the lowest development ratios – Latgale region – shall be facilitated, and integrated development of specific target territory set in the Regional Policy Guidelines 2013 – 2019 – Coastal area of the Baltic Sea – shall be ensured by more efficient use of development potential and resources of the Latgale region and coastal areas. Designing of support measures is going to be performed according to the set of public services (or “basket” of public services), which implies territorial differentiation of services according to settlement ranks (levels), applying a principle that the most often used services have to be available at the lowest possible group of settlements according to the rank in the settlement structure and taking into account also nature of services, priorities of sector policies and their criteria for amount and location of services in regions (for example, number of residents – users of services in order to ensure optimum availability of a service and cost-effectiveness in operation of the institution). The set of public services is going to be used as one of the preconditions for territorial planning of all types of public investments.
- (233) Territorial investments are going to be implemented based on integrated perspective on development of territory that is included in development programs of municipalities.
- (234) A special role in long-term territorial development of the country have the nine national significance development centres (nine cities) whose development challenges are going to be addressed by using ITI approach in compliance with Article 7 of ERDF regulation. Analysing challenges and development perspectives included in development programs of cities and their projects it can be concluded that they encompass all autonomous functions of municipalities. Overall development programs of cities cover economic, demographic, environmental, climate, and social, as well as other challenges, e.g. public order, public participation etc. Part of the needs of cities are to be addressed in the framework of urban ITI support measures, yet others are going to be dealt with targeted measures using national level sector support programs that will be part of ESI funds investment. It has to be stressed that only part of local challenges are to be addressed under ESI funds 11 thematic objectives, thus a considerable part of needs are going to be financed from other sources of funding (national budget, municipal budget etc.). Needs and planned actions of cities include both investment measures and measures that are not related to investments (e.g. real estate tax deductions, strengthening cooperation with national institutions and NGOs etc.). Some of the planned activities require very low costs; still there are also needed large investments in various municipal infrastructure objects.
- (235) Integrated development programs of municipalities indicate also needs which are not under municipal control but which are crucial for development of its territory (e.g. development of nationally significant infrastructure like main roads etc.). Development programs of cities include also description and perspectives of functional links with adjoining municipalities (provision of services etc.).
- (236) Overall, the challenges and proposed solutions analysed by cities can be divided into five groups.
- (237) **Economic challenges:** key challenges of cities are related to a need to reduce unemployment and create new jobs in cities that is an especially pronounced issue in Daugavpils, Rzekne, Liepaja and

Jekabpils, which are characterised by necessity to improve business environment and infrastructure, particularly the one that would promote development of manufacturing companies and attraction of investments for creation of new jobs. Development strategies of all cities have outlined development territories, potential of which currently has not been fully used due to various reasons. In most cases those are unmanaged ex-industrial sites, which are not only lacking commercial use but are often contaminated and create potential risks for environment or have a significant value of cultural heritage. Striking examples of this issue are found in Daugavpils, Liepaja, Rezekne and Riga. Other important challenges are insufficient cooperation between higher education institutions and entrepreneurs, mismatch between workforce education and skills and labour market demand and lack of qualified workforce, small size of the internal market and low purchasing power etc. In many cities, including Riga decrease in number of newly established companies has been observed, which indicates a possible slowing down of development tendencies.

- (238) To address economic challenges specific solutions that are most appropriate for strengthening local opportunities and potential have been analysed and proposed. In the case of Riga unused potential for metropolis of business and culture have been specifically analysed, in Jurmala and Liepaja – potential for health resort and wellness tourism industry, in Ventspils, Liepaja and Riga – potential of harbours has been emphasized. In the case of Ventspils also development potential of the city as a regional science and research centre has been analysed.
- (239) Among the most frequently proposed solutions to address these challenges and utilise potential of cities are improvement of public infrastructure in territories for development and their accessibility in order to attract entrepreneurs, elaboration of high quality offers to investors, revitalisation of degraded environment in industrial areas, development of harbours in cities in which harbours are located, development of wellness tourism infrastructure in cities whose economic specialisation includes development of health resorts, development/strengthening of business support institutions (support to entrepreneurs in the form of information and advise), matching education supply to labour market demand (as far as possible in the framework of municipal functions) and more active cooperation with employers, providing practice opportunities that are in compliance with the professional standard, involving employers in revision of education programs and monitoring the quality of their implementation, thus ensuring availability of qualified specialists matching labour market demands and development trends of the city, closer cooperation between entrepreneurs, educational institutions and research institutions, application of real estate tax deductions to companies, marketing activities, promotion of recognisability of local products etc.
- (240) **Demographic challenges:** key challenges are related to decrease of population (most pronounced in Rezekne and Daugavpils), including decrease of number of children and youth and outflow of skilled workforce that is an issue in all cities except Jurmala. Particularly high demographic burden is observed in Valmiera, Liepaja and Jekabpils. Programs emphasize a need to revise municipal service provision network in order to adapt to the decrease of population, at the same time improving the quality of services, also population aging is pointed out as well as in some cities (Riga, Liepaja) – insufficient availability of pre-school services (the capacity of existing pre-school institutions in terms of number of children enrolled in municipal pre-schools is lower than the demand).
- (241) Solutions proposed by cities include measures for more efficient involvement of youth in the labour market – improving quality of education and developing and expanding the available variety of it (e.g. expanding the variety of interest-related education in primary and secondary schools, improving the material supply of education institutions, improving the professional skills of teachers etc.) in order to attract children and youth from the city and its surrounding areas to municipal education institutions, as well as expanding the cooperation with neighbouring municipalities in provision of other services. It is crucial to implement measures matching the education supply to labour market demand not only in national, but also in local level, thus ensuring availability of

specialists demanded by labour market (as far as possible in the framework of municipal functions); also to improve availability of pre-school services.

- (242) **Environmental challenges:** key challenges are related to degraded (deprived) and contaminated areas in ex-industrial sites, outdated water management systems in some parts of cities, insufficient use of centralised water management services, since not all residents of single family houses have financial resources to build connections to main networks, lacking main networks of water supply and sewerage in some cases in specific parts of cities, land amelioration deficiencies, insufficiently organized waste sorting system, incomplete operation of rainwater drainage system, flooding risks created by high water and heavy rain showers, coastal erosion in cities that are located in coastal area. As an additional obstacle to development of degraded (deprived) areas is limited power supply capacity due to outdated distribution networks. Revitalisation of degraded (deprived) areas is necessary not only to address environmental issues but also to create preconditions for development of SMEs and to raise their competitiveness, among other things taking into account that they lack funding for revitalisation of environment.
- (243) Proposed solutions to address these challenges include revitalisation and restoring commercial use of degraded (deprived) areas in cities by adjusting them for purposes of development of entrepreneurship, research and rehabilitation of contaminated and potentially contaminated soil reducing the impact of contamination, continuation of reconstruction and modernisation of water supply and sewerage networks in cities, int.al. providing all dwellings in the city (within capacity limits of municipality) with connections to the main water supply and sewerage networks, measures for upgrading land amelioration systems and rainwater drainage systems, improvement of waste sorting system and improvement and expansion of waste collection infrastructure, measures for reducing coastal erosion processes and flooding risks. Provision and improvement of water management services not only to residents, but also to companies.
- (244) **Climate challenge:** key challenges are related to low energy efficiency of municipal buildings, low activity of apartment owners in energy efficiency measures for apartment houses, especially in Riga, Jekabpils and Jurmala, poor condition of central heating pipelines that causes significant heat loss, low energy efficiency of manufacturing buildings, low proportion of energy efficient lightning in public spaces of municipality.
- (245) Proposed activities to address these challenges include renovation of public buildings of municipalities increasing their energy efficiency, installing individual heat meters in apartment houses, facilitating participation of residents in housing fund energy efficiency measures by providing municipal co-financing, performing energy audits, increasing efficiency of central heating system by using local energy sources continuing reconstruction of central heating pipelines, improving energy efficiency of lightning infrastructure in public spaces of municipality, promotion of efficient use of energy and reduction of energy consumption in manufacturing companies, utilisation of solutions involving use of alternative energy sources.
- (246) **Social challenges:** key challenges are related to unemployment, as well as high and often growing poverty rates, particularly in cities of Latgale region and Jekabpils. Challenges involve also insufficient provision of social services to various target groups according to their needs, comparatively narrow available set of services to some target groups, for example, individuals with mental disabilities, families which have children with functional disabilities etc., insufficient material supply of social services for provision of various services, including persons with functional disabilities (e.g. in Jurmala and Jekabpils). Another issues are insufficient availability of premises for development of social services, at the same time due to increase of proportion of elderly people demand has grown for long-term social care and home-based care services, significant number of poor people which has increased as a result of the effects of economic crisis and heavy

expenditure for social security in municipal budget, lack of qualified social work specialists both in municipalities and labour market in general (particularly in Rezekne and Daugavpils).

- (247) Proposed solutions to address these challenges include development of available set of social services to particular target groups according to their needs, bringing provision of services closer to their places of residence, including long-term and short-term care, social rehabilitation services, consultations provided by various medical specialists, technical aids rental etc., improvement of infrastructure and material supply of social service institutions, development of care forms alternative to institutions and improvement of existing forms of social services, expanding cooperation with adjoining municipalities in the field of social services provision, strengthening capacity of employees of social service institutions.
- (248) Analysing the challenges to the balanced territorial development in general, it has to be pointed out that decrease in number of students is expected in 2014-2020. It is estimated that until 2020 number of students enrolled in general secondary education is going to decrease by 11.6 thousand in comparison to 2014, number of students enrolled in higher education – by 27.6 thousand. Increase in number of students until 2020 is expected only in primary education. General secondary education and vocational secondary education is going to be provided in regional centres, thus availability of education to the population depends on availability of related infrastructure (roads, transportation, dormitories).
- (249) Planned support measures in the field of education are going to be targeted at students and teachers in all regions of Latvia based on number of students in the region. Regarding provision of education from the regional perspective survey organized by MoEPRD “Evaluation of variety of public individual services and state administrative services according to settlement patterns” is going to evaluate among other things to what extent education services match demographic trends, population density and labour market demand in the region.
- (250) Significant cause for regional development differences is **low economic activity level** in regions and lack of preconditions for its increase, especially in municipalities of Latgale. Majority of attracted investments, companies and work places are concentrated in the capital city Riga and its surroundings. In 2011 amount of non-financial investments in the Riga Planning Region was 2 227 EUR, but in Latgale planning region it only a half of the figure in the capitals city’s region – 1 074 EUR per capita¹⁰². In 2012 68% from occupied work places were located in the Riga Planning Region. In the Latgale Planning Region compared to other regions the share of self-employed persons (52%) is significantly higher than in country in general (34%) and in other regions (24 – 40%)¹⁰³, which indicates to the shortage of employers in this region. IDAL data shows that in 2011 348 investors have expressed interest in investing in Latvia, however only 17 (0.5%) of them have made a positive decision. In the period of 2011 – 2013 65-70% of foreign investors in Latvia have decided to locate their companies in any of national significance development centres, and in 2011 and 2012 Riga distinctively dominates among them; only 21 of municipalities of regional level development centres were chosen by investors at that period – Dobeles, Ogres, Gulbenes, Saldus and Smiltene municipalities. This leads to a conclusion that high quality offers from local municipalities to investors are lacking. One of the problems why several investment projects have not been implemented in Latvia, but rather in other countries is a lack of industrial zoning land plots with necessary infrastructure¹⁰⁴. In 2010 less than 20% of municipalities were active in development of industrial territories¹⁰⁵. Information provided by municipalities indicates that most significant

¹⁰² Preliminary data of 2011, CSB.

¹⁰³ CSB data, 2011.

¹⁰⁴ Guidelines for Promotion of Export of Latvian Goods and Services and Attraction of Foreign Investment for 2013 – 2019 annex No.4, chapter „Identified barriers to foreign direct investment (FDI) in the Latvian entry.

¹⁰⁵ MoRDLG local survey conducted in April 2010 – May 2010 .

deficiencies of existing or perspective industrial areas are lacking or deficient access roads and engineering communications (utilities, waste water management, heat supply, gas, insufficient electrical power capacity, access of internet, etc). The above mentioned indicates that a significant problem in the development of economic activities is incomplete municipal infrastructure for attraction of businesses. Attractiveness of development centres and Latgale region as a place for carrying out of economic activities shall be improved and more successful use of competitive advantages of development centres and territories of Latgale region municipalities in promotion of economic activities shall be facilitated by public investments, thus improving employment opportunities for residents of Latvian regions, especially in the Latgale region, where unemployment rate is the highest 12-14% (Figure 21)

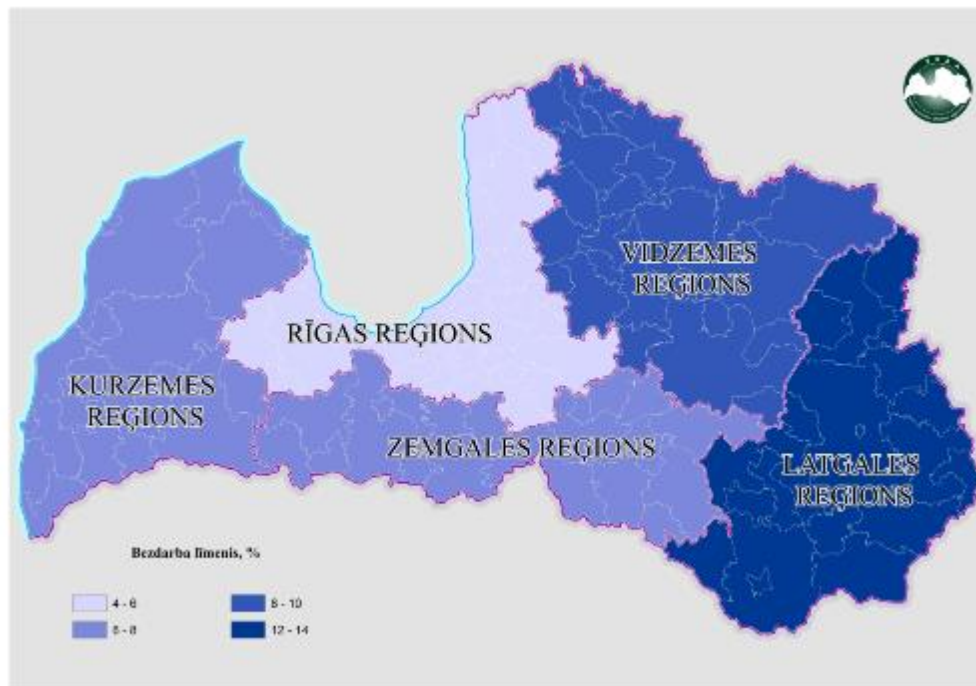


Figure 21 Unemployment level in Latvian Planning Regions; Source of information: VRAA study „Nature of development of planning regions and determination and analysis of areas of influence of development centres”, 2013

(251) Considering development of territory of Latvia in a regional perspective, it is particularly to promote economic activities in the Latgale Planning Regions, where currently the lowest indicators in the country are registered. According to Eurostat data GDP per capital of the Latgale Planning Region by the purchasing parity power (PPP) in 2010 was just 6990 (in Latvia – 13 200, in the EU-27 – 24 500). GDP of the Latgale Planning Region amounts to less than 30% from the EU-27 average indicator. In 2011 Latgale Planning Region attracted the lowest amount of non-financial investments in the country – 1074.27 EUR per capita (in comparable prices of 2011), which is more than twice below the indicator of investments attracted in the Kurzeme Planning Region, which in 2011 attracted to the most of non-financial institutions - 2390,43 EUR. In the Latgale Planning Region number of individual enterprises and commercial companies for 100 residents (17.0) is half of the number in Latvia in general (36.2). Compared to other planning regions, in the Latgale Planning Region the share of self-employed persons (52%) is significantly higher than that in country in general (34%) and in other regions (24 – 40%), which indicates a shortage of employers in this region. Data also indicates that share of people ready to start their own business in Latgale is low.

The survey performed by the market and social research centre SKDS in 2011 indicates that 54% of population for purposes of working and earning income are willing to become employers (Latvian average – 39%), while only 6 % are willing to form own company (Latvian average – 9%). Considering high unemployment rates in the Latgale region (in early 2013 unemployment level in Latgale Planning Region was still significantly higher than in other regions – 13.7%), creation of new companies in the region with new workplaces is of critical importance.

- (252) Latgale Planning Region still has unused potential in the area of transportation and logistics, considering its geographic location – proximity of state border and location of two important transportation corridors in this territory. Opportunities for development of transportation and logistics services in the Eastern borderland region involve transpiration and warehousing of goods between the EU and Eastern non-EU countries and development of road carriers – using region as a base, as well as development of logistics centres, primary in the vicinity of national level centres – Daugavpils and Rezekne, as well as in close vicinity of border crossing points. Capacity of main motorways of Latgale region and load on railway infrastructure allow for cargo turnover to be at least doubled. 15 areas have been identified in the Latgale region, which due to their geographic location are suitable for development of transportation and related service projects, i.a. assessment of potential development of places/ objects of technological parks and logistics centres has been prepared as well as justification for particular place, preconditions for development of transportation and logistics services have been studied. To address challenges facing Latgale region and facilitate more efficient use of its development potential funding for territorial development is going to be provided for municipalities of Latgale region under the 6th thematic objective, Latgale region municipalities will also be eligible for support under other specific support objectives where municipalities are planned as beneficiaries.
- (253) For support of other regions which also face substantial development challenges due to concentration of population and economic activity around the capital city significant contribution is going to be provided by other specific support objectives in which territorial principles for implementation of support are going to be applied where possible.
- (254) In the framework of territorial support measures those challenges are going to be addressed that are crucial for promotion of balanced territorial development and are cross-sectoral. These measures are going to be based on bottom-up approach, include cross-sectoral perspective and are going to be implemented based on local development priorities that are identified in integrated development programmes of municipalities. Also sectoral support measures will contribute to territorial development even though they are primarily directed to addressing sectoral issues. Investments for development of entrepreneurship in the framework of ITI will be implemented closely linked with priority axis “Research, development of technologies and innovations”, priority axis “Availability of ICT, e-government and services”, priority axis “Competitiveness of SMEs”, priority axis “Environmental protection and resource efficiency” and priority axis “Education, skills and lifelong learning” in compliance with the Smart specialisation strategy. Complementary to planned investments will be also activities in the framework of 2014-2020 European Territorial Cooperation and set of activities implemented in the Norwegian Financial Mechanism funded project which aims to facilitate attraction of local entrepreneurs and foreign investors in municipalities, as well as support for local roads network provided under EAFRD operational programs.
- (255) Distinctively uneven level of economic activities in the territory of the country affects also other aspects of development – **it contributes to people leaving territories** with very limited employment opportunities, especially in rural areas and remote municipalities, and thus facilitates depopulation of territories, **creating significant demographic challenges**. According to CSB, municipalities of the Latgale Planning Region cover 22.5% from Latvian territory, while **only 14.5% of Latvian population lives there**. Within the period from early 2000 to early 2013 number

of population in municipalities of Latgale Planning Region has decreased by 24.1%. **32.3% of all Latvian population live in rural areas**, over the past decade number of rural residents has decreased by 13.2% . Low density of population is registered in rural areas, and it is distinctively decreasing as the distance from the capital city decreases, especially in the Eastern direction. In Eastern part of Latvia, as well as in several places in Kurzeme, especially in the coastal area density of population in municipalities is below 10 people/km², while in Riga surrounding areas it is not below 50 people/km², but in some places even above 100 people/km².¹⁰⁶

- (256) Concentration of population around the capital city and unemployment in regions are key challenges that hinder not only regional, but also national growth. As a result of these trends development potential of regions is not efficiently used. The main cause of these issues is lack of jobs in regions, since availability of jobs have a direct impact on settlement (people tend to relocate to places with better employment opportunities in order [to earn one's living](#)). Lack of jobs in regions is linked to lasting higher operating costs for companies due to remote localisation, small local market and higher transportation costs to larger markets.¹⁰⁷
- (257) Besides, capital city region offers companies better infrastructure, access to key transport nodes, larger market, as a result entrepreneurs/investors tend to locate their companies in the proximity to the capital city instead of regions what is confirmed also by data examined before. Industrial infrastructure and related public infrastructure in cities and towns of regions is underdeveloped. It is necessary to increase attractiveness of municipalities situated outside the surroundings of capital city as locations for entrepreneurship by investments in public infrastructure necessary for companies/investors thus addressing the issue of regional unemployment and concentration of settlement around the capital city.
- (258) According to investor survey performed in 2013¹⁰⁸ one of the key issues why several private investment projects have been implemented in other countries instead of Latvia is lack of land plots planned for manufacturing with proper infrastructure. Meanwhile a more and more common standard for attraction of investments is industrial land plots with the necessary infrastructure developed by municipalities that are offered to investors for sale or for long-term lease. As long as there is a choice, investors prefer plots with ready-made infrastructure instead of a land plot with an inappropriate zoning or without infrastructure, yet only 17% of available territories have no infrastructure deficiencies. According to the survey performed by MEPRD¹⁰⁹ in total 7 365,97 ha were estimated as an area that could be offered to merchants for the purpose of entrepreneurship. However, area of 6 104,66 ha needed improvement of public infrastructure (accordingly in the remaining 83% of cases the offer is judged as unsatisfactory for the needs of entrepreneurs). Main deficiencies are the connection infrastructure – roads, electricity, gas and water connections to the city or municipal networks. In 2012 only 4% of total non-financial investment were investments in construction and only 0.9% - in engineering communications, which is due to the fact that

¹⁰⁶ CSB DSA data

¹⁰⁷ This general trend in regional development is described in this study: Hervik, A., Rye, M., Molde, M. (2014) An empirical and theoretical perspective on regional differentiated payroll taxes in Norway. Data that show that it concerns also the case of Latvia (jobs and companies mostly concentrate in Riga and its adjoining municipalities etc.) are available in annual survey „Development of Regions in Latvia” published by State Regional Development Agency. Importance of location and its impact on costs from the perspective of foreign investors is described also in annex No.4 to Guidelines on Promoting Exports of Latvian Goods and Services and Attracting Foreign Investments for 2013-2019 (approved by Cabinet of Ministers by decree No. 249 of 17 June 2013).

¹⁰⁸ Annex No.4 to Guidelines on Promoting Exports of Latvian Goods and Services and Attracting Foreign Investments for 2013-2019, chapter “Obstacles to attraction of foreign direct investment in Latvia”.

¹⁰⁹ Survey of 30 municipalities of development centres performed by MEPRD in July-November 2012 on available areas in existing industrial zones and perspective industrial zones (a short summary has been included in Regional Policy Guidelines 2013-2019, chapter „5.1.1.1. Support for international, national and regional significance development centres”.

companies lack funding for investment of capital in public infrastructure. Such infrastructure requires large capital investments that entrepreneurs cannot afford or that pay back over a too long period of time. Although investments for development of entrepreneurship are provided mainly under 3rd priority axis „Competitiveness of SMEs”, analysis of results of survey performed by MEPRD indicates that in Latvia direct support for entrepreneurship in the form of financial instruments is not enough – it is necessary to ensure development of business support infrastructure, including investments in engineering communications (electricity, gas, water supply and sewerage, heating), otherwise efficient development of entrepreneurship is not possible in areas where strategic and public infrastructure is underdeveloped. It is planned to implement public infrastructure projects that correspond precisely to local strategies of municipalities regarding industrial areas and that are intended exclusively for support of entrepreneurship, identifying exact needs of merchants.

- (259) Such projects are going to be implemented in nine national significance development centres as ITI (see chapter 3.1.3. “Sustainable development of urban environment”), but support for 21 regional significance development centres and 89 rural municipalities is going to be provided in the framework of specific support objectives that involve territorial support under 3rd thematic objective.
- (260) Public infrastructure projects for entrepreneurs are going to be implemented for the benefit of companies and as complementary to projects of companies that are planned or being implemented with support of any other program under ESI funds.
- (261) Promoting development of entrepreneurship support has to be provided not only for development of industrial territories, but also for other types of public infrastructure that is necessary for companies to start or expand their operation in sectors that correspond to the economic specialisation of municipality. The responsible ministry (MEPRD) has already gathered information on investment needs for support of entrepreneurs identified by municipalities. Implementation conditions will ensure that only projects that are directly related to demand from companies will be supported. A project will be considered as complementary if results of municipal infrastructure projects and merchant projects are interrelated. Regarding this type of public infrastructure projects it is necessary to demonstrate:
- a. positive development after support is acquired;
 - b. increase in number of jobs or turnover, readiness of company to improve its operation after receiving public support infrastructure – business plan or application for other support programs, or bank loan for development of company;
 - c. infrastructure deficiencies as a crucial impediment for operation or development of company.
- (262) Low level of economic activities in regions outside of surroundings of the capital city has direct influence on wellbeing of population and thus creates challenges of social nature. In rural areas income per household is by 22.7% lower than in urban areas.¹¹⁰ In early 2013 unemployment level in Riga region was 4.9%, in other regions 7.4% - 13.7%¹¹¹. In the employment structure of municipal areas the largest share of population is employed in agriculture, forestry and fisheries – about 35%,¹¹² and a number of employees in these areas tends to decrease. Along with concentration and increased efficiency of production in these areas about ~80 thousand work places could be lost within nearest decade. Therefore support is required for development and creation of alternative agricultural SMEs.
- (263) Considerable differences in economic activity levels have direct influence to amounts of budgets of municipalities, since municipalities with lower level of economic activity (higher unemployment,

¹¹⁰ CSB DSA data

¹¹¹ VRAA estimates

¹¹² CSB DSA data

etc.) have smaller budget revenues (especially personal income tax). Therefore financial funds available to municipalities, which they can invest in development and provision of services to residents varies considerably, which even more diminishes development opportunities of less populated territories. Assumed income of municipalities per 1 resident¹¹³ in 2013 differs considerably – from 1 207,45 EUR in the Garkalne municipality to 202,53 EUR in the Riebiņi municipality (i.e. sixfold, data of 2013). In the Latgale region revenue from personal income tax per one resident in the budgets of municipalities are in average 285-356 EUR/pers., while in the rest of territory except Riga, where revenues from personal income taxes are the highest, personal income tax revenues per one resident in budgets of municipalities range from 365- 4269 EUR/pers. (Figure 22).

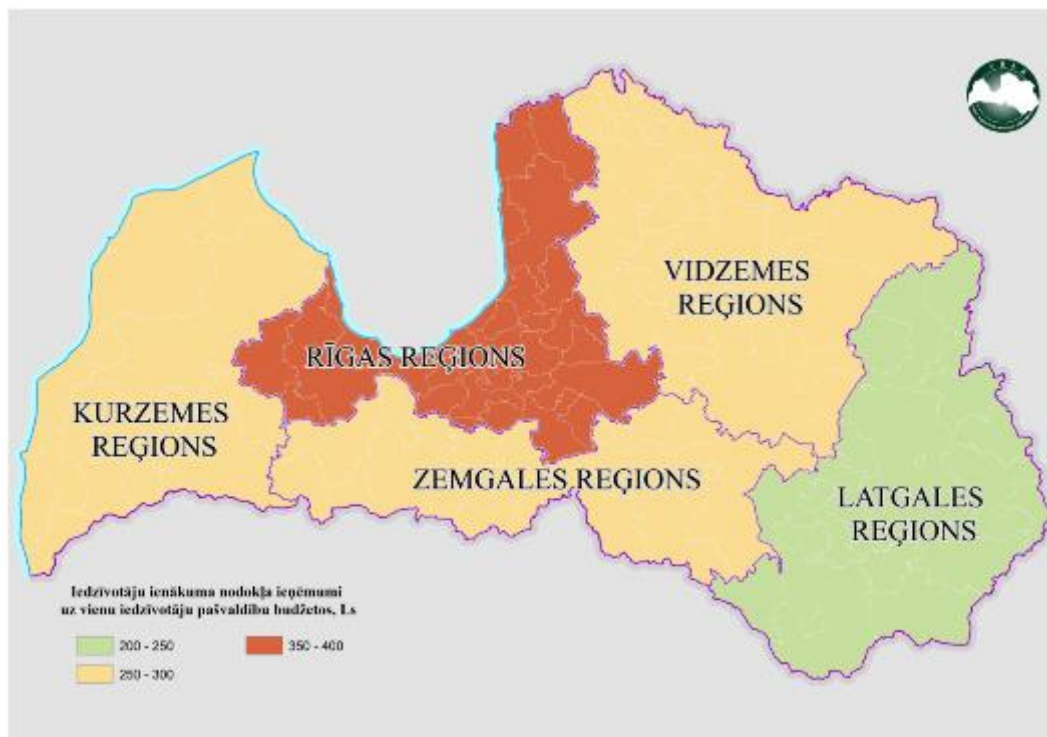


Figure 22 Revenues of personal income tax in Latvian regions; Source of information: VRAA study „Description of development of planning regions, identification and analysis of area of influence of development centres”, 2013.

(264) Decrease of number of population and therefore also decrease of tax revenues and limited financial resources of encumber ability of municipalities to provide residents with social, cultural, educational, etc. services and causes need to decrease expenses associated with provision of services. **Within this context it is important to improve energy efficiency of municipal buildings, where services are provided, at the same time decreasing their negative influence on climate changes.** Sector of public buildings and other non-residential buildings hides huge potential for energy savings – by the ownership status 4956 buildings owned by the municipalities

¹¹³ Assumed income of local governments (estimates) according to the Annex 3 of the CoM Regulations No 874 „Regulations on revenues of the local governments levelling fund and procedure for their distribution in 2013” of 18 December, 2012. These include personal income tax, real estate tax for buildings, for land, for engineering structures and housing. This indicator is more objective than revenues of core budgets of local governments, since it does not cover state budget transfers, including state budget transfers received in the budget of local governments for implementation of projects financed from the EU structural funds. According to the above CoM Regulations revenue per 1 resident have been calculated considering number of population in local governments as at 1 January 2012.

have been registered in the IS of the National Cadastre with total size of 6.29 mln.m², including buildings hosting education and health care institutions. Upon assessment of data from the National Cadastre Information system regarding public (state and municipal) buildings, area to be renovated every year (3%) covers 280 thousand m². Many buildings built several decades ago have low energy efficiency taking into account that at the time of their construction energy efficiency aspects were nearly disregarded and the understanding about the adverse impacts of climate changes was negligible. Insufficient funds of municipal budget prevent them from being able to improve energy efficiency of public buildings, as a result of which large energy consumption occurs leading to large greenhouse gas emissions. Financing of energy efficiency measures without financial support could lead to increase of tariff rates.

- (265) Concentration of population and economic activities in development centres and planned expansions of economic activities means that when **planning development especial attention shall be paid to environmental quality aspect**. Information provided by municipalities¹¹⁴ indicates that specific problem is associated with industrial territories that were in use during the Soviet Union times and which now are derelict, where ruins of buildings are located that can be dangerous to people and where environmental pollution has occurred as various chemicals have been spilled into the soil. Such territories are degrading to environment and are not productively used. Survey performed by MoEPRD within research analysis of national and regional development centres discovered 5826 ha of degraded or perspective territories. The plan is to rehabilitate 500 – 700 ha of these 5826 ha of degraded areas or average of 12% of degraded territories by improvement of these territories.
- (266) Taking into account that in programming period 2007 -2013 successful cooperation was started with private sector merchant within according to which by the “last mile” services are provided within framework of installed broad band network, it can be forecasted that also in the programming period 2014 – 2020 balanced development of Latvian territory will be facilitated and difference (digital gap) between territories of low economic interest and of high economic interest will be decreased. In situation when merchants do not develop grids in areas where infrastructure competition does not see the future probability of occurrence, as well as merchants do not plan to develop optical subscriber lines (according to the study¹¹⁵) on medium and low economic interest areas¹¹⁶ and if it will be found that from the merchant side "last mile" services provided are not sufficient¹¹⁷ in order to reach the goals set in strategy „Europe 2020” and Digital Scoreboard¹¹⁸, the "last mile" implementation will be provided by financing from the state budget funds¹¹⁹ or other resources.
- (267) In Latvia significant regional development differences are seen already for long time and changes caused by economic and technology development have especially critically affected rural areas. In the ICT sector differences or digital gap exist between urban areas and rural areas, since competitive broadband internet access services are offered in urban areas at reasonable price, while in majority

¹¹⁴ Survey of national and regional level development centres regarding planned development of industrial areas; VARAM, 2013.

¹¹⁵ Research performed by LTD “Corporate Solutions” order by Ministry of Transport in 2011, research is available: http://www.sam.gov.lv/satmin/content/?cat=451&art_id=2384

¹¹⁶ A more detailed analysis of the current situation and the assessment included "The next generation of broadband electronic communications network development The concept of the 2013th – 2020" available in <http://polsis.mk.gov.lv/LoadAtt/file47307.doc>

¹¹⁷ In 2014 a study/research to identify the current situation is envisaged (in accordance with criteria laid down in 2013/C 25/01). A special attention is to be devoted to the aspects of access of the “last mile” – not only for the availability of it, but also from the side of demand (individuals, institutions, companies).

¹¹⁸ <https://ec.europa.eu/digital-agenda/en/our-goals/pillar-iv-fast-and-ultra-fast-internet-access>

¹¹⁹ Information is included in Information Society development guidelines 2014-2020 2.2. “Broadband infrastructure development – last mile connections development, available in <http://polsis.mk.gov.lv/view.do?id=4518>

of rural areas such services are not available, since their provision is not economically feasible for electrical communications merchants. Therefore the environment loses its competitive appeal for residents and businesses, development of regions is hindered and their exclusion is promoted.

- (268) Bad state of transportation infrastructure is hindering mobility of residents in accessing the services, as well as makes territories located away from Riga less appealing for residence and carrying out of economic activities. Taking into account that relocation of people to urban areas and abroad is a significant problem, while about half of all Latvian residents reside in rural areas (in Latvian urban areas 49% were residing, in countryside – 38% and in rural settlements – 13% of population), it is important to support ability of public sector to provide quality support to development and investments in rural areas, by ensuring access to as much services as possible in any remote place of Latvia. Good and accessible facilities of economic activities, education, social and health care by using advanced e-opportunities are an important precondition for attraction of people and development of economic activities in rural areas.
- (269) The Cultural Policy Guidelines “Creative Latvia” for 2014 – 2020, Coastal Spatial Development Guidelines 2011 – 2017, Regional Policy Guidelines 2013 – 2019 and Latvian Tourism Development Guidelines 2014 – 2020 (draft) state that rich natural and cultural heritage of Latvia is currently insufficiently used resource for economic and regional development, since accessibility to culture and nature heritage has not been provided according to demand. Latvia is a country with rich cultural and nature heritage, which provides basis for creation of smart and creative society provides crucial role in sustainable economic development.
- (270) Latvian cultural heritage is outstanding, however relatively little used potential, which so far has been ignored to large extent. According to data of the State Inspection of Protection of Culture Monuments in 2012 number of cultural heritage sites in Latvia was 8651, out of which 5228 were national level and 3423 – local level objects. About 27% are in good condition and 61% of culture monuments are in satisfactory state.
- (271) In programming period 2007- 2013 within measure 3.4.3 "Cultural socio-economic impact" by implementation of 17 projects by investing in improvement of the cultural environment and restoration of cultural heritage also by encouraging the development of vital economic areas, including providing a favourable business conditions and environment, increasing citizen participation in cultural life and the increasing range of cultural services. Within framework of programming period 2007 – 2013 investments were made at the city and municipal level in architectural and social aspects by implementation of projects within framework of 3.4.2.1.1 sub-activity “Preservation, renovation of national level urban building monuments and adjustment of infrastructure for development of tourism products”. In the competition “European Destinations of Excellency- EDEN” within 3.4.2.1.1 sub-activity “Preservation, renovation of national level urban building monuments and adjustment of infrastructure for development of tourism products” at the closing phase of implementation of the project No.3AP/3.4.2.1.1/09/APIA/LIAA/003 „Creation of cultural historical tourist trail in the Ligatne paper-mill village” the historical centre of Ligatne paper mill village, including the tourist trails created within framework of the project were declared as Latvian winner in 2011¹²⁰.
- (272) According to the Regional Policy Guidelines for 2013 to 2019 and Coastal spatial development framework 2011 to 2017, territory of of Baltic Sea cost consists of local municipalities, which have borderline with sea, because coastal regions defined in NUTS3 does not have enough representative detail in order to view social and ecological costal processes. Challenges of costal municipalities¹²¹ are low population density, decrease of population and jobs, as well as restrictions on economic activity associated with the position of the sea. The population density in 11 of the 13 coastal

¹²⁰ Detailed information about the project, photo and video available here: <http://www.visitligatne.lv/>.

¹²¹ 13 regions (districts) and 4 cities and bordering the Baltic Sea water area

counties 2013th year was significantly lower than the average Latvian authorities (CSP 2013). Along with decrease of wild fish resources the number of jobs in the fishing industry has decreased. Decrease of employment level in coastal commercial fishing activity sector from 1300 employees in 2005 to 108 employees in the 2012th year (CSB 2013). The development of agriculture in coastal areas are limited by low soil quality, also economic activities including forestry and construction in coastal areas require adherence to stringent nature and environmental protection requirements. Effects of climate change to coastal municipalities are more pronounced than inland. According to KALME¹²² research data erosion in territory of Latvia will have an impact to coastline of 258 km (51.5%) in next 15 years. Moreover, about 60% of the coastal area territory for the period from 1945 to 1991 was a border area of the Soviet Union with restricted mobility of civilians and economic activities, in result public infrastructure in coastal area has no sufficient development¹²³. Target areas tackle the challenges, especially at the coast and in the Latgale region requires coordinated solutions for the investment of ESI funds mutually complementing each other that will contribute to the Europe 2020 strategy, EUSBSR and Integrated Maritime Policy (including Blue Growth strategy and integrated coastal management) objectives as well as promote integrated coastal development.

(273) According to European Territorial Cooperation programs ESPON project ESaTDOR data, the importance of the marine sector in the Latvian economy is high, because of particular focus on coastal - marine functional connectivity in the implementation of Blue Growth Strategy and the European strategy for more growth and jobs in coastal and marine tourism (COM (2014) 86 final) project objectives.

(274) In Tourism Development Guidelines for 2014-2020 areas of high tourism export potential, including all of the Baltic Sea coast are identified¹²⁴. Number of overnight stays in coastal municipalities (excluding Riga) has risen noticeably - the average annual growth from 2010th to 2012th year was 15068 overnight stays¹²⁵. According to calculations, about 60 000 visitors Sīlītes National Park contribution to the local economy 2011th year from 996,000 to 1,138,300 per year¹²⁶. Coastal attendance promotes natural and cultural heritage, which includes the values of 42 habitats of EU importance and Natura 2000 areas¹²⁷, which cover 49% of the 498 km coastline of the total length of 330 km long sandy beaches and 1303 cultural monuments¹²⁸. This is a valuable sustainable tourism and recreational resource. One of the solutions is further development of the natural and cultural heritage and related infrastructure¹²⁹, which will contribute to the diversification of the business, improve access to these sites, reduce anthropogenic pressures caused by visitors on habitats and Natura 2000 sites, as well as reduce the impact of climate change. In accordance with aforementioned, investments based on integrated development programs, renovation, reconstruction and construction of internationally important cultural and natural heritage sites and related infrastructure are planned, as well as the development of cultural and natural heritage site services,

¹²² KALME - National research program on climate change impacts on the water environment Latvian <http://kalme.daba.lv/>

¹²³ Coastal Spatial Guidelines 2011th - 2017, available <http://polsis.mk.gov.lv/view.do?id=3634>

¹²⁴ Annex 3 of Tourism Development Guidelines for 2014 to 2020

¹²⁵ Calculated using the CSP database TUG091. "Hotels and other tourist accommodation LATVIAN regions, cities - Territorial unit, Year and Indicators"

¹²⁶ LIFE valsts faktu lapa, Latvija, 2013 http://ec.europa.eu/environment/life/countries/documents/latvia_lv_oct13.pdf

¹²⁷ Data from the LIFE project "Coastal Habitat Protection and Management of Latvian" LIFE02NAT/LV/008498 2004 <http://piekraste.daba.lv/LV/>

¹²⁸ Data from the State Administration of Cultural Heritage

¹²⁹ Natural and cultural heritage and associated infrastructure- natural and cultural heritage conservation and sustainable development of the required set of material objects, which include investment in infrastructure to conservation, restoration, creation of new jobs in identified areas, while developing the potential of areas according to the framework of integrated development programmes.

also creation of new services for the promotion of regional development and the development of services in different economic sectors in the target areas, thus ensuring development of local business and creation of new jobs.

(275) Indicative plan is to use financing within framework of 2, 3, 4, 6, 8, 9 and 10 thematic objectives for tackling these challenges.

1.2 SUMMARY OF EX-ANTE EVALUATION

- (276) Ex-ante evaluations are organized for all three Latvian OP. For the OP “Growth and employment” (ERDF, CF, ESF) ex-ante evaluation is carried out by „KPMG Baltics”, while evaluation of RDP 2014-2020 (EAFRD) and „ Action Programme for the Development of Fisheries in 2014-2020” (EMFF) is provided by Latvian State Institute of Agrarian Economics.
- (277) Regarding OP “Growth and employment” ex ante evaluation report has been prepared for the first version of programme. Selected main conclusions of the report are as follows.
- The needs and challenges identified are in line with the Europe 2020 objectives and targets, the Council recommendations and the National Reform Programme.
 - The explanation of the strategic linkage between the identified needs, and the programme’s response to tackle them has become balanced during the compilation process of the OP across thematic objectives.
 - The specific objectives of the priority axes are coherent with each other, they are well delimited and devoid of inconsistencies.
 - The intervention logic at the level of specific objectives is established adequately, there are no major deficiencies, although in some cases details are not specified.
 - The intended results are appropriately and explicitly formulated for each specific objective, are in line with the relevant investment priority, while most result indicators are SMART and are likely to measure the intended results efficiently.
- (278) At the same time several important recommendations have been introduced in next version of the OP. Following the analysis of evaluators descriptions of eligible activities have been improved for most of priority axis and related specific objectives. . Also considering the experts recommendations significant improvements have been done the indicators section of the OP and application of common indicators according to requirements set in the fund regulations and guidance documents (e.g., for priority areas 1, 3 and 7).
- (279) Regarding financial allocation the ex-ante evaluators conclude that the proposed allocation of funding for 2014-2020 reflects a consistent approach to achieve the objectives set and solve the identified national and regional needs and issues. According to recommendations in intermediate evaluation report justification of necessity for multi-fund priority axis (priority areas 3, 4, 6, 7 and 8) has been improved, as well as financing allocation between all priority axis. According to recommendations arising from needs analysis, allocation to R&D has been significantly increased by redistributing 127 mln. EUR (increase by 38.7%) to the priority axis “Research, development of technologies and innovation”.
- (280) With regard to the environmental report the evaluators conclude that priorities are consistent with highest hierarchical planning documents. None of thematic objectives or investment priorities could be considered as significantly negative to environment and impact in most cases the impact neutral towards current environmental quality in Latvia. At the same time several thematic objectives are devoted to directly improve environmental situation and will contribute to sustainable development (e.g. transition to economy with low CO2 emission level, environmental protection and resource efficiency and partially sustainable transport system).

- (281) Evaluators also points that it is important necessary to pay attention to several aspects that are not sufficiently in OP and also SOs that might have potential negative effect on environment at national or local level.
- (282) The draft versions of environmental report included recommendations for OP “Growth and employment” to reduce or eliminate potential negative effects on environment. In OP recommendation regarding SO 5.1.2. “to reduce flood risks in rural areas” have been taken into account by setting clear restrictions and conditions (e.g. so that planned activities do not reduce environmental value of Natura 2000). The OP also reflects recommendation to expand the description of practical application of horizontal principle ‘Sustainable development’ and also including this principle in the framework document of CP funds management and control system for 2014-2020 programming period. Similarly to the recommendation on horizontal principle, the OP has been complemented with a comment that for some SOs the green procurement procedure might be applied. In case of public investments under SO 4.1.1. and 4.2.1. - 4.2.2. the indication of minimal energy savings have been added and the reduction of GHG emissions is indicated as important aspect for a project eligibility under relevant SOs.
- (283) In the report evaluators emphasize that the OP activities in current level of detail (i.e. without territorial linkage) are not directly assessable by their impact on environmental quality. This assessment should be done in the next stage of policy implementation, by evaluating the impact of specific planned economic activities according to national legislation that regulate the environmental assessment procedures
- (284) Concerning RDP 2014-2020 (EAFRD) independent ex-ante evaluators (Latvian State Institute of Agrarian Economics) have submitted a draft final report, the conclusions and recommendations of which are being assessed at the expert level of MoA.
- (285) In the section of overall assessment experts indicate that components of sustainable development aspects have been successfully balanced in the RDP 2014-2020 and the programme can be used for achievement of set objectives. When improvements recommended in the ex-ante assessment will be implemented, the RDP 2014-2020 could be improved and submitted to the EC.
- (286) Ex-ante evaluators conclude that situation description sections on needs analysis have been prepared professionally, almost all most significant problems to be solved are described rather completely and cover all EU rural development priority axis. Application of common context indicators in several areas is correct, as the necessary context indicators are used in the situation description, their values have been indicated. Appropriate methodology has been applied in the SWOT analysis, internal and external factors have been ranged by their significance. The SWOT analysis of the RDP 2014-2020 is mutually complimentary with other CSF programmes covered by the PA, horizontal priorities of the „Europe 2020” Strategy and SEA. Evaluators conclude that defined needs to be addressed mainly conform to results of the SWOT analysis and justification explained in the situation description.
- (287) The section concerning compliance of the operational programme, internal and external harmonization concludes that intervention logics included in the RDP 2014-2020 will contribute to achievement of „Europe 2020” goals, considering needs identified in the programme territory. Ex-ante experts provide positive assessment of involvement of wide, quite balanced range of stakeholders in the development and public discussion of the draft programme. The proposed forms of support are suitable for all proposed RDP 2014-2020 activities, however the experts have discovered and listed in the report several improvement opportunities, by setting support rate for various measures. In the RDP 2014-2020 budget allocation by priorities ex-ante experts recommend to consider possibility of increasing amount of financing for implementation of priority 1. The MOA has taken into account this recommendation and financing for implementation of the priority 1 has been significantly increased.

- (288) In the programme progress and results section according to experts' conclusions all required common indicators of the RDP 2014-2020 have been included. The assessed EU common and programme specific indicators which mainly cover investment, output indicators form part of necessary volume. Ex-ante experts have included in their report recommendations for replacement and specification of existing indicators, as well as introduction of new indicators. These recommendations are applicable to nearly all measures. Evaluators recommend for policymakers to formulate not only the title, measurement unit and estimated value of the indicators, but also explicit definition, formula of calculation and source of data.
- (289) In the implementation section of the RDP 2014-2020 programme sufficiently details description of administration and control system is provided. Ex-ante evaluators by referring to the wording of RDP 2014-2020, as well as supplementary information from various sources conclude that human resources and administrative capacity involved in the programme administration are sufficient for implementation of the RDP 2014-2020. Ex-ante experts urge to pay attention to improvement of capacity of the MOA in defining of programme specific indicators and calculation of values to be achieved. Notwithstanding the fact that satisfaction with work of RSS is high, serious attention should be paid to training of employees of the Service also in future and necessary resources shall be allocated.
- (290) Strategic Environmental Assessment (SEA) of the RDP 2014-2020 was elaborated as a part of Ex-ante report. During SEA process it was concluded that RDP 2014-2020 correspond the EU and national environmental policy planning documents. Defined measures are not conflict with sustainable development objectives, principles and national environmental policies, as well as promote reaching of Latvian international commitments in the field of environment.
- (291) Almost all RDP 2014-2020 measures may directly or indirectly increase the solving of environmental problems (water pollution, greenhouse gases emissions and air pollution). Impact scale will be defined by project selection criteria i.e. determination of requirements, for example, for the reduction of GHG emissions in transport (whether it will be limits of energy efficiency class of the engine within the regulation framework or the support initiatives for fleet optimization in order to reduce overall fuel consumption).
- (292) Evaluators conclude that during the implementation process of RDP 2014-2020 the most significant impact might be on conserving the biological diversity, while in most cases OP will have positive impact on environment and will reduce the risks that are present in current development of the sector. Positive impact can be attributed to measures and activities that are directly aiming to solve environmental problems, both with compensation mechanisms and direct support.
- (293) The measures are evaluated positively and several features are identified that should be improve during the implementation (e.g. biodiversity, landscape, soil erosion, climate changes, cultural heritage, air and water quality).
- (294) Activities of ex-ante evaluation on the FOP have been concluded and independent evaluators have submitted the draft of the final report. MoA has prepared a statement on comments made by the independent evaluators and based on them has specified the FOP or provided information on alternative solutions.
- (294.¹) The prepared FOP takes account of the priorities laid down in the strategy "Europe 2020" and operational directions set up in NAP 2020. Specific targets of the fisheries sector have been set up according to priorities of the EMFF as well as identifying the needs. The EMFF support will help in achievement of the target laid down in the Common Fisheries Policy.
- (294.²) FOP strategy has been developed in accordance with ESI funds and coordinated with them. In the FOP preparation process, the principle of partnership and EU Council recommendations issued in 2013 have been taken into consideration. FOP implementation provides procedures for coordination

and cooperation among ESI funds, envisaging and ensuring complementarity and consistency of the measures and avoiding overlapping with measures of other EU funds.

- (294.³) FOP shows a mutual connection between the development priorities, thematic targets of ESI funds and specific targets of FOP as well as FOP measures, without a detailed elaboration of logical chains and synergies. Interrelation and complementarity of targets and measures, at a general level, is described clearly and sufficiently, and prepared in compliance with EC recommendation for FOP content.
- (294.⁴) Implementation of FOP will have a positive impact on the environment. It is expected that nature resources will be used more effectively. However, the impact left by implementation of the measures, to a large extent, will depend on a correct and qualitative implementation.
- (294.⁵) The chapter in FOP, regarding implementation procedure, as well as the description of implementation of monitoring procedures, control and execution systems allows drawing a conclusion that FOP implementation monitoring will be ensured to a sufficient extent. The planned data collection activities in general will reflect a regular recording of the selected outcome indicators.
- (294.⁶) It is being concluded that MoA has provided the necessary human resources to provide the measures of FOP with both data procurement and their use in the further monitoring process. RSS also complies with the criteria that will facilitate implementation and monitoring of FOP and collection of the necessary data.

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

1.3. SELECTED THEMATIC OBJECTIVES AND INVESTMENT PRIORITIES

Strengthening research, technological development and innovation

Targets under strategy „Europe 2020”	National targets under strategy „Europe 2020”	Recommendation of the EU Council (2013)
3.0% of the GDP on R&D	1.5% of the GDP on R&D	Take further measures to modernize research institutions basing on independent assessment that has been carried out currently.

- (295) In order to solve identified challenge and achieve national targets set for Latvia in the strategy „Europe 2020” within R&D area, **investments will be made according to the Smart Specialisation Strategy** ensuring current and future problem-solving and use of opportunities identified within entrepreneurial discovery process. Objective of implementation of strategy is national economy transformation and change of export structure towards greater added value products and services. Strategy prescribes for development of wide and deep knowledge base and human resources within knowledge fields linked to Smart specialization, strengthening the innovation capacity of national economy and therefore also increase state and private investments in R&D and innovation, as well as creation of innovation system promoting technological development. For economy transformation support it is necessary to create such innovation system what facilitates mutual cooperation between all subjects of innovation system – entrepreneurship, science and education according to the Smart Specialisation Strategy.
- (296) Innovation capacity will be created on the basis of wide and deep knowledge background, international cooperation and cooperation with industry, human capital, and appropriate infrastructure for R&D and for the implementation of innovative projects, inter alia public infrastructure and access to financial capital.
- (297) Therefore investments of the ESI funds shall be planned for achievement of the following objectives:

1. **in order to increase ability of Latvian scientific institutions to attract external funding**, human resources capital of science and technology sectors have to be rejuvenated renewed and developed, concentration of human resources employed in R&D has to be promoted, therefore strengthening international cooperation and international publicity of scientific achievements, cooperation with industries has to be promoted including significant increase of capacity of technology development and technology transfer, as well as **investments in infrastructure for R&D and innovative projects implementation, inter alia, including in public infrastructure** and for participation in cooperation programmes. Precondition for ESI funds' investments is a consolidation of scientific institutions and improvement of operating capability of most competitive scientific institutions, what is carried out on the basis of conclusions of the external assessment made by the Nordic Council of Ministers and with the report of Ministry of Science and Education of Latvia on implementation of Latvian science sector structural reforms, which will be approved in 2014.
2. **in order to promote transformation of national economy**, Latvian innovation system has to be strengthened by eliminating its deficiencies, by **investments in infrastructure** for implementation of R&D and innovative projects, inter alia public infrastructure, and by promoting cooperation between industry, science and education sectors, thus facilitating development of new products and technologies and private sector investments in R&D and innovations.
3. In order promote the efficiency of the innovation system, it is of particular importance to support promotion of motivation for entrepreneurs and development of innovations, inter alia, providing new entrepreneurs business start-ups with funding in early development stages, as well as supporting investments for the necessary infrastructure of innovative entrepreneurship and development of human resources, their skills and equipment, thus also promoting innovative entrepreneurship and competitiveness.

(298) Considering the above mentioned investments to be made within the framework of the thematic objective "Strengthening research, technological development and innovation" with support from the ERDF funds, achievement of the following results is planned:

1. increase in the number of employees working in R&D and creation of new work places (ERDF);
2. increase in annual number of scientific publications per one scientist full-time equivalent (ERDF).
3. increased share of innovative enterprises in Latvian economy (ERDF);
4. significant increase of private and external investments in R&D (ERDF).

(299) Although the funding from ESI funds will provide significant contribution, the achievement of these objectives however will depend not only on funding from the ESI funds, but also other measures and investments made to achieve the policy objectives set.

(300) Under EAFRD, the support is being planned for measures facilitating cooperation, including, through the European Innovation Partnership for productivity and sustainability of agriculture, facilitating increase in competitiveness of agriculture, forestry and food production by developing and practically applying new innovative methods and technologies and creating a possibility for sharing with new knowledge in the aforementioned sectors.

(301) In order to ensure achievement of the goals set for 2020, it is necessary to establish a balanced science, technology development and innovation funding structure, which consists of a national funding and international funding granted in tender procedures, inter alia increase of state budget co-financing is necessary. An important strategic goal is significant increase of share of private sector funding in the whole funding structure what is planned to be achieved by implementing

different support measures that promote attraction of funding from private sector and foreign countries, including the framework programmes of EU “Horizon2020 (it should be noted that by implementing measures of the specific objectives, private co-funding up to 65% will need to be ensured), introducing support in the form of tax rebates by allowing specific R&D costs of the entrepreneur to be written off in the year when they have occurred by applying a value increasing coefficient – 3. It is also important that the instruments are regularly assessed.

- (302) Planned investments in 2014 – 2020 will contribute to implementation of the EUSBSR by improving global competitiveness and innovative capacity and performance of Latvia as a Baltic Sea region country, as well as cooperation in research area within the region. Investments in R&D and in strengthening of research and innovation capacities provide for synergy and complementary with EU programme for research support – Horizon2020, EAFRD, EMFF co-financed activities and European Territorial Cooperation target programmes, Norwegian financial instrument and activities of the Latvian – Swiss cooperation programme for research support, as well as support from „Erasmus +” programme aimed at increasing qualification of academic personnel within framework of cross border mobility.

Enhancing access to and use and quality of ICT

<p>Strategy „Europe 2020” initiative “Digital Programme for Europe”: Providing download speed of 30 Mbps to all EU citizens and ensuring that at least 50% of households subscribe to internet connections above 100 Mbps by 2020.</p>	<p>Recommendation of the EU Council (2013) No.6: Completing reforms in order to improve efficiency and quality of the judiciary and to reduce the backlog and length of procedures, including with regard to insolvency. Introducing a comprehensive human resources policy and taking measures for implementing mediation law and for rationalising arbitration system.</p>
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- (303) The national level strategy document “Development concept of next generation broadband electric communication networks 2013 – 2020” provides insight into the Latvian electronic communications network (magistral, "middle mile" and "last mile") development assessment using the strategy planning tool SWOT analysis and indicates the necessary actions to be implemented and investments for development of broadband networks in order to achieve common objectives of the flagship initiative of the strategy „Europe 2020” “Digital programme for Europe” regarding broadband internet.
- (304) The Information Society development guidelines 2014 - 2020¹³⁰ includes investments in broadband infrastructure network (“middle mile”) development, optimisation and digitalisation of administrative processes and creation of digital content for purposes of full-scale use of ICT potential in enhancement of efficiency of public administration, facilitation of access to services, formation of innovative and knowledge based economy, increase of state competitiveness and creation of work place.
- (305) Following the analysis of needs and development potential identified in the section 1.1 and the above referred guidelines in 2014- 2020 planning period the ESI funds’ investments shall be planned for achievement of the following objectives:

¹³⁰ Information Society development guidelines are available in <http://polsis.mk.gov.lv/view.do?id=4518>

1. To improve accessibility of electronic broadband communication infrastructure in rural areas.
 2. To improve and to optimize public administration data exchange, data publication and maintenance of infrastructure, availability of data and the use of options by making public data available and ensuring their re-use for commercial activities, including new business ideas and products, business automation product development of facilitation of transformation of economy processes described in the Smart Growth Strategy and for creation of innovative and exportable products and new work places.
 3. To ensure Latvia's integration into the European single market and to provide cross-border co-operation, it is planned to provide a national solution to ensure interoperability of e-solutions in the EU, including the creation of machine translation technology base;
 4. To use the potential of ICT tools for facilitation of reforms and leading changes in economic growth and in the areas that are essential for country's competitiveness (e.g., e-health, e-courts, etc.)
 5. Based on a public and the business need and demand analysis, further development of high-quality resources and effective public e-services through the implementation of business processes in an electronic environment is planned.
- (306) Considering the above investments made within framework of the thematic objective "Enhancing access to, use of and quality of ICT" with support of financing from the ERDF the achievement of the following results shall be planned:
1. growth of proportion of residents and businesses using e-government services (ERDF);
 2. increased use of open data of public sector in private, non-governmental and scientific sectors for creation of ideas and development of ICT products based on public data (ERDF);
 3. growth of number of households with access to broadband internet (ERDF).
- (307) Although the financing from ERDF fund will provide significant contribution, the achievement of these objectives will not depend only on the ERDF funding, but also on other measures and investments made in order to achieve the policy objectives. Activities performed within the framework of the above priority area will be executed in mutual synergy with priorities set in the Smart Specialisation Strategy, Education development guidelines 2014 – 2020, attracting also national financing investments, funds from the programme of EEA financial instrument for 2009 – 2014.
- (308) Investments made within the priority area framework will also facilitate also achievement of targets set in the EUSBSR: Eliminate obstacles to internal market in the Baltic Sea region, inter alia improving cooperation in the area of customs and taxes; Reduce volumes of cross border crime and the damage caused.

Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF).

Recommendation of the EU Council (2012)

To develop and implement efficient scientific research and innovation policy which provides for facilitation of innovation in enterprises, including the use of tax incentives, modernization of infrastructure and rationalization of scientific research institutions.

- (309) Investments aimed ESI funds' investments for enhancement of SME competitiveness are planned in accordance with NDP 2020, NIP and to be linked with Smart Specialisation Strategy, taking into account economy's directions of transformation course of national economy, growth priorities and specialization areas defined in within the Smart Specialization Strategy framework of that.

(310) Taking into account on the basis of needs and development potential analysis included in the above mentioned guidelines and in 1.1. section and in mentioned strategy identified needs analysis, investments of the ESI funds in 2014- 2020 shall be planned for achievement of the following objectives:

1. it is necessary to **enhance the creation and development of new, innovative and viable SME's** int.al. providing them with consulting services required during the start-up stage, facilitating **the access to finance**, carrying out the by implementing financial instruments activities in accordance with the SME Access to Finance Market Gap assessment;
2. for further **enhancement of the exporting capacity of SME's**, investments are needed for stimulation of product sales in external markets (incl. export of services) and in for promotion of cooperation between enterprises, for increase of motivation and for innovation development and also in, as well as for employee's skills matching the needs of labour market demands;
3. in order to improve the SME's competitiveness of SME's and to promote balanced territorial development, including reducing of out-flow of population from regions, it is significant to create preconditions for private investments, for creation of new enterprises and new jobs outside of the Riga city, especially in national and regional centres, including the development of small-scale infrastructure necessary for production and for attraction of investments. The development of small- scale infrastructure should be made in cooperation with municipalities according to their development strategies, primarily in smart specialization areas and areas where industry demand exists, and simultaneously facilitating creation of environmentally friendly and resource efficient innovations;
4. support in big cities (except Riga) will be implemented using ITI approach, while the support in other territories will be complemented with CLLD measures within the framework of EAFRD and EMFF (see CLLD approach description in part 3.1.1.
5. competitiveness of agricultural farms, especially small and medium-size, has to be improved by supporting their specialisation and restructuring, as well as by promoting the development of innovative products and technical upgrades in agriculture, food and forestry sectors, incl. introduction of environmentally friendly and energy efficient technologies. Investments are also required in up-to-date technologies and production sites. Holders of public infrastructure need support in renovation and reconstruction of existing melioration systems. Farmers and entrepreneurs need support in construction, reconstruction and repairs of access roads in order to ensure one of the preconditions for economic activities – access to production site, logistics of raw materials and finished products.
6. in order to assure the competitiveness of the fisheries sector and increase its productivity, support is necessary for aquaculture, fisheries and fisheries and aquaculture products processing sectors and related areas, including the introduction of new or upgraded products, processes and technologies, commercial activities, as well as transfer of knowledge and carrying out of information activities (training), advisory activities for enhancement of respective knowledge, as well as for promoting cooperation.

(311) To ensure fulfilment of the above mentioned objectives and corresponding results, support within thematic objective will be provided considering policy mix, proportionally providing direct SME support, offering support services and supporting development of infrastructure.

(312) Considering the above listed investments mentioned above within the framework of thematic objective "Enhancing the competitiveness of SMEs, the agricultural sector (for the EAFRD) and the with support of ERDF, EAFRD and EMFF, achievement of the following results is planned:

1. increase of volumes of loans issued to micro and small enterprises (ERDF);

2. increase of establishment of new enterprises (ERDF)
 3. increase of output of processing industry (ERDF);
 4. increase of productivity (GDP) per employee (ERDF);
 5. increase of volumes of export of Latvian goods and services (ERDF);
 6. increase of gross value added in the agriculture sector per one full-time employee (EAFRD);
 7. in fisheries sector - growth of gross value added per employee (EMFF).
- (313) Although the funding from ESI funds will provide significant contribution, the achievement of these objectives however will depend not only on financing from the ESI funds, but also on other measures and investments for achieving the policy objectives set.
- (314) Competitiveness of SME is closely related to achievements in P&A and innovation thematic objective of research, technological development and innovation. Creation. Formation of innovation environment will contribute to development of various sectors, especially to most competitive sectors identified within framework of the Smart Specialisation Strategy.
- (315) Investments in public infrastructure for enabling entrepreneurship will be directly linked to the needs of business. To ensure complementarity of public infrastructure with private business projects such projects will complement private investments and will be implemented in integrated manner- both to be included in municipalities development programs that will provide corresponding needs analysis. Complementarity will be ensured with projects where beneficiaries are enterprises from ERDF (1.thematic objective – 4.thematic objective), as well as from EMFF. Private co-financing will be provided in accordance with state aid legislation.
- (316) Implementation of thematic objective will enhance BRSRS objectives and priorities as well as solve problems concerned with SME development as identified in the EUSBSR – facilitation of cooperation, support to commercial activities, including facilitation of eco-investments, solutions regarding problem of access to financing for SMEs, as well as achievement of indicators defined in the EUSBSR strategy – growth, productivity of work force, international trade and cooperation. In particular it will be referred to measures to increase export ability and cooperation between businesses (for example service export and enhancement of Latvia as international tourism investment end destination).

Supporting the shift towards a low-carbon economy in all sectors

<p>National targets within context of the strategy „Europe 2020” Reducing GHG not restricted by the EU ETC to ensure that the increase does not exceed 17% in comparison to 2005 and to restrict total GHG emissions so that in 2020 these would not exceed the equivalent of 12,19 Mt of CO₂; 40% of the total final consumption consists of renewable energy resources. Primary energy savings of 0.670 Mtoe</p>	<p>Recommendation of the EU Council (2013) Continue improving energy efficiency, especially of residential buildings and district heating networks, provide incentives for reducing energy costs and shift consumption towards energy-efficient products. Improve connectivity with EU energy networks and take steps towards liberalisation of the natural gas market, including provision of clear rules for third-party access to storage capacities.</p>
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- (317) The activities to be implemented within the framework of thematic objective are in line with **Latvian Energy Long Term Strategy 2030 – Competitive Energy for Society** (Strategy “Latvia 2030”) and are aimed at energy policy that would be balanced, based on economic and social interests, market principles. Detailed actions will be defined for implementation of action areas

identified in the Strategy “Latvia 2030”, including implementation of energy efficiency measures and promoting use of RES in consumption sectors: in housing, industrial and public buildings, also ensuring role of public sector as a role model for implementation of energy efficiency measures, as well as by supporting use of RES in district heating and reducing heat losses in district heating systems and promoting use of RES in transport.

- (318) NIP identifies a cost reduction of energy consumption in manufacturing as a significant measure – thus planned investments will also contribute to the objectives of the strategy "Europe 2020" flagship initiative "Resource efficient Europe", complementing measures to promote the competitiveness of businesses, as well as promoting Smart specialization strategy regarding energy efficiency and also promoting transformation of economy with long-term effect.
- (319) In cities public transport has much greater capacity than private cars, and it is important to develop comfortable and environmentally friendly transport system. Movement of rail vehicles is not affected by the weather conditions and traffic jams, so it is a more attractive alternative to road transport. Still tram infrastructure is available only in three cities - Riga, Liepaja and Daugavpils. In order to reduce air pollution and to develop environmentally-friendly transport infrastructure also in other cities, along the tram route network development, promotion of the use of RES in public transport is necessary.
- (320) Implementation of thematic objective will also drive changes in consumers' perception and understanding about efficiency of resources and saving of resources, especially energy, and will increase their economic benefits from improved energy efficiency. Well considered and targeted management of forests shall be promoted, incl. use of genetically valuable planting material and care for forest stands, which will increase productivity of forest plantations and thus also increase level of CO₂ collection by 20 - 30%.
- (321) In general, considering the above as well as invests within framework of CEF and BEMIP as mentioned in the section 1.1 the following areas where investments are required can be identified within framework of the thematic objective for achievement of the following objectives:
1. Increase of energy efficiency and use of RES in industrial, public and residential buildings
 2. Promotion of energy efficiency and use of RES in district heating, while providing reasonable pricing for heating energy that is in line with people's ability to pay
 3. Promote development of environmentally friendly transport
 4. Promote synthesis of CO₂ in agriculture and forestry
- (322) Considering the above listed investments within the framework of thematic objective" Supporting the shift towards a low-carbon economy in all sectors" with support of ERDF, EAFRD and CF, achievement of the following results is planned:
1. improved energy efficiency in manufacturing industry, ensuring sustainable use of energy resources (CF);
 2. improved energy efficiency and decreased primary energy consumption in the sector of public and residential buildings, ensuring sustainable use of energy resources (ERDF);
 3. improved energy efficiency and use of RES in district heating systems or promoted use of RES (CF);
 4. use of environmentally friendly transportation promoted – increased number of passengers in public transportation (CF);
 5. measures performed which, considering long life cycle of tree growing, in forests have increased synthesis of CO₂ per hectare of forest (EAFRD).
- (323) Although the financing from ESI funds will provide significant contribution, the achievement of these objectives will depend not only on financing from the ERDF, CF and EAFRD funds, but also other measures and investments for achieving the policy objectives set.

(324) Investments within framework of thematic objective are mutually complementary with investments in research and innovation, since it is planned to support within framework of R&D&I area also the research and innovation activities in “green” industries and areas, including creation and development of environmentally friendlier and more resource efficient products, including materials and technologies. Investments into improvement of energy efficiency of enterprises will contribute to priority area “Enhancement of SME competitiveness”.

Promoting climate change adaptation and risk prevention and management

(325) Notwithstanding the fact that Latvia is among the EU countries with relatively low negative impact on climate changes, it is important to perform certain measures within context of management certain risks concerned with climate changes. One of the actionable areas is **measures for diminishing flood and coastal erosion risk**. Although development of flood risk maps is still ongoing in Latvia on the basis of which will the action plans be prepared, the National Programme of Assessment and Management of Flood Risks 2008 -2015 is already effective, which is used in Latvia as a preliminary flood risk assessment within meaning of Flood Directive 2007/60/EC, and which contains information on territories where flooding risk exists, and on the basis of which investments are done for implementation of protection measures within programming period 2007 – 2013. Flood risk management plans will be developed and integrated into River Basin Management Plans according to the Water Framework Directive for period 2016 – 2020. Measures for flood risk elimination as well as construction and reconstruction of hydro-technical structures will be described in the River Basin Management Plans. Implementation of impact elimination (mitigation) measures will be one of the preconditions for the selection of the respective projects. Main directions of adaptation of climate change are also included in the Environment Policy Guidelines for 2014 -2020.¹³¹

(326) Main priorities in the climate sector, which were identified in the 2014 Environment Policy Guidelines for 2014 -2020, are as follows:

- To implement flood risk elimination measures according to the assessment of climate change adaptation in the areas which are under threat of flood risks;
- To provide support for renovation and reconstruction of existing flood systems (investments will be provided for institutions managing public infrastructure).

(327) At the same time the Environment Policy Guidelines for 2014 -2020 also provide integration of the climate change adaptation policy into policies and strategies of other sectors as well as GHG emission reduction in all branches, effective implementation of climate change adaptation measures and the introduction of educational & public awareness raising activities in the context of climate change.

(328) The investments of 2014–2020 programming period are planned for the following objectives:

1. to implement measures for reduction control of sea coast erosion, to ensure protection of infrastructure sites of public importance and activities for adjustment to climate changes adaptation in territories where flood risk exists; application of green infrastructure solutions shall be considered ahead of other solutions. In order to ensure that the proposed measures are sustainable and environment-friendly, priority in the process of evaluation of project applications will be given to the projects that will provide also for the use of green infrastructure. Using of such criterions will contribute towards balance between civil

¹³¹ Environmental Policy Guidelines for 2014-2020, Approved by the Cabinet of Ministers in session of March 18, 2014 (Protocol No. 17, 31st §)

- protection and ecological demands. Application of green infrastructure will also be evaluated in the territories where biodiversity protection of is needed;
2. For sustainable use of production resources and reduction of flood risks investments into reconstruction of hydro-technical structures and reconstruction of optimal river regulated sections are important. The plan is to support also preventive safety measures, as well as to evaluate the possibility of application of green infrastructure, as far as they will be technically and environmentally applicable, including accordance with the impact on Natura 2000 areas.
- (329) Considering the role of ecosystems and their importance in flood and erosion risk reduction, development of green infrastructure will be the primary environmental risk reduction solution in the areas, where it is technically and economically feasible and efficient. Green infrastructure solutions will be applicable in compliance with planned measures in the territorial planning.
- (330) Also problems of biodiversity and protection of natural resources, such as water and soil, will be solved within the thematic objective. The measures of elimination of flood risk in flood areas will reduce pollution dissemination in soil (for example, from sewage treatment plants), which will also preventively reduce the threat capabilities for habitats and species, as well as for specially protected territories.
- (331) Considering the above listed investments within the framework of thematic objective "Promoting climate change adaptation and risk prevention and management" with support of ERDF, achievement of the following results is planned:
1. potential flood and erosion risks caused by climate changes or springtime flooding have been eliminated, as a result of which number of population threatened by floods has decreased in Latvia;
 2. flood threat in areas protected by hydro-technical structures and in regulated sections of potamal river has been decreased;
- (332) Although the financing from ESI funds will provide significant contribution, the achievement of these objectives however will depend not only on financing from the ERDF and EAFRD, but also on other measures and investments made for purpose of achieving the policy objectives set. The actions to be taken in case of endangerment from flood risks in Latvia are specified in the State Civil Protection Plan, which is approved by the Cabinet of Ministers and which is regularly being updated. The plan describes the possible threats to the country, civil protection objectives and tasks, as well as determines the responsibilities and actions in case of certain threats. The plan analyses, inter alia, the types of risk such as extreme weather conditions and flooding, and specifies the actions to be taken at national and local government institutions, as well as by rescue services. The plan also includes schemes for population notification. State Fire-fighting and Rescue Service in co-operation with local municipalities develops local government civil protection plans, which include preventive, readiness, and response and consequence-liquidation measures. The national authorities must provide funding for fulfillment of their civil protection tasks determined in the plans from the State budget resources allocated to them, the local governments - from their own budgets, merchants - from their own resources.
- (333) Investment will have synergy with setting up of system for assessment of influence of climate changes implemented within framework of the EEA financial instrument 2009 – 2014 within programme LV02 „National climate policy” and processing of data associated with climate changes by Latvian administrative authorities. Alongside the planned measures aimed at mitigation and prevention of consequences of climate changes will contribute to achievement of EUSBSR sub-objective “Climate change adaptation, risk prevention and management”. At the same time, the planned measures aimed to climate change mitigation and prevention will contribute to the

achievement of the BJRS target „Build prosperity”, especially with regard to adapting to climate change, risk prevention and management.

Protecting the environment and promoting resource efficiency

(334) Notwithstanding the fact that Latvia is among the greenest and most environmentally friendly EU Member States there still are many challenges in the areas of environmental protection, sustainable use of resources, as well as increase of their economic potential. Investments shall be planned in several areas in order to address problems and achieve objectives described in the paragraph 1.1.

Waste management

(335) Requirements of the EU Directives regarding collection and recycling targets for different waste streams have been transposed in Latvian legislation. Also tasks and responsibilities of different institutions and waste management operators have been set in national legislation. Meeting the relevant targets is supported by application of different economical instruments, e.g., natural resource tax for landfilling of waste or on disposal of the goods harmful to the environment, also producer's liability for the provision of collection, recycling and recovery of certain type of waste, e.g., waste electrical and electronic equipment, batteries and accumulators, tires, industrial oils, oil filter screens.

(336) However, it would be complicated to achieve relevant collection and recycling targets up to 2020 from some waste streams . According to provisions of the National Waste Management Plan 2013 – 2020 and considering purpose of recycling and disposal of waste – to expand preparation of waste for re-use of various materials and recycling of other materials found in the waste, by ensuring that waste is returned back to economic life as fast as possible, separate sorted waste collection system in Latvia still needs further development, and also ensure possibility and capacity for separately collected waste further preparation for re-use along with recycling and recovery of respective waste, increasing the capacity of waste recycling facilities or creating new facility if it is technically and economically feasible.

(337) In order to fulfil requirements of the directives regarding waste management, volumes of recycled biodegradable waste from the total amount of waste collected shall be increased, as well as volume of recycled household waste, volume of recycled packaging waste, thus decreasing volumes of disposed waste and increasing volumes of waste recycling. The quality criteria for compost/fermentation residues for usage in the economic sector will be set, and options to limitation or ban of the landfilling of biodegradable waste or waste with possibility of recycling will be evaluated. At the same time assessment of options of production of refuse – derived – fuel and further use need to be done along with assessment of the potential for the use of biological waste, including for generation of energy (if it is technically and economically justifiable in the context of the future development of the waste management system). Better performance of the system can be ensured when municipalities mutually cooperate and when regional development conditions are taken into account.

(338) In order to improve and upgrade situation in the area of waste management especially in order to increase volumes of recycling and recovery of waste, and to perform these activities as close as possible to the source of waste generation, as well as in order to achieve requirements of directives in the area of waste management, it is planned to support within framework of programming period 2014 – 2020:

1. preparation of waste for re-use;
2. preparation of all types of waste for recycling or recovery;
3. expansion of capacity of waste recycling or recovery companies;

4. development of infrastructure supporting recycling or recovery of waste (in particular, infrastructure for separate collection of household and similar municipal waste in all waste management regions, in order to ensure availability of the service to all waste producers).

Activities mentioned above will be focused on such waste streams as household and similar municipal waste, in particular paper, metal, glass and plastic, biodegradable waste, construction and demolition waste, waste electrical and electronic equipment, used packaging, end-of-life vehicles.

Table 1.3.1. Amounts of waste to be recycled in addition in 2022 in comparison with 2010

Type of waste	2010 (baseline)			2022 (indicators)			
	Generated (tons)	Recycled (tons)	Recycled from generated amount, % (current situation)	Generated (tons)	Recycled (tons)	Recycled in addition in comparison with 2010. (tons)	Recycled from generated amount in accordance with <i>Acquis</i> , %
Biodegradable waste	382 099	153 292	40.11%	461 228	299 798	146 506	65%
Household waste and similar municipal waste	649 485	105 216	16,2%	647 284	323 642	229 141	50%
Packaging, including:	213 906	104 644	48.92%	251 646	138 405	33 761	55%
Plastics	35 192	8 447	24%	43 787	9 825	1 378	22,5%
Glass	51 896	24 703	47,6%	58 888	35 333	10 630	60%
Metal	10 818	8 070	74,6%	12 664	10 117	2 047	80%
End-of-life vehicles ¹³²	10 640	9 044	85%	13 794	13 104,3	4 060,3	95%
Waste electric and electronic equipment ¹³³	5 020	4 267	85%	9 036	7 680,6	1 355,4	85%

Source: MoEPRD

¹³² Collected amount

¹³³ Collected amount

- (339) It must be indicated that it is planned to implement several national initiatives in the waste management sector in order to move towards set waste management targets and adhere to waste management hierarchy¹³⁴.
- (340) In order to ensure the analysis of deficiencies and needs for waste management sector infrastructure, and to assess potentially eligible activities and their scope for the financial planning period 2014 - 2020, MoEPRD has purchased service on “Assessment of economical benefits of potentially supported environmental protection activities in financial planning period 2014-2020”. This contract includes:
- assessment of the waste amount dynamics, including forecasts up to 2020;
 - collection of the information about number of the established waste collection points and waste sorting fields;
 - Preparation of an assessment of the existing facilities for the preparation of waste disposal, recovery and recycling, and their capacities, including details of the effectiveness of relevant plant processes and their potential capacities, as well as to make proposals for future improvements and possible support from ESI funds;
 - Assessment of the opportunities for RDF production in Latvia and possibilities of its use in Latvia and abroad;
 - evaluation of quantity and availability of biodegradable waste that can be used for energy production, as well as existing and additional capacities required;
 - Assessment the economic benefits;
 - proposals for prior eligible activities for ESI funds in 2014.-2020 programming period as well as for project evaluation criteria for period-funded projects.

This study will be carried out up to the end of 2014. Results from this study will be reflected in the PA interim report that will include a description on how Latvia will address the identified needs as well as analysis of the results of projects implemented during 2007 - 2013 programming period.

Development of water supply and sewerage system services

- (341) In order to ensure conformity of water management services with requirements of EU directives¹³⁵ investments have to be made in expansion of sewerage networks, waste waters collection and conveying to water treatment plants, reconstruction of networks incompatible with quality requirements, as well as construction of accesses to houses. Among other things for achievement of this sub-objective requirements of the Water Framework Directive and Urban Wastewater Directive have to be met by restricting amounts of plant nutrients discharged into the sea from wastewater treatment plants, providing improvements in the operation of waste water treatment plants.
- (342) Taking into account that largest agglomerations are generating the most critical environmental load it is planned that a priority for allocation of available financing will be the for development of water management services in agglomerations with a population above 10 000, where accessibility of centralised water management services is below 100% and in agglomerations with the population equivalent from 2 000 to 10 000, providing that sewerage network availability is ensured in average for 97% of the inhabitants in each of above mentioned agglomerations groups (see Annex 8). In the programming period 2014 – 2020 the emphasis will be made on actual connection [to centralised

¹³⁴ Environmental policy guidelines 2014 - 2020. National waste management plan 2013 – 2020

¹³⁵ COUNCIL DIRECTIVE 91 /271 /EEC of 21 May 1991 concerning urban waste water treatment <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31991L0271&qid=1402302475285&from=EN>
COUNCIL DIRECTIVE 98/83/EC of 3 November 1998 on the quality of water intended for human consumption <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31998L0083&qid=1402302475285&from=EN>

systems] and on ensuring of its accessibility, as well as on improvement of possibility to receive water management services right in these agglomerations in which the worst compliance with requirements of EU Directives is registered. Attention is paid also to reconstruction of water supply and sewage networks in order to decrease leakage of water and pollution discharged into environment and insurance of respective capacity. In addition, in places, where drinking water quality is found to be non-conformant with requirements of the EU Directive EC 98/83/EEC, minor investments in drinking water infrastructure will be made, so far as it is necessary for improvement of drinking water quality.

(343) Based on the assessment of the current situation in the water sector, support will be provided to the following water management infrastructure development measures listed below in a prioritised order:

- a. Development of access to waste water networks, reaching sewerage network availability in average of 97% in each agglomeration group (I group PE>100 000, II group PE 10 000 – 100 000, III group CE 2000 – 10 000) calculating from the total number of inhabitants in the relevant agglomeration group;
- b. Improvement of waste water treatment plants, ensuring tertiary treatment in 13 agglomerations with PE > 2000;
- c. Construction of connections to the wastewater collection networks, thus ensuring that 92% of total inhabitants of all agglomerations use the services. Special support will be given for the population groups exposed to the risk of poverty and social exclusion;
- d. Additional measures for improving waste water treatment facilities in populated areas with PE 200 – 2000, improving the environmental status of the of water bodies ‘at risk’;
- e. Development of drinking water infrastructure, in order to ensure drinking water quality conformity with requirements of Directive 98/83/EEC.

(344) The draft Law on Waters Services states that in order to promote household connections to the centralized water and waste water systems, service user will be allowed to pay for the connection construction in parts, if such agreement with the service provided will be reached. In addition local municipality will be able to decide on the granting of co-financing of connection construction. The draft law lays down the requirements for the service user to ensure connection to the centralized water or wastewater system in five years after completion of the projects that are funded by the ESI funds, State budget, local government or other public financing sources. The draft law also delegates the rights to local government council to issue binding rules of network operation, use and protection of water supply and sewage systems, including the development of the requirements on water and wastewater service provision and the use in their administrative territory, as well as administrative responsibility for the infringement of these rules. This gives the opportunity to establish that in certain cases the real estate has to be connected, for example, to new or renovated waste water networks, which would substantially reduce sewage spills into the environment. In order to promote the construction of household connections, the draft law provides that the local government council will be able to decide on co-financing of the necessary central water supply or waste water system structures for insurance of household connections of the potential service users. This decision will be based on approved local government budget for the current year. In this case, the local council will issue regulations, which will determine the amount of co-financing and the conditions for obtaining it. In addition, the creating of connections will not only enable local residents to receive the drinking water according to the quality standards and reduce the pollution of surface water and groundwater, but also increase the revenue of service provider for the provision of these services, which would reduce possible burden on the recovery of the costs for the service users. In order to facilitate the use of water services, also public information activities are planned to promote the service request.

(345) Taking into account good quality of drinking water purification provided after implementation of 2007. -2013 planning period projects, it is not planned to provide significant amount of funding from ESI funds of 2014. -2020 planning period. However, in case of necessity it is planned to invest in drinking water infrastructure, so far as it is necessary for improving of the [water] quality. In addition, where necessary, investments may be provided also from water supplier private financial resources or other funding sources.

Conservation of biodiversity and protection of ecosystems

(346) In order to ensure a favourable conservation status for species and ecosystems and their sustainability, it is important to update natural protection plans of specially protected nature territories and to ensure the necessary investments to such protected territories such as nature parks and national parks that are attractive for tourists, where the negative consequences of anthropogenic influence are felt. In order to improve the protection status of specially protected species and biotopes, the restoration of EU habitats (including the grassland, wetlands, marsh habitat) will be carried out in accordance with the developed nature protection plans.

(347) In Latvia specially protected nature territories are created for biodiversity protection, environmental and nature protection, public recreation, education, where various restrictions for economic activities have been introduced and compensations must be to cover the unearned revenues in territories of biodiversity and landscape protection “Natura 2000” and biologically valuable grasslands.

(348) The activities planned in the operational program for the conservation of biological diversity in Natura 2000 areas, as well as compensation for restrictions on economic activities, shall be provided in accordance with the priority action program of Natura 2000 (Priority action framework – PAF).

(349) In order to ensure sustainable land use of land and prevent pollution risk of soil and water, as well as erosion, such environmentally protective agricultural methods have to be used as: use of integrated plant protection measures; biological farming; cultivation of intercultural and capturing plants; optimum soil for maintenance of humidity regime as well as to ensure the appropriate management of manure etc. By using use of integrated plant protection means, a more efficient use of mineral fertilisers can be achieved, as a result of which it is planned to decrease surface pollution in over ground and the pollution in groundwater, soil and the final product.

(350) The plan is to promote environmental protection and efficient use of resources through sustainable use of nature resources capital, for example, forests, water and land, by increasing offer of services concerned with ecosystems, diversifying products and increasing productivity, along with development of intense and green production and the green consumption as well. This would also involve preservation of image of Latvia as a “green country”. Conservation of biological diversity and the environmental sustainability in the fisheries sector will be facilitated by water environment measures in aquaculture and by measures encouraging a sustainable use of resources in fisheries, amongst others, implementing measures of selectivity of fishing gear and well as the measures balancing the fishing fleet, according to the operation plan of the annual report of the Latvian Fishing Fleet Capacity where there are concrete segments of the fleet indicated which have not been balanced with fishing opportunities.

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

Development of environmental monitoring system

(351) In order to ensure fulfilment of requirements of at least 18 EU directives and 6 conventions improvement of air, meteorological and climate information gathering and implementation monitoring of water, land and biological diversity monitoring programmes as well as to comply with the requirements determined in the Directives in the area of environmental control. The

monitoring programs cover the following four areas: 1) water, 2) air and climate change, 3) biodiversity, 4) land.

(352) In order to improve situation in ensuring environmental monitoring and control within programming period 2014 – 2020 the following is required:

1. to provide society and competent authorities with timely and quality information including cartographic information, about environmental quality and biodiversity for purposes of using their economic potential and making decisions about implementation of preventive protective measures;
2. to ensure availability of environmental information, using also interactive presentation of environmental data, creating and developing national level environmental information and education centres of national significance;
3. to ensure implementation of EU requirements including to ensure water monitoring in line with Water structure directive and implementation of National Environmental Monitoring Programme by covering the entire country, including ensuring the water monitoring of chemical substances, including the priority monitoring of substances in the aquatic environment and in biota, and monitoring of biological quality) according to the Water Framework Directive and the Marine Strategy Directive requirements.
4. and usage of the results of the environmental monitoring for the assessment of ecological status of marine waters, surface and underground waters, at the development of management plans for river basin areas and activity programs for reaching a good environmental status of the sea to ensure environmental control.

Sustainable development of culture and nature heritage

(353) Balanced and sustainable use of culture and natural heritage that will increase and diversify entrepreneurial activities and regional development will be ensured by investments made according to the Tourism development guidelines 2014 – 2020, Strategy "Latvia 2030" Spatial Development Perspective, Latvian Cultural Policy guidelines "Creative Latvia" 2014 - 2020 and Regional Policy Guidelines for 2013 - 2019 and integrated development programmes of municipalities, balanced development of internationally important cultural and natural heritage (based on integrated development programmes of municipalities), its usage as resource for development of businesses and regional development, by creation of new job places in target areas. By making investments in internationally important cultural and natural heritage balance between nature conservation and business development will be created, also, sustainable development of the supported territories will be promoted, leading to more effective use of natural and cultural heritage objects and areas, thus creation of new functions, products of tourism and other sectors and services that will create new work places. Improved offer of tourism services will prolong the active season, thus increasing of number of visitors spending multiple nights in supported territories, thus mitigating seasonality effect, especially in the coastal area of Baltic Sea.

(354) In order to promote vitalisation of Riga and other urban areas, improvement of environmental quality, attraction of investments, improve level of employment and the socio-economic as well as integrated investments in infrastructure development, investments are needed in order to ensure that urban territories could should be developed sustainably where economic and social development is needed and would reinstate and prevent further degradation of environmental and social economic conditions, also investments in reconstruction and development of small scale infrastructure are planned.

(355) Investments are planned in order to ensure revitalisation of degraded territories (functional activation, including brownfield communication connections common in urban communication network) according to integrated municipal development programmes, thus promoting appearance

of preconditions for further social economic growth of municipalities, as well as addressing pollution problems¹³⁶. In facilitation of development of urban areas it is important to achieve balance between aspects of economic activities, community development and environmental quality, which are important precondition for improvement of appeal of urban areas and quality of life.

(356) Considering the investments listed above within the framework of thematic objective " Protecting the environment and promoting resource efficiency" with support of ERDF, ERFDR and CF, achievement of the following results are planned:

1. accessibility of centralised water supply services for agglomerations with people equivalent above 2000 (CF) has been ensured according to legislative requirements;
2. accessibility of centralised waste water collection services for agglomerations with people equivalent above 2000 (CF) has been ensured according to legislative requirements;
3. amount of disposed waste has been decreased and volumes of use, recycling and recovery of various sorts of waste has been increased, thus ensuring more efficient use of resources (CF);
4. increased share of recycled and regenerated household waste from the total volumes of waste (CF);
5. good environmental condition of Latvian inland and sea waters has been ensured along with sustainable use of water resources by developing and improving quality of water supply and sewage system services quality and by expanding accessibility according to the requirements of EU directives mainly in agglomerations with p.e. above 2000 (CF);
6. beneficial protection status for EU level biotopes and species has increased (CF);
7. amount of information on environmental condition has increased (CF);
8. attracted increased amount of private investments and increase of the number of employees in assisted areas in Riga (ERDF);
9. increase of attracted private investments and increase of employment in supported areas in Riga (ERDF);
10. revitalisation of degraded territories of municipalities has been ensured as a result of which investments have been attracted and creation of new work places supported (ERDF);
11. size of areas has increased where farmers use specially environment friendly methods (EAFRD);
12. size of productively used arable land areas has increased, thus increasing production amounts and value volumes (EAFRD).

(357) Although the financing from ESI funds will provide significant contribution, the achievement of these objectives however will depend not only to financing from the ERDF, CF, EAFRD un EMFF funds, but also other measures and investments made for purpose of achieving the policy objectives set. In order to address described environmental challenges in an integrated manner, financing is available also from several other EU and foreign financial instruments, incl. LIFE programme, EEA financial instrument and the Norwegian financial instrument, as well as within framework of Cross border programmes.

(358) Under EAFRD, investment support will be provided to rural holdings and food production enterprises for implementation of modern energy saving technologies complying with standards, reducing GHG and ammonia emissions; by means of investments in the development of forests and improvement of forest viability, it is intended to increase forest potential to attract CO2 and improve forest stability against expected climate changes as well as to rationally use land resources and increase amount of attracted CO2 . By supporting the use of organic farming or environmentally

¹³⁶ Degraded territory is a place (territory (not in all cases with a negative impact on the environment), building or complex of buildings) which has been previously used or constructed, but now is derelict or is not fully used, it can be worn out or polluted, uninhabited or partially inhibited or otherwise used territory with negative cumulative influence on surrounding territories, environment and local resident.

friendly agricultural methods, the pollution of surface and underground waters and air caused by agricultural activity will be reduced that will, in its turn, facilitate retaining of plant nutrients in soil and protect topsoil from soil degradation processes

- (359) Measures planned within thematic objective are directly compatible with strategic objectives of the EUSBSR action plan: “Save the sea” and its sub-objective concerned with treatment of communal wastewaters – “Clean water in the sea”, as well as priority areas “Preserving natural zones and biodiversity, including fisheries”, “To become a leading region in maritime safety and security”, “Reducing the use and impact of hazardous substances”, “Reducing nutrient inputs to the sea to acceptable levels”.
- (360) It is important to note that the directions of this thematic objective shall contribute to achieving the goals set by EU Blue Growth strategy, namely, activities will focus on the preservation of the good state of marine environment and sustainable use of the sea and its natural resources. Investments in conservation of NATURA 2000 territories and the measures for directing the tourist flow to suitable areas by creating the needed small scale infrastructure shall improve the eco-tourism development. The development of nature tourism objects will increase the tourism supply outside the active tourism season, thus reducing the seasonality effect, including in the Baltic sea coastal area, and will ensure a sustainable development of the coastal area.
- (361) In order to ensure sustainable approach to economic growth a multidisciplinary approach will be used as described in the section HP Sustainability.

Promoting sustainable transport and removing bottlenecks in key network infrastructure

Objective of the flagmanship initiative of the „Europe 2020” strategy „Resource efficient Europe” – separation of economic growth from use of resources, support transfer to economy with low carbon emission level, expand use of renewable energy sources, modernise transportation sector and promote energy efficiency by developing sustainable transportation infrastructure.

- (362) Considering the assessment of needs given in the paragraph 1.1 and EUSBSR priority of need to complete the TEN-T core and comprehensive network, as well as improving connections with EU neighboring countries and to achieve the objectives set in the Transport development guidelines 2014 – 2020 and supporting development of efficient, integrated, multimodal economy and transport system promoting accessibility of services, environmental friendliness and sustainability, investments are planned in several areas.
- (363) Significant investments are required in the TEN-T road transport network taking into account that many sections of main country’s highways are in critical condition¹³⁷.
- (364) Considering statements of “Latvia 2030” and Regional development guidelines, territorially Latvian regional policy is centered on promotion of polycentric development as an instrument for balanced development of the country, as well as strengthening of competitiveness of regions and urban areas in international level. Investments in the road networks are required for achievement of this purpose, which will provide for access to national and regional level development centers (9+21) and efficient connection to TEN-T network. Planning investments of state regional roads network development prioritization will be carried out, taking into account not only the quality of road sections, but also the importance of this section of road in a balanced territorial development, labor mobility and access to services, investment returns and the potential economic effect of road intensity existing loads and seasonal restrictions.

¹³⁷ Wider description of condition of motor roads and planned investment mapping is included in the Transport policy guidelines 2014 - 2020.

- (365) Considering load of transit flows in major cities and their area existing single-level railway crossings with high level car and train traffic is necessary to support the city links to the TEN-T network in order to prevent interruptions in infrastructure and create an alternative route transit and freight transport by separating it from local traffic flows and decreasing pollution and noise levels in urban areas, especially in the city of Riga infrastructure the system.
- (366) In order to ensure coherence with EU transport policy and harmonisation of technologies with neighboring countries will be implementing a unified train movement planning and management information system; reviewing the organisation of traffic, and optimising or upgrading the control-command and signalling equipment through the implementation of the appropriate European Train Control System (ETCS) level and in accordance with the provisions in the EU legislation¹³⁸. Investments in the TEN-T railway network will contribute to the reduction of CO2 emissions, promote environmental protection and efficient use of resources, and will therefore increase the sustainability of the transport system.
- (367) Electrification of main railway line the environmental load will be decreased thus ensuring sustainability of railway corridor, decreasing its total costs, conformity with the long term objectives of the EU transport policy will be ensured by contributing to achievement of os of the priority area “Improving internal and external transport links” of the EUSBSR by developing transport corridor in the East-West direction.
- (368) While the passenger railway infrastructure modernization will provide for all categories, including passengers with special needs, safe and convenient service to the platforms like boarding and exiting from the train and station buildings, as well as access to the passenger infrastructure facilities and the safe movement of trains within the station range.
- (369) Investments are required also for efficient integration of large ports into transport network by ensuring access roads and efficiently separating transport flow and avoiding crossing of residential areas and local traffic flows, as well as by investing in accessibility of marine routes. Carrying out improvement of ports public infrastructure, the existing hydrotechnical structures in critical condition will be reconstructed in large ports as well as investments will be made to increase maritime safety, improve quality of environment in port territories and reduce negative environmental impact, allowing movement of ships also in adverse weather conditions that is not possible to ensure at the moment. In such a way the idle time of ships being in raid will be reduced , that will reduce emissions caused by ship engines and negative impact in the Baltic sea, contributing to one of the goals of BSRS „Save the Sea” , promoting achievement of emission reduction target within priority „Clean shipping”. ESI funds will provide support only for public infrastructure and only in cases when other financing sources are not available.
- (370) Considering the growing role of Riga in the region and current rapid development of international airport “Riga” and further development plans, and the planned private investments, public support necessary for investments concerned with fulfilment of environmental requirements in the airport. It is planned that ESI funds will support investments in the airport Riga in the area of environment and safety with a focus at reduction of air and noise pollution, safety improvement and rain water drainage, avoiding flooding during heavy rainfalls, in cases when other financing sources are not available.
- (371) Considering the above listed investments within the framework of thematic objective ”Preserve and protect the environment and enhance efficiency of use of resources” with support of ERDF and CF, achievement of the following results is planned:
1. share of motor roads in bad and very bad shape in the country has decreased (ERDF);

¹³⁸ Interoperability Directive and the Technical Specification for Interoperability relating to the Control-Command and Signalling subsystems of the trans-European rail system (CCS TSI)

2. TEN-T and other infrastructure has been developed which ensures external accessible and which is focused on creation of resource effective transportation system: good roads, electrified railway, connection of TEN-T with urban areas, developed public access infrastructure to ports (CF);
3. share of main motor roads in bad and very bad shape in the country has decreased (CF);
4. decrease of CO₂ emission from aircraft ground taxiing (CF);
5. decrease of CO₂ emission in railway transportation (CF);
6. idle time of ships due to bad weather has decreased (CF);
7. efficient integration of Riga city in the TEN-T network (CF)

Although the financing from ESI funds will provide significant contribution, the achievement of these objectives however will depend not only to financing from the ERDF and CF funds, but also other measures and investments made for purpose of achieving the policy objectives set. ESI funds investments in road infrastructure will be complemented and road maintenance will be ensured from national financing in accordance with State road improvement programme 2014-2020. In accordance with law „On medium term budget framework for 2014, 2015 and 2016” for management, maintenance and reconstruction of state roads 377.8 mil. EUR are foreseen.

Promoting stable, quality employment and supporting labour mobility

National targets under strategy „Europe 2020”	Recommendation of the EU Council
<p>73% of the population aged 20–64 should be employed</p> <p>Reducing the share of persons at risk of poverty to 21% ¹³⁹ or to prevent poverty or exclusion risk for 121 000 persons ;</p> <p>Reducing the share of early school leavers to 13.4%</p>	<p>Enhancing the quality, coverage and effectiveness of active labour market policy and its training component.</p> <p>Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.</p>

(372) Already now implementation of employment facilitation measures in Latvia is differentiated in several age groups (largest unemployment share is among youth aged from 20 to 24 years, as well as persons aged between 45 and 59 years), whose integration into the labour market will require different methods. For young people the critical need is for upgrading their education and skills level, obtaining of professional qualification and development of practical skills, while integration of older unemployed requires provision of continuous improvement of their skills within framework of lifelong learning programmes.

(373) The EU Council on 29 May 2013 has issued a recommendation to Latvia “Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive

¹³⁹ The objective includes two indicators – poverty risk index and / or share of persons in low labour intensity households. According to Eurostat (EU-SILC) data in 2012 in Latvia this indicator was 22.1% or 448.5 thousand residents, which were exposed to poverty risk and/ or were living in low labour intensity households.

career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.” The purpose of youth guarantee is to ensure that all young people up to the age of 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship. Latvia is a “appropriate region”¹⁴⁰ for YEI 2014-2015 and has developed a plan for implementation of Youth guarantee

- (374) In order to decrease risks of high unemployment and occurrence of economic inactivity (incl. for young people) in the future, as well as of structural unemployment risks concerned with incompatibility of knowledge and skills of unemployed with labour market demands, the ESI funds support shall be used to continue measures for activation of unemployed, especially youth and persons with low or incompatible level of skills or knowledge, measures for upgrading their skills and qualification, to ensure targeted approach and efficiency of such measures thus decreasing risk of these persons becoming economically inactive. The plan is to provide the ESI funds support also for improvement of safety at work and introduction of system for anticipation and management of labour market restructuring, thus supporting process of offers by and adjustment of workforce. Within framework of reforms started by the European Employment Services Network EURES, the ESF financing is planned also for EURES activities for provision of information and consulting concerned with mobility of work force.
- (375) In order to promote achievement of objectives of „Europe 2020” strategy, NRP and NDP 2020 according to the EU Council recommendations the support from ESI funds shall be used to continue ongoing measures for activation of unemployed, as well as to ensure targeted and efficient measures.
- (376) To prevent migration of population from rural territories, to ensure alternative sources of income as well as increase the level of well-being and employment for rural population, EAFRD contributions will be channeled to creation of new enterprises in rural territories and restructuring of small rural holdings.
- (377) The investments from ESI funds and the state will lead to increase of employment level being promoted by facilitating integration of unemployed especially long-time unemployed and youth in the labour market and decreasing incompatibility of knowledge and skills of workforce with labour market demands.
- (378) Employment including varying the activities and development of the territory concerned with its facilitation shall be promoted in the Baltic sea coast, which is also a territory of fisheries (more than 78% of persons employed in fisheries work there) in order to ensure opportunities, including for those involved in fisheries as the EU moves towards the achievement of maximum sustainable yield (MSY) from fishery.
- (379) Within framework of EAFRD support is planned for creation of new companies and development of non-agricultural operation in rural areas(see appended „Map of implementation of RDP 2014-2020 measures”).
- (380) Considering the above listed challenges, within framework of thematic objective by support from financing of ESF, EAFRD and EMFF the achievement of the following results is planned:
1. unemployed with qualification incompatible with demand of labour market and youth which is not either studying or employed by a support from ESF acquire qualification, skills or work experience in demand in the labour market (ESF);
 2. informative and financial support increases mobility of unemployed and work seekers, especially of youth at regional and EU level, thus diminishing regional differences in labour market (ESF);

¹⁴⁰ In accordance with the EU Regulation of European Parliament and Council of 17 December 2013 Nr.1304/2013 on European Social Fund and in accordance with Council Regulation (EC) Nr.1081/2006 Article 16

3. system of anticipation and management restructuring in labour market has been created and active employment policy measures have been improved in accordance with requirements of labour market, therefore ensuring balanced labour market development in the long term (ESF);
4. in addition to quantitative indicators of employment situation, situation of labour legislation and safety at work system has been improved in companies of hazardous industries (ESF);
5. labour capacity and employability of older people has been prolonged (ESF);
6. New enterprises have been created to carry out non-agricultural activity in rural territory (EAFRD); ;
7. small rural holdings have been restructured, increasing their competitiveness on the market (EAFRD));
8. Employment has been facilitated in territories significant for fisheries within framework of society driven local development measures (EMFF).

Promoting social inclusion and combating poverty and any kind of discrimination

National targets under strategy „Europe 2020”	Recommendation of the EU Council (for 2013)
Reducing the share of persons at risk of poverty to 21% ¹⁴¹ or to prevent poverty or exclusion risk for 121 000 persons ; Reducing the share of early school leavers to 13.4%	Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Tackle high rates of poverty by reforming social assistance for better coverage, by improving benefit adequacy and activation measures for benefit recipients. ¹⁴² Reinforce the delivery mechanisms to effectively reduce child poverty.

(381) The strategy of employment and social inclusion CP funds investment for programming period 2014 – 2020 has been defined in the Social services development guidelines 2014 – 2020, Professionals social work development guidelines 2014 – 2020, and Employment and inclusive growth guidelines 2014 – 2020. The employment and social inclusion framework includes also a component of resocialization of prisoners and former prisoners, which is defined in the “Concept of resocialization of persons convicted with deprivation of freedom”. “Informative report on activities plan for improvement of resocialisation of convicted persons during the imprisonment and upon release 2014-2020” will outline measures to be performed by state and municipal institutions, associations and establishments and other public resources for integration of this special target group in social life and labour market. The Latvian National Strategic Policy Framework in the area of health which inter alia provides for improvement of access to health services of persons subject to social exclusion

¹⁴¹ The objective includes two indicators – poverty risk index and / or share of persons in low labour intensity households. According to Eurostat (EU-SILC) data in 2012 in Latvia this indicator was 22.1% or 448.5 thousand residents, which were exposed to poverty risk and/ or were living in low labour intensity households.

¹⁴² Implementation of the recommendation will be based on changes of tax and state support policies and improvement of social security system, as well as state budget supported broadening of approach to child health care services and reimbursement of education of expenses; the ESF support is planned for improvement of Professional social work and monitoring of poverty and social exclusion risks and situation.

and poverty risk, will be defined in the updated Public health strategy 2014-2020 (currently the framework is defined in the Public health strategy 2011 – 2017), according to planned investment period. Planned investment in social and health infrastructure are outlined in the annex “Planned investments in social services infrastructure in ESI funds programming period 2014 – 2020” (Annex No 4) and “Network of health care service providers” (Annex No 5).

- (382) The support from ESI funds for transition to community based care has been planned considering European Common Guidelines and Toolkit on the use of ESI funds for the transition from institutional to community based care¹⁴³. Unlike in the former programming period in the programming period 2014 – 2020 the ERDF investment is planned only for development of community based services infrastructure by avoiding from any investment in the long-time care institutions. The target groups of deinstitutionalisation will be adults with mental disorders, children and young people in extra-familial care, as well as children with functional disorders. The Deinstitutionalization Action Plan (in 2014) and regional deinstitutionalization plans (until 2016) will be elaborated, ensuring synergy of ESF and ERDF investments and proportional coverage of community based services throughout the country, taking into account the scope or “basket” of public services as defined in the Regional Policy Guidelines for 2013 to 2019.
- (383) The study “Assessment of implementation of horizontal priority “Equal opportunities” defined in the ESI funds investment and influence on planning documents”¹⁴⁴ recommends facilitating development of employment infrastructure which is a precondition for independence of persons with disabilities and equality with others. By ensuring rights of persons with disabilities to work and by allowing earning for living by working, inclusion of insufficiently used work force resource of disabled persons in the labour market will be facilitated¹⁴⁵. Within framework of decreasing poverty levels and elimination of discrimination it is important to ensure integration into society also of economically inactive (able-bodied persons not registered in employment authorities as job seekers) and society groups subject to various kinds of discrimination – persons with disabilities, pre-retirement age people, ethnic minorities, people with bad knowledge of official language, etc., and enjoying their contribution to economy upon their integration into labour market.
- (384) In order to provide effective integration of the prisoner into the labour market, it is important to improve prisoners and ex-prisoners re-socialization system in prisons and in State Probation Service (by improvement of existing and creating of new tools of the re-socialization with aim to create instruments which allow to prevent all risks of criminal behavior during prison or probation sentence), as well as to create a new ex-prisoner support system of society which will be the follow-up stage of resocialization started in prison and at the same time – possibility to support integration of ex-prisoner into labour market. At the same time it is necessary to improve the system of training for prison and probation staff and other employees involved in resocialization with aim to provide qualified staff for work with prisoner, development of new specific risks and need assessment tools, as well as the development of capacity of local governments, non-governmental and religious organizations staff for promotion of their ability to integrate prisoners into society and the labour market.
- (385) Measures for improvement of health promotion, accessibility of health care services and improvement of their quality, as well as accessibility of respective social services (social

¹⁴³ Published at: <http://deinstitutionalisationguide.eu>

¹⁴⁴ <http://www.esfondi.lv/page.php?id=1105>

¹⁴⁵ Study „EU fondu ieguldījumu un ietekmes uz plānošanas dokumentos noteiktās horizontālās prioritātes „Vienlīdzīgas iespējas” īstenošanu izvērtējums”, SIA „Projektu un kvalitātes vadība”/ „Assessment of EU funds investments and influence on implementation of horizontal priority „Equal opportunities” defined in the planning documents”, association „Accipe!”, Riga, 2011

rehabilitation) is one of the main factors for prevention of poverty and provides large contribution to fuelling the economy growth. Estimates of OECD show that by each year of life the GDP increased by up to 4%¹⁴⁶. Therefore economic growth can be ensured by targeted actions for improvement of public health and giving people a chance to stay active and preserve good health as long as possible.

- (386) Not only the amount of financing invested in health is important, but also how are these investments made, by insuring efficiency of investments¹⁴⁷ and accessibility to quality health care and efficient use of public financing.¹⁴⁸ Succession of reforms will be ensured by developing and introducing guidelines for development of health networks in order to decrease problems of accessibility to diagnostic work and quality services in the country, and in order to decrease average time taken for arriving to diagnosis. Taking into account high level of illnesses, hospitalisation and mortality ratios within framework of priority health areas (circulatory, oncology, perinatal and neonatal period care and mental health), it is important to upgrade primary health care for early diagnostics and treatment, and improvement of such services. Thus decreasing pace of growth of illness level of people in the long term, disability and early mortality, especially by providing assistance to groups of residents subject to poverty and social exclusion risk. In order to save resources in secondary and tertiary health care and unburdening work of service providers at these levels, it has to be ensured at the primary health care level that consulting for illness prevention would be available by the family doctor (general practitioner), especially emphasising work carried out by the family doctor with population subject to social and territorial exclusion and poverty risk. Also, by developing and implementing guidelines for development of healthcare networks, large attention will be paid to decreasing regional inequality within context of access to health care, also by evaluating and defining optimal solutions for improving accessibility to human resources and mobile care services in health sector. In the frames of these solutions it is necessary to define the criteria and demands for human resources (competency and accessibility) and infrastructure (also IT infrastructure) development.
- (387) In Latvia due to financial constraints and territorial inequality part of population is unable to access health care when it is needed.¹⁴⁹ In order to improve the current situation targeted measures are required especially to population subject to social and territorial exclusion and poverty risk in order to improve accessibility of health care and health promotion services to such persons. It is also very important to purposefully improve cooperation between providers of social and health care areas, especially considering increasing ageing of population, which is a significant medium and long term challenge within area of social services and health care in the entire European Union. The increase of average length of life of population in itself is not considered as a factor influencing demand for social services, however increase in chronic diseases, overall health condition of population, low level of years lived in good health in Latvia (compared to EU average indicator)¹⁵⁰ causes risk that in the future demand for long-term health care services will increase, therefore targeted services of promotion of health and prevention of diseases shall be ensured especially to population subject to social and territorial exclusion and poverty risk, by promoting healthy lifestyle and ensuring active ageing.

¹⁴⁶ Social Investment Package, Commission Staff Working Document "Investing in Health", 20.02.2013, EK

¹⁴⁷ Social Investment Package, Commission Staff Working Document "Investing in Health", 20.02.2013, EK

¹⁴⁸ Commission Communication, Annual Growth Survey 2013 – COM (2012) 750 final, 28.11.2012, and thematic summary on health and healthcare systems relevant for the Europe 2020 Strategy

¹⁴⁹ Access to health care and the financial burdes of out-of-pocket health payments in Latvia. WHO, 2009.

¹⁵⁰ EUROSTAT data

- (388) One of the most important instruments for focused decrease of inequalities in the health care area is investments in health promotion and disease prevention in the society, especially among the population exposed to social exclusion and poverty risk. The studies performed evidence that investment in preventive health promotion measures are a valuable investment („good buy”), as they are cost effective and provide for long term financial savings in the country from both economic and social point of view¹⁵¹. Bad health is also a cause for absence from work (absence from work in the EU fluctuates from 3% to 6% of the work time, which is equal to 2.5% of annual GDP).¹⁵²
- (389) In order to solve the situation in Latvia, where there is aging of health care personnel and unequal placement of personnel (especially doctors) an important issue (doctors mostly work in capital city) there will be measures implemented aimed at attracting personnel to work in regions. The provision of nurses will be improved in health care institutions in Latvia, including educating high specialisation doctors, nurses, support personnel of adequate quality, social workers and pharmacy specialists and improving accessibility to GPs in the regions where their accessibility is low. Also, it is necessary to improve health care and health care support personnel coordinated work in all health care levels in order to provide service continuity and quality.
- (390) At the same time it is planned to carry out health promotion and disease prevention (screening, early diagnostics) measures as well as the information measures about disease prevention and the role of healthy lifestyle in maintaining good health, especially to inhabitants exposed to social exclusion and poverty risk. Also, training of health promotion coordinators and responsible persons will be provided.¹⁵³
- (391) Territorial accessibility of services provided by health care personnel for rural residents will be improved, especially to population subject to social and territorial exclusion and poverty risk, which due to their low income, physical condition are unable to receive timely health care, as well as accessibility of mobile groups’ services and necessary home care for patients in such regions. In order to shift health care system from treatment in hospital to primary and ambulatory level, the health networks guidelines within priority areas of health care (circulatory , oncology, perinatal and neonatal period and mental health) shall define principles for hospital and ambulatory services planning in frames of health network development guidelines,, by developing development plan for health care system, criteria for planning the rate of territorial location and volumes of service to be provided, as well as criteria for quality of services provided, incl. definition of competencies of medical personnel involved in treatment process at all levels, respectively ensuring accessibility of health care and health promotion services, development of human resources in the health area and improvement of infrastructure within context of efficient health care system.
- (392) In order to reduce regional disparities and provide accessibility to health care services taking into account regional policy and public health planning principles, in the frames of ESF support health care service accessibility will be evaluated in detail (including human resource provision from the point of infrastructure accessibility and from point of cost efficiency) and there will be elaborated detailed mapping for necessary services for health system accessibility and quality improvement that will define ESF and ERDF investments in health care sector.
- (393) In order to provide even accessibility to health care services in the country in general it is necessary to improve territorial accessibility to primary health care team (GP, nurse, doctor’s assistant, midwife) and other health care services and specialists by implementing measures for improving health care service quality especially to inhabitants facing territorial, social exclusion and poverty

¹⁵¹ The World Health Report 2002: Reducing Risks, Promoting Healthy Life, World Health Organization 2002; Global action plan for the prevention and control of NCDs 2013-2020, World Health Organization 2013

¹⁵² EUROFOND (2010), Absence from the work report

¹⁵³ Social Investment Package, Commission Staff Working Document "Investing in Health", 20.02.2013, EC.

risk in regions. It is planned to pay special attention to territories with low density, inadequate accessibility to health care specialists and bigger proportion of inhabitants facing social exclusion and poverty risk.

- (394) Health promotion and disease prevention measures will be implemented by emphasising community based targeted measures, developing ability to provide disease prevention services¹⁵⁴, where role of family doctor at early stage is very important, by providing information on significance of healthy lifestyle in preservation of health.
- (395) ESF and ERDF investments along with investments from local and national authorities according to NDP 2020 will help to expand accessibility of alternative to institutional health care services, by developing infrastructure and human resources for purposes of strengthening individuals and families, and to provide person centred services and thus promoting implementation of the recommendations of the above EU Council.
- (396) To facilitate social activities of rural inhabitants within EAFRD and EMFF, it is planned to use LEADER or the Society Driven Local Development Approach as well as under EAFRD, the support is planned for the development of small rural holdings.
- (397) Considering the above listed investment within framework of thematic objective “Promoting social inclusion and combating poverty and any kind of discrimination” by support from financing of ESF, EAFRD and EMFF the achievement of the following results is planned:
1. accessibility of community based services increased , infrastructure developed and family like care services created for children and young people in extra-familial care (ERDF);
 2. infrastructure developed for provision of care for persons with mental disabilities in the community , technical provisions of healthcare institutions has been upgraded, which increases accessibility of services for target groups, exchange fund of assistive technologies (technical aids) for children with functional disorders (ERDF);
 3. improved infrastructure for accessibility to high quality health care services especially to inhabitants exposed to social, territorial exclusion and poverty risk, including people in remote areas (ERDF)
 4. increased integration of long term unemployed and other disadvantaged persons (incl. prisoners and former prisoners and other persons subject to discrimination and social exclusion risk) in the labour market (ESF);
 5. increased effectiveness and efficiency of the social services and professionalism of employees for working with persons in risk situations (ESF);
 6. increased transition ensured from institutional care of persons with disabilities and children to community based care (ESF);
 7. improved timely access to health care and health care support personnel in population subject to social and territorial exclusion and poverty risk, incl. the population residing in remote regions (ESF);
 8. improved lifestyle habits of inhabitants by improving accessibility to disease prevention and health promotion measures also for inhabitants in regions (ESF);
 9. improved qualification and skills for health care, health care support personnel and health care specialists according to identified human resource development needs (ESF)
 10. LEADER approach has increased social inclusion of population (EAFRD).

Investing in education, skills and lifelong learning

¹⁵⁴ Public health guidelines for the period 2011 to 2017

National targets under strategy „Europe 2020”	Recommendations of the EU Council
<p>The share of early school leavers (aged 18–24, %) is 13.4%</p> <p>The share of population (aged 30–34) having higher education is 34-36%</p>	<p>Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships. Implement the planned reforms of higher education concerning, in particular, the establishment of a quality-rewarding financing model, reform of the accreditation system, consolidation of the institutions and promotion of internationalization.</p>

- (398) In order to prevent disproportion of labour market there is essential to improve education system that will promote transformation of national economy and development of competences, entrepreneurial skills and creativity in all education levels that is necessary for implementation of the priorities defined by the Smart Specialisation Strategy.
- (399) Due to demographic situation smart solutions must be made to concentrate resources and restructure availability of education service taking into account peculiarities and development models of each municipality and planning region.

Higher education

- (400) In order to promote unified development process of the study, marketing and strategic planning, targeted cooperation between higher education institutions and cooperation with the business sector, avoid duplication of study programs, promote shared use of available academic and material resources and promote international cooperation, it is planned to strengthen the HEI specializing in strategic development by creating thematic HEI consortiums, and promote functional and geographic consolidation and resource sharing, HEI strategic partnership.
- (401) HEI consortium are planned as a strategic partnership between a number of HEI, including colleges, involving scientific institutions and employers in their activities. In developing strategic specialization of HEI, Smart Specialisation Strategies for Growth priorities and areas of expertise will be taken into account, as well as synergies with the national research center (NRC) scientific fields, as well as providing participation of centers of scientific infrastructure in teaching process.
- (402) HEI internal quality system development has to be promoted, its' improvement in accordance with the European level quality Standards.
- (403) For improvement of quality of higher education and its' concordance with labor market and economic growth needs, study program content has to be improved in collaboration with employers, the study program visibility among EU countries has to be promoted, thus including contributing to the attraction of foreign students. At the same time support is needed for consolidation and improvement of the quality of scientific work in HEI study programs, especially in STEM, including Medicine and the creative industries, also in developing the content of study programs, their translation into EU languages and approbation.
- (404) To promote the competitive provision of study programs and teaching, support to attract teachers, also foreign, is need, as well as support for increasing existing HEI staff qualification.
- (405) In order to promote the quality of higher education culture in accordance with the best standards of the EHEA, as well as promote awareness of Latvian higher education, while increasing the

reliability of the Latvian higher education, ESF funding is planned for the National Higher Education Quality Assurance Agency for initial operations quality support services and strengthening the capacity of the purpose of gaining entrance EQAR. In order to promote international competitiveness of higher education programs, ESF supporting planned for development and approbation of joint study programs in HEI and study programs in languages of the EU, and for international accreditation for those programs.

- (406) To ensure the quality of higher education, research, technological development and innovation policy-making, implementation and meeting the objectives, HEI need to develop policy analysis and monitoring expertise.
- (407) For providing modern study and research conditions, university study and research base is in need of modernization, in order to facilitate the concentration of HEI network resources and access to education, including creating more STEM, including medicine and the creative industries, the study site. Support for STEM, including medical and creative industries, infrastructure modernization program of study is planned to be provided by STEM, including medical and creative industries, and scientific study of territorial spatial concentration.

Vocational education

- (408) In order to extent students' ability to react flexibly in the circumstances of competitiveness and to promote the rise of living standards complex solutions to promote attractiveness of vocational education are needed including increase of students in vocational secondary education programmes and decrease of drop outs from vocational secondary education establishments due to academic or attendance failure.
- (409) In the programming period 2014 – 2020 accessibility to vocational education will be improved which will create employment opportunities and form significant contribution to improvement of public economic structure. Support is planned for setting up and upgrading infrastructure of vocational education institutions, acquisition of study materials and technical equipment, incl. supporting creation and implementation of new vocational education programmes. It is planned to ensure modernization of infrastructure of all vocational education programmes in priority educational thematic fields and programme groups as well as raise of professional qualification of pedagogues according to the new vocational education standard and the improved study infrastructure. Furthermore, taking into account that according to Education Development Guidelines 2014 – 2020 it is planned to dislocate VE institutions in centres of regional importance, as well as breakdown of educates is planned to be 50:50 as for VE programmes and general education programmes, for provision of their educational functions, also modernisation of dormitories, that was postponed in a number of projects within the planning period 2007–2013, is necessary.
- (410) In order to optimise offer of vocational education programmes according to Smart Specialisation Strategy, short term demand from labour market, changes in rapidly developing technologies, as well as to ensure their access to various target groups, vocational education programme will be restructured in flexible training modules – components of vocational education programmes with certain training objectives, tasks and training outcome. Reforms of vocational education systems shall be continued in cooperation with social partners by introducing new or improving the existing practical training schemes. Development of work experience and practice based studies in vocational education will be ensured by developing cooperation with businesses and upgrading skills of personnel and contents of studies. Capacity of vocational education institutions shall be strengthened for working with adults and cooperation with employers, incl. development of adult training programmes in order to supply labour market with workforce matching respective requirements.

- (411) Taking into account the changing demands of the labour market and technology development it is planned to increase professional skills of vocational education pedagogues and practice tutors that are necessary for teaching of a subject ensuring education respective to the labour market trends and demands of employers.
- (412) Support measures are planned for development of inclusive education considering individual abilities, including working with young people with special needs in inclusive measures and activities for diagnostics of learning difficulties and learning disturbances of students, provision of necessary pedagogical and support personnel. Support will be provided for upgrading of content of vocational education, which will support implementation of EQAVET quality requirements and National qualification framework structure in Latvia.
- (413) In order to increase the quality of vocational education programmes it is planned to continue elaboration of modular vocational education programmes based on achievable results (until 2020 it is planned to elaborate 184 programmes from 240), until 2020 it is planned to elaborate 16 sectoral qualification structures (research of 16 sectors was conducted in 2007 – 2013).¹⁵⁵
- (414) In order to broaden ability of students to flexibly react in competitive circumstances and to facilitate increase of level of life, especially for groups of special training, like early drop-outs, migrants, persons with disability, complex solution is required for promoting appeal of studies, also by increasing number of students in vocational secondary education programmes, decreasing the number of students expelled from vocational secondary education institution due to bad grades or absence from classes. Significant role will be allocated to career education measures in vocational education institutions in cooperation with employers.

General education

- (415) In order to decrease fragmentation of the network of general education institutions and ensure general education supply according to Education Development Guidelines 2014 -2020 support is planned for further optimisation of network of education institutions at the regional level, incl. purchase of study materials and technical equipment, as well as modernization of study environment.
- (416) Re-organization of the network of educational institutions is planned by applying new approach to offer of educational services:
1. primary school education (grades 1 – 6) – as close as possible to the place of residence, ensuring access to services close to the local level motor roads. Assessment of integration of preschool (children of 5 – 6 years) in these institutions is also important;
 2. general secondary education (grades 10 – 12) – basically concentrated at regional level urban areas and centres of municipalities. Accessibility of service will be ensured close to regional level motor roads, ensuring optimal access to the institutions and quality of education to be obtained. According to development scenario of each region, integration of vocational education programmes in general education shall also be assessed.
- (417) In order to change education process it will be adjusted to the needs of children including implementation of individual plans, methodological support for pedagogues, improvement of pedagogues' competences (i.e. pedagogically diagnose problems), involvement of support specialists, cooperation with parents and involvement of children into the out of school activities. Focus will be increased on monitoring of study results and causal determination concerning impact factors of study results and individual study achievements in order to provide measures to improve study achievements within competence based general education content.
- (418) By 2020 it is planned to provide students with access to quality primary education and secondary education, as well as wider and various opportunities for such activities outside of the formal

¹⁵⁵ Data from National Centre for Education

education, which build the experience, allow to discover and develop own individual skills. Support will be provided for development and approbation of the content of general education upgraded by the competency approach, including support for elaboration of methodological and study materials as well as measures to implement inclusive education and development of individual skills, development of career education, upgrading of professional competency of pedagogues, i.e. support personnel, for development of inclusive study process and individual skills, implementing development of the education that promotes individual skills and integration of students with special needs into the education system.

- (419) Taking into account that in 2013, in Latvia, 30 000 15-24 year old youth were identified as not in employment, education or training, which is about 12.1% from the total number of young people at this age, it is important to provide support for implementation of preventive and compensative measures preventing early school leaving. It is planned to identify, motivate and activate NEETs and integrate them either into the education system or the labour market. Support is planned for children and youth at risk of poverty and social exclusion, children and young persons from needy and low income families for increasing quality and accessibility of extracurricular activities, thus decreasing social exclusion of such children and youth and early dropping out from school.
- (420) Taking into account low participation into informal activities observed among children and youth it is essential to expand the types of support and emphasize the importance of youth informal education programmes in acquirement of new skills and experience thus promoting youth initiatives and enterprise.

Career education

- (421) Within ESI funds programming period 2014 – 2020 support is planned to career support activities at all education levels, including its integration in the education system, ensuring cooperation with employers, as well as in cooperation with higher educational institutions to implement measures for increasing interest and motivation of students in natural sciences thus increasing future flow of STEM students, including medical and creative industries.
- (422) Within framework of career support measures the development of informational and methodological base will be ensured in order to provide support on issues concerned with implementation of career education, provision of career advice to students of educational institutions, and other career support measures. Within implementation of career development measures special emphasis will be put on cooperation with companies of particular sector, organization of technical and intellectual creativity events concerned with natural sciences, production and construction, health care and environmental protection, as well as decrease of professional stereotypes and increase of motivation for young people to learn professions, where shortage of work force is seen.

Life-long learning

- (423) In order to promote accessibility and use of life-long learning, it is planned to expand offers of quality education, improve legislative regulation, as well as to ensure efficient management of resources (incl. finances), incl. use of possibilities of the existing infrastructure. In order to promote thorough development of personality and allow for a person to better adjust to changes of new times, as well as to prevent incompatibility qualification of work force with demands of labour market, promote competitiveness of employed persons and increase productivity of work, employed persons will be provided with an opportunity to increase their competencies, increase professional qualification or acquire another qualification according to labour market demands, own interests and needs, and the support will also be provided to career consulting services.

- (424) To reduce the labor market disparities, problem solving should be complex. To reduce skills mismatches lifelong learning should provide further training and retraining of workers according the medium and long-term labor market forecasts and the changing labor market needs.
- (425) The planned life-long learning support will ensure complementarily and demarcation of the target group with the support of workers in specific sectors, including teachers, health personnel, social workers, support for the elderly, as well as planned support for the unemployed and job seekers, including young people for obtaining a professional qualification in one or one and a half year. In view of this, the support for professional qualification and competence development under thematic objective "Investing in education, training and vocational skills and lifelong learning" is planned for employed population aged 25 to 50 years, providing a support mechanism for people at social exclusion risk involvement in training. The labor market medium and long-term forecasts, which are updated annually, are showing the labor market trends in economic sectors, occupational groups and educational perspective (defining specialties that show lack of labor force and specialties where human resource supply exceeds demand) and will be taken into account by development of employee training and retraining plan under thematic objective "Investing in education, training and vocational skills and lifelong learning", therefore streamline planning the support to the labor market disparities reduction.
- (426) For development of a single lifelong learning system in Latvia, a principle of shared responsibility and field policy interaction are taken into account, and this exposes also as support to adults in provision of non-formal education, incl. use of ESF funding. In addition to this, interagency coordination of all education levels in the lifelong learning development is supported, and therefore it was decided to engage the consultancy board "Education for all" Cabinet Regulations of September 16, 2003, No. 529 "Provision of consultancy board, "Education for all"" whose aim is to promote cooperation and harmonised action of ministries and other public authorities, municipalities, private sector, public and international organisations in order to facilitate development of lifelong learning in Latvia and accessibility of education to all population regardless their age, place of residence, gender, ethnical identity, and the level of income, thus improving their inclusion in the society and competitiveness in the labour market.
- (427) Based on the former experience, a considerably larger share of financing has been allocated in the programming period 2014-2020 for training and advisory measures in agriculture and fisheries. Availability of RDP support for training and advisory services particularly, focusing on business people, who are using it for the first time, envisaging a flexible approach to the enterprise in question, allowing it to solve its specific needs by using services of advisers
- (428) Considering the above listed investment within framework of thematic objective "Investing in education, skills and lifelong learning" by support from financing of ERDF, ESF, and EAFRD the achievement of the following results is planned:
1. compatibility of study environment of general and vocation education with demands of labour market has been improved (ERDF);
 2. developed and territory-concentrated STEM, including medical and creative industries, research and study base as well as established thematical doctoral study centers (ERDF);
 3. a modernised study environment for first level STEM higher education, including medical and creative industries, in study directions, including in colleges (ERDF);
 4. number of students in joint doctoral study programmes has increased (ESF) ;
 5. reduced number of higher education study programmes and compliance with economic growth (ESF);
 6. improved performance of Latvian pupils (STEM and reading skills) within international comparable researches (ESF);

7. increased number of pupils/students who are at risk of early school leaving have received ESF support and remain in education (ESF);
 8. increased number of employed people, who have increased their professional qualification or acquired another qualification according to the medium and long-term labor market forecasts and the changing labor market needs (ESF);
 9. increased share of pupils, who attained studies in a work environment (ESF);
 10. raised level of professional qualification of specialists in agricultural, forestry and food industry sectors (EAFRD).
- (429) Although the financing from ESI funds will provide significant contribution to achievement of these results, the achievement of these objectives however will depend not only to financing from the ERDF, ESF and EAFRD, but also other measures and investments made for purpose of achieving the policy objectives set.

Enhancing institutional capacity of public institutions and stakeholders and efficient public administration

EU Council recommendation: Complete pending reforms to improve the efficiency and quality of the judiciary and reduce the backlog and length of proceedings, including as regards insolvency. Put in place a comprehensive human resources policy and take steps to implement the mediation laws and streamline the arbitration court system.

- (430) In order to ensure efficiency and independence of judicial power in Latvia, professional qualification of human resources of judicial power institutions shall be raised by organizing it separately from organizations and training of human resources of state administration. In order to address the problems identified in the EU recommendations, Guidelines on strengthening of human resources capacity and development of skills of the judiciary and law enforcement authorities' personnel for the period from 2014 to 2020 will be drafted.
- (431) In order to promote faster review of cases and decrease number of postponed (backlog) cases, events for raising of professional qualification of employees shall be organized and alternative dispute resolution processes shall be introduced, which would result not only in decrease of volumes of "frozen" assets which would return to economy, but also in the decrease of administrative burden felt by beneficiaries of services, residents.
- (432) Solutions offered for improvement of judicial system will promote more efficient development of judicial procedures and improved quality of decisions, thus promoting creation of entrepreneurial environment supporting growth of economy, decreasing corruption risks and ensuring lawful use of financing from the ESI funds. In order to mitigate negative impact of recent years' financial crisis and to improve the efficiency of public administration, including the areas of corruption detection and prevention, and to ensure that it operates as a single employer and provides results-oriented activities, services and regulatory development by contributing to the improvement of entrepreneurial environment, reduction of administrative burdens and prevention the risk of corruption it is necessary to develop a strategic human resource management by designing and implementing the targeted professional competence development program which would promote the professional development of public administration with professional, motivated and honest employees. The program will provide teaching staff from public, academic, private sector and abroad, in order to be able to respond in a more comprehensive way to new challenges of maintaining the capacity of the public administration and professional development of employees .
- (433) Besides the ongoing reforms in the area of public administration efficiency increasing, it is planned to provide professional development activities for employees in order to fulfill delegated functions and provide public services to the society in a good quality. Targeted and systematic improvement

of knowledge and professional skills is planned in 2014 – 2020 period, which would be based on elaborated training modules and programs of training strategy thus increasing the capacity of public administration employees concerning the improvement of entrepreneurial environment, reduction of administrative burdens and prevention the risk of corruption.

(434) Within the framework of thematic objective, by promoting business environment supportive to economic development, diminishing corruption risks and developing quality level of business friendly provision of administrative services, by using these to address workload on courts and problems associated with deadlines for solving the cases, the following results are planned to be achieved by support from the ESF financing::

1. The competence of judiciary and law enforcement agencies human resources and legal professionals have been raised, including the professional competence on proceeding the cases on debt or financial loss and its recovery (ESF);
2. employees of the state administration have raised professional competence regarding development of best regulation, including in the areas of support to small and medium enterprises and prevention of corruption.

Table 1.3.2: Summary of justification for thematic objectives and investment priorities selected within framework of ERDF, ESF and CF OP

Thematic objective	Investment priority	Justification
1. Strengthening research, technological development and innovation	Improve research and innovation (R&I) infrastructure and ability to develop R&I excellence, as well as promoting creation of competency centres, especially the European level centres	<p>NRP objective to increase investments in the R&D to 1.5% of GDP by 2020.</p> <p>Challenges of Latvia pertaining to the investments in R&D area identified in the NDP are the following:</p> <ul style="list-style-type: none"> - small number of employed in the R&D (number of employees devoted to R&D PLE in 2010 – 0,57% from total number of employees, while, e.g., in Lithuania it was 0.88, in Finland – 2,28%, EU average -1,15%); - aging of scientists (42% from the academic personnel of Latvia are above the age of 50) and attraction of young specialists does not provide for replacement of retired scientists); - leaving the country of outstanding minds should be prevented and new academic resources should be attracted to the higher education and science. - underdeveloped infrastructure for implementation of R&D and innovative projects, insufficient number of well-equipped modern laboratories for implementing technology-oriented projects; - insufficient base financing in R&D from the State budget; - a large disproportion between the investments of the public and private sectors in comparison to developed countries; - relatively large number of scientific institutes (88), which is fragmenting the support available. <p>Recommendation of the EU Council: efficient research and innovation policy shall be developed and implemented, which would provide for facilitation of innovation in businesses, i.a. by applying tax reliefs, modernization of infrastructure and rationalization of research institutions (2012); Take further steps to modernize research institutions based on the on-going independent assessment (2013). According to „Europe 2020” flagship initiative, the Member States shall provide for such R&D and innovation policy, which would promote smart specialisation, strengthen potential for achievement of excellence, promote education, science and businesses cooperation and international cooperation within EU.</p>

Thematic objective	Investment priority	Justification
	<p>Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies;</p>	<p>Basing on the above mentioned, investments in R&D and innovation will be focused to be in line with Smart Specialisation Strategy, which provides for development of vision, identification of competitive advantages, selection of strategic priorities and definition of such policy, which would provide the best basis for bringing out the knowledge-based potential of the region, and thus ensure the growth of national economy, as well as considering objectives set in the EUSBSR, in order to implement „Europe 2020” strategy the most effective way.</p> <p>NRP objective: to increase investments in the R&D to 1.5% of GDP by 2020.</p> <p>Latvia’s challenges hindering the investments in R&D identified in the NDP are the following:</p> <ul style="list-style-type: none"> - poor cooperation between the private sector and research institutions and poorly developed technology transfer system; - weak commercialization potential of research results; - Latvian economy is based on SMEs, the capacity of which is insufficient to invest in the R&D, and relatively small high-tech sector; - insufficient amount of private and public investment in R&D. <p>Recommendation of the EU Council: efficient research and innovation policy shall be developed and implemented, which would provide for facilitation of innovation in businesses, i.a. by applying tax reliefs, modernization of infrastructure and rationalization of research institutions (2012); Take further steps to modernize research institutions based on the on-going independent assessment (2013). According to „Europe 2020” flagship initiative, the Member States shall provide for such R&D and innovation policy, which would promote smart specialisation, strengthen potential for achievement of excellence, promote education, science and businesses cooperation and international cooperation within EU.</p> <p>According to the EC Council’s opinion of 2012 Latvia is characterized as a country with very weak innovation activity, low cooperation level between science, education and business. Latvia has the lowest R&D expenditure among the EU Member States, therefore investments are required in this area.</p> <p>At the same time SME Access to Finance Market Gap Assessment (2014) concludes that the most significant market gap for development of innovative SMEs in Latvia is access to venture capital funding.</p> <p>According to challenges identified in NIP, manufacturing modernization, which is based on the development of new technologies, sets higher requirements for quality and professional mobility of workforce. It is necessary to provide entrepreneurs with workforce of appropriate qualification that promotes knowledge transfer and development and introduction into production of new products and technologies.</p> <p>Basing on the above mentioned, investments in R&D and innovation will be focused to be in line with Smart Specialisation Strategy which provides for development of vision, identification of competitive advantages, selection of strategic priorities and definition of such policy, which would provide the best basis for bringing out the knowledge-based potential of the region, and thus ensure the growth</p>

Thematic objective	Investment priority	Justification
		of economy, as well as considering objectives set in the EUSBSR, in order to implement „Europe 2020” strategy the most effective way.
2. Enhancing access to, and use and quality of ICT	<p>Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy;.</p> <p>Strengthen ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health.</p>	<p>According to NRP the development of broadband electronic communications network will be implemented considering ESI recommendations and in the geographic territories, where no efficient competition is present and where networks of the next generation would not be introduced without public support (from the EU or state funds) in the nearest time. Implementation of projects will be done with such intensity, as to avoid negative impact on competition and creating competitive advantages to any merchant of electronic communication.</p> <p>According to objective set in the strategy „Europe 2020” flagship initiative “Digital Programme for Europe”, by 2020 download speed of 30 Mbps will have to be provided to all EU citizens, ensuring that at least 50% of households subscribe to internet connections download speed \geq 100 Mbit/s.</p> <p>According to the Development Concept of the Next Generation Electronic Communications Network 2013 – 2020, the main objective is to eliminate bottlenecks hindering completion of introduction of common digital market. Extensive improvement of broadband network shall be done and digital services infrastructure platforms shall be created to allow for coordinated and digital use of European public services, thus improving competitiveness of European economy, including that of small and medium enterprises, by facilitating interconnection between countries and cross border cooperation ability.</p> <p>The strategy „Europe 2020” flagship initiative “Digital Programme for Europe” provides that EU Member States shall promote expansion and use of fully interoperable e-cooperation services, by overcoming organizations, technical and semantic obstacles. Common digital market remains a leading motive of the Digital Programme for Europe. In the conclusions of October, 2013 the European Council has emphasized the significance of the Digital market, open data and ICT solutions for competitive growth of the Europe.</p> <p>The recommendation of the EU Council (2013) No 6 is aimed at the need to complete reforms in order to enhance efficiency and quality of operations of judicial institutions, and to decrease number of backlog cases and length of processes, also regarding insolvency. Respective improvements are also required concerning use of ICT in the area of judicial system.</p> <p>Challenge defined in the NRP:</p> <ul style="list-style-type: none"> - development of information and communication technologies (ICT) and implementation of common digital market <p>According to Information Society Guidelines for 2014 – 2020 provision of public services in the electronic environment including changes in operational processes of administration, is one of the milestones for development of economic potential. E-government services shall be developed by allowing for entrepreneurs to develop and manage business activities anywhere in Europe, regardless of their location and by allowing for people to study, work, reside and retire anywhere in the EU. In order to be able to do this, Latvia shall ensure interoperability of national e-government solutions with the EU solutions, and also create content for provision of cross-border services and solution for exchange of information in various sectors,</p>

Thematic objective	Investment priority	Justification
		and also provide that state administration data would be technically and legally accessible, publicly accessible and that their use for creation of new solutions would be promoted.
3. Enhancing competitiveness of the SME, as well as agriculture sector (concerning EAFRD) and fisheries and aquaculture sector (concerning EMFF)	Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators;	<p>NRP objective (in context of „Europe 2020” strategy) is to provide financial support to development of commercial activities, to facilitate access to loans and provide support to venture capital, as well as to provide support to innovative enterprises for development and introduction into production of new products and technologies, and increase the number of innovate enterprises.</p> <p>NRP challenges: improvement of business environment, ensuring access to finance for enterprises for purpose of supporting productive investment.</p> <p>At the same time SME Access to Finance Market Gap Assessment (2014) concludes that the most significant market gap for SMEs in Latvia is access to finance for business start-ups, micro-credits, export and credit guarantees. To ensure focused and comprehensive development of innovative and productive ideas and enterprises, financial instruments must be efficiently combined with different services and support, ensuring balanced policy mix measures. It will be implemented in accordance with SME Market Gap assessment and NIP.</p>
	Supporting the capacity of SMEs to engage in growth and innovation processes	<p>NRP objective is to attract foreign direct investment to sectors oriented to external demand in order to ensure availability of necessary financial resources for development of Latvian economy and to achieve higher productivity level.</p> <p>NRP challenges: NRP challenges: Small flow of foreign investment, especially in export oriented sectors of manufacturing industry, inability of local market to satisfy the demand.</p> <p>According to challenges identified in the NIP, the modernisation of manufacturing which is based on development of new technologies sets higher requirements for quality and professional mobility of work force. Accordingly within framework of this priority investments shall be concentrated in order to promote demand for Latvian goods and services abroad, cooperation of enterprises in obtaining and execution of international orders, inclusion in supply chains, and between other providing enterprises with qualified work force, thus enhancing SME’s competitiveness and promoting implementation of the EUSBSREUSBSR and achievement of Europe 2020 strategy objectives..</p>
	Supporting the creation and the extension of advances capacities for product and service development	<p>NRP challenges: improvement of business environment- on of the main restricting factor hindering development of SME’s capacity is the limited availability of industrial zones and premises, as well as lack of appropriate infrastructure – access roads, electricity, natural gas, communications and etc. services.</p> <p>According to development areas set in the NIP 2014-2020 and Smart Specialisation Strategy, as well as considering objectives set in the EUSBSR in order to promote implementation of the „Europe 2020” Strategy in the most effective way, investments within framework of this priority shall be concentrated to support creation and development of new, viable businesses outside Riga and on local development</p>

Thematic objective	Investment priority	Justification
		<p>potential (municipalities local development strategies) based integrated entrepreneurship support solutions including high-quality infrastructure solutions, including open source technology development and innovation infrastructure, including availability of modern and suitable industrial areas and premises for development and expansion of operations of manufacturing industry.</p> <p>It will be implemented according to NIP and Regional Development Guidelines for 2013-2019.</p>
4. Supporting the shift towards a low-carbon economy in all sectors	Promoting energy efficiency and renewable energy use in enterprises (CF).	<p>Recommendation of the EU Council: Continue improving energy efficiency, especially of residential buildings and district heating networks, provide incentives for reducing energy costs and shift consumption towards energy-efficient products.</p> <p>NRP challenges: low energy efficiency in the final consumption sectors of the energy. NRP objectives: total savings of primary energy in 2020 - 0,670 Mtoe and increase of share of renewable energy in the gross final energy consumption to 40%. Industry and construction is the third largest final energy consumer in Latvia. It is important both to decrease industrial energy consumption and promote using RES for energy production for needs of enterprises.</p> <p>Further increase of prices of energy resources can influence critical sectors of economy, since costs of raw materials have equal influence to local and foreign manufacturers, while energy costs vary by country.</p>
	Support energy efficiency, smart energy management and use of renewable energy resources in public infrastructure, including in the public buildings and housing sector (ERDF).	<p>Recommendation of the EU Council: To continue improvement of energy efficiency especially concerning residential buildings and central heating networks, to provide additional incentives for decrease of costs of energy efficiency and to channel consumption of energy efficient products.</p> <p>NRP challenges: low energy efficiency in the energy consumption end sectors. The energy development guidelines for 2007 – 2016 set objective to decrease specific heat consumption in the buildings from the current 220-250 kWh/m²/year to 150 kWh/m²/year in 2020. The Directive 2012/27/EU regarding energy efficiency sets obligation to renovate every year starting from 2014 three percent of the buildings owned and used by the central government, which do not conform to minimum energy efficiency requirements. 60 – 70% of Latvian buildings sector can be renovated in a cost efficient way – in the residential sectors that would mean about 25 thousand multi-storey buildings with total size of 38 mil. m². Majority of buildings are built before the thermal technical requirements for the structures covering the building were significantly increased and they have a low energy efficiency level. Lengthy period for return of investment hinders ability of residents to agree on implementation of energy efficiency measures at their buildings.</p>
	Promoting the production and distribution of energy derived from renewable sources (CF)	<p>Recommendation of the EU Council: Continue improving energy efficiency, especially of residential buildings and district heating networks, provide incentives for reducing energy costs and shift consumption towards energy-efficient products.</p> <p>NRP challenges: exploiting the energy efficiency potential in the district heating systems and decreasing large losses of thermal energy in pipelines. NRP objective: to increase share of energy generated</p>

Thematic objective	Investment priority	Justification
		<p>from RES in the total gross final energy consumption to 40% in 2020. Majority of district heating systems are built more than 25 years ago, they are obsolete and with large losses. Total length of heating pipeline networks in Latvia is about 2000 km and losses in certain sections can be up to 30%.</p> <p>In many occasions low energy efficiency and environmentally unfriendly thermal energy production technologies are used, without sufficient use of renewable energy resources. District heating supply is the most energy efficient method for heat supply which is widely used for heating of public and multi-apartment residential buildings. Significant part of fuel has to be imported – in 2011 62.9% of boiler houses used natural gas..</p>
	Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures (ERDF)	<p>NRP challenges: growing end energy consumption in transportation sector, especially in the road transportation. Investments in the area are also important for transition to economy with low CO₂ emission level by increased use of renewable sources of energy and by promoting energy efficiency. Upon implementation of EMT use of renewable energy in transportation can be significantly increased, along with decrease of pollution.</p>
	Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures (CF).	<p>NRP challenges: growing end energy consumption in transportation sector, especially in the road transportation. Improvement of public transportation in urban areas– creation of new environmentally friendly routes or reconstruction of existing routes will also significantly contribute to decrease of CO₂ emissions and promotion of energy efficiency consumption. Therefore aerial and noise pollution in the city will be considerably decreased, energy efficient transportation consumption will be promoted, at the same time by developing convenient and environmentally friendly public transportation, thus facilitating use of public transportation in general.</p>
5. Promoting climate change adaptation, risk prevention and management	Support investment for adaptation climate changes, including application of eco-systems based approaches (ERDF)	The flagmanship initiative of strategy „Europe 2020” „Resource effective Europe” and sub-objective of the EUSBSR strategic objective “Increase prosperity” “Adjustment to climate changes, elimination and management of risk” defines need for measures for decreasing and elimination of flooding risk taking into account that flooding which could intensify and become wider as a result of climate changes or spring time flooding, including flood caused by rainfall, pose a threat to public, engineering structures and infrastructure, as well as use of <u>arable land</u> for food production. In the case of flooding companies performing polluting activities or other objects can be flooded, which can lead to environmental pollution or have significant negative impact on public health.
6. Preservation and protection of the environment and promoting resource efficiency	Invest in waste management area in order to adhere to EU <i>acquis</i> requirements in the environmental area and to support identified needs of Member States for investments exceeding the above requirements	According to the EC survey “Study of waste management operations in EU member states” Latvia has received negative assessment in several criteria, including for low volumes of waste recycling and recovery, volumes of waste disposed, as well as for excessive volume of disposed biodegradable waste.

Thematic objective	Investment priority	Justification
	(CF) Invest in water supply area in order to adhere to EU <i>acquis</i> requirements in the environmental area and to support identified needs of Member States for investments exceeding the above requirements (CF)	In order to ensure conformity of water management services with the requirements of EU directives, investments are required in expansion of drinking water supply and sewerage network, collection of waste water and draining to the water treatment plants, reconstruction of networks not compatible with quality requirements, as well as construction of accesses to households. In the agglomerations with p.e>2000 no 100% access of residents to centralised waste water management services is ensured, and the existing pipelines also are not of suitable quality.
	To protect and reinstate biodiversity and soil, and promotion of ecosystem services, including by use of “Natura 2000” network and green infrastructure. (CF)	In order to assess environmental impact of various measures and provide society and state institutions with objective information on environmental quality and biodiversity, as well as to ensure fulfilment of requirements of at least 18 directives and 6 conventions, implementation of the environmental monitoring programmes shall be supplemented by implementation of air, as well as acquisition of meteorological and climate information, waters, land and biodiversity monitoring programmes. In order to ensure efficient use of resources and preservation of biological diversity, number of territories where anthropogenic load is eliminated to specially protected species and biotopes, and to upgrade the existing infrastructure. The status of protection of EU level species and biotopes in Latvia is insufficient, which is evidenced by the fact that protection status of 87% of EU level biotopes registered in Latvia and 72% of species is negative ¹⁵⁶ .
	Preserve, protect, promote and develop natural and culture heritage	According to culture policy guidelines “Creative Latvia” 2014 – 2020 the nature and culture heritage currently represents a resource insufficiently appreciated and used for entrepreneurial activities and regional development. These investments shall be made on the basis of integrated development strategies of respective territories, tourism territories defined in the tourism guidelines as territories with the highest tourism intensity, thus ensuring sustainable use of culture and nature heritage for upgrading of tourism products, development of social capital of local communities and environmental quality.
	To act in order to improve city environment, revitalise urban areas, renovate and recover derelict industrial territories (including areas where reconstruction is planned), decrease air pollution and promote noise decrease measures	It is stated in the action plan for 2011 – 2014 of the European Agenda for Culture that culture objects are of strategic significance for facilitation of smart, sustainable and inclusive growth in all EU regions and urban areas. EU Member States together with the EC have started implementation of strategic actions for purposes of including culture objects in wider political framework regarding entrepreneurial activities, innovation, culture and regional development. According to regional development guidelines urban areas require revitalisation, improvement of environmental quality, attraction of investments, as well as integrated investments into infrastructure development.
7. Promoting sustainable transport and removing	Supporting a multimodal Single European Transport	NRP refers to ensuring of quality and competitive logistics and transit services infrastructure as one of the critical factors for enhancing the competitiveness of the state.

¹⁵⁶ Report in line with the EK directive 92/43/EEC of 21 May 1992 On protection of natural living creatures, wild fauna and flora Article 17, 2007 – 2012”

Thematic objective	Investment priority	Justification
bottlenecks in key network infrastructures;	Area by investing in TEN-T (CF)	<p>According to flagmanship principle “Resource effective Europe” of the „Europe 2020” strategy, the main objective of the European transportation policy is to assist in creation of a system supporting European economic development, enhancing competitiveness and providing the high class services, along with more efficient use of resources. The condition of state’s main motor roads is dissatisfactory and not compatible with needs of economic, safe, comfortable and environmentally friendly traffic, and therefore no internal accessibility and mobility can be ensured in good quality, which would promote balances economic growth of the country.</p> <p>For purposes of creation competitive and resource efficient transportation system, several critical objectives have been defined, which provide for development and implementation of traction system, optimisation of performance of multimodal logistic chains, also by using more energy efficient modes of transportation, increase of efficiency of use of transportation and infrastructure by information systems and market based initiatives.</p> <p>As the infrastructure is regarded, the White Paper proposes to create by 2030 a fully functional EU multimodal TEN-T “core network”, which shall ensure multimodal connections between capital urban areas of the EU and other large urban areas, ports, airports and other significant inland border crossing points, as well as main economic centres. It shall be focused on filling in the missing gaps – mainly cross border sections and problematic places/ bypasses, modernisation of existing infrastructure and creation of multimodal terminals in marine and river ports and to centres when logistics of the city are concentrated. For long haul transportation better railway/ airport connections shall be built. Sea master routes will be the marine dimension of the core network.</p>
	Developing and rehabilitating comprehensive, quality and interoperable railway systems, and promoting noise reduction measures.(CF)	<p>Railway infrastructure plays significant role in overall transportation development; introduction of quality and advanced railway technologies will enhance competitiveness of Latvian railway by increasing share of railway transportation in the GDP. Development of Riga and Daugavpils railway hubs will allow for higher transportation capacity and increase of handling ability. Total length of Latvian railway tracks is 1896,9 MC and 257,4 MC of these are electrified¹⁵⁷. Electrification of main railway lines will decrease total costs of railway corridor, increase competitiveness, attract additional cargoes, decrease external expenses and environmental load, and ensure compatibility with EU transportation policy and long term objectives. Modernisation of railway passenger traffic infrastructure is critical for facilitation of mobility of population, and it will also promote employment, accessibility of work places and increase competitiveness and environmentally friendly railway transportation in inland passenger transport.</p>
	Enhancing regional mobility by connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes (ERDF)	<p>NRP mentions provision of quality and competitive logistics and transit services infrastructure as one of the main factors for increase of competitiveness of the country, including emphasis on criticality of improvement of regional motor roads</p> <p>Within framework of investment priority repairs of regional motor roads are planned, preferring motor roads connecting national and regional level development centres, as well as provision and</p>

¹⁵⁷ <http://data.csb.gov.lv/DATABASE/transp/Ikgadejie%20statistikas%20dati/Transports/Transports.asp>

Thematic objective	Investment priority	Justification
		development of infrastructure for most critical transportation corridors (TEN-T), reconstruction of surface of main motor roads of the country. Regional roads support mobility of persons and goods, promoting economic growth of the region, provision of fundamental services to population (health care, education and social assistance). Investments in regional roads are planned in the regions with social economic investment into regional development and where access is provided to industrial areas.
8. Promoting stable and quality employment and supporting labour mobility	Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility	<p>NRP objective: employment level 73% (in the age group 20-64).</p> <p>NRP objective: share of persons prone to poverty risk - 21% or risk of poverty or exclusion risk eliminated for 121 000 persons.</p> <p>EU Council Recommendation 2013: „To tackle situation concerning long-time and youth unemployment by increasing efficiency and scope of active labour market policy and targeted areas of social services”</p> <p>NRP challenges – decrease of structural and cyclic unemployment risk, incompatibility of qualification and skills with labour market requirements.</p> <p>Measure should be taken for activation of unemployed by ensuring efficiency of offers and measures taken in relation to a particular target group.</p>
	Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee	<p>NRP objective: employment level 73% (in the age group 20-64).</p> <p>Recommendation of the EU Council: „To improve employment of youth, e.g., by using guarantees to youth, creation of comprehensible career advice system, executing reforms in area of vocational education and training, improve quality and access of apprenticeship. Youth shall be involved in labour market through initiative “<i>Youth guarantee</i>”, thus giving chance for young people to receive quality offer concerning employment, continued education, apprenticeship or internship within 4 months’ time after graduation.</p>
	Adaptation of workers , enterprises and entrepreneurs to change.	<p>NRP objective: employment level 73% (in the age group 20-64).</p> <p>NRP defines improvement of legal regulation of labour relations and safety at work and its application as one of the main <u>policy areas and measures for improvement of business environment</u>. Improvement of quality of work places is a policy area set for implementation of the strategy „Europe 2020” by the employment policy guidelines approved by the Council’s decision (guideline 7).</p> <p>According to study made by the European Fund for Living and Working Conditions “Quality of work places trends in Europe”¹⁵⁸, in Latvia in 2010 26.0% of employees were working in incompatible work places. While the analysis of statistical data of work place accidents collected by the State Labour Inspection indicates that improvements are required in undertakings working indangerous sectors, especially in the group of micro and small enterprises, where</p>

¹⁵⁸ Eurofond, Fifth European Working Conditions Survey, <http://www.eurofound.europa.eu/pubdocs/2012/28/en/1/EF1228EN.pdf>

Thematic objective	Investment priority	Justification
		results of the study “Working conditions and risks in Latvia, 2013” indicate deterioration of situation in the area of safety at work and labour relations.
9. Promoting social inclusion by combating poverty and any type of discrimination	Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability	<p>NRP objective: employment level 73% (in the age group 20-64).</p> <p>NRP objective: share of persons prone to poverty risk - 21% or risk of poverty or exclusion risk eliminated for 121 000 persons.</p> <p>Recommendation of the EU Council: To tackle situation concerning long-time and youth unemployment by increasing efficiency and scope of active labour market policy and targeted areas of social services”.</p> <p>NRP challenges: high unemployment level, insufficient/incompatible skills; existing prejudices and discrimination; inadequate access to services.</p> <p>Measures for activation of long-term unemployed persons shall be continued in order to promote integration of population groups subject to social exclusion risk into labour market, education and society.</p>
	Enhancing access to affordable, sustainable and high-quality services, including health care and social services of general interest.	<p>NRP objective: share of persons prone to poverty risk - 21% or risk of poverty or exclusion risk eliminated for 121 000 persons.</p> <p>Recommendation of the EU Council: „To tackle situation concerning high poverty indicators by reforming social assistance so that it would apply to wider number of population, by improving adequacy of benefits and enforcing measures for activation of recipients of benefits. Strengthen implementation mechanisms in order to effectively prevent poverty of children”.</p> <p>NRP challenges: inadequate access to services, including social protection measures for families with children</p> <p>Accessibility and quality of social services and social work shall be improved, including transition from institutional to society based care measures, by improving health care services and promotion of integration of population groups subject to social exclusion risk into labour market, education and society.</p>
	Investing in health and social infrastructure which contributes to national, regional and local development, reducing inequalities in terms of health status, promoting social inclusion through improved access to social, cultural and recreational services and the transition from institutional to community-based services.	<p>NRP objectives: share of persons prone to poverty risk - 21% or risk of poverty or exclusion risk eliminated for 121 000 persons</p> <p>Recommendation of the EU Council: „To tackle situation concerning high poverty indicators by reforming social assistance so that it would apply to wider number of population, by improving adequacy of benefits and enforcing measures for activation of recipients of benefits. Strengthen implementation mechanisms in order to effectively prevent poverty of children”.</p> <p>NRP challenges – inadequate access to services, including social protection measures for families with children</p> <p>Accessibility and quality of social services and social work shall be improved, including transition from institutional to society based care measures, by improving health care services and promotion of integration of population groups subject to social exclusion risk into labour market, education and society, reduction of number of clients residing in long-term care institutions, to provide conditions and services required for independent and self-sufficient life.</p>
10. Investing in education, training, skills and lifelong learning	Reducing and preventing early school-leaving and promoting equal access to good quality early-childhood,	<p>NRP objective: to achieve by 2020 the share of early leavers from education and training in the age group from 18 – 24 years being below 13.4%.</p>

Thematic objective	Investment priority	Justification
	<p>primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training;</p>	<p>Recommendation of the EU Council: Tackle long-term and youth unemployment by increasing coverage and effectiveness of active labour market policies and targeted social services. Improve the employability of young people, for example through a Youth Guarantee, establish comprehensive career guidance, implement reforms in the field of vocational education and training, and improve the quality and accessibility of apprenticeships.</p> <p>NRP challenges: lack of support (including pedagogical) to young persons starting new stage of education; obsolete material-technical basis of education institutions, which does not enhance motivation of students and interest in education.</p>
	<p>Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups;.</p>	<p>NRP objective: in the higher education – by 2020 to increase share of population with completed higher education aged 30 – 34 to 34-36 %.</p> <p>Recommendation of the EU Council: Implement the planned reforms of higher education concerning, in particular, the establishment of a quality-rewarding financing model, reform of the accreditation system, consolidation of the institutions and promotion of internationalization. NRP challenges: insufficient number of lecturers and scientific specialists; study programmes are fragmented; quality of studies and critical mass is endangered; the study programmes offered have little compatibility with needs of labour market. International competitiveness shall be promoted.</p>
	<p>Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences;</p>	<p>NRP objective: to promote constant improvement and development of knowledge, skills and competencies of population so that by 2020 15% of the population (aged 25-64) would be involved in learning process on a regular basis.</p> <p>NRP objective: reduction of structural unemployment by ensuring better compatibility of qualification and skills with labour market demands</p> <p>NRP challenge: recognition of knowledge and skills obtained outside of formal education is not ensured; restricted opportunities for adults to obtain formal education at the primary and secondary education level.</p> <p>Also restrictions for elder people to maintain qualification, acquire new knowledge, skills and abilities in the life-long education system on a regular basis and without long interruptions.</p>
	<p>Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-</p>	<p>NRP objective: to promote constant improvement and development of knowledge, skills and competencies of population so that by 2020 15% of the population (aged 25-64) would be involved in learning process on a regular basis.</p> <p>NRP objective: reduction of structural unemployment by ensuring better compatibility of qualification and skills with labour market demands</p> <p>NRP challenge: recognition of knowledge and skills obtained outside of formal education is not ensured; restricted opportunities for adults to obtain formal education at the primary and secondary education level.</p>

Thematic objective	Investment priority	Justification
	<p>based learning systems, including dual learning systems and apprenticeship schemes;</p> <p>Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure</p>	<p>NRP objective: to promote constant improvement and development of knowledge, skills and competencies of population so that by 2020 15% of the population (aged 25-64) would be involved in learning process on regular basis.</p> <p>Recommendation of the EU Council: To implement planned reforms of higher education, especially concerning creation of such financing model, which would promote quality, reforms of accreditation systems, consolidation of institutions and promotion of internationalisation. To implement in future measures which are currently not done for modernisation of research institutions on the basis of independent assessment which currently is not done.</p> <p>NRP challenges: underdeveloped material technical base of higher education institutions;</p> <p>Upgrading and modernisation of education infrastructure shall be continued in order to ensure conformity of all levels of education with demands of the labour market, as well as to promote motivation and interest of students to learn new skills and obtain qualification.</p>
<p>11. Enhancing institutional capacity of public institutions and stakeholders and an efficient public administration.</p>	<p>Investment in institutional capacity and in the efficiency of public administrations and public services at the national, regional and local levels with a view to reforms, better regulation and good governance;</p>	<p>Recommendation of the EU Council: to complete the reforms in order to improve efficiency and quality of juridical authorities, to reduce number of backlog cases and length of processes, including the ones concerning insolvency. To introduce common human resources policy and measures for execution of mediation rights and rationalisation of arbitration system.</p> <p>NRP challenge is to decrease administrative load on companies and improve quality of legislative acts concerning business, which can be achieved by lawful, efficient and quality state administration, ensuring that services provided by it conform to needs of the society. NRP challenges: to promote creation of business friendly environment. To strengthen capacity of employees of judicial authorities.</p>

1.4. INDICATIVE BREAKDOWN OF FUNDING BY THEMATIC OBJECTIVES (EUR)

Table No. 1.4.1. Indicative financing by thematic objectives and funds (total EU financing, including execution reserve)

Thematic objective	ERDF	ESF	CF	EAFRD	EMFF	YOI	Total
1. Strengthening research, technological development and innovation	467 519 706	0	0	13 370 863	0	0	480 890 569
2. Enhancing access to, and use and quality of, ICT	172 783 829	0	0	0	0	0	172 783 829
3. Enhancing competitiveness of the SMEs, as well as agriculture sector (for EAFRD) and fisheries and aquaculture sector (for EMFF)	296 191 300	0	0	370 273 187	95 185 869	0	761 650 356
4. Supporting the shift towards a low-carbon economy in all sectors	286 344 229	0	194 266 292	40 173 411	0	0	520 783 932
5. Promoting climate change adaptation, risk prevention and management	65 819 321	0	0	201 823 430	0	0	267 642 751
6. Preservation and protection of the environment and promoting resource efficiency	367 097 718	0	190 138 398	201 823 430	24 397 873	0	783 457 419
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures;	235 477 563	0	924 294 295	0	0	0	1 159 771 858
8. Promoting stable and quality employment and supporting labour mobility	0	135 410 788	0	117 753 689	12 750 000	29 010 639	294 925 116
9. Promoting social inclusion by combating poverty and any discrimination	193 377 447	225 160 750	0	70 177 238	0	0	488 715 435
10. Investing in education, training, and vocational training for skills and lifelong learning	277 460 786	238 500 493	0	16 198 463	0	0	532 159 742
11. Enhancing institutional capacity and an efficient public administration.	0	18 063 357	0	0	0	0	18 063 357
12. Technical assistance	39 180 553	21 420 040	40 715 710	41 631 455	7 500 000	0	150 447 758
Total	2 401 252 452	638 555 428	1 349 414 695	1 074 576 782	139 833 742	29 010 639	5 632 643 738

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

Table:1.4.2. Youth employment initiation for thematic objective No. To promote employment and support mobility of workforce

YOI financing	29 010 639 (EUR)
Respective ESF financing	29 010 639(EUR)
Total financing	58 021 278 (EUR)

Table:1.4.3. Financing to Technical assistance allocation by regions where applicable

Fund	Category of regions to which applicable	Technical assistance financing (EUR)	Share of technical assistance in the framework of total financing (allocation by funds and categories of regions where applicable)
ERDF	Less developed region	39 180 553	1,6%
ERDF	Region in transition	0	0,0%
ERDF	Developed region	0	0,0%
ESF	Less developed region	21 420 040	3,4%
ESF	Region in transition	0	0,0%
ESF	Developed region	0	0,0%
CF	NA	40 715 710	3,0%
EAFRD	NA	42 983 071	4,0%
EMFF	NA	7 500 000	5,36 %"

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

Table 1.4.4. Share of the ESF financing in total ERDF and ESF financing

Share of ESF financing in the ERDF and ESF programming period 2007-2013 action programmes for convergence, regional competitiveness and employment objectives.	19,50%
Minimum share of Member State in ESF	20,70%
Share of the ESF financing in total ERDF and ESF financing in the programming period 2014 - 2020	21,01%

Table No.1.4.5.: Indicative support to climate change objectives allocation by thematic objectives (EUR)

Thematic objectives	ERDF	ESF	CF	EAFRD	EMFF	Total
1. Strengthening research, technological development and innovation	0	0	0	0	0	0
2. Enhancing access to, and use and quality of ICT	0	0	0	0	0	0
3. Enhancing competitiveness of the SME, as well as agriculture sector (concerning EAFRD) and fisheries and aquaculture sector (concerning EMFF)	0	0	0	4 080 000	7 320 000	11 400 000
4. Supporting the shift towards a low-carbon economy in all sectors	282 088 670	0	129 156 231	40 173 411	0	451 418 312
5. Promoting climate change adaptation, risk prevention and management	65 819 321	0	0	201 823430	0	267 642 751
6. Preservation and protection of the environment and promoting resource efficiency	0	0	63 767 610	201 823430	3 060 000	268 651 040
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures;	0	0	214 053 332	0	0	214 053 332
8. Promoting stable and quality employment and supporting labour mobility	0	0	0	0	4 998 000	4 998 000
9. Promoting social inclusion by combating poverty and any discrimination	0	0	0	21 491 536	0	21 491 536
10. Investing in education, training, and vocational training for skills and lifelong learning	0	0	0	0	0	0

11. Enhancing institutional capacity of public institutions and stakeholders and an efficient public administration.	0	0	0	0	0	0
12. TP	0	0	0	0	0	0
Total	347 907 991	0	406 977 173	469 391 807	15 378 000	1 239 654 971

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

Total indicative financing to objective of climate changes - 1 239 654 971 EUR (22.01%)

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

Table No.1.4.6: Indicative support transferred from the Pillar 1 of the CAP to EAFRD (financing to which calculation of execution reserve is not applicable)

Thematic objective	EAFRD (EUR)
3. Enhancing competitiveness of the SME, as well as agriculture sector (concerning EAFRD) and fisheries and aquaculture sector (concerning EMFF)	17 784 750
5. Promoting climate change adaptation, risk prevention and management	17 784 750
6. Preservation and protection of the environment and promoting resource efficiency	70 025 500

1.5. HORIZONTAL PRINCIPLES

1.5.1. Partnership principles

- (435) According to the government decision the MoF in Latvia is in charge for preparation of PA by involving all line ministries and main social and cooperation partners.
- (436) Consulting of the MoF with social and cooperation partners was done according to legislative acts concerning organization and ensuring of public involvement in drafting of programming document. Course of consultations for drafting of PA was done considering the following criteria:
1. operational experience of social and cooperation partners within the context of PA and OP priorities;
 2. information flow between the MoF and partners is mutual;
 3. partners undertake responsibility for cooperation with controlling authority and provide actual information to the MoF, inform own members and wider society on actual issues of planning of the EU structural funds for 2014 – 2020.
- (437) The partnership principle has been mutually implemented by providing, updating and analysing information included in the PA. Provision of information is ensured upon initiative of the MoF and partners by various groups of society throughout the entire territory of the country.
- (438) Fundamental requirements for implementation of partnership principle stipulated in the EC ESI funds regulations are primary ensured at the national level in the framework of legislative enactments of the LR, where development planning and approval of legislative documents process is regulated in the Cabinet Regulations No 300 “The Rules of Order of the Cabinet of Ministers” of 7 April 2007 and the Cabinet Regulations No 970 “Public involvement procedure in development planning process”, which provide for rights of public administration institutions and social partners, associations and establishments to express objections and recommendations concerning planning documents within the process of their approval. According to the above Cabinet regulations today public involvement in the current stage of planning is organized in the following forms: by attending interinstitutional work groups and advisory councils; by participation in public discussions; by attending public meetings; by submitting written opinion on the development planning document at the stage of its development.
- (439) Within framework of programming period 2007 – 2013 more than 600 training sessions have been held about participation in decision making processes, more than 7 300 various materials, studies, guidelines, leaflets, opinions, manuals have been developed as a result of which by the end of 31 December 2012 more than 4400 members and employees have been involved in activities of completed projects and by 30 June 2013 449 associations and establishments who were implementing or continued implementation of projects financed from CP funds. Number of associations and establishments who have signed the Cabinet Cooperation Memorandum has increased significantly (comparatively in early 2007 it was 90 associations and establishments, on 30 June 2013 – 352), which means that associations and establishments play ever increasing role, providing quality contribution to processes of drafting legislative acts and decision making.
- (440) Cooperation partners to be involved in the CP funds planning were selected by setting up the ISC of the programming period 2014 – 2020, and its composition was mainly based on the composition of SC for the programming period 2007 – 2013 and joined by the cooperation partners who had expressed interest in being involved in development of CP funds planning documents. The ISC regulations provide that its composition can be increased on the basis of wish by partners to get involved in its work. The criteria for further involvement of partners and their selection criteria are regulated in the Cabinet regulations on SC operations. Recommendations submitted by ministries on planned investments shall be submitted to the

MoF upon approval of cooperation partners. According to Article 11 of the Development planning system Law the financing of EU and other foreign financial instruments shall primarily be allocated considering state strategic priorities defined within NDP 2020.

- (441) Within course of development of NDP 2020 Latvian development, its priorities, objectives and target indicators were discussed. The NDP 2020 was developed in cooperation between PKC and representatives of public administration institutions, planning region representatives and municipalities, as well as by active involvement from the civil society – social and cooperation partners and society. Out of 32 members of the NDP 2020 management group half of members were representing public sector and a half was representatives of civil society.
- (442) Accordingly the preparation of PA was started after discussion on draft NDP 2020 with society and its approval at Saeima on 20 December 2012, on the basis of which planning of ESI funds was done in Latvia.
- (443) The partnership principle in development of PA and OP was nationally implemented in practice also through various separate forums, like National Tripartite Cooperation Council (triple sided social dialogue forum of national level), Working Group for Management of Reforms (a group set up after crisis for passing crucial reform decision for the country), Council for Implementation of Non-governmental Organizations and Cabinet Cooperation Memorandum (involvement of civic society in the work of state administration), including in discussions about PA.

Partnership platform for the planning process of CP funds, EAFRD and EMFF

- (444) According to the institutional framework of the ESI Funds for 2014-2020 in Latvia:
- 1) Managing Authority of the CP funds is the MoF which is in charge of preparing and implementing the OP of the CP funds;
 - 2) Managing Authority of the EAFRD and EMFF is the MoA which is in charge of preparing and implementing operational programmes of the EAFRD and EMFF.
- (445) When drafting planning documents, the managing authorities established, as an additional form for the implementation of the partnership principle and for ensuring quality of planning documents for the ESI Funds, the ISC, EAFRD Monitoring Committee (hereinafter in the text referred to as the “EAFRD Monitoring Committee”) but EMFF documents have been discussed in the Monitoring Committee of the European Maritime and Fisheries Fund for 2007-2013 (hereinafter in the text referred to as the “EMFF MC”).
- (446) The working principles of the ISC are stipulated in the Rules approved by the Ministry of Finance. It consists of representatives of the state and local government institutions involved in the implementation of the ESI Funds, territorial administration, social and economic partners, non-governmental organizations, as well as of the institutions involved in planning and implementation of the ESI funds. During the work process of the ISC it was enlarged for several times by involving representatives of various institutions which were interested in actively participating in the Interim Supervisory Committee. The following primary tasks were defined for the ISC:
1. supervise the process of developing the PA for the ESI Funds for the programming period of 2014-2020;
 2. supervise the process of developing the OP for the CP Funds for the programming period of 2014-2020;
 3. supervise the endorsement process of the PA and OP;
 4. supervise the process of negotiations with the EC on the approval of the PA and OP;
 5. agree on specific objectives and target values
- (447) The EAFRD ISC was established and it acts on the basis of the primary and work principles of the EAFRD SC for 2007-2013 (in accordance with the approved Rules). The EAFRD ISC and EMFF MC consists of representatives of the state and local government institutions, social and

economic partners and non-governmental organizations involved in the implementation of the EAFRD and EMFF, as well as of other institutions involved in planning and implementation of the EAFRD and EMFF. The following primary tasks were defined for the EAFRD ISC and EMFF MC:

1. discuss Latvia's priorities and strategic objectives for the implementation of the EAFRD and EMFF in the programming period of 2014-2020;
2. submit proposals to the Managing Authority (MoA) and discuss the measures/priorities to be financed in the framework of the operational programmes of the EAFRD and EMFF by examining advantages/disadvantages and potential threats/needs;
3. submit proposals to the Managing Authority (MoA) and agree on the breakdown of funding for the measures/priorities of the operational programmes of the EAFRD and EMFF.

(448) Involvement of partners and the public in drafting planning documents of the CP funds:

1. a working group has been set up, in which the line ministries prepared content for planning documents in line with the tasks defined in the NDP 2020 ; the proposals were respectively discussed;
2. proposals of the line ministries and the SC were discussed with cooperation partners at special meetings devoted to the discussing comments submitted by representatives of the public;
3. proposals regarding content of planning documents are discussed in the ISC by submitting these documents for written comments and by arranging discussions with the stakeholders;
4. alongside the endorsement process of planning documents the Managing Authority and the competent line ministries organize regular meetings with experts and cooperation partners in order to discuss strategic development of various industries in relation to the planning process of the ESI Funds.

(449) Involvement of partners and the public in drafting planning documents of the EAFRD and EMFF:

1. regional conferences and discussions have been organized in order to discuss the implementation of the EAFRD and EMFF in 2014-2020 (involving cooperation partners and the public);
2. working groups and expert meetings have been organized in order to discuss the implementation of the EAFRD and EMFF in 2014-2020;
3. high level meetings with cooperation partners have been organized in order to discuss Latvia's priorities and strategic objectives for the programming period 2014-2020, as well as the breakdown of funding for the measures/priorities to be financed in the framework of the operational programmes of the EAFRD and EMFF.

Proposals by partners during the PA and OP drafting process

(450) Within course of drafting of PA more than 30 topical discussions were organized, public discussion procedure of the draft programming documents of 2014 – 2020 was organized, and participation in several conferences organized by local governments and partners was ensured, where partners stakeholder persons and organization had expressed their objections and recommendations, which were analysed within course of drafting of document and duly incorporated in the PA. Constructive and productive cooperation with partners was one of the preconditions for process of development of this document.

(451) Cooperation partners who expressed objections and recommendations regarding information provided by line ministries were invited to meetings within period of time from February, 2013 to end of April in order to mutually discuss comments submitted. In addition in May 2013 the first public discussion of the draft PA was done, allowing for wider public to contribute to

contents of the draft. From 29 July 2013 to 29 August repeated public discussion of PA and OP “Growth and employment” was organized, and at the same time drafts of PA and OP “Growth and employment” were submitted for assessment within framework of CSF procedure. Within process of developing OP “Growth and employment” more than 30 topical discussions were organized, as well participation conferences organized by municipalities and partners, where partners and stakeholders persons and organizations expressed their objections and recommendations, which were analysed within course of drafting of document and incorporated in the OP “Growth and employment”

- (452) Majority of partners invited to expand territory for implementation of specific objectives, increase amount of planned financing, including for certain specific objectives, expand range of beneficiaries of financing (especially by associations and establishments), as well as suggested to define new specific objectives, which were not included in NDP 2020 or are not supported from CP funds.
- (453) Alongside with PA approval process the line ministries in charge are organizing independent meetings with experts, cooperation partners on issues of implementation of ESI funds in the programming period 2014 – 2020, which are concerned with contents of PA and OP.
- (454) Objections and proposals concerning the PA were submitted by the planning regions, local government organizations and municipalities, including the Latvian Association of Local and Regional Governments, Association of the Major Urban areas of Latvia, City Councils and organizations of employers and employees – Free Trade Union Federation of Latvia and Employers’ Confederation of Latvia (ECL), various NGOs and associations – Latvian Association of Commercial Banks, Latvian Fund for Nature, Environmental Consultative Council, Latvian Rural Forum, European Movement – Latvia, Latvian Parent Movement, etc. The most active to contribute to this process were associations and establishments, societies and municipalities. List of all involved partners is given in the Annex to PA.
- (455) Within course of review of PA several comments were received about wider involvement of associations and establishments in the ESI funds programming period 2014 – 2020, as a result of which the range of potential beneficiaries of financing was expanded.
- (456) The planning regions, local government organizations and municipalities repeatedly called for their involvement in planning and implementing the next ESI Funds’ programming period of 2014-2020 by also noting that the PA should be more based on the NAP2020. Respective additional meetings concerning development of PA and OP were organized with the above partners.
- (457) Regarding the shift towards a low-carbon economy , as well as adaptation to climate change NGO partners pointed out that energy efficiency measures should also be undertaken in buildings managed by NGOs, and also that option should be provided to combine use of small scale RES with energy efficiency measures. The partners also noted that funding in these industries should be focused on an ecosystem-based approach. Regarding environmental protection the necessity to protect biological diversity was emphasized without limiting support only in Natura 2000 areas.
- (458) Concerning the area of science and research, cooperation partners invited to provide more grants to young scientists for performance of research. Recommendations were approved by increasing initially planned support to higher education and science. The recommendation of ECL was considered to define business incubation in regions as a supported area.
- (459) Several partners expressed their proposals for an integrated spatial development by suggesting a review of the definition of rural areas in order to ensure that several areas near Riga and Daugavpils are also eligible for the ESI Funds.
- (460) Regarding employment and social inclusion the partners emphasized the necessity for wider involvement of municipal social services, as well as supporting mobility of workforce. They also asked to demonstrate how the mobility of labour would be supported, especially in remote

territories; several improvements of wording were proposed, including by emphasizing close cooperation with social services of municipalities in implementation of social inclusion measures, by defining target groups subject to poverty risk in more detail.

- (461) They also stressed the importance of involving parents in achieving a more successful study process, thus specific measures for parent involvement in the study process were defined in the operational programme “Growth and employment” of the CP funds. These proposals have been examined and integrated in the PA and OP according to their content.
- (462) Regarding reduction of the administrative burden the partners indicated the necessity to form a uniform support network for the CP funds in order to provide compatibility and a common information system, thus ensuring availability of information for potential applicants in every region. Regarding this proposal it is planned to develop respective suggestions for a common IT system by December 2013.
- (463) Recommendation of associations and establishment was considered regarding need to strengthen capacity of partners, as a result of which training of representatives elected in the SC is planned in order to raise involvement capacity.
- (464) Recommendation of municipalities was taken into account that municipalities with very low population density, such as eastern borderland and coastal areas, as well as municipalities of northern and southern borderland area need integrated approach programmes of support. They asked to consider also particularities of population structure in these municipalities, as well as extremely bad quality of roads, low number of public transportation routes and intensity.
- (465) The proposal of municipalities was considered in part - to determine that state institutions will provide every resident and entrepreneur with internet connection, i.e. the last mile in territories, where enterprises are not offering such services, and the proposal that access to internet and telecommunications will be ensured also to socially least protection persons, especially for children to support study process was also considered in part and explanation was given that in order to define places where broad band internet coverage is required, the “White territories” were identified, which are set according to the “Community Guidelines for the application of State aid rules in relation to rapid deployment of broadband networks” (2009/C 235/04), and include not only rural areas.

Involvement of partners in further implementation, supervision and assessment of the ESI Funds in the programming period 2014-2020

- (466) In the programming period of 2014–2020 it is planned to involve partners in an extensive and targeted way in rendering services for the attainment of industry objectives related, for instance, to social inclusion, employment, enhancement of business environment, environmental protection, education, etc. based on NGO expertise, thus ensuring the use of intellectual potential of the social partners within the respective industries.
- (467) According to the provisions of Articles 41 and 42 of the Proposal for a Regulation, as well as in further implementing of good practices of the CP funds in the programming period of 2007-2013, the primary form for the involvement of partners used by the managing authorities upon approval of planning documents of the ESI Funds will be the SC of the CP funds, EAFRD SC and EMFF SC by involving representatives both of public administration institutions and planning regions and of social partners and NGOs. All SCs of the ESI Funds will mainly be focused on ensuring implementation and supervision of the ESI Funds by involving representatives from a wide range of partners.
- (468) The Managing Authority of the CP funds will form a consultative working group for thematic assessment of the CP funds aimed at arranging assessments regarding the priority lines, thematic objectives and investment priorities of the operational programme for the PA and CP funds in order to determine efficiency of implementation in a specific time period. In the ESI Funds assessment process the partnership principle will be implemented by involving in the

working group those partners who participate in planning, implementation and supervision of the CP funds. The working group will involve representatives of the managing group of the EAFRD and EMFF and, if necessary, respective experts in order to ensure complementarity and synergy of the ESI Funds.

- (469) In the programming period of 2014-2020 of the CP Funds the managing authorities will further employ the practice applied with regard to the EU funds in the programming period of 2007-2013 and in preparing annual reports on the implementation of the operational programmes of the EC and ESI Funds the process of endorsement with the partners will be organized through the SC.
- (470) The Managing Authority of the CP funds will also inform participants of the SC about the periodical progress reports to the Government.

1.5.2. Promotion of equality between men and women, non-discrimination and accessibility

- (471) In order to support efficient, integrated and coordinated resolution of **gender-equality** related issues, on 16 October 2001 the Cabinet of Ministers approved “Concept Paper on Gender Equality Implementation”; on the basis of this document on 17 January 2012 the Cabinet approved “Plan for Gender Equality Implementation in 2012-2014” which is effective during the preparation process of the PA. The Plan envisages four lines of action and respective implementation activities:
1. reduction of gender roles and stereotypes,
 2. promotion of healthy and environmentally-friendly lifestyles of women and men,
 3. promotion of economic independence of women and men and of their equal opportunities on the labour market,
 4. supervision and assessment of the gender equality policy aimed at integrating the gender aspect in industry policies.
- (472) As of 1999 the MW is a responsible institution for coordinating gender equality matters in Latvia. By an order of the Minister for Welfare the Gender Equality Committee was established which is a coordinating body in the gender equality policy area by encouraging cooperation and involvement of ministries, the cooperation and participation of municipalities and other social partners in order to support implementation, monitoring and enhancement of the gender equality policy. The Committee consists of representatives of state institutions, and representatives of cooperation partners. For more efficient implementation of an integrated approach to gender equality in all ministries and in all policy areas, each ministry has appointed an official in charge of gender equality matters, including implementation of the integrated gender equality approach in every industry.
- (473) Ombudsman's Office is a body for the promotion of equal treatment in accordance with Directive 2004/113/EC of the EU Council of 13 December 2004 and the Ombudsman Law effective as of 1 January 2007 implementing the principle of equal treatment between men and women and removal of discrimination of any kind in the access to and supply of goods and services, as well as Council Directive 2006/54/EC of 5 July 2006 on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. **The non-discrimination principle** is, first of all, enshrined in the Satversme (Constitution) of the Republic of Latvia. Its Chapter VIII “Fundamental Human Rights” includes a reference to international documents (Article 89) and defines the primary principle of equal opportunities (Article 91): “*All human beings in Latvia shall be equal before the law and the courts. Human rights shall be realised without discrimination of any kind*”. As regards prevention of discrimination Latvia has formed its legal system according to an integrated approach, namely, prohibition of discrimination is envisaged in regulatory acts of

various industries (for instance, Labour Law) without adopting a separate law on prohibition of discrimination.

- (474) Latvia has ratified the United Nations Convention on the Rights of Persons with Disabilities which is effective in Latvia since 31 May 2010. In accordance with the Law “On the Convention on the Rights of Persons with Disabilities” of 17 February 2010 the implementation of this Convention is coordinated by the MW and supervised by the Ombudsman’s Office. One of the most essential aspects of equal opportunities – **ensuring accessibility for persons with disabilities** – cannot be considered by disregarding other groups of the society (the old, small children, parents with baby carriages, etc.) who due to various circumstances have limited access to the infrastructure of specific services. The effective legal acts on construction stipulate the compulsory conditions for accessibility of the environment. The same applies to public transport and its infrastructure – ensuring its accessibility is defined by EU directives and tasks stipulated in the respective policy planning documents, as well as criteria are defined to provide accessibility to health care.
- (475) In order to implement the horizontal principle defined in the proposed EU regulations¹⁵⁹ – gender equality, non-discrimination, and accessibility, the Cabinet of Ministers will adopt its national-level regulation to delegate the responsibility for coordination of the horizontal principle to the institution involved in managing the ESI Funds – the MW in cooperation with its partners. This way MW’s competence and Ministry’s experience gained in coordinating the implementation of the horizontal principle “Equal opportunities” in the programming period of 2007-2013 will be used in planning and coordinating the policy of equal opportunities. In the programming period of 2014–2020 the implementation of the horizontal principle envisaged in the proposed EC regulations – gender equality, non-discrimination, and accessibility – will be coordinated within a common framing, namely, as the **horizontal principle “Equal opportunities”**.
- (476) In every phase of the ESI Funds programme cycle the implementation of the horizontal principle “Equal opportunities” will include the following steps.
- (477) Preparation (planning) of programmes – the coordinating authority of the horizontal principle “Equal opportunities” will assess compliance of policy planning documents (draft operational programmes) with the horizontal principles and, if necessary, propose complementing the future measures with specific activities in order to ensure the integration of the principle of equal opportunities into these operational programmes.
- (478) In the area of equal opportunities and non-discrimination influence on horizontal principle “Equal opportunities” will be assessed for each specific OP objective: direct positive influence, indirect positive influence, no influence whatsoever.
- (479) In preparation of programmes (planning) in line with recommendations of Audit institution for a specific objective with direct positive influence on HP “Equal opportunities” the analysis of planned actions will be performed by sex, age, disability, etc. perspectives, identification of needs of target groups and situation, in certain cases target objectives will be set for ensuring equal rights aimed at reduction of identified differences or inequality, and also specific indicators will be set in order to ensure supervision and assessment, and specific activities will be planned to be supported.
- (480) Regarding organization of programme implementation (introduction) and organization of selection of projects the activities related to the integration of the horizontal principles will include: (i) defining specific criteria for project selection when achievement of a specific objective directly influences provision of equal opportunities, (ii) assessment of compliance of draft legal acts with the horizontal principles, (iii) consulting and ensuring methodological

¹⁵⁹ The EC initial proposal on the General Regulation COM(2011) 615 final editorial version Article 7

support to applicants, promoters and assessors of projects for the ESI Funds, as well as to the institutions involved in the management and control of ESI Funds.

- (481) Programme supervision and assessment – (i) the MC of the operational programmes will involve a representative of the coordinating institution of the horizontal principle “Equal opportunities” and representatives of non-governmental organizations in order to express their opinions about aspects related to equal opportunities and non-discrimination, (ii) implementation reports on the operational programmes will include information about the introduction of the horizontal principles, (iii) evaluations regarding the application of the principles of equal opportunities will be conducted according to the requirements defined in the ESI Funds regulations.

1.5.3. Sustainable development

- (482) To ensure sustainable and balanced development of Latvia, efficient use of natural resources, development of low carbon economy, as well as biodiversity conservation are substantial, especially during the growth of an economic activity that follows the objective of spatial development perspective determined in the sustainable development strategy of Latvia “Latvija 2030”: “To create equal life and work conditions for all inhabitants regardless of the place of residence by facilitating entrepreneurship in regions, developing transport and communications infrastructure and public services.” An impact of the specific objectives and measures on implementation of the horizontal principle “Sustainable development” is evaluated during the planning of the ESI Funds; the impact is assessed in accordance with the established criteria, which include:

- Reduction of emissions of pollutants into the environment;
- Reduction of GHG emissions;
- Waste water management;
- Protection and management of groundwater and surface water;
- Biodiversity conservation and protection of landscapes;
- Efficient use and management of natural and energy resources;
- Waste management and prevention;
- Decrease of noise and vibration (except protection of working place);
- Research and education devoted to environmental protection;
- Mitigation, prevention of environmental and climate risks.

- (483) During implementation of the ESI Funds programmes special attention is paid to the specific objectives and measures, which have direct positive influence. In such cases it is mandatory to apply specific assessment criteria during the project selection procedures, so that support of the ESI Funds would be primarily granted to the projects, which have larger positive long-term influence on implementation of the horizontal policy, including introduction of waste management hierarchy, waste prevention and reduction of the amounts of generated waste and its hazardousness. Integration of the horizontal principle “Sustainable development” comprises also inclusion of the supported activities aimed at environmental quality maintenance and climate change mitigation in the requirements for the implementation of the measures even if in the cases, when the projects may have an adverse impact on the environment and climate change.
- (484) Application of the principle of sustainable and balanced development will promote efficient use of the existing resources, while use of new resources will be in line with the EC Roadmap to a Resource Efficient Europe and Europe 2020, for instance, waste prevention and reuse, use of renewable energy in industrial, public and dwelling houses. It is envisaged that research, innovation and technologies will have a significant role in this process, as they will encourage

creation of new efficient use of resources in the economy. Eco-innovations will gain extensive support.

- (485) At the same time the horizontal principle will be also aimed at maintenance of good environmental status of marine waters as required by the Marine Strategy Directive. The measures envisaged under the horizontal principle will stimulate marine protection and ensure that the total impact on the marine environment is kept to the level, which corresponds with the achievement of good environmental status of marine waters. The measures will also ensure that alterations triggered by humans do not endanger resilience of the marine ecosystems, at the same time making possible sustainable use of marine goods and services for this and future generations. The project selection criteria will ensure allocation of the ESI Funds' investments to the most resources efficient and most sustainable options.
- (486) It is important to emphasize that the horizontal principle includes also principles that promote implementation of the main objectives of the EC Blue Growth initiative on sustainable management of marine and coastal areas, which will ensure growth of the marine-related sectors and will also assist in the protection of unique and diverse coastline and ecosystems that host invaluable habitats of plants and animals. In 2014-2020, a special attention will be paid also to the development of such aquaculture, which ensures a high level of environmental protection and encourages more sustainable use of resources; the aquaculture that has a positive impact on ecosystems will be primarily supported.
- (487) One of the main prerequisites for receiving of support for stimulation of economic activity will be a mandatory application of "polluter pays" principle. When developing infrastructure for provision of public utilities services (water management, energy supply and production, waste disposal) and improvement of their efficiency, the principle "polluter pays" will be applied in the calculation of fee for the services provides (tariff). This is also an underlying principle for NRT calculations – according to the Law on Natural Resources Tax, the purpose of the NRT is to promote economically feasible use of natural resources, decrease of environmental pollution, reduction of manufacturing and realization of environmentally polluting products, promotion of implementation of new, environmentally friendly technologies, support sustainable development of economy, as well as to provide funding for financial support to environmental protection activities. The NRT is primary built as a motivating instrument for promotion of environmental protection not as a source of revenues in state and municipal budgets, therefore enterprises can apply for relief from obligation to pay NRT.
- (488) Instruments applied in the field of waste management are a fee for waste management, a tariff for disposal of waste, a natural resources tax, which not only puts into practice the "polluter pays" principle, but also facilitates application of the principle of producer's responsibility.
- (489) As of 1 July 2009, the NRT rates for disposal of waste have been gradually increased by setting various tax rates depending on hazardousness and environmental impact of waste.
- (490) To ensure reasonable and efficient management of water resources in Latvia, a fee for water services (tariffs for water supply and wastewater collection and treatment services) is applied; also a natural resources tax for water abstraction and water pollution shall be paid if water abstraction exceeds 10 m³ per day or wastewater discharge exceeds 5 m³ per day. The tax rate depends on the chemical contents and type of abstracted groundwater (the rate is higher for the abstraction of high value groundwater) and, in the case of discharges, the tax rate depends on the hazardousness of discharged pollutants. Water abstraction for the needs of households, industry and agricultural production is subject to the natural resources tax. Losses to fish resources caused by the operation of all hydropower stations are calculated and must be compensated. "Latvenergo AS", which operates a cascade of three large hydropower stations on the River Daugava covers the costs of strengthening of the river banks and operational costs of the protective engineering structures of the Riga Hydropower plant. Since 2014 small hydroelectric power stations with a total installed capacity below 2 MW, which use water for

electricity production, also shall pay a natural resources tax. At the same time administrative surveillance and control is ensured by a permitting system; permit conditions regulate both use of natural resources and acceptable emissions of pollutants into the environment. There are rules on administrative liability for the damages to the environment, including, inter alia, damages to fish resources, as well as on the prevention and compensation of such damages.

- (491) DP ex-ante evaluation is carried out within the framework of the strategic environmental impact assessment, which will determine the DP impact on the environment, with that identifying of the initial DP link with the horizontal principle.
- (492) Similarly to the programming period of 2007-2013 it is recommended to apply the so-called “green procurement” in the implementation of the projects co-financed by the ESI Funds, in line with the priority categories of products and services defined in the future plan for the promotion of green public procurement; “green procurement” is determined as one of the indicators for the control of implementation of the horizontal principle.
- (493) Promotion of horizontal priority will be ensured by investments in respective thematic objectives by specific objectives implementing within framework of PA with direct and consecutive indirect environmental impact, especially for implementation of the environmental *acquis* in water, waste and biodiversity conservation sector, reducing emissions of pollutants into the Baltic Sea.
- (494) During the implementation of the horizontal principle a possibility to use the CO2MPARE tool will be evaluated. The CO2MPARE tool will not be used if the national level evaluation mechanism, sufficient for the reporting required by the Framework Regulation, will be established.

1.5.4. Horizontal policy aim

- (495) The aim of the horizontal policy is to align economic, social and environmental interests with the necessity to maximise the positive impacts of activities for the general public.
- (496) Taking into account that has been said in EU Blue Growth long-term strategy (COM/2012/0494), ESI funds will be channeled to the functional linking aspects of the sea and seashore. The major impact on the areas of promotion referred to in the EU Blue Growth long-term strategy is expected from investments in aquaculture and coastal development. Measures of the programming period 2014-2020 will stimulate a rational use of sea resources and the development of employment opportunities. Integrating aquaculture into the overall management of the fisheries, creation of new jobs will be facilitated in regions affected by fishing exhaustion. Channeling of investments to the coastal development will mold attractive conditions for the development of entrepreneurship, incl. creation of new jobs.
- (497) Use of the coastal potential and environmentally friendly technologies is Latvia’s contribution to implementation of the EU Blue Growth long-term strategy.
- (498) Therefore specific aims are defined for the horizontal principles “Equal opportunities” and “Sustainable development”:
 1. To promote attraction of human resources to science and motivation for scientific work irrespectively of gender, race, ethnic origin, disability, and other factors, this way supporting the principle of equal opportunities in the measures undertaken.
 2. To, to ensure equal opportunities for the whole population, including groups of persons in an unfavourable position (disabled persons, old people, ethnic minorities and other groups at risk of social exclusion), to receive services and participate in the political, economic, social and cultural life of the society.
 3. To foster the necessary conditions and equal opportunities of the whole population, including disadvantaged , for business development, as well as to ensure accessibility of the infrastructure of the cultural and creative industries for disabled persons and persons

- with functional disorders by supporting investments into enhanced competitiveness of SMEs.
4. To ensure the environmental and informative accessibility for disabled persons and persons with functional disorders in all renovated public buildings by investing in the renovation of buildings.
 5. To ensure accessibility of the environment and services for persons with functional disorders by developing the infrastructure in Natura 2000 areas.
 6. To ensure accessibility of international, national and regional development centres from the surrounding areas by providing access to public transport for persons with functional disorders.
 7. To reduce barriers to for employment by supporting disadvantaged persons in finding jobs or in engaging in other activities which promote employment and independent life as a result of the programme implementation.
 8. To provide access to education for disabled persons, elderly people, youth with low primary skills, ethnic minorities, as well as to decrease gender segregation in education, by facilitating investments in accessibility to education and improvement of qualification,.
 9. To limit country's gross GHG emissions so that they do not exceed 12.19 million tons of CO₂ equivalent annually in 2020 and to ensure a proportion of 40 % share of renewable energy in gross total energy consumption in 2020, also ensuring a 10 % share of renewable resources use in public transport in order to ensure climate change and more efficient use of resources.
 10. To promote application of "green procurement" in implementation of projects co-financed from ESI funds.
 11. To undertake measures aimed at enhancing waste and water management systems and at protecting the biological diversity in order to preserve high quality of the environment and reduce the environmental pollution in environmental protection sector.
 12. To improve efficiency of heat sources and reduce heat losses in the transmission and distribution system, by supporting investments into water management, energy supply and production infrastructure, as well as, to promote waste recycling through the development of separate waste collection by applying the "polluter pays" principle in determining the service charges (tariffs).
 13. To focus investments on the construction and reconstruction of hydro-technical installations in the programming period of 2014-2020, with the aim of adapting to climate change and reducing the risk of flooding.
 14. To invest into the enhancement and improvement of technical resources for environmental monitoring and control, including control of fishing in inland waters, according to the EU requirements and into promoting of "green thinking" of the public for sustainable life and more efficient use of economic potential in the programming period of 2014-2020, with the aim of ensuring the general public and competent authorities with timely and quality information.
 15. To support development of new innovative resource-saving technologies by ensuring accessibility of this innovative approach for business development in order to reduce emissions of polluting substances in energy, industry and transport sectors. Another essential precondition for long-term competitiveness is the development of low-carbon production and services and complex solutions for reduced emissions of carbon dioxide, including enhanced energy efficiency of production processes and buildings and an improved energy supply infrastructure in order to ensure environmentally-friendly activities and technologies.

16. To support transition of the transport sector, which is a major source of GHG emissions, from fossil fuels to bio methane and electricity for purposes of climate change mitigation. In order to reduce environmental pressures of transport, it is planned to develop public transport and to support use of alternative fuels and energy-efficient modes of transport.
17. To promote sustainable development, attention will be paid to direct investments in the environmental protection, including introduction of environmental *acquis*, as well as integration of environmental protection issues in the conditions for implementation of activities. To reduce emissions of polluting substances in the areas of energy, industry and transportation sectors, development of new innovative resource-saving technologies the development of new energy resources will be supported, thus making these investments available for development of economic activities. At the same time important precondition for long term competitiveness is development of low carbon content production and services and complex solutions for reduction of carbon emissions, including increase of energy efficiency of buildings and production processes and improvement of energy supply infrastructure for introduction of environmentally friendly activities and application of technologies.
18. Alongside with measures which have direct long-term influence on achievement of objectives of horizontal principle “Sustainable development”, indirect impact can be expected from support to engineering science and technologies development, as well as education development measures, developing within innovation area the solutions aimed at use of best available technical methods and cleaner production, which in a long term will bring Latvia to “low carbon” economy. By supporting economic development measures it shall not be allowed to see natural resources as means for achievement of economic growth, therefore specific project selection criteria will be applied, thus ensuring priority support to projects with long-term impact in the area of improvement of quality of environment and efficiency of use of resources. While in the selection of project applications for development of transportation system, implementation of additional measures will be assessed for reduction of negative environmental impact.
19. According to methodologies developed by the MW and EPRDM concerning influence of specific support objective to HP, more detailed information about level of influence, corresponding specific activities and indicators is determined in legislative documents of national level. The project assessment criteria will provide for need to assess conformity with the horizontal policy objectives by determining which criteria has to be fulfilled in order to project to be approved.

1.6. LIST OF ERDF, ESF, CF, YEI PROGRAMMES, EXCEPT THE ONES IMPLEMENTED WITHIN FRAMEWORK OF EUROPEAN TERRITORIAL COOPERATION OBJECTIVE, AS WELL AS EAFRD AND EMFF WITH INDICATIVE FINANCING FROM ESI FUNDS ALLOCATION BY YEARS

(499) In the programming period of 2014-2020 the following operational programmes will be developed and submitted to the ECAP:

1. The MoF is developing a programme for the implementation of the ERDF, ESF, YEI and the CF: operational programme “Growth and employment”;
2. the MoA is developing the following OP for the implementation of the EAFRD and EMFF¹⁶⁰:

¹⁶⁰ Informative report of the Ministry of Agriculture “On the Measures Financed by the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund”

- 2.1. Programme for Rural Development of Latvia in 2014-2020 which will be financed by the European Agricultural Fund for Rural Development;
- 2.2. Action Programme for the Development of Fisheries in 2014-2020, which is financed from EMFF

(500) The table below provides information concerning the annual allocation of funding among the programmes during the programming period.



Table 1.6.1.: OP financing allocation by years during the programming period (in current EUR prices) (total EU financing including execution reserve)

Programme title	ESI funds	Total	2014	2015	2016	2017	2018	2019	2020
Growth and employment	ESF, ERDF, CF, YEI	4 418 233 214	562 536 662	585 621 928	601 208 765	627 020 241	653 249 243	680 619 451	707 976 924
RDP 2014-2020	EAFRD	1 074 576 782	138 327 376	153 439 462	153 001 059	155 030 289	157 056 528	159 093 589	161 099 517
ZOP 2014-2020	EMFF	139 833 742	19 167 006	19 411 862	19 589 309	19 906 810	20 370 021	20 509 307	20 879 427
TOTAL	TOTAL	5 632 643 738	720 031 044	756 002 214	773 799 133	801 957 340	830 675 792	860 222 347	889 955 868

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

1.7. PLANNED CHANGES OF STRUCTURAL FUNDS INVESTMENT BY CATEGORIES OF REGIONS

Category of region	Amount of financing according to EC decision (...) EUR	Transformed to	Redistributed amount (EUR)	Share of financial amount in the category of Region where from financing was redistributed (%)	Financing amount after transformation (EUR)
Less developed region		Transition region			
		More developed region			
Transition region		Less developed region			
		More developed region			
More developed region		Less developed region			
		Transition region			

[this section is not applicable]

1.8. TRANSFORMATION FROM ETC TARGETED INVESTMENTS TO GROWTH AND EMPLOYMENT OBJECTIVES

Transformation to	Redistributed amount (EUR)
Less developed region	
Transition region	
Transition region	

[this section is not applicable]

1.9. TECHNICAL ASSISTANCE TRANSFORMATION REQUEST EC

Fund	Category of region	Year	2014	2015	2016	2017	2018	2019	2020

[this section is not applicable]

**1.10. INFORMATION ON PLANNED FINANCING FOR EXECUTION RESERVE ALLOCATION
BY ESI FUNDS, WHERE APPLICABLE, REGIONAL CATEGORIES AND NOT
ATTRIBUTABLE FINANCING VOLUMES FOR CALCULATION OF EXECUTION RESERVE
(EUR)**

Fund	Category of region	Total EU support	Respective ESF support to YOI	CAP support	EU support to execution reserve	Execution reserve	Execution reserve as a part from the EU financing to the execution
ERDF	Less developed region	2 401 252 452			2 401 252 452	144 075 147	6%
ERDF	Transition region	0			0	0	0%
ERDF	Developed region	0			0	0	0%
ERDF	Special allocation to remote or scarcely populated regions	0			0	0	0%
ERDF Total:					2 401 252 452	144 075 147	6%
ESF	Less developed region	638 555 428	29 010 639		609 544 789	36 572 687	6%
ESF	Transition region	0	0		0	0	0%
ESF	Developed region	0	0		0	0	0%
ESF Total:					609 544 789	36 572 687	6%
EAFRD	NA	1 074 576 782		105 595 000	968 981 782	58 138 907	6%
CF	NA	1 349 414 695			1 349 414 695	80 964 882	6%
EMFF	NA	139 833 742			139 833 742	8 390 025	6%
Total (all funds)		5 603 633 099	29 010 639	105 595 000	5 469 027 460	328 141 648	6%

(With modifications approved by the Cabinet of Ministers of Latvia with order No363 (23.07.2014.))

2. MEASURES TOWARDS EFFICIENT IMPLEMENTATION OF ESI FUNDS

2.1. COORDINATION OF THE AID

- (501) The ESI regulation proposals and the EC position paper emphasize the coordination, complementarity and synergy of the ESI Funds and other EU and other foreign financial instruments. There is a need to have versatile coordination of investments in order to secure that they do not overlap, are complementary and conducive to the achievement of strategy „Europe 2020”, strategy for the Baltic Sea Region and objectives defined by the EC.
- (502) Development of planning documents for ESI Funds for year 2014–2020 shall be performed on the basis of priorities and objectives set by NDP 2020, and implementation instrument thereof shall be state and municipal budget resources, investment of Cohesion Policy and Common Agricultural Policy Funds, and other investment instruments of the EU budget, EU and other foreign financial aid instruments, and private funding, thus the MoF as the developer of the PA in cooperation with the CSCC and the MoA shall perform coordination of all the aforementioned financial resources held in shared management, providing the PA defined objectives focused investment.
- (503) In addition, to provide the supervision of the NDP 2020 and compliance with coordination principles in respect of ESI Funds and other foreign financial instruments and aid, and integrated territorial development, the MoF shall establish a PA Management Team. Within it planning, attraction and supreme level supervision of appropriate financing of activities provided by the PA and being under implementation shall be ensured, providing involvement of ministries of all industries, the State Chancellery, partners of planning regions and cooperation.
- (504) OP of the CP Funds is created by the MC, which allows providing coordination of the planned investments by concentrating information regarding all three CP Funds at one spot. In order to ensure administration, more efficient implementation and supervision of priority axis, a MC subcommittee shall be established. The objective of the subcommittee/-s shall be to ensure cooperation, exchange of information and involvement of line ministries, planning regions and cooperation partners, in planning of objectives, determining criteria for project applications, drafting of legal acts, implementation and supervision thereof, to ensure timely solution of identified planning and implementation problems, by promoting efficiency.
- (505) The State aid at the moment of granting thereof shall correspond to the effective state aid procedures and terms, by identifying to which EC document related to the state aid the activities correspond to.
- (506) It shall be relevant to coordinate CP Funds with EAFRD, EMFF, ETC programme and other foreign financial assistance and mutual coordination of CP funding programme, by ensuring a mutual synergy of the ETC programs and non-overlapping with the OP, as well as a consistency with EUSBRS goals and priority areas and horizontal actions.
- (507) In order to ensure coordination with EAFRD and EMFF, during the preparation of the OP the MoF consulted with the MoA, the responsible line ministry, regarding the measures and conditionality for the funding to be included in the planning documents. Within the implementation procedure of the OP coordination will be ensured by attendance of representative of the leading institution at supervision committees of the EAFRD and the EMFF (Management Teams), and by attendance of representative of the MoA at supervision Committee of the CP Funds OP.
- (508) In respect to ETC programme, the EPRDM has established advisory working group for the ETC programmes, by involving representatives of ministries, the CSCC, planning regions and social partners with a task to supervise preparation process of the ETC programmes and linking thereof to the NDP 2020. Priorities of the ETC programmes are set according to the national position of

Latvia and priorities of ETC set for all member states. Considering a possible overlapping of APs of the ETC and CP Funds, all ETC programmes shall be liaised with the MoF, providing the coordination of the both objectives of Cohesion Policy.

- (509) For the implementation and supervision of the ETC programmes the current experience of the programming period for year 2007- 2013 will be applied. Accordingly, a national subcommittee of the EU Structural Fund objective's ETC programmes will be established to ensure advisory functions to the responsible national body in respect to conformity of the submitted projects to the national and regional planning documents, priorities thereof, approval or rejection of project applications submitted by partners of Latvia, presenting of additional conditions for funding within supervising committee of the respective programme. In order to provide access to information regarding activities supported within the framework of the ETC programmes, the national responsible body will inform other institutions involved in the implementation of ESI Funds and financial instruments.
- (510) According to the national position No.3 approved by the Cabinet of Ministers on 21 August 2009, the MFA shall perform the functions of the national coordinator. In order to ensure a full-bodied involvement of Latvia in the implementation of the EUSBSR Action Plan, a coordination framework has been established. On 25 August 2009, by order of the Cabinet of Ministers No.577, a working group was established (expanded by order No.134 of the Cabinet of Ministers of 21 March 2012), in order to coordinate implementation of the EUSBSR Action Plan.
- (511) Each ministry of the specific industry shall be responsible for involvement of Latvia in each priority of the EUSBSR Action Plan. Ministries are encouraged to identify and promote in each dialogue with social partners the implementation within the framework of the EUSBSR Action Plan of regional cooperation projects concerning their particular industry, and that are significant for Latvia. Respectively, sectorial ministries or institutions thus is expected to ensure the identification of national interests and attraction of financing for EUSBSR projects in their respective field using both national and ESI funds.
- (512) To ensure the coordination between CP funds, EAFRD, EMFF and ETC and consistency with goals and priority areas of EUSBSR mechanisms of several levels are envisaged: involvement of EUSBSR National Contact Point in PA Management Team and Monitoring committees of the respective OPs as well as participation of MoF as PA coordinator in EUSBSR working group in MoFA. It is envisaged, that this will lead to the exchange of actual information and coordination of activities resulting in funding of projects significant to EUSBSR.
- (513) The working group includes representatives of all ministries, as well as ECL, LALRG and CSCC, who shall be responsible for cooperation of the respective ministry with the priority coordinators, analysis of projects included in the EUSBSR Action Plan and implementation thereof, evaluation and promotion of new project ideas. The working group involves representatives of the leading authorities, and within its framework a coordinated exchange of information on existing and planned projects is ensured towards the achievement of the EUSBSR objectives.
- (514) For a successful achievement of the objectives set by NDP 2014-2020 and strategy „Europe 2020”, complementarity of the ESI Funds and different financial instruments of the EC direct and shared management is possible in the following priority axis:

Research, technological development and innovation

- (515) Complementarity and synergies between “Horizon 2020” and ESI funds for fundamental research in science and technologies as well as to foster innovation are possible with an objective to promote closer cooperation between scientists, businesses and the public sector and to promote international cooperation.

In order to stimulate the participation of Latvia in infrastructure and implementation of projects in the European Research Area (ERA) and the European Strategy Forum on Research Infrastructures

(ESFRI), support will be granted by means of institutional grant for preparation of applications on international cooperation projects and providing of co-financing for participation of the Latvian scientific institutions in international research and technology development programmes within the framework of the ERA. Likewise, complementarity in research is possible within the framework of FP7 initiative, for example, in health and environment.

- (516) As to research, complementarity will be ensured with the support of Marie Curie Research Fellowship Programme for mobility of human resources, which is focused on providing mobility of scientists and possibility to gain experience, as well as to learn new and/ or additional skills at any of scientific institutions or institutions of higher education of the EU Member States or third countries.
- (517) Complementarity of CP Funds OP is possible by the activity “Innovation” of the EAFRD activity „Cooperation” concerning vreation of innovative products, methods and technologies, whereby it is intended to stimulate innovation in order to introduce new or significantly improved products, processes, methods of management and organization systems, as well as activity „Innovation” of the EMFF special objective „Enhancing the Competitiveness of Fisheries” and activity „Innovation” of the special objective „Enhancing Competitiveness of Aquaculture”. Demarcation and complementarity is possible also for production of innovative products, methods and technologies within EAFRD OP, which is focused on enhancing competitiveness in agricultural, forestry, food production and fisheries industries, stimulating the application of new methods and technologies in practice and creating a possibility for sharing new knowledge in the aforementioned industries between businesses, scientific institutions, consultants representing them and non-governmental organizations representing the industries. The support will be granted for cooperation incentive activities, including by “European Innovation Partnership for agricultural productivity and sustainability”;
- (518) Likewise, complementarity is possible in respect to Norwegian Financial Instrument Programme – strengthening of capacity and institutional cooperation with Norwegian public institutions, local regional authorities and Norwegian Financial Instrument Programme related to innovation in green production and financial instrument LIFE+ towards innovative environment protection problem solutions.

Availability of ICT, e- government and services

- (519) Within the development of the project on Guidelines for the Development of the Information Society for year 2014-2020, financial resources for implementation of ICT activities planned by all ministries are being identified, which allow to identify and preclude the overlapping of the activities, as well as to identify mutually complementing activities. As a result, activities complementing ESI Funds have been identified and overlapping activities shall not be performed.
- (520) Within the framework of priority axis „Information and Communication Technologies, E-Government and Services” within investment priorities „strengthening of ICT application in the area of e-government, e-studies, e-integration, e-culture and e-health” investment priorities will be supplemented „by expanding location of the broadband services and contributing to development of high speed networks, as well as supporting introduction of new technologies and networks for necessities of digital economy” within the framework of activities planned by MT „Establishment of next generation network for the rural areas”, and „Development of the broadband infrastructure – establishment of the last mile connection”. Complementarity is possible by the Internal Security Fund eligible activities – border monitoring matters and upgrade of visa information systems and technologies.
- (521) Within coordination with CEF Digital support for creation of European Cross-Border E-Services platform is not planned, but support of ESI Funds is planned in the amount providing creation or development of national level e-services or national platform appropriate for cross-border

platforms or e-services and securing their cooperation. The planned investment is complementary to the investment made within the framework of the CEF Digital financial instrument.

- (522) In addition, complementarity and demarcation of the priority axes “Information and Communication Technologies, e-governance and services” will be ensured with the ISF programme support to IT system and communication provision on external border points, thusways providing cross-border cooperation.
- (523) Within the coming period an appropriate national ICT infrastructure for Latvia will be established, as well as the readiness of registers assured for cross-border data transfer and for creation of cross-border services, in order to secure cooperation with the EU scale infrastructure elements. By using these elements cooperation will be intensively developed in e-procurement, e-health, e-justice and in areas of the economic activity. *Inter alia*, a closer **cooperation among countries of the Baltic Sea Region** will be developed, where closer cooperation possibilities will be assessed, for instance, for a fast and secure exchange of information in respect to taxation. Investment in development of the cross-border e-services will contribute to the achievement of objectives of the priority areas of the EUSBSR „Removing hindrances to the internal market” and „Fighting cross-border crime”.

Competitiveness of SMEs

- (524) Complementarity is possible by support of programme COSME to businesses and SMEs, to start up the operation, access the funding and acquire international markets, it helps also the institutions to improve the business environment and promote the economic growth of the EU. In general the reciprocal coordination and supervision of the funds will be ensured during the meetings of the Monitoring Committee of the specific objectives. Complementarity is possible at EAGF „Payment to young farmers” and „Support scheme of small farmers”. Complementarity is possible within the framework of the SMEs support priorities and innovation support provided by the EIB activities plan.
- (525) Considering that all planned public investments within the respective territory will be specified in the municipality's integrated development programme by identifying the complementing projects, sources of funding and the scheduled project implementation timeline, then synergy with support activities financed by the EAFRD planned by the MoA for arranging economic activity support infrastructure in the rural areas will be ensured both when planning investment at the level of municipal development programme and when evaluating the submitted investment projects.
- (526) Complementarity is possible by the support of the EAGF for establishment and operation of fruit and vegetable producer groups and producer organizations. Investment priorities within the framework of „Investment in institutional capacity and in the efficiency of public administrations and public services at the national, regional and local levels with a view to reforms, better regulation and good governance” will ensure coordination and demarcation with EC programmes – „Justice” and „Fundamental Rights and Citizenship”.
- (527) Demarcation and synergy is also possible with the support provided for knowledge transfer and information activities by EAFRD within OP in agricultural, forestry and food production industries, focusing on ensuring availability of training and informative activities to persons involved and employed in said industries, to ensure competitiveness of the industries and increase their productivity.
- (528) At the same time, complementarity and demarcation will be provided with the ISF regarding support for up-grading skills and capacity of personnel working in the police and internal security sector.
- (529) Supporting the shift towards a low-carbon economy in all sectors CCFI co-financed programmes are implemented from the state budget, including implementation of the activities related to energy efficiency of local municipality buildings, industrial buildings and households. Financing by CP Funds will not overlap with the CCFI financing, because the implementation of the CCFI will be

terminated in year 2014 and financing of the CP Funds will be received for those buildings which did not get funds from the CCFI.

- (530) Complementarity is possible by EAFRD as well as by Norwegian Financial Instrument Programme related to innovation in green production.
- (531) In addition to the said, the thematic objective “Supporting the shift towards a low-carbon economy in all sectors” set by the OP will have a positive effect on agricultural and forestry industries, which have a close connection with the production and supply of RES, because a high utilization rate of the RES will be achieved owing to increase in production levels of electricity and heating from the RES and the use of biofuel.
- (532) EEA Financial Instrument Programme – adjustment to climate changes – is complementary in the context of the thematic objective of the low carbon economy as well as investment in climate change.
- (533) Although within the priority axis it is not planned to support international cooperation and development of the energy infrastructure networks, the planned support for energy efficiency and use of local renewable energy will directly contribute to the achievement of EUSBSR objectives.
- (534) The said thematic objective will be complementary also to the eligible activities of the task “Energy infrastructure network development” of NDP 2020 set activity direction “Energy infrastructure network development” supported by CEF - „Kurzeme Ring 3rd stage Ventspils-Dundaga-Tume-Imanta (Riga)”, „Construction of electricity transmission system infrastructure. Third interconnection between Latvia and Estonia (Kilingi-Nemme – Riga TEC 2)”, „LNG terminal construction”.

Efficiency of environmental protection and use of resources

- (535) Planned activities with regard to resource efficiency will be complementary to the support activities of the CCFI, likewise supplementary shall be theme objective „ Supporting the shift towards a low-carbon economy in all sectors”, whereby it is planned to create EMT charging stations, as well as implement activities for the increase of requirements in respect to energy efficiency of buildings.
- (536) EEA Financial Instrument Programme – adjustment to climate changes will be a complementary component to a long-term fight with climate changes in respect to the objective of the low carbon economy.
- (537) As to environmental sector, financing will be available also from several other EU and foreign financial instruments, including EAFRD, EMFF, the LIFE programme, EEA financial instrument and Norwegian financial instrument within period of 2009-2014 (EEA & NOR 2009-2014), as well as within the framework of the Cross-Border Programmes.
- (538) It is planned that with EAFRD support within the 2014-2020 programming period in activities under the control of the MoA flood prevention measures will be implemented in amelioration systems of national significance, which will be complementary to the activities under the control of EPRDM and supported by the ERDF, targeted to adaptation to the climate change, including prevention of flood risk. Conversely, the support activities intended within the 2014-2020 programming period in *NATURA 2000* territories will be complementary to the activities towards creating cross-border infrastructure in limited number of territories supported by the Cross-Border Programmes.
- (539) The above mentioned activities will be complemented with the measures funded by ERDF in 2014 - 2020 planning period. These measures will be implemented in accordance to the NDP 2020, Environmental policy guidelines for 2014-2020 and flood risk assessment and management national programs, and will focus on adaptation to climate change, including sea coastal erosion risk reduction through redevelopment and restoration of hydro technical infrastructure and regulated spans of potamal rivers, as well construction / renovation of defense structures and

reconstruction of the polder pumping stations that will allow to balance the aquatic ecosystem functioning and stimulate sustainable economic functioning of the respective areas.

- (540) The support measures planned for Natura 2000 sites under the 2014-2020 programming period will be complementary to the Cross-Border Program implemented in support of cross-border infrastructure development activities in a limited number of areas.
- (541) Complementarity is possible by EAGF „Payment for beneficial agricultural practice in respect to climate and environment” and by „Implementation of the LEADER approach” implementation of local development strategies within local development promoted by the society.
- (542) As to environmental and climate sector, the initiative NER 300 will be applied as well, which supports projects of use of innovative RES as well as carbon capture and storage (CCS) projects. The objective of this initiative is demonstration projects, which are related to CCS and innovative RES technologies in bio-energy, wind energy, geothermal energy, hydro-power and solar energy.

Sustainable transportation system

- (543) A possibility to use public-private partnership projects, the state budget financing identified by the “National Road Improvement Programme in 2014 – 2020” as well as the perspective to introduce road user charges (Eurovignette) will be evaluated as complementary to the ESI Funds financing planned within the framework of priority „Sustainable transportation systems” for solution of problems related to status of roads and availability of financing.
- (544) Complementarity to ESI fund investments in the field of railway is planned from the CEF North Sea – Baltic core network corridor defined projects and sections, namely the Rail Baltica project and railway section Ventspils - Riga modernization. Rail Baltica project shall be supported for funding from the transferred CF exclusively in the Member States eligible for funding from the Cohesion Fund thereby Rail Baltica project is not expected to be financed from the ESI funds.

Employment, labour mobility and social inclusion

- (545) Complementarity is intended between the EU Programme for Employment and Social Innovation (EaSI) and support of ESF for European Employment Services Network EURES within priority axis “Employment and labour mobility”, as well as intended to use the opportunities to submit projects for EaSI social experimentation and social innovation projects, continuing the experience gained within the 2007-2013 programming period within the framework of European Community Programme for Employment and Social Solidarity „PROGRESS 2007–2013” (PROGRESS).
- (546) The MoC in cooperation with the MI and the MJ is currently working on Asylum and Migration Fund (AMF) Programme for 2014-2020, within the framework of which synergy and coordination with other ESI Funds within the framework of priority axes „Employment and labour mobility” and “Social inclusion and combating poverty” will be determined. Concurrently, as to social inclusion and poverty reduction, a complementarity of support in respect to prevention of poverty, especially children poverty, and coordination between ESI Funds and Fund for European Aid to the Most Deprived (FEAD) is planned, including ensuring demarcation with social inclusion planned within the framework of the FEAD, as well as by supplementing the supporting activities planned within the framework of the thematic objective „Investment in education, training and vocational education for development of skills and in lifelong learning” in respect to poverty risk and children and young people at risk of early school leaving.
- (547) Support for social inclusion within the framework of ESI Funds priority axes „Employment and labour mobility” and “Social inclusion and combating poverty” complements the support granted within the framework of the Fundamental Rights and Citizen Programme, continuing the experience gained in the previous periods within Section “Anti-discrimination and diversity” of the European Community Programme for Employment and Social Solidarity PROGRESS. The objective of the said programme is to support the national activities to eliminate discrimination and promote equality, as well as to educate and inform the society regarding diversity of cultures,

human rights and mutual dialogue. Target group is the social groups that are most exposed to discrimination and social exclusion, as well as the rest of society.

- (548) Similarly, complementarity within both priority axes SO is possible with the **Norwegian Financial Instrument** programme - Global Fund for incentive of decent work and tripartite cooperation.
- (549) As to improvement of access to healthcare services, synergy is possible within the framework of the EU Health for Growth Programme 2014.-2020, which is under direct management of the EC, complementarity is possible by health area project co-financing for collective action of the Member States, by co-financing of operating costs of the non-governmental organizations and the costs of the special cooperation in the health area.
- (550) As to the employment promotion activities within priority axis “Employment and labour mobility”, complementarity is possible with the EMFF community-led local development activities in the areas important for fisheries.
- (551) Likewise, complementarity within priority axis “Employment and labour mobility” is possible with the **Norwegian Financial Instrument** Programme – Global Fund for incentive of decent work and tripartite cooperation.

Education, skills and lifelong learning

- (552) Within the framework of priority axis “Education, skills and lifelong learning”, synergy with „Erasmus” programme for support of mobility is possible, which is targeted to employee mobility in higher and vocational education; support for providing cooperation in vocational education and international cooperation of the industry representatives; support for policy reform that promotes modernization of the higher education programmes, the use of ICT in schools, reduction of early school leaving at all levels of formal education. Complementarity is possible with EAFRD „Knowledge transfer and information activities”, human capital and promoting of social dialogue in fisheries and „Advisory services, management and farm support services”, for aquaculture farms management, substitution and advisory services. Complementarity is possible with EEA Financial Instrument Programme – financing for non-governmental organizations.
- (553) Complementarity is possible also with the Norwegian Financial Instrument and EEA Financial Instrument Programme "Grants and research". Thematic areas supported thereby are 1) mobility for higher education students at all levels of study programmes, academic staff mobility and preparation visits, and 2) the bilateral cooperation in research (social sciences and humanities, public health).
- (554) Synergy is possible also with the Nordic Council of Ministers Programme „Nordplus” 2012-2016 – within the framework of the higher education providing attraction of foreign lecturers; in the area of vocational and adult education, supporting best practices gaining trips, to develop new modules and curricula.
- (555) Synergy is possible also with the third target of the ESI Funds Programmes “European Territorial Cooperation”, developing and implementing common education and training schemes (promoting the education of businesses and their employees according to the labour market needs, improving the quality of vocational education – support for establishment of competitive education programmes, enriching the theoretical knowledge with the opportunity of internships in companies, providing lifelong learning and training activities for successful integration in the labour market), fostering the development of competences related to research and innovation, involvement in strengthening and development of innovation support systems, knowledge transfer and best practices, cluster creation, by developing horizontal and vertical cooperation between Latvian merchants and by contributing to creation of a more effective supply of chains of values, commercialization of research results, strengthening of link and synergy between business entities, R&D centres and higher education sector.

- (556) Synergy is also possible also with the Nordic Council of Ministers Programme „Nordplus” 2012-2016, as well as within the framework of comprehensive and inclusive education providing support for organizing of workshops, seminars and conferences and participation in them.
- (557) Complementarity is possible with EMFF special objective „Enhancing the Competitiveness of Fisheries” activity „Human capital and promoting of social dialogue” and EAFRD activity „Knowledge transfer and information activities”.
- (558) Complementarity is possible with the Internal Security Fund eligible activities towards development of the professional skills of employees in co-operation with the police, man-made disaster management, including cybercrime investigations.
- (559) At the same time, the activities focused on the prevention of the early education system leaving, in particular in respect to children and young people at poverty risk, will supplement the activities planned within the framework of the thematic objective „Promotion of social inclusion, combating of poverty and discrimination at any type”, as well as providing demarcation and complementarity by the FEAD.
- (560) Complementarity is possible for the Norwegian Financial Instrument Programme - strengthening of capacity and institutional cooperation with Norwegian public institutions, local regional authorities.

Improving competitiveness of the SMEs

- (561) While developing new financial instruments within the framework of priority axis “Improving competitiveness of small and medium-sized enterprises”, the ability to attract the EIB funding and ability to involve international financial institutions in establishment of the Development Institution will be evaluated. Similar to the 2007-2013 programming period, the necessity to attract EIF experts as internationally recognized experts with significant experience in advisory agreements will be evaluated for the designing of new financial instruments.
- (562) Complementarity is possible with EEA Financial Instrument Programme – financing for non-governmental programmes and Programme - preservation and renewal of cultural and natural heritage.
- (563) Complementarity shall be possible also by **EEA Financial Instrument** co-financed programme LV04 „Preservation and renewal of the cultural and natural heritage” specific objectives related to the preservation and renewal of the natural and cultural heritage, as well as reconstruction and creation of national level public facilities and multifunctional public infrastructure for improvement of urban socio-economic situation.
- (564) Complementarity is possible also with by specific objectives of sub-priority of the **Latvian - Swiss Cooperation Programme** „Regional development initiatives in remote or disadvantaged regions”, related to the preservation and renewal of the natural and cultural heritage, as well as reconstruction and creation of national level public facilities and multifunctional public infrastructure for improvement of urban socio-economic situation. As well as within the framework of the sub-priority „Modernization of the judiciary” with specific objectives related to the development of e-government and digitalization of public administration processes.

2.2. EX-ANTE VERIFICATION OF COMPLIANCE WITH THE RULES ON ADDITIONALLY

- (565) The reference values for gross fixed capital formation costs are set according to the fiscal forecasts that were prepared for the purpose of drafting the law “On medium-term budget framework for the years 2014, 2015 and 2016”, and as of year 2017 – at a level to meet the condition that the average gross fixed capital formation costs in the period between 2014 and 2020 do not fall below respective average costs in the period between 2007 and 2013. The reference values are expressed

as a percentage of GDP according the macroeconomic scenario for the 2014 state budget, and for the following years as of 2017 - assuming that the GDP growth in current prices is 6.6% per year.
 (566) The ratio of the average gross fixed capital formation costs to GDP for the time period of 2014-2020 shall be 3%.

Table 2.2.1. : Breakdown by year of the general government expenditures during the programming period at national level

General government expenditures as a percentage of GDP	2014	2015	2016	2017	2018	2019	2020
P.51, % of GDP	3.3	2.6	2.4	3.2	3.3	3.3	3.3

Table: Breakdown by year of the general government expenditures during the planning period at regional level
 [Not applicable]

2.3. SUMMARY ON FULFILMENT OF THE EX-ANTE CONDITIONALITIES

- (567) In general, out of 30 applicable *ex-ante* conditionalities in respect to the ERDF, ESF, YEI and CF, 14 conditionalities have been fulfilled (1.2, 2.2, 3.1, 4.1, 4.3, 8.1, 8.5, 8.6.,10.2, 10.3, 10.4 and general conditionalities 5, 6, 7), while 16 conditionalities have been filled partly or not have been fulfilled, including 13 which have been partly filled (1.1, 2.1., 5.1, 6.2., 7.1, 7.3, 9.1, 9.3, 11. as well as 1., 2., 3. and 4. general *ex-ante* conditionalities) and only 3 have not been fulfilled (6.1., 7.2., 10.1.). 4.2, 7.4., 8.2, 8.3, 8.4 and 9.2 *ex-ante* conditionalities are not applicable.
- (568) Fulfilment of the partially fulfilled *ex-ante* general conditionality 1, 2 and 3 is provided by Informative Report on Description of the management and control systems approved in the Cabinet of Ministers in 17 December 2013, which will be supported by the CP Funds human resources development plan attached to the Description of the management and control systems. Fulfilment of 4.general conditionality will be ensured by providing an effective and fully functional e-procurement process, ensuring the Union's public procurement legislation effectively enforced.
- (569) Fulfilment of the partially fulfilled *ex-ante* 1.1 conditionality's criterion a) ii) and a) iii) will be provided by the MES until 1 July 2015 by developing the implementation plan of Science, Technology Development and Innovation Guidelines of 2014–2020, which includes implementation plan of the Smart Specialisation Strategy, monitoring mechanism, inter alia, partnership mechanism and indicators.
- (570) Fulfilment of the partially fulfilled *ex-ante* 5.1 conditionality and unfulfilled 6.1. conditionality will be provided by The environmental policy framework 2014 – 2020. The environmental policy framework 2014 – 2020 will be approved by 31 January 2014. On the other hand, fulfilment partially fulfilled *ex-ante* 6.2. conditionality's d) criteria will be provided with a number of waste separation and recycling stimulating measures (including changes in laws and regulations), which is scheduled to be executed by July 1, 2015.
- (571) Fulfilment of the unfulfilled criteria (b) set by the fulfilment of 7.1., 7.2.and 7.3. *Ex-ante* conditionalities will be ensured by the MT until 1 September 2014, by developing methodology whereby actions for strengthening ability of intermediary bodies and beneficiaries to achieve objectives of the project shall be set. Criteria (a) ii) of 7.1.and 7.2. and criteria (a) of 7.2.*ex-ante* conditionalities will be fulfilled by MoT until 1 September 2014 by Informative Report regarding realistic and mature project pipeline.

- (572) Fulfilment of the partially fulfilled 9.1 *ex-ante* conditionality is provided by MW “Framework for development of the professional social work 2014 – 2020”, that was approved in 10 December, 2013. and „Framework for development of the social services 2014 – 2020”, that was approved in 19 November 2013, as well by MoF Informative Report in respect to management control system of the CP Funds within the 2014 – 2020 programming period, which was approved by the Government in 17 December 2013. The fulfilment of the 9.1.*ex-ante* conditionality will be accomplished through the development of the Concept of minimum income level (minimum guarantee) and submission to the Cabinet of Ministers by August 1, 2014, as well as submission of MoJ *informative report on the action plan of development of the re-socialization of convicts in prison and after release 2014 to 2020* to the Cabinet of Ministers till August 1, 2014, and amendment to Prisoners re-socialization concept submission to Cabinet of Ministers till June 1, 2015
- (573) Fulfilment of the partially met *ex-ante* 9.3 conditionality will be provided by the Public health strategy 2014 – 2020, which shall be submitted to Cabinet for review until 31 December 2014.
- (574) Accomplishment of the unfulfilled 10.1.*ex-ante* condition (a) and (i) criterion will be provided by the MES until 31 July 2015 by carrying out an extensive research, with will give the reasons of early school leaving, suggestions for systemic sustainable improvements for collecting and analysis of data, as well as suggestions on implementation of preventive and compensatory measures for decrease of early school leaving. According to the research, the ESF support will be planned to preventive and compensatory measures for children and young people at risk of early school leaving.
- (575) Fulfilment of the partially fulfilled 11 *ex-ante* conditionality will be provided by Informative Report prepared by the SC “Strengthening of the human resources capacity of the public administration in order to reduce the administrative burden on the business environment and to facilitate the combat of corruption and shadow economy within the period from 2014 to 2020” to be drafted and approved at the Cabinet by 30 November 2014, “Anti-Corruption National Programme for the period 2014 – 2020” to be approved by 31 October, 2014, and “Guidelines on the judiciary and law enforcement agencies human resource capacity-building and skills development for 2014 – 2020” to be developed by the MoJ by 1 September 2014.
- (576) All *ex-ante* conditionality’s applicable to the EAFRD actions have been fulfilled.

Table 2.3.1: Applicability of the *ex-ante* conditionalities on the priority axis of the ERDF, ESF, YEI, CF OP.

Ex-ante conditionality applicable on the national level	OP to which ex-ante conditionality applies	Priority axis to which ex-ante conditionality applies
1.1. Research and innovation: there is a state or regional strategic policy framework on research and innovation for smart specialization, in the respective case - according to the state reform programme to leverage private research and innovation expenditure	OP „Development and Employment”	Research, development of technologies and innovation
1.2. There is a multi-annual plan for allocation of the investment budget and determining of priorities in research and innovation	OP „Development and Employment”	Research, development of technologies and innovation
2.1. Digital development: strategic policy framework for digital growth in order to stimulate demand for affordable in terms of price, high-quality and interoperable ICT-enabled private and public services, and to increase use thereof by the population, including vulnerable groups, enterprises and public administration, including cross border initiatives.	OP „Development and Employment”	Availability of the ICT, e-government and services
2.2. Next generation access (NGA) infrastructure: there are state or regional NGA plans, taking into account regional actions carried out to achieve the EU objectives in respect to high-speed internet access, mainly focusing on areas where the market does not provide an open infrastructure at an affordable price and in sufficient quality in line with the EU competition and state aid rules, and providing accessible services for the vulnerable groups. (the criterion is not applicable to the EAFRD, because within the RDP 2014-2020 activities for achievement of the 2. thematic objective are not introduced).	OP „Development and Employment”	Availability of the ICT, e-government and services

Ex-ante conditionality applicable on the national level	OP to which ex-ante conditionality applies	Priority axis to which ex-ante conditionality applies
3.1. Specific actions are performed to create basis for incentives of entrepreneurship, taking into account the Small Business Act (SBA).	OP „Development and Employment”	Competitiveness of the small and medium-sized enterprises
4.1. Actions taken in order to promote cost-effective energy end-use efficiency improvements and cost-effective investments in the energy efficiency by building or renovating buildings. (the criterion is not applicable in respect to the EAFRD, because within the RDP 2014-2020 the support is planned for investment into the agricultural buildings, which are not buildings in the meaning of Directive 2010/31/EU (constructions with roof and walls energy whereof is used for regulation of the micro climate at premises). Within the framework of the RDP 2014-2020 investments into the public buildings are not planned).	OP „Development and Employment”	Shift towards a low-carbon economy in all sectors
4.3. Actions taken in order to promote production and distribution of the RES. (the criterion is not applicable in respect to the EAFRD because within the RDP 2014-2020 the production of renewable energy will be supported where it used at the respective farm and not intended for sale, and the support is planned for achievement of the thematic objective 3).	OP „Development and Employment”	Shift towards a low-carbon economy in all sectors
5.1. Risk prevention and risk management: there are state or regional risk assessments in respect to disaster management, taking into account adaptation to the climate change (the criterion is not applicable in respect to the EAFRD, taking into account the proportionality principle, including the relatively small contribution to risk management and prevention).	OP „Development and Employment”	Incentives related to adaptation to the climate change and risk prevention and management
6.1. Water supply: there are in effect a) water pricing policy, which provides for appropriate incentives for the users to use the water resources effectively, and b) appropriate investment of different types of use of the water in recovery of expenses related to the water services according to rates determined by the approved river basin management plan in respect to investment supported by the programmes. (taking into account priorities set by Latvia, the condition is not applicable in respect to the EAFRD)	OP „Development and Employment”	Preservation and protection of environment, and incentives related to effective use of the resources
6.2. Waste management: to promote sustainable in terms of economy and environment investment in the waste management industry, in particular by developing waste management plans in accordance with the Directive 2008/98/EC on waste and taking into account hierarchy of the waste management.	OP „Development and Employment”	Preservation and protection of environment, and incentives related to effective use of the resources
7.1. Transport. The existence of a comprehensive plan or plans or framework or frameworks for transport investment in accordance with the Member States' institutional set-up (including public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks.	OP „Development and Employment”	A sustainable transportation system
7.2. Railway: The existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on railway development in accordance with the Member States' institutional set-up (including concerning public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks. The investments cover mobile assets, interoperability and capacity building.	OP „Development and Employment”	A sustainable transportation system
7.3. Other modes of transport, including inland-waterways and maritime transport, ports, multimodal links and airport infrastructure: the existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure, which contribute to improving connectivity to the TEN-T comprehensive and core networks and to promoting sustainable regional and local mobility	OP „Development and Employment”	A sustainable transportation system
8.1. Active labour market policies are designed and delivered in the light of the Employment guidelines.	OP „Development and Employment”	Employment and labour mobility
8.5. Adaptation of workers, enterprises and entrepreneurs to change: The existence of policies aimed at favouring anticipation and good management of change and restructuring.	OP „Development and Employment”	Employment and labour mobility
8.6. The existence of a strategic policy framework for promoting youth employment including through the implementation of the Youth Guarantee. <i>This ex ante conditionality applies only for implementation of the YEI</i>	APOP „Development and Employment”	Employment and labour mobility
9.1. The existence and the implementation of a national strategic policy framework for poverty reduction aiming at the active inclusion of people excluded from the labour market in the light of the Employment guidelines.	OP „Development and Employment”	Social inclusion and combating poverty
9.3. Health: The existence of a national or regional strategic policy framework for health within the limits of Article 168 TFEU ensuring economic sustainability.	OP „Development and Employment”	Social inclusion and combating poverty

Ex-ante conditionality applicable on the national level	OP to which ex-ante conditionality applies	Priority axis to which ex-ante conditionality applies
10.1. Early school leaving: The existence of a strategic policy framework to reduce early school leaving (ESL) within the limits of Article 165 TFEU.	APOP „Development and Employment”	Education, skills and lifelong learning
10.2. Higher education: the existence of a national or regional strategic policy framework for increasing tertiary education attainment, quality and efficiency within the limits of Article 165 TFEU.	APOP „Development and Employment”	Education, skills and lifelong learning
10.3. Lifelong learning (LL): The existence of a national and/or regional strategic policy framework for lifelong learning within the limits of Article 165 TFEU.	APOP „Development and Employment”	Education, skills and lifelong learning
10.4. The existence of a national or regional strategic policy framework for increasing the quality and efficiency of VET systems within the limits of Article 165 TFEU.	APOP „Development and Employment”	Education, skills and lifelong learning
11. The existence of a strategic policy framework for reinforcing the Member States' administrative efficiency including public administration reform	OP „Development and Employment”	Competitiveness of the small and medium-sized enterprises

Summary on the status of unfulfilled general ex-ante conditionalities¹⁶¹

Attributable on the national level, unfulfilled or partially fulfilled general ex-ante conditionalities	Unfulfilled criterion	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
<p>1. general The existence of administrative capacity for the implementation and application of Union anti-discrimination law and policy in the field of ESI Funds</p>	<p>ii) Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of Union anti-discrimination law and policy.</p>	<p>In the attachment to the Management and control system description developed by the Ministry of Finance, the EU CP Funds human resources development plan will be included, including the information regarding the training of the personnel involved in implementation of the ESI Funds in the areas of equal opportunities, non-discrimination and gender equality, designating all TP resources of the ESI Funds for training.</p>	<p>21.12.2014.</p>	<p>MoF</p>
<p>2. general The existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds</p>	<p>ii) Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of Union gender equality law and policy as well as on gender mainstreaming</p>	<p>In the attachment to the Management and control system description developed by the Ministry of Finance, the EU CP Funds human resources development plan will be included, including the information regarding the training of the personnel involved in implementation of the ESI Funds in the areas of equal opportunities, non-discrimination and gender equality, designating all TP resources of the ESI Funds for training.</p>	<p>21.12.2014.</p>	<p>MoF</p>
<p>3. general The existence of administrative capacity for the implementation and application of the United Nations Convention on the rights of persons with disabilities (UNCRPD) in the field of ESI Funds in accordance with Council Decision 2010/48/EC (1)</p>	<p>a) ii) Arrangements for training for staff of the authorities involved in the management and control of the ESI Funds in the fields of applicable Union and national disability law and policy, including accessibility and the practical application of the UNCRPD as reflected in Union and national legislation, as appropriate;</p>	<p>In the attachment to the Management and control system description developed by the Ministry of Finance, the EU CP Funds human resources development plan shall be included, including the information regarding the training of the personnel involved in implementation of the ESI Funds in the areas of equal opportunities, non-discrimination and gender equality, designating all TP resources of the ESI Funds for training.</p>	<p>31.12.2014.</p>	<p>MoF</p>
<p>4. general The existence of arrangements for the effective application of EU public procurement law in the field of the ESI Funds.</p>	<p>a) Arrangements for the effective application of EU public procurement rules through appropriate mechanisms</p>	<p>Strategy to ensure timely and effective full functionality of e-procurement implementation procedures will be developed to 01.12.2015. In turn, the full functionality of e-procurement procedures will be provided by 01.01.2016. Criterion for the introduction of the responsible authority: Environmental Protection and Regional Development Ministry in collaboration with the Regional Development Agency.</p>	<p>01.01.2016.</p>	<p>EPRDM, Regional Development Agency</p>

¹⁶¹ Full self-assessment of compliance with ex-ante conditionalities see in Annex I.

Summary on the status of unfulfilled thematic ex-ante conditionalities¹⁶²

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
<p>1.1. The existence of a national or regional smart specialisation strategy in line with the National Reform Programme, to leverage private research and innovation expenditure, which complies with the features of well-performing national or regional systems.</p>	<p>a) ii) outlines measures to stimulate private RTD investment; a) iii) contains a monitoring mechanism.</p>	<p>Fulfilment of the criterion a) ii) and a) iii) will be ensured by the development of the implementation plan of Science, Technology Development and Innovation Guidelines of 2014–2020, which includes implementation plan of the Smart Specialisation Strategy, monitoring mechanism, inter alia, partnership mechanism and indicators.</p> <p>In order to ensure the above mentioned, the following actions will be taken (action plan):</p> <p>1. <u>Approval of Guidelines for Science, Technology Development, and Innovation 2014-2020 action plan in Cabinet of Ministers</u> (Planned date of fulfillment 01.07.2015.)</p> <p>Taking into account in the public debates identified problems, proposals of discussion participants, analysis of EU Structural Funds programming period 2007-2013 and lessons learned, assessment results of monitoring systems done by external expertise, RIS3 strategy action plan will be developed as part of Guidelines for Science, Technology Development, and Innovation 2014-2020 action plan which will contain information on the mapping of policy instruments, including both the state budget and external funding initiatives, including non-financial initiatives to promote and accomplish R&D&I objectives, also implementation of the specific activity in responsible body and RIS3 strategies monitoring and evaluation system.</p> <p>2. <u>Development of Monitoring system, including adaption of mechanism for effective business finding principle</u> (planned date of fulfillment 01.06.2015)</p> <p>2.1 <u>Establishment of Latvian research and innovation strategic board</u> (planned date of fulfillment 24.03.2014).</p> <p>Board is established to prepare and coordinate activities in good quality, related to implementation of Smart specialization strategy.</p> <p>2.2. <u>Development of monitoring system plan in Guidelines for Science, Technology Development, and Innovation 2014-2020 incorporated proposals of RIS3 strategy indicator system Guidelines for Science, Technology Development, and Innovation 2014-2020 (ZTAI) policy outcomes and assessment of performance indicators.</u> [The informative report] (planned date of fulfillment 31.07.2014).</p> <p>Development of Informative report and submission to the Cabinet of Ministers, which includes development of Latvian RIS3 strategy monitoring system action plan (actions and timeframe), the proposal for RIS3 strategy indicators, mapping tools, including state budget initiatives and initiatives of private sector investments in R&D promotion, and linkage of tools with RIS3 specialization areas (including the definition of horizontal tools that are associated with RIS3 strategy), which are focused on Guidelines for Science, Technology Development, and Innovation 2014-2020 (ZTAI) defined in economic transformation goals and priorities for growth within the Latvian RIS3 strategy.</p>	<p>1 July 2015</p>	<p>MES in collaboration with MoE</p>

¹⁶² Full self-assessment of compliance with ex-ante conditionalities see in Annex I.

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
		<p><u>2.3. Development of RIS3 strategies for monitoring and evaluation system, including external expertise, which is incorporated in Guidelines for Science, Technology Development, and Innovation 2014-2020 (ZTAI)</u> (planned date of fulfillment 01.06.2015).</p> <ul style="list-style-type: none"> - Development of technical specifications of procurement object , taking into account recommendations of RIS3 strategies development guidelines and public discussions, including development of proposals for Guidelines for Science, Technology Development, and Innovation 2014-2020 (ZTAI) RIS3 strategy of regular review of specialization areas and adaption of mechanism for effective business finding principle in practice, proposals for implementation of monitoring system model, mechanism for involvement of the social partners (planned date of fulfillment 31.08.2014). - Contract signed with external experts (planned date of fulfillment 30.10.2014). - Proposal of RIS3 strategies monitoring and evaluation system (planned date of fulfillment 01.03.2015). - Proposal coordination with stakeholders on RIS3 strategies monitoring and evaluation system (planned date of fulfillment 01.06.2015). <p>3. <u>Assessment of Lessons Learned in Structural Funds programming period 2007-2013</u> (planned date of fulfillment 28.02.2015).</p> <p>3.1. <u>Public discussions on development of action plan for Guidelines for Science, Technology Development, and Innovation 2014-2020 (ZTAI) implementation), where results will be as following:</u></p> <ul style="list-style-type: none"> a) assessment of CP funds programming period 2007-2013 instruments; b) proposals for Smart specialization or focus areas for further strategic priorities within the field; c) Proposals of SF programming period 2014-2020 instruments and other initiatives, which are important for the achievement of Smart specialization strategies objectives. <p>Public discussions (to be organized during April 2014 through December 2014) are organized to ensure appropriate range of policy instruments and the development of the ESI Funds support for planned activities in the programming period 2014. – 2020 according to EC recommendations, including defined areas in the context of RIS3 strategy. In addition, support will be provided for peer-review in international conferences and seminars.</p> <p><u>3.2. Development of policy instrument mapping</u> (planned date of fulfillment 31.08.2014).</p> <p>Summary of instruments and achieved results in programming period 2007-2013 developed, mapping of existing/accessible infrastructure in Latvian research and innovation and mapping of tool descriptions and result indicators in programming period 2014-2020.</p> <p><u>3.3. EU SF programming period 2007-2013 xx-post evaluation for support in R&D.</u></p> <ul style="list-style-type: none"> - Considering that a large proportion of R&D support programs ends on August 31, 2015, ex-post evaluation is preferable to start at the second half of the 2015 calendar year (planned date of fulfillment 01.04.2016). - Ex-post evaluation of technical specifications of procurement object (planned date of fulfillment 01.09.2015). - Service Contract signed with external experts (planned date of fulfillment 01.12.2015). 		

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
		<p>- Inspection of accounting and financial policies in Scientific institutions (planned date of fulfillment 30.12.2014).</p> <p>3.4. Restructuring of Scientific Institutions (planned date of fulfillment 01.07.2015).</p> <p>Implemented in accordance with the report of Ministry of Science and Education of Latvia on implementation of structural reform in Latvian science till July 1, 2015</p> <p>4. Focusing mechanism of Smart Specialisation Strategies area of specialization (Regularly 2015.-2020.g. in compliance with timetable of program/ Project calls)</p> <p>Regular review of priorities of the established smart specialization strategies monitoring system based on the principle for effective business finding and structured dialogue with stakeholders, introducing cyclic selection of project applications.</p> <p>4.1. Specific eligibility criteria and quality assessment criteria for development of SO 1.1.1. 1.1.2. PROJECT selection year 2015 - 2016</p> <p>Prepared specific eligibility criteria and quality assessment criteria SO 1.1.1. and SO 1.1.2. for first Project calls/ selections, to ensure that by 2015-2016 project selections made within the SO is prepared ex-ante evaluation of the results of the selection and recommendations for further action, which are used in the process of development of next Project calls.</p> <p>For more detailed information, please see Annex 1</p>		
5.1 Risk prevention and risk management: The existence of national or regional risk assessments for disaster management taking into account climate change adaptation	a) ii) includes a description of single-risk and multi-risk scenarios;	<p>The criterion will be fulfilled by preparing of informative report of one risk and more risk scenario descriptions.</p> <p>The risk assessment will be carried out in accordance with European Parliament and Council decision Nr.1313/2013/ES (December 17, 2013) of the Union Civil Protection Mechanism, based on the EC December 12, 2010 Working Paper "Risk Assessment and Mapping Guidelines for Disaster management "SEC (2010) 1626, which has been developed through the International organization for Standardization developed by international standards, particularly ISO 31000, ISO 31010 and ISO Guide 73 relevant terminology, together with more specific UNISDR disaster Risk reduction terminology.</p> <p>Fulfilment of the criterion will be provided by the National programme on flood risk assessment and management 2008-2015 update.</p> <p>For more details, please see Annex 1.</p>	22 December 2015	EPRDM / IM/ the State Fire and Rescue Service

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
<p>6.1. Water supply: there is in effect a) water pricing policy, which provides for appropriate incentives for the users to use the water resources effectively, and b) appropriate investment of different types of use of the water in recovery of expenses related to the water services according to rates determined by the approved river basin management plan in respect to investment supported by the programmes. (taking into account priorities set by Latvia, the condition shall not be applicable in respect to the EAFRD)</p>	<p>a) Within the field supported by the ERDF and Cohesion Fund, the Member State has ensured the various water usage investment to recover costs of water services by sectors in accordance with the Directive's 2000/60/EC (5) Article 9, first indent of Paragraph 1, taking into account the social, environmental and economic impact of the recovery, as well as the geographic and climatic conditions of the region or regions affected, if necessary</p>	<p>With the Minister's of Environment Ordinance No. 143 of May 6, 2010 there have been approved the RBMP of Daugava, Gauja, Lielupe and Venta rivers, which contains economic analysis of water resources usage, including cost recovery assessment and the necessary measures for carrying out the assessment, .</p> <p>The RBMP have been designed for a period of six years (the first planning cycle includes period from 2010 to 2015).</p> <p>The MEPRD has received the EC questions about RBMP of the first planning cycle, incl. economic analysis. The costs were not calculated quantitatively in those RBMP in force. However, these costs were considered while calculating costs of the additional (not included in laws and regulations) measures included in the measures program (Annex 17 of management plans).</p> <p>The main emphasis was put on the financial mechanism/instruments analysis, the level assessment of environment costs recovery and proposals for improvement of this assessment by:</p> <ul style="list-style-type: none"> • evaluating the possible changes of financial instruments (DRN); • proposing inclusion of additional measures in the program. <p>By renewing the river basin management plans for 2015-2021 it is planned to carry out an in-depth non-internalised environment cost analysis for all corresponding types of water management services/essential use of water.</p> <p>In December, 2013, discussion took place with the EC about the received comments. The necessary RBMP improvements will be done during the second plans development stage.</p>	<p>21 December 2015</p>	

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
<p>6.1. Water supply: there is in effect a) water pricing policy, which provides for appropriate incentives for the users to use the water resources effectively, and b) appropriate investment of different types of use of the water in recovery of expenses related to the water services according to rates determined by the approved river basin management plan in respect to investment supported by the programmes. (taking into account priorities set by Latvia, the condition shall not be applicable in respect to the EAFRD)</p>	<p>b) River basin management plans</p>	<p>Considering the aforementioned, revision of the first planning cycle RBMP, which is in force until 2015, will be done until 2015, including economic analysis and its cost recovery assessment and revision of the cost-effectiveness evaluation of the planned measures.</p> <p>In 2013, preparation of application to the Environmental Protection Fund administration has taken place in order to carry out evaluation for the purposes of the second planning cycle of RBMP development, incl. updating the RBMP of the first planning cycle.</p> <p>The new RBMP and revision of the existing RBMP, which are in force until 2015, will be carried out simultaneously in 2014. The updated version of RBMP draft will be published until December 22, 2014 and public consultation in the first half of 2015 will be held. RBMP update will be completed by December 22, 2015.</p> <p>Implementation of the criterion – December 22, 2015</p> <p>The detailed action plan measures planned and their deadlines:</p> <p>1. Development of the Daugava, Gauja, Lielupe and Venta rivers RBMP for 2016-2021:</p> <ul style="list-style-type: none"> - preparation of 4 river basin characteristics. - Evaluation of the load caused by people and its impact on waters, to determine loads in each basin that can affect achievement of the targets set for water bodies according to the Directive 2000/60/EC requirements. In the evaluation, there will be loads included caused by point sources (waste water discharges, contaminated sites, etc.), diffuse sources of pollution, water extraction, hydrological and morphological transformations of water bodies, etc. - Revision of the river basin economic analysis, incl. supplementation of the water usage socio-economic significance evaluation and base scenario, water services cost recovery and supplementation of water pricing policy evaluation, among other things, also including HES and flood protection measures in the cost recovery evaluation as well as preparing conclusions on how the cost recovery principle and the "polluter pays" principle have been taken into account. - Information on protected areas and water monitoring data preparation, including information about the monitoring of biological, chemical, hydromorphological and other quality indicators carried out in order to ensure development of the river basin management plans for 2016-2021 in accordance with the Directive 2000/60/EC. - Assessment of the groundwater and surface water condition relying on broader quality elements spectrum, setting the environment quality objectives, performance evaluation of reaching the previous period (2010-2015) objectives. - Measure programs development and measures cost-effectiveness evaluation, incl. the measures for wastewater collection and treatment in accordance with the EU and Latvian legislation, breakdown of costs at different angles. - Performance evaluation of the RBMP for 2010-2015, incl. explanation in case when individual goals are not achieved or some measures have not been implemented. - Preparation of information for the responsible authorities on related documents, the process and results of public consultation on plans. <p>Deadline – December 22, 2014</p>	<p>1 December 2015</p>	<p>EPRDM</p>

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
		<p>The Responsible Authority: The Latvian Environment, Geology and Meteorology Agency (prepares and updates drafts of management plans and measure programs) The Ministry of Environmental Protection and Regional Development (supervises development process of plans, coordinates cooperation with neighboring countries)</p> <p>2. Public consultation on drafts of the Daugava, Gauja, Lielupe and Venta rivers RBMP for 2016-2021, incl. submission of the drafts to river basin consultative councils, organization of discussion meetings, sending the plans to other state administration institutions, municipalities and non-governmental organizations for commenting.</p> <p>Deadline – July 1, 2015. The Responsible Authority: The Latvian Environment, Geology and Meteorology Agency (ensures accessibility of plans on the Internet, receives and summarizes comments and amends the draft plans) The Ministry of Environmental Protection and Regional Development (organizes public consultation, coordinates cooperation with neighboring countries)</p> <p>3. Approval of the Daugava, Gauja, Lielupe and Venta rivers RBMP for 2016-2021.</p> <p>Deadline - December 22, 2015. The Responsible Authority: The Ministry of Environmental Protection and Regional Development (in accordance with the Water Management Law, Article 19, first subparagraph)</p> <p>4. Implementation of the Surface and Groundwater Monitoring Program to ensure the data for development of the RBMP for 2016-2021, as well as in order to evaluate performance of environment quality objectives set in the previous period (2010-2015).</p> <p>Deadline – until December 31, 2015, 2016-2021 after that</p> <p>The Responsible Authority: The Latvian Environment, Geology and Meteorology Agency (organizes the monitoring)</p> <p>Information on mutual compliance conditions will be included in the RDP for 2014-2020. (To be implemented after the approval of the EC Regulations and submission of the RDP for 2014-2020 in the EC).</p>		

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
<p>6.2. Waste management area: to promote economically and ecologically sustainable investments in the area of waste management, in particular, developing of waste management plans in accordance with the Directive 2008/98/EC on waste and taking into account hierarchy of the waste management.</p>	<p>d) the necessary measures to achieve the objectives with regard to preparing for waste re-use and processing up to 2020 have been taken</p>	<p>The requirements of European Parliament and the Council Directive 2008 / 98 / (November 19, 2008) on waste and repealing of certain Directives are transposed in „Waste Management Law” 4., 5 and 7 Part of 20, Section, as well as 02.08.2011 CoM Regulations No. 598 and the CoM Regulations No. 1075 of December 22, 2008 „Regulations concerning report forms of the State statistic of environmental protection”.</p> <p>The National Waste Management Plan 2013-2020 was approved by Cabinet of Ministers on February 26, 2013 (Protocol No 11, 35). The plan includes measures on the management of waste for re-use and recycling. The National Waste management plan is submitted through the ESTAPIKS system on October 31, 2013</p> <p>According to the EC indications, an action plan with incentive measures for biodegradable waste recycling and re-use has been developed.</p> <p>The plan contains objectives and measures included in the National Waste Management Plan for 2013-2020, which are related to limitation of biodegradable waste disposal in landfills, incl. implementation of technical measures, amendments to laws (until 2015) and educating the general public and a research on potentially supported environment protection activities’ economic benefits analysis.</p> <p>Planned key actions include: stronger obligations for waste management operators for waste indicators informing them about the available waste separate collection facilities, NRT rate increase for waste disposal, landfill operator's regular waste composition assessment with the ability to impose administrative penalties that are not sorted waste, changes in laws and legislation bans / restrictions bury such waste, which exists to promote the recycling facilities and composting / fermentation residue reuse and so on.</p>	<p>1 July 2015</p>	<p>MEPRD</p>
<p>7.1. Transport. The existence of a comprehensive plan or plans or framework or frameworks for transport investment in accordance with the Member States’ institutional set-up (including public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks.</p>	<p>a) a realistic and mature pipeline for projects for which support from the ERDF and the Cohesion Fund is envisaged;</p>	<p>Fulfilment of the criterion will ensure a detailed list of planned projects with indicative timeline for implementation and financing plan.</p> <p>In addition to the list of projects included in Transport Development Guidelines 2014-2020 (http://www.sam.gov.lv/satmin/content/?cat=8) a more detailed project pipeline; it includes:</p> <ul style="list-style-type: none"> - the name of the authorities and stakeholders involved in leading these projects - the foreseen expenditure and a financing plan - a realistic timetable for activities (including - feasibility studies, technical design, cost-benefit analysis, environmental impact assessment, if applicable - Communication on state aid, procurement performance, construction timetable) <p>the indicative list of planned projects will be submitted to Cabinet of Ministers.</p>	<p>1 September 2014</p>	<p>MT</p>

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
	b) Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.	<p>Fulfilment of the criterion will ensure the methodology implemented by the MoT to sustain intermediary institutions and beneficiaries to achieve project objectives. The methodology will include:</p> <ul style="list-style-type: none"> - analysis of gaps to achieve project objectives for intermediary institutions and beneficiaries - Recommendations for early detection of the potential risks and deviations to achieve Project objectives, minimizing the risk to suspend an implementation of the approved projects. <p>Considering that the planned projects are identified in the Guidelines of Transport Development for the period 2014 to 2020 and stated in the information report, with the indicative list of planned projects will be identified alternative projects; when the release amount appears the Project applicant is called to submit the another appropriate Project;</p> <ul style="list-style-type: none"> - The description of required actions for the responsible authorities to facilitate the achievement of project objectives. <p>Considering that intermediary institutions and beneficiaries have experiences in the Project implementation of the EU fund planning for period 2004-2006 and 2007-2013 and staff involved in a Project management have a long-term experience in the implementation co-financed credit projects of the European Reconstruction and Development Bank and the World Bank, individual training programs on public procurement, the EIA procedures, financial Project management etc., the Ministry of Transport is not planning to conduct.</p>	1 September 2014	
7.2. Railway: The existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on railway development in accordance with the Member States' institutional set-up (including concerning public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T comprehensive and core networks. The investments cover mobile assets, interoperability and capacity building.	a) The existence of a section on railway development within the transport plan or plans or framework or frameworks as set out above which complies with legal requirements for strategic environmental assessment (SEA) and sets out a realistic and mature project pipeline (including a timetable and budgetary framework);	<p>Fulfilment of the criterion will ensure a detailed list of planned projects with indicative timeline for implementation and financing plan.</p> <p>In addition to the list of projects included in Transport Development Guidelines 2014-2020 (http://www.sam.gov.lv/satmin/content/?cat=8) a more detailed project pipeline; it includes:</p> <ul style="list-style-type: none"> - the name of the authorities and stakeholders involved in leading these projects - the foreseen expenditure and a financing plan - a realistic timetable for activities (including - feasibility studies, technical design, cost-benefit analysis, environmental impact assessment, if applicable - Communication on state aid, procurement performance, construction timetable) <p>the indicative list of planned projects will be submitted to Cabinet of Ministers.</p>	1 September 2014	MT

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
	b) Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.	<p>Fulfilment of the criterion will ensure the methodology implemented by the MoT to sustain intermediary institutions and beneficiaries to achieve project objectives. The methodology will include:</p> <ul style="list-style-type: none"> - analysis of gaps to achieve project objectives for intermediary institutions and beneficiaries - Recommendations for early detection of the potential risks and deviations to achieve Project objectives, minimizing the risk to suspend an implementation of the approved projects. <p>Considering that the planned projects are identified in the Guidelines of Transport Development for the period 2014 to 2020 and stated in the information report, with the indicative list of planned projects will be identified alternative projects; when the release amount appears the Project applicant is called to submit the another appropriate Project;</p> <ul style="list-style-type: none"> - The description of required actions for the responsible authorities to facilitate the achievement of project objectives. <p>Considering that intermediary institutions and beneficiaries have experiences in the Project implementation of the EU fund planning for period 2004-2006 and 2007-2013 and staff involved in a Project management have a long-term experience in the implementation co-financed credit projects of the European Reconstruction and Development Bank and the World Bank, individual training programs on public procurement, the EIA procedures, financial Project management etc., the Ministry of Transport is not planning to conduct.</p>	1 September 2014	
7.3. Other modes of transport, including inland-waterways and maritime transport, ports, multimodal links and airport infrastructure: the existence within the comprehensive transport plan or plans or framework or frameworks of a specific section on inland-waterways and maritime transport, ports, multimodal links and airport infrastructure, which contribute to improving connectivity to the TEN-T comprehensive and core networks and to promoting sustainable regional and local mobility	a) a realistic and mature pipeline for projects for which support from the ERDF and the Cohesion Fund is envisaged;	<p>Fulfilment of the criterion will ensure a detailed list of planned projects with indicative timeline for implementation and financing plan.</p> <p>In addition to the list of projects included in Transport Development Guidelines 2014-2020 (http://www.sam.gov.lv/satmin/content/?cat=8) a more detailed project pipeline; it includes:</p> <ul style="list-style-type: none"> - the name of the authorities and stakeholders involved in leading these projects - the foreseen expenditure and a financing plan - a realistic timetable for activities (including - feasibility studies, technical design, cost-benefit analysis, environmental impact assessment, if applicable - Communication on state aid, procurement performance, construction timetable) <p>the indicative list of planned projects will be submitted to Cabinet of Ministers.</p>	1 September 2014	MT

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
	b) Measures to ensure the capacity of intermediary bodies and beneficiaries to deliver the project pipeline.	<p>Fulfilment of the criterion will ensure the methodology implemented by the MoT to sustain intermediary institutions and beneficiaries to achieve project objectives. The methodology will include:</p> <ul style="list-style-type: none"> - analysis of gaps to achieve project objectives for intermediary institutions and beneficiaries - Recommendations for early detection of the potential risks and deviations to achieve Project objectives, minimizing the risk to suspend an implementation of the approved projects. <p>Considering that the planned projects are identified in the Guidelines of Transport Development for the period 2014 to 2020 and stated in the information report, with the indicative list of planned projects will be identified alternative projects; when the release amount appears the Project applicant is called to submit the another appropriate Project;</p> <ul style="list-style-type: none"> - The description of required actions for the responsible authorities to facilitate the achievement of project objectives. <p>Considering that intermediary institutions and beneficiaries have experiences in the Project implementation of the ESI funds planning for period 2004-2006 and 2007-2013 and staff involved in a Project management have a long-term experience in the implementation co-financed credit projects of the European Reconstruction and Development Bank and the World Bank, individual training programs on public procurement, the EIA procedures, financial Project management etc., the Ministry of Transport is not planning to conduct.</p>	1 September 2014	
9.1. The existence and the implementation of a national strategic policy framework for poverty reduction aiming at the active inclusion of people excluded from the labour market in the light of the Employment guidelines.	a) ii) provides a sufficient evidence base to develop policies for poverty reduction and monitor developments;	<p>The fulfilment of criteria will provide:</p> <ol style="list-style-type: none"> 1) the Concept of minimum income level definition (minimum guarantee and submission to the Cabinet of Ministers by August 1, 2014, emphasizing the importance of the minimum income definition to achieve the goal poverty reduction. 2) submission of MoJ informative report on the action plan of development of the re-socialization of convicts in prison and after release 2014 to 2020 to the Cabinet of Ministers till August 1, 2014, and amendments to Prisoners re-socialization concept submission to Cabinet of Ministers till June 1, 2015 	1 June 2015	MoW, MoJ
	b) Upon request and where justified, relevant stakeholders will be provided with support for submitting project applications and for implementing and managing the selected projects.	On December 17, 2013 Cabinet of Ministers approved an Informative Report regarding Management control system for the CP Funds within the 2014 – 2020 programming period. The Informative Report includes an information regarding the system according to which the project applicant will be able to receive the required assistance and information regarding the submission of the application, implementation and management of the project. Later this information will be provided within Description of the management and control system, which will be provided until the end of 2014.	31 December 2014	MoF
9.3. Health: The existence of a national or regional strategic policy framework for health within the limits of Article 168 TFEU ensuring economic sustainability..	a) A national or regional strategic policy framework for health is in place that contains: i) coordinated measures to improve access to health services;	Fulfilment of the criterion will be provided by the ” Public health strategy 2014 – 2020”	31 December 2014	MH
	a) ii) measures to stimulate efficiency in the health sector, through deployment of service delivery models and infrastructure;	Fulfilment of the criterion will be provided by the ” Public health strategy 2014 – 2020”	31 December 2014	
	iii) monitoring and review system	Fulfilment of the criterion will be provided by the ” Public health strategy 2014 – 2020”	31 December 2014	

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
10.1. Early school leaving: The existence of a strategic policy framework to reduce early school leaving (ESL) within the limits of Article 165 TFEU.	a) A system for collecting and analysing data and information on ESL at relevant levels is in place that: i) provides a sufficient evidence-base to develop targeted policies and monitors developments.	The fulfilment will ensure extensive research, which includes analytical study on the children and youth who have left their schools prematurely, suggestions for systemic sustainable improvements for gathering, inventory, management, and analysis of data, as well as suggestions on implementation of preventive and compensatory measures for children and youth in the risk group of early school leaving. This research is planned to be carried out under activity 1.2.2.3.2. "Support for Education Research" within 2007 – 2013 EU funds period. According to the research, plan for compensatory and preventive measures will be developed, as well as a systemic improvements in State Education Information system data collecting and analyzing will be made.	31 July 2015	MoES
	b) A strategic policy framework on ESL is in place that: i) is based on evidence;	The fulfilment will ensure extensive research, which includes analytical study on the children and youth who have left their schools prematurely, suggestions for systemic sustainable improvements for gathering, inventory, management, and analysis of data, as well as suggestions on implementation of preventive and compensatory measures for children and youth in the risk group of early school leaving. This research is planned to be carried out under activity 1.2.2.3.2. "Support for Education Research" within 2007 – 2013 EU funds period. According to the research, plan for compensatory and preventive measures will be developed, as well as a systemic improvements in State Education Information system data collecting and analyzing will be made.	31 July 2015	MoES
	b) ii) covers relevant educational sectors including early childhood development, targets in particular vulnerable groups that are most at risk of ESL including people from marginalised communities, and addresses prevention, intervention and compensation measures;	The fulfilment will ensure extensive research, which includes analytical study on the children and youth who have left their schools prematurely, suggestions for systemic sustainable improvements for gathering, inventory, management, and analysis of data, as well as suggestions on implementation of preventive and compensatory measures for children and youth in the risk group of early school leaving. This research is planned to be carried out under activity 1.2.2.3.2. "Support for Education Research" within 2007 – 2013 EU funds period. According to the research, plan for compensatory and preventive measures will be developed, as well as a systemic improvements in State Education Information system data collecting and analyzing will be made.	31 July 2015	MoES
	b) iii) involves all policy sectors and stakeholders that are relevant to addressing ESL.	The fulfilment will ensure extensive research, which includes analytical study on the children and youth who have left their schools prematurely, suggestions for systemic sustainable improvements for gathering, inventory, management, and analysis of data, as well as suggestions on implementation of preventive and compensatory measures for children and youth in the risk group of early school leaving. This research is planned to be carried out under activity 1.2.2.3.2. "Support for Education Research" within 2007 – 2013 EU funds period. According to the research, plan for compensatory and preventive measures will be developed, as well as a systemic improvements in State Education Information system data collecting and analyzing will be made.	31 July 2015	MoES
11. The existence of a strategic policy framework for reinforcing the Member States' administrative efficiency including public administration reform	a) i) a strategic policy framework has been introduced and implemented, aimed to strengthen management capacity of State public authorities and their	The fulfillment of the criterion will be ensured by: 1) The Public Administration Policy Development Guidelines 2014 to 2020; 31.10.2014. 2) Anti-Corruption National Programme for the period 2014 – 2020; 31.10.2014. 3) Guidelines on the judiciary and law enforcement agencies human resource capacity-building and skills development for 2014 – 2020; 01.09.2014.	31 October 2014	SC, MJ

Unfulfilled or partially fulfilled thematic and specific ex-ante conditionalities	Unfulfilled criteria	Planned actions for fulfilment of the ex-ante conditionality	Planned date of fulfilment	Responsible institution
	skills in regard to: analysis of legal, organizational and/or procedural reforms' operation and strategic planning;			
	a) ii) the development of quality management systems;	Fulfilment of the criterion will be provided by informative report Informative Report „Strengthening of the human resources capacity of the public administration in order to reduce the administrative burden on the business environment and facilitate the combat of corruption and shadow economy within the period from 2014 to 2020”.	30 November 2014	SC
	a) iv) the development and implementation of human resources strategies and policies covering the main gaps identified in this field;	Fulfilment of the criterion will be provided by: 1) the Informative Report „Strengthening of the human resources capacity of the public administration in order to reduce the administrative burden on the business environment and facilitate the combat of corruption and shadow economy within the period from 2014 to 2020”; 30.11.2014. 2) Guidelines on strengthening of human resources capacity and development of skills of the judiciary and law enforcement authorities personnel in the period from 2014 to 2020”; 01.09.2014.	30 November 2014	SC, MJ
	a) v) improvement of skills in public institutions at all professional levels of the hierarchy;	The fulfillment of the criterion will be ensured by: 1) the State Chancellery developed strategy “On skills improvement of governmental officials and employees at all levels in the period until 2020”; 30.09.2014. 2) informative report Informative Report of the Cabinet „Strengthening of the human resources capacity of the public administration in order to reduce the administrative burden on the business environment and facilitate the combat of corruption and shadow economy within the period from 2014 to 2020; 30.11.2014.	30 November 2014	SC

2.4. THE METHODOLOGY AND MECHANISM TO ENSURE CONSISTENCY IN THE FUNCTIONING OF THE PERFORMANCE FRAMEWORK

- (577) MA has prepared guidelines for determining indicators of CP funds and design of performance framework, based on guidance documents prepared by „Directorate-General for Regional Policy” and „Directorate-General Employment, Social Affairs and Inclusion” for monitoring and evaluation. The guidelines establish the main principles for determining the indicators and their objectives, as well as the criteria for the development of performance framework. These guidelines have been developed based on draft Implementing act on the arrangements to ensure a consistent for determining milestones and targets in the performance framework.
- (578) The basic principles for determining the indicators and development of performance framework provided in these guidelines may be applied also to EAFRD and EMFF. The indicators in respect of EAFRD and EMFF, as well as their values of the intermediate objectives have been determined in cooperation with evaluators. Determining of performance framework targets/indicators is based on the situation in the sector of the national economy of Latvia in general and taking into consideration also the priorities set by Latvia, which must be reached in mid-term, as well as by evaluating the results of the 2007–2013 programming period.
- (579) MoF is responsible institution for coordination of performance frameworks across all Latvian OPs.
- (580) During the process of programming the MAs of ESI funds (MoF and MoA) have identified those areas which have similar beneficiaries and eligible activities.. The MAs have reached agreement that in cases where it is possible the unit costs will be primarily used for setting the targets of output indicators, taking into account the inflation factor. However, by comparing the indicators of OP “Growth and employment” and “Latvian Rural Development Programme 2014-2020” it was concluded that there are no common indicators for which common methodology or unit costs could be applied for setting the targets or milestones. It should be taken into account that in case of EFARD the milestones have been already recommended by DG Agri, while in case of ERDF, ESF and CF the milestones and targets are set by Member states and this process have to be documented.
- (581) The methodology on setting the targets and milestones has been coordinated with ex-ante evaluators. Evaluators of OP “Growth and employment” conclude that performance framework tables have been designed correctly, including all necessary breakdowns by funds. Evaluators also observe that milestones and targets are justified and the process has been documented including detailed calculations. Evaluators recommend to consider setting the milestones for indicators where 0 values have been indicated for year 2018 and key implementation steps are introduced.
- (582) During the OP implementation the performance frameworks will be coordinated within Monitoring Committees. Monitoring Committees will be responsible for monitoring the indicators and amending the target values in case of OP amendments, changes in socio-economic situation and also according to results of performance review carried out by EC in 2019.
- (583) Progress in reaching the indicators related to CP funds is planned to be summarized twice a year, using reports of the responsible institutions and the management information system of CF funds as the main mechanism. Upon evaluating the progress for reaching the indicators, MoF will inform CM in cases of significant lagging behind the mid-term or final targets, and will warn regarding any existing risks and necessary measures for the improvement of the situation. MC members of CP funds will also be informed regarding the risks identified.
- (584) In order to ensure the monitoring of EAFRD and EMFF OP performance framework and its progression toward the set objectives, constant evaluation of efficiency and impact of RDF and FAP implementation will take place, and RDF and FAP annual implementation reports will be

prepared each year and coordinated with EAFRD and EMFF. Monitoring will take place using common information system (see Section 2.6).

2.5. EVALUATION OF THE NECESSITY TO INCREASE ADMINISTRATIVE CAPACITY OF THE INSTITUTIONS INVOLVED IN OP MANAGEMENT AND CONTROL AND, IF APPLICABLE, OF BENEFICIARIES, AND SUMMARY OF ACTIONS TO BE IMPLEMENTED FOR THIS PURPOSE, IF NECESSARY

(585) “Mid-term assessment of the implementation efficiency of NSRF priorities, measures and activities of CP funds for „2007 – 2013 programming period (2011)” sets forth that the management system of CP funds in general successfully ensures carrying out of their implementation, management and monitoring function and provides an opportunity to timely react to changes in external environment and economic situation. The evaluators at the same time point out that the factors which should be taken into consideration when developing management system of ESI funds, are linked to increasing the centralization level, determining the procedures for operative actions of institutions more precisely, centralizing and expanding the use of information system to the beneficiary, and more efficiently coordinating activities carried out in the scope of control function. Auditing authority in the audit report states – „We recommend to seriously assess the necessity for so decentralized function delegation and involvement of so significant number of establishments in the management of CP funds, when performing the changes in the existing management and control system of CP funds as well as upon developing management and control system of CP funds for the next programming period. We would like to point out that all employees involved in the management of CP funds must maintain appropriate qualification, methodological management and monitoring by MoF as the Central Authority, and we recommend strengthening the role of the Managing Authority in adopting decisions regarding the implementation of the delegated functions.”

Structure

(586) Managing Authorities of ESI funds shall be the same as in the 2007–2013 programming period. Managing Authority of CP funds is the MoF. The functions of the Managing Authority are carried out by the line ministries and SC pursuant to specific objectives prescribed in OP of CP “Growth and Development”. One stop agency principle will be applied to ERDF, CF and ESF unlike in the 2007–2013 programming period. As before, the functions of the Audit Authority shall perform an independent audit body of the MoF that will also carry out the designation procedure. In order to ensure a clear and adequate separation of functions within the MoF the following action shall be taken: amongst other, the Audit Authority shall submit to the Cabinet of Ministers the report and its opinion on the designation of the Managing and Certifying authority, the Audit Authority may report to the Cabinet of Ministers on serious deficiencies within the management and control systems established by the Managing and Certifying authorities, as before for the period 2007-2013, the Audit Authority is functionally subordinated to the Minister of Finance in accordance to the By-law of the Ministry of Finance, there is established a separate budget line for the purposes of the Audit Authority. In addition, it will be considered a need to develop a communication strategy and the amendmends of the Head of the Audit Authority position’s classifier to have this posiotion at the same level as the Head of the Managing Authority. The Treasury is set as the Certification Authority and the authority whereto the EC will make disbursements. Organizational structure of monitoring during the 2014-2020 programming period of CP funds in general is not

changed significantly, but it provides an opportunity to decrease the burden of controls for beneficiaries in the scope of one-stop agency principle.

- (587) MoA is set as the Managing Authority of EAFRD and EMFF, while Rural Development Fund is a Cooperation Partner. MoA will perform the functions of Accreditation Authority, and RDS – the functions of Disbursing Authority. Functions of EAFRD and EMFF Certification Authority will be carried out by an authority selected by MoA pursuant to public procurement procedure.
- (588) Management and control system will be improved in CP administration, handling such matters as the number of authorities involved in administration; ensuring planning and analytical capacity in all CP fund management system; better coordination of the planned support; cooperation among authorities; coordination and avoiding overlapping of functions, including by achieving both efficient linking of planning process of CP specific objectives with the objectives set in the policy planning documents and the results to be achieved, and by ensuring consecutive implementation of mutually connected specific objectives and appropriate planning of funding; more efficient development of monitoring and control system, including better implementation of e-administration; synergy among various policy support schemes (investment coordination and reduction of risk of double funding on the level of planning documents of CP, developing coordination mechanisms of planned investments – work groups, etc.); strengthening the role of evaluations and research. The capacity of the involved authorities will appropriately be reviewed, in order to reach more coordinated and concentrated planning and performance framework of ESI funds, achieving that functions and investments do not overlap, separating more clearly planning, implementation and monitoring functions, as well as laws and regulations will be developed ensuring as efficient as possible use of the work contributed by the institutions.
- (589) Managing authorities ensure servicing and availability of methodology, guidelines and best practices developed by the competent authorities to other institutions and structures involved by ESI funds.

Human Resources

- (590) In order to ensure high quality administration of CP funds, capacity of the employees involved in implementation of CP funds during the 2007 – 2013 programming period, it is planned to be used in the 2014–2020 programming period, thereby ensuring transfer of knowledge and preservation and development of existing capacity. Centralized implementation of CP funds and joint human resource development plan will allow more successful implementation of measures for strengthening of human resource capacity, in order to ensure high quality and efficient implementation of CP funds.
- (591) The same implementation system will be applied in relation to EAFRD and EMFF in the next programming period, and the Managing Authority for both funds is MoA, but the Disbursing Authority – Rural Development Service, at the same time ensuring human resource capacity and competence necessary for administration of funds and following the principle of institutional succession. This will ensure single and as efficient as possible approach in the development of EAFRD and EMFF OP, coordination with EC, as well as administration and management.
- (592) Human resources of ESI funds are planned in coordination with the “Conception on Development of Human Resources in Public Administration” developed by the State Chancellery (2013). The objective of the conception – professional, well-motivated and honest employees of state administration.
- (593) Capacity of human resources is one of the most important elements for ensuring successful operation of new implementation system of CP funds. Based on the planned structure and volume of functions of management and monitoring system of CP funds in the next programming period, it is important during the 2014-2020 programming period to continue improvement of effective

management of CP funds on all levels in respect of human resources and administrative capacity, as well as it is anticipated that competences and skills similar as in the 2007-2013 programming period of CP funds may be required. The management and control system of CP funds for the next programming period is basically established in order to preserve and strengthen positive aspects of the present period. In order to ensure the execution of functions of the Cooperation Authorities of 2007 – 2013 programming period until the closing of monitoring process of the programming period, institutional framework created during the 2007 – 2013 programming period will be preserved for finishing activities of the aforementioned programming period and completion of monitoring process, including, for ex post monitoring, ensuring the execution of the functions of Competent Authorities and Cooperation Authorities. Taking into consideration the delegation function prescribed in the General Regulation and the fact that the institutional system will be established based on similar principles as in the previous programming period, transfer of human resources and administrative capacity will take place in the system of CP funds for execution of the functions of the next period.

- (594) Conclusions were drawn as a result of the mid-term assessment “Mid-term assessment of implementation efficiency of SSFD priorities, measures and activities of CP funds in the 2007 – 2013 programming period” (performed in 2011) that the management system of CP funds successfully ensures implementation, management and monitoring function, as well as provides an opportunity to react to changes in external environment and in economic situation. Operation of the management system of CP funds is constantly being improved, by both performing internal measures towards streamlining and by strengthening and specifying legal basis, whereto the operation of this system is related. Based on the current experience and evaluation of the 2007 - 2013 programming period in general, the management information system (including, e-cohesion) must be mentioned as important tools for risk reduction of human resources competence during the 2014 -2020 programming period, which is planned to be improved in the next programming period, by making it more concentrated, strengthening its role as the management tool in data analysis and control of implementation of CP funds, planning for algorithms for risk detection, and making it more accessible for the beneficiary, as well as partial attribution approach as valuable investment in strengthening the overall capacity. From the point of view of methodology support, increasing of centralization level will facilitate the opportunity for the Managing Authority of CP funds to develop more detailed information regarding the implementation matters of CP funds; it is planned to eliminate interpretation differences and create a more unified practice for the implementation of CP funds, thereby simplifying the implementation of CP funds for the beneficiary.
- (595) Experience and methods for determining the necessary volume of human resources, for example, work analysis and extrapolation of the results established during the 2007-2013 programming period against the functional allocation of the 2014-2020 programming period strengthens the approach that analogue human resources are necessary in the next programming period. Efficient planning, implementation, monitoring and evaluation functions should be ensured also in the next programming period. The employees of the competent authorities are already working on the development of planning documents of the 2014 – 2020 programming period.
- (596) Strengthening of administrative capacity of the institutions involved in CP funds during the 2007-2013 programming period in general has taken place, using the means of technical assistance. Means of technical assistance will allow without interruptions between the programming periods to continue the work on optimization and simplification of management and control system of CP funds, ensuring its sustainability and maximum return.
- (597) Additional strengthening of administrative capacity in the 2014-2020 programming period of CP funds is mainly necessary for the institutions, which did not perform management functions of CP funds in this programming period, but will be attracted in the new programming period for more

successful implementation of CP funds, for example, MJ. The common objective is to understand the knowledge and skills necessary for each function, thereby ensuring both the development and motivation of human resources and involvement of new qualified staff for ensuring the execution of functions of the 2014-2020 programming period. It is planned to attract specialists and experts of line ministries as additional capacity for selection and control processes of the projects.

- (598) In regards to strengthening of capacity of associations and foundations, ESF funding was granted in the scope of the 2007-2013 programming period for strengthening administrative capacity of Free Trade Union Confederation of Latvia (FTUCL), LEC and other associations and foundations, as well as support to municipalities for strengthening of their administrative capacity. Measures specified in the mid-term assessment report are recognized as adequate for strengthening capacity.
- (599) Staff training plays a big role in strengthening administrative capacity. All in all, 1839 officials have been trained in implementation of CP funds in the involved institutions during 2012 and 2013, using the funds of technical project in the context of strengthening capacity of the State Chancellery (data as of 21.10.2013). Competences have been strengthened in such areas as, for example, public procurement, control, risk management, using the data analysis tool of the government information system, communication and publicity, tax legislation, foreign languages, etc. Taking into consideration the resources invested in strengthening capacity, keeping the trained staff in the system of CP funds is of great importance. It is also planned that the training will be provided also to employees of other institutions involved in the system of CP funds, for example, Procurement Monitoring Bureau, Department of Aid and Control of Commercial Activity of MoF, members of MC and cooperation partners.
- (600) From the human resources management aspect, the institutions involved in the management of ESI funds are operating within the common public administration system; therefore remuneration system is unified in the entire public administration system and does not establish special privileges for the officials involved in the management of ESI funds. Evaluation system of public administration employees was implemented in 2013 providing for performance-based evaluation of employees based on specific criteria and linking remuneration to the evaluation done on annual basis.
- (601) When evaluating the experience of the 2007 – 2013 programming period, conclusions can be drawn that the established evaluation system works, while improvements are still necessary in order to ensure more efficient results and justification of investments of CP funds. In the new programming period, the evaluation system must be created in close connection with monitoring of indicators, thereby allowing identification of possible deviations from initially set (planned) objective. Experience gained during the 2007 – 2013 programming period shows that the quality of the evaluations carried out so far could be better in order to allow basing on them significant changes in the current investments. In order to ensure the quality of evaluations, increasing of capacity of the field experts in the institutions involved in the system of CP funds is planned during the process of thematic evaluations Managing Authority will strengthen the capacity of consultative workgroup of thematic evaluation of CP funds and its role in organizing the evaluation on OP priority axis, thematic objectives and investment priorities of CP funds with the purpose to determine their implementation efficiency and impact in specified period of time. The partners involved in planning, implementation and monitoring, as well as the representatives of EAFRD and EMFF Managing Authority are included in the work groups, and also appropriate field experts are being involved if necessary, thereby ensuring complementarity and synergy of all funds.

System and Ensuring Implementation

- (602) It was concluded in the “Mid-term assessment of implementation efficiency of NSRF priorities, measures and activities of CP funds for the 2007 – 2013 programming period” that the management system of CP funds in general successfully ensures the implementation, management

and monitoring function thereof, as well as provides an opportunity to timely react to changes in external environment and economic situation. Operation of the management system of CP funds is constantly being improved, by both performing internal measures towards streamlining and by strengthening and specifying legal basis, whereto the operation of this system is related. The system of fund management comprises a broad range of controlling institutions for control of the use of funding, but the coordination of control among the involved institutions is weak, and controlling bodies do not rely on each other's evaluation. Control in general is directed towards cost compliance control; however, it is necessary to concentrate more on controlling the result monitoring and objective compliance.

- (603) One stop agency principle will optimize the work of public administration in the area of administration of CP funds, by more efficiently using the resources of state budget, decreasing the risks of inadequate and inefficient acquisition of CP funds, as well as precisely determined allocation of delegated functions by the Managing Authority among the institutions involved in the administration of CP funds, which will be specified in the national legal regulation, will develop a more efficient and safer implementation system of CP funds by strengthening the management and control system.
- (604) In order to ensure implementation of the project pursuant to the project objective, planned results and eligible activities, it is planned that several controls based on risk analysis and random checks will be performed during the implementation period of the project, similarly to what was planned in the 2007-2013 programming period. Cooperation Authority will be responsible for performing the project controls. During the 2014-2020 programming period, the system will be directed towards significant reduction of performers of control, thereby ensuring that all communication with beneficiaries will for most part take place with one institution, ensuring a feedback and unified standards for performing control.
- (605) The Managing Authority similar to what was done in the scope of the 2007-2013 programming period, will continue to perform inspection of delegated functions, in order to get an idea on problematic and risky areas in the management and control system, thereby reacting to deficiencies in as timely manner as possible and creating mechanisms for their remedy.
- (606) In order to unburden and create a transparent system, it is planned to switch to electronic project risk assessment, appropriately setting risk assessment criteria in MIS, taking as the basis the criteria established by the risk management instrument ARACHNE developed by EC. In order for the risk management to be efficient and managed by all parties involved in CP funds, risk strategy should be created in the scope of each CP fund institution, and risks related to the management of CP funds must be controlled.
- (607) Risk management during 2014 -2020 programming period is one of the main aspects, as well as one of compliance assessment criterion established by EC for assessment of institutions involved in the management and control system. The Managing Authority will develop risk management strategy and as one of the mechanisms for reduction of risks will create a work group for management of risks, composed of the representatives of the institutions involved in the management of CP, as well as the representatives of EAFRD and EMFF Managing Authority.
- (608) Taking into consideration the requirements of the General Regulation in respect of the measures for combating fraud, there is a developed strategy of the department of MoF for protection of EU financial interests – combating of fraud for 2014 - 2016, as well as it is planned to continue cooperation of the institutions involved in the administration of the ESI funds with law enforcement agencies, for example, by organizing work groups and mutual training, where various problematic issues related to implementation of ESI funds are being discussed, as well as sharing of best practices and experience takes place, thereby ensuring creation of unified and in-depth understanding, as well as provision of information to all involved parties. Similarly, in order to

discuss removing of corruption, as well as the risks reducing issues, the discussion of the Representation of the Managing Authority will be continued in the Coordination Council for the Protection of EU Financial Interests.

- (609) In respect of implementation of EAFRD and EMFF (management and control system), it was concluded based on the information specified in EU laws and regulations of 2014 – 2020, as well as by valuating experience of the 2007–2013 programming period (results of conducted audits, self-assessment of the competent authorities) that significant additional measures for increasing administrative capacity are not necessary. EAFRD and EMFF maintain the implementation system of the 2007–2013 programming period, thereby ensuring institutional and experience succession for ensuring timely implementation of EAFRD and EMFF of the new period. In addition, a range of simplification measures in implementation of funds have been already carried out in the 2007–2013 programming period. In order to ensure implementation of more efficient and higher quality implementation of RDF and FAP for reduction of administrative burden, investments for improvement of management and control system are still necessary – for implementation of e-administration, implementation of monitoring and evaluation, for control system to ensure partnership, etc.
- (610) Pursuant annual Certification reports prepared by KPMG, a Certifying Institution selected according to procedure specified in Section 7 of the Council Regulation No. 1290/2005 on the Financing of the Common Agricultural and public procurement procedure, concluded that deficiencies of medium significance and majority of low significance deficiencies established in the work of disbursing agency are related to the operation of IT systems and their safety. Low significance deficiencies specified in the report have been eliminated during the 2007 – 2013 programming period; therefore significant improvements in the operation of systems in respect of their operation and safety are not necessary in the next period.
- (611) The ISO 9001:2008 Quality Certificate has been issued to EAFRD and EMFF Disbursing Authority – Rural Development Service as of 1 June 2011, which certifies that the operational areas of the Service – administration of EU and state support measures in agriculture, fishery, forestry and rural development - is carried out pursuant to internationally recognized quality management standards.
- (612) In respect of the state support regulation, support function of commercial activity is in the competence of a separate MoF structural unit similarly as in the previous programming period. Evaluation is provided both during the planning and implementation process as to whether the planned public support in the scope of OP is compatible with the conditions of EU with regard to competition and state support, by applying from the moment when the support is provided.
- (613) Purposeful switching to comprehensive e-administration is planned with significant contribution in reduction of administrative burden, simplification of the administration of CP funds, and improvement or information availability and transparency, thereby creating an opportunity to speed up the process of achieving objectives, reducing costs and allowing concentrating on results. Data quality will become safer, and they will be processed faster, which will, on the other hand, facilitate the adoption of decisions and find the best solutions in the ever-changing environment.

2.6. SUMMARY ON THE PLANNED ACTIONS IN THE PROGRAMMES FOR REDUCTION OF ADMINISTRATIVE BURDEN FOR BENEFICIARIES, INCLUDING INDICATIVE SCHEDULE FOR THEIR IMPLEMENTATION

- (614) The objective for reduction of administrative burden is to increase the efficiency of implementation of ESI funds and simplify implementation of the projects of CP funds for the beneficiary. In order to reduce administrative burden, a combination of such measures will be ensured in the 2014 –

2020 programming period, which might ease the burden for the beneficiaries already from the beginning of the planning stage of the projects, and continuing with their implementation and ensuring sustainability.

(615) A range of significant measures for improvement of management and control system have already been carried out in the scope of the 2007-2013 programming period. The main measures towards streamlining, directed to reduction of administrative burden for the authorities involved in administration of CP funds and beneficiaries:

1. Role of control, supervision and internal audit of the Managing Authority in the system of CP funds is strengthened and national procedure for stopping the declaration of costs in EC is established, ensuring greater assurance to EC about the security of control system in Latvia.
2. Optimized and harmonized practice for carrying out inspections at the locations of project implementation, allowing combining inspection of disbursement orders with inspection at the site of the project implementation.
3. Unified practice in administration of discrepancies and corrections of inadequately performed tasks, for example, unified guidelines were developed for application of corrections for one type of violations.
4. Simplified preparation of the project applications, by developing standard templates, and the accelerated implementation of the projects, reducing the time for signing the agreements and coordination of amendments to the project.
5. A fixed rate for project overheads has been set, thereby eliminating the need for detailed explanation of individual costs and their reporting to the institutions involved in the administration of CP funds, as a result ensuring, easing the administrative burden for the beneficiary and speeding up the receipt of funding.
6. Burdensome requirement is eliminated for the beneficiaries, who implement the projects and have received support for commercial activity to open account with the Treasury for making the project disbursements, thereby reducing the administrative burden for enterprises, creating an opportunity to use the funding more efficiently and receive the advance payment much faster.
7. Accelerated disbursement flow in the projects, by shortening the deadlines for reviewing the disbursement orders.
8. Beneficiary has smaller financial and control burden, by planning for an opportunity to perform random inspections of the disbursement orders, as well as clearly setting requirements in relation to supporting documents of eligible costs.

(616) It was, however, concluded in the scope of the 2007-2013 programming period that the administration system is too complicated and fragmented, which is also pointed out by the evaluators.

(617) The recommendations made in the scope of midterm assessment “Mid-term assessment of implementation efficiency of SSFD priorities, measures and activities of ESI funds in the 2007 – 2013 programming period”:

(618) All activities prior to their approval must be evaluated from the point of view of their interdependence for the improvement of cooperation among institutions. Defined interdependences must be documented, for example, the beginning of one activity is possible only after the completion of another activity; implementation of one activity must be carried out in composition with another, etc.

(619) A single set of administrative criteria, which will be coordinated with the institutions at the beginning of the programming period, has to be established in a centralized manner. Administrative criteria specific for some activity, if such is established may be coordinated as an exception. To apply a set of criteria in event of creation of new activities.

- (620) Information systems used for the management of funds of the Cooperation Authorities and the Managing Authority has to be integrated in a single solution. Use of the current systems, examples of “best practices” and planned solutions must be evaluated prior to that. Implementation of a unified IT solution may serve as the basis for the application of one-stop agency principle in respect of the beneficiaries.
- (621) „**Preliminary research regarding the opportunities to simplify the management systems of EU funds**”. To decrease the number of institutions involved in the administration of ESI funds. Optimization should be carried out only in context with the optimization of functions of the respective ministries.
- (622) To harmonize the procedure for evaluation of projects in the entire implementation system for structural funds. That would possibly allow not only simplifying the evaluation procedures but also standardizing the costs of evaluator hiring procedure. Taking into consideration that projects evaluation is an area of heightened corruption risk, standardized anti-corruption measures should also be implemented in the standard evaluation procedure.
- (623) The Auditing Authority has also pointed out that the delegated functions in the 2007 –2013 programming period should be reviewed and decentralized, thereby reducing the time for inspections, decision making and other factors affecting the administration of CP funds¹⁶³. The State Audit Office of the Republic of Latvia in its audit report points out that an improvement of management and control system is necessary for creation of the most effective administration model of CP, solving such matters as the number of institutions involved in administration, ensuring planning and analytical capacity in all management system of CP funds, better coordination of the planned support; cooperation, including by achieving both efficient linking of planning process of CP activities with the objectives and planned results specified in the policy planning documents and by ensuring consecutive implementation of interconnected activities and planning of appropriate funding. Additionally, a procurement process has ended on the evaluation of the 2014 – 2020 implementation system, which allows for a more complete determining of the necessary measures towards more efficient implementation of CP funds.
- (624) Implementation of all recommendations in relation to reduction of administrative burden could be achieved by raising efficiency of the system implementation of CP funds and simplifying the implementation of projects of CP funds for the beneficiary. The main measures which should be implemented in the 2014 – 2020 programming period are as follows:
1. **creation of optimized institutional system.** An informative report regarding the government and control system for the 2014 -2020 programming period has been developed and approved on 17 December 2013.
 2. **prevention of function overlapping,** i.e. the laws and regulations clearly establish allocation of functions, which excludes the opportunities for interpretation between the Competent Authority and Cooperation Authority in respect of re-division of functions and responsibilities, thereby achieving a more efficient and safer development of implementation system of CP funds and strengthening the management and control system. A draft law on the management of CP funds is expected to be drafted by the 1st semester of 2014, while CM Regulations on the functions of the institutions are expected to be drafted by the 3rd semester of 2014.
 3. **implementation of e-administration system.** A single central IT system will be developed for all institutions involved in the management of CP funds and project

¹⁶³ Audit report to EU Directorate-General for Regional and Urban Policy and EC Directorate-General for Employment, Social Affairs and Inclusion efficiency of the operation of the management and control system for 2007-2013 in the Ministry of Finance as the Managing and Responsible Authority.

applicants/beneficiaries. It is planned that the system will be developed on the base of already functioning CFCA project management information system, by supplementing it with new models pursuant to requirements specified in CPR regulation and identified by the Member State. By the end of 2014, SIS will ensure an opportunity for the project applicants/beneficiaries to submit online the project application, forecasts of the disbursement request, disbursement requests and supporting documents as a digital document, access the archive of documents, electronically exchange the information with a Cooperation Authority of CP funds, and see the updated information on the project status, disbursements, inspection results and findings. In order to reduce the administrative burden for the beneficiary and the circulation of the paper documents between the beneficiary and institutions administrating CP funds, the information submitted by the beneficiary by using the solution of electronic data exchange, will not have to be submitted also in hard copies.

4. **implementation of unified standards.** Unified practice and principles will be established among the institutions involved in the administration of CP funds, ensuring unified approach to controls and monitoring, reducing the volume of the supporting documents submitted by the beneficiary, developing standard agreement template, etc., thereby facilitating the work of institutions and the beneficiary and reducing the risk of inadequately incurred costs in the projects of CP funds. Unified administrative and compliance evaluation criteria of the project applications will also be set (unified evaluation criteria of the project applications), in order to reduce administrative burden in the process of development and amending the evaluation criteria of the project applications, as well as to facilitate certainty in their application, each selection will have their own specific compliance and quality criteria. To create unified procedure for reviewing the disputed decisions of the Cooperation Authority, and by strengthening the monitoring quality of the execution of functions delegated to Cooperation Authority, a possibility to develop a separate system for appealing of decisions is considered for CP funds.
5. **broader application of the simplified costs,** in order to avoid the needs of the beneficiaries to account for each spent euro and submit all documents justifying costs to inspectors. An evaluation (has been started in May, 2014), in the scope whereof application experience of the simplified costs in the 2007-2013 programming period and various types of simplified costs in the areas co-financed by EU CO funds will be analysed, and to prepare methodology for the application of a fixed rate for overheads and methodologies for the use of unit costs and lump sum payments based on the evaluation results (indicatively in th beginning of 2015).
6. **use of electronic procurement system (EPS)** (will be implemented starting the eligibility period).

(625) In order to ensure a consecutive implementation of interconnected activities, the Managing Authority during the development of DP supplement should coordinate with institutions and partners the time schedules for the implementation of specific objectives. In order to supervise consecutive implementation of the projects implemented by the municipalities, EPRDM, by fulfilling the function of the operation development of municipalities, shall ensure the coordination of the development programmes of municipalities, as well as ensure the operation of the Coordination Council, thereby eliminating the risk of overlapping of support provided by CP funds.

(626) Significant measures for reduction of administration burden in respect of EAFRD and EMFF have already been implemented in the 2007 –2013 programming period. The measures for reduction of administrative burden may be divided in two levels: legal framework and planning documents, and EAFRD and EMFF implementation, administration, monitoring and evaluation system, including use of IT in EAFRD and EMFF implementation.

- (627) Development of EAFRD and EMFF OP and related laws and regulations takes place in one institution – MoA, based on unified principles, taking into consideration conditions of specific regulations for each fund.
- (628) Internal laws and regulations on EAFRD and EMFF implementation are developed ensuring unified approach in EAFRD and EMFF implementation. Unified administration system for EAFRD and EMFF implementation has been developed, i.e., internal regulations and rules have been developed where possible both on the level of MoA as the Managing Authority and on RDS as the single disbursing agency of EAFRD and EMFF.
- (629) RDS access to databases of other institutions has been improved in respect of administration, monitoring and evaluation system, thereby reducing administrative burden for beneficiaries and improving efficiency of the fund supervision. The system for applying for support has been developed and will be improved (applying for receipt of support and submission of reports electronically, communication with RDS using electronic application system developed by RDS), thereby reducing administrative burden for the applicants and beneficiaries;
- (630) Information system for administration, monitoring and evaluation of EAFRD and EMFF support measures has been developed, which ensures administration of EAFRD and EMFF support measures and registration of the necessary information (registration and control of the funding available in the scope of the measure, registration and administration of the project applications, conclusion of agreement, information regarding the inspections performed on the spot, registration of the disbursement requests, administration of the disbursement requests, etc.), as well as collection of the information necessary for the evaluation, monitoring and evaluation of the implementation progress of EAFRD and EMFF OP.
- (631) A document management system has been developed, which ensures electronic circulation of documents among the Managing Authority, Disbursing Agency, Auditing Authority, Certification Authority, Responsible Authority and others, as well as applicants and beneficiaries.
- (632) In respect of the 2014 -2020 programming period, an opportunity in the scope of EAFRD and EMFF will be provided to potential beneficiaries to apply for support using integrated approach, for example, in the framework of the measure “Investments in tangible assets” of the Rural Development Programme of Latvia for 2014 -2020, the applicants for support will have an opportunity to submit integrated projects, i.e. in one project application indicating all investments necessary for the agricultural farm, for which it would like to get support, instead of listing separately the investments applicable to modernization of the agricultural farm production or processing, as it used to be during the 2007 -2013 programming period; development of one-stop agency of the Agricultural industry – development of system of client-based services in MoA and its subordinated institutions.

3. INTEGRATED DEVELOPMENT OF THE TERRITORIES

- (633) The necessity for a balanced development is one of the aspects emphasized by the Strategy „Europe 2020”. Inclusive growth – fostering an economy with high employment rate, delivering social and territorial cohesion is set as one of the three priorities. The Strategy points out that Europe could succeed by efficiently using diversity of its territories. It is also essential that the benefits of economic growth spread to all parts of the Union.
- (634) EU Long-term Blue Growth Strategy (COM/2012/0494) is a challenge for the integrated and sustainable use of marine and maritime sustainable growth. A significant role in the implementation of the strategy is played by the area of national interests defined in Latvia 2030 – including area of the Baltic Sea, which contains the municipalities of the coastal area¹⁶⁴. EUSBSR horizontal action „SpatialPlanning” emphasizes necessity in mutually coordinated planning of marine and coastal area, thereby getting closer to achieving the main objective of the horizontal activity – to achieve territorial balance in the Baltic Sea region by 2030. Latvia has launched development of a national-level infrastructure planning in coastal areas and maritime spatial plan, the development of both documents at the same time will ensure that they both take into account all of the coastal and marine functional relating elements. This will encourage the growth of the Blue and EUSBSR coordinate the objectives of creating the preconditions for sustainable use of marine space and its linkage with the activities of the coast.
- (635) Integrated development of the territories in Latvia is directed toward addressing economic, environmental, climate, demographic and social challenges in the municipalities of the centres of the national and regional importance, Latgale region and the municipalities of the coastal area of the Baltic Sea by making purposeful investments. More detailed analysis is available in sub-chapter “Territorial development” of the Chapter 1.1 “Analysis of differences, development needs and growth potential”.
- (636) Taking into consideration international and national level documents referring to regional development, current experience of Latvia and the aforementioned problems in regional development, regional policy of Latvia is directed towards activating the ability of a local government itself to affect the development of its territory, based on the potential of the local territory resources. Regional Policy Guidelines 2013 – 2019 sets forth new target audiences pursuant to national interest areas defined in Latvia 2030 and support in investment planning will be for Baltic Sea coastal areas for tackling complex social and environmental challenges and due to the tiebacks with the sea, for example, coastal area of the Baltic sea, plans for extended use of the territorial approach in provision of support to territories, thematic concentration in facilitation of regional development with an emphasis on the stimulation of economic activity, including employment in the areas, as well as an emphasis on extensive involvement of the stakeholders in reaching the objectives of regional policy. Development opportunities for each territory of Latvia is planned to be provided in the scope of regional policy, based on the integrated development programmes by the municipalities and vision on the complex solutions of the problematic issues. Regional policy of Latvia will contribute to the solution for the global challenge – demographical changes and their consequences.
- (637) Development centres of national and regional importance or urban areas are the territories wherein the majority of the state population, business activity, public services, including higher education establishments are already concentrated. The concentration of population and economic activity means that especial attention, when planning the development, must be paid to the environment quality aspect. The numerous industrial territories operated during the time of the Soviet Union and now abandoned are specific problem, because buildings are in ruins and the environment gets

¹⁶⁴ Specific basic principles of the Regional Policy 2014-2020

polluted because of various chemicals penetrating in the soil. These territories degrade the urban environment and are not productively used.

- (638) Regeneration of the degraded territories is a precondition for efficient use of the territories of municipalities, both by handling pollution problems and gaining additional territories for the urban development needs. While promoting the urban development, it is important to get a balance between the aspects of economic activity, community development and environment quality, which are important preconditions for improvement of quality of the urban attractiveness and life quality of the residents. Support will be provided for improvement of environmental quality, by making investments in cleaning up of the former factory and other degraded territories, thereby eliminating the risks of pollution or liquidating the existing pollution of environment, by extensively planning development of national and regional importance centres and parts of respective territories of municipalities of the Latgale region.
- (639) Pursuant to the recommendations of RU Council, Latvia should continue with the improvement of energy efficiency. Significant aspect in need to be solved is insufficient energy efficiency of the local-government buildings, where the public services are being provided. Support for facilitation of energy efficiency of the local-government buildings must therefore be planned according to priorities set in the local-government development programmes, by stimulating increasing of energy efficiency and use of the RES in the public infrastructure, in order to ensure sustainable use of energy resources, while reducing the costs of the local-governments for heating and unfavourable effects for demography (mostly emigration), which will result in reduction of heating tariffs or stopping their increase. In the situation when demographic forecasts show negative trend, reduction of local-government costs is an important precondition for facilitation of regional growth, thereby freeing up local government resources, which can be used to solve social and economic matters.
- (640) It must be noted that balancing of indicators of territorial development in the regional policy of Latvia up to 2020 is not the planned action (by artificially distributing resources or hindering with the growth of more developed territories, etc.), but the result, which is planned to be reached by implementing purposeful measures of the regional policy. It can be reached by the territories increasing their growth, both by more efficiently using the resources available to them and by receiving support from the national regional policy support instruments adjusted for the respective territories.
- (641) Taking into consideration the aforementioned, facilitation of successful development is primarily planned to be stimulated by concentrating the public investment support in the national and regional importance centres in the entire territory of Latvia that have been identified in the spatial planning process. The volume of investments among development centres will be differentiated based on their social and economic indicators.
- (642) The best option in the framework of the regional policy in the rural areas is to efficiently react to the consequences created by the demographic changes (innovative solutions are necessary for ensuring the needed services in the areas with low density of population, support for non-agricultural activities, etc.).
- (643) In order to ensure adjustment of support to the specific needs of each area and higher return on investments for the development of areas, as well as to give an opportunity for the territories to establish their development strategy and ensure its implementation, the investments in the territories must be based on the development opportunities and priorities identified at the local and regional level, which are justified in the planning documents of territory development (development programmes of the municipalities as a request for investments for the national level. Such approach will be implemented in territories of all municipalities, facilitating reaching the objectives set by the Strategy „Europe 2020”, NRP and NDP 2020, carrying out the planning of

integrated investments and implementation of the projects, and ensuring implementation of the measures as close as possible to the place of residence, thereby reducing territorial disparities.

- (644) The planned approach will provide an opportunity to reduce the existing excessive disproportions in the development indicators of the areas, by decreasing the need of the population to move (especially, from the Latgale region¹⁶⁵) to other municipalities or regions (or other countries) in search for prosperity and broader employment opportunities, as well as reducing further disproportionate concentration of population and economic activity in Riga and its surrounding areas. It is important that the development of Riga and its surrounding areas should not happen at the expense of depopulation or other regions and low economic activity, but by using the resources available to it, as well as by attracting additional resources outside Latvia, including by increasing the number of employed residents in the regions.
- (645) Strengthening of the international competitiveness of Riga as the capital city is also an important factor for reducing the emigration to other countries, especially of those who are highly qualified.
- (646) The following measures for the territorial development will be implemented in the 2014–2020 programming period in the framework of ESI funds:
1. ERDF measures for handling economic, environment, climate, demographic and social problems in development centres and municipalities of their functional areas of the Latgale region that are of national and regional importance;
 2. EAFRD measure „Basic services and villages renewal in rural areas”;
 3. EAFRD measures to be implemented using local development approach directed towards society.
- (647) Regarding planning investments for development of service infrastructure in the municipalities within the framework of other priority axis, they must be planned in compliance with the “basket” principle and content for the public physical services included in the Regional policy guidelines for 2013–2019.
- (648) Support in the scope of activities is planned for the development of public infrastructure facilitating economic activity, energy efficiency measures for buildings and revitalization of degraded areas¹⁶⁶.
- (649) Support activities will be implemented based on *bottom-up* approach in investment planning, providing support to priority investment projects defined in the integrated development programmes of the municipalities, which are justified from the economic point of view and important for facilitation of the development of area.
- (650) These activities will create mutual complementarity with the investments planned in the Rural Development Programme for facilitation of the economic activity in the infrastructure of the municipalities in the rural development area, measures for support of enterprises (other measures related to the thematic objective „Competitiveness of the small and medium-sized enterprises”), investments in transportation infrastructure, which are related to the thematic objective „Sustainable transportation system” and other investments in the framework of funding of ESI funds, state budget and other funding.

3.1. MEASURES TOWARDS ENSURING INTEGRATED DEVELOPMENT OF THE TERRITORIES

3.1.1. Local development directed by society

- (651) Latvia intends to implement CLLD, attracting funding by several funds, i.e. the EAFRD and EMFF, where EAFRD has been selected as the leading fund.

¹⁶⁵ See sub-section “Territorial development” of Section 1.1 “Analysis of differences, development needs and growth potential”.

¹⁶⁶ More detailed analysis is available in the Action plan in scope of 3.1.3, 4.2.2 un 5.6.2 specific objectives.

- (652) CLLD is a special local level approach. CLLD involves and combines local communities and organizations, in order to promote attainment of the objectives of Strategy „Europe 2020” for smart, sustainable and integrated growth through CSF objectives, which is employment and labour mobility, as well as social inclusion and combating poverty, thereby ensuring territorial development. CLLD challenges are activating the territorial development of rural community by facilitating economic development and improving the quality of the local space, thus reducing the outflow of local population.
- (653) The main objectives and tasks of CLLD approach are providing support for local development initiatives facilitating sustainability of rural communities by improving social situation in rural areas, developing a favorable environment for living, entrepreneurship and development of rural territories. By CLLD the competitiveness of the agriculture sector (as regards EAFRD), fishing and aquaculture (as regards EMFF) will be enhanced;
- (654) Indicatively, the target group of CLLD approach is LAG, inhabitants of rural territories and those significant for fisheries, entrepreneurs, associations and foundations.
- (655) CLLD approach from EAFRD must be implemented in the entire territory of Latvia, including the towns where the number of population is up to 15 000. Indicatively, 32 LAGs will be established. Measures focusing on a sustainable development of fisheries regions will be implemented in the territories significant for fisheries.
- (656) The planned funding for the implementation of measures of CLLD approach:
- Under EAFRD at least EUR 76, 6 million;
 - Under EMFF at least EUR 9% for development of fisheries regions.
- (657) With a view to implementation of CLLD approach within the framework of RDP, OP for the Development of Fisheries and a joint local development strategy selection committee will be established by institutions responsible for implementation CLLD approach. In the first stage, the committee will select LAGs and in the second stage the selected LAGs will submit local development strategies complying with relevant conditions.
- (658) In both stages, relevant selection criteria will be applied (for example, the prepared strategy is based on the analysis of local territorial development needs and analysis of the potential, actions complying with the set objectives have been identified, measurable attainable targets have been determined, a transparent and non-discriminating project selection and decision making procedure has been put in place).
- (659) Coordination and the administrative measures between the funds will be provided at fund’s level, detailed coordination mechanism will be reflected in the fund operational programs.

3.1.2. Integrated territorial investments (ITI)

(660) See Section 3.1.3 ”Sustainable development of urban environment”

3.1.3. Sustainable development of urban environment

(661) The significant role of urban areas as the driving force of the territorial development in strengthening of the competitiveness of the regions is being more extensively recognized on the EU and national level. Potential of development of the urban areas is determined in the process of special planning of regions and is used to strengthen the functional (rural) areas around them, thereby facilitating development of polycentric (multi-centre) and balanced state development. In addition, it is recognized in both Europe and Latvia that development of urban areas and other areas must be facilitated by following the principle of integrated approach and thematic concentration principle. Development and implementation of the integrated development programmes of municipalities is therefore of great importance.

- (662) Strategy „Latvija 2030” defines a network of 9 national importance centres (cities) as the basis for polycentric inhabitation structure, which needs to be strengthened to reduce the current extensive concentration of the resources around the capital city.
- (663) Statistical data show that for majority of the national importance centres, critical resource mass and their positive impact on the development of surrounding areas is currently limited. Significant differences exist among the national importance development centres in several development indicators, for example, based on number of individual enterprises and commercial companies per 1000 thousand residents, the best and the weakest indicator differs 2.6 times, but based on unemployment – 2.3 times. Support measures therefore must be planned, which will give an opportunity for the national importance development centres to increase their economic significance and expand the positive impact on the development of surrounding areas.
- (664) Low economic activity and incomplete preconditions for its increasing in the regions, which is proved by statistical data on non-financial investments, jobs, economic activity in the sector, unemployment rate and the proportion of self-employed and individual enterprises, is a significant reason for the regional development differences. There is also a lack of high quality proposals to investors by municipalities, including inadequate infrastructure of the municipalities.
- (665) In order to ensure adjustment of support to specific needs of each territory and get a higher return on investments for territorial development, as well as to provide an opportunity for the territories to implement the integrated development programmes of municipalities, support for development of infrastructure in the national importance development centres will be provided, using bottom-up approach in the investment planning. The planning and implementation of the aforementioned investments is based on the integrated development programmes of the municipalities, wherein the assessment of the potential of the territorial development is provided and the projects purposefully directed towards the development of municipality are defined, which include integrated activities for solution of problems related to urban economy, environment, climate, demography, education and social matters, while taking into consideration necessity to develop functional links between the urban and rural areas. The investments in the framework of the regional policy of Latvia will therefore be purposefully directed towards reduction of disproportions among the areas, creating more equal living and employment conditions and more equal opportunities for receiving services in Latvia for areas of similar importance.
- (666) Support of ERDF funds based on integrated development programmes of municipalities is planned to be provided for solution of problems related to urban economy, environment, climate, demography, education and social matters in nine national importance development centres – in Riga, Daugavpils, Jelgava, Jekabpils, Jurmala, Liepaja, Rezekne, Valmiera, Ventspils, by diverting ERDF funding in the amount of 230.84 million EUR for facilitation of sustainable urban development.
- (667) Investments from different thematic objectives, priority axis and specific objectives are combined in integrated urban development, planning investments for inclusive and sustainable development solution integrated in nine national importance urban areas and functional areas pursuant to the strategy for development of the business environment, improvement of urban environment, facilitation of employment and energy efficiency measures, stimulating sustainable development of internationally significant cultural and natural heritage and the services related thereto, for the improvement of social infrastructure and environment of general and vocational educational establishments.
- (668) To ensure selection of operations within ITI according to the Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006, paragraph 4 and 5 of article 7, Managing Authority

will conclude delegation agreement with every of the nine municipalities of republic importance and cooperation institution (intermediate body).

(669) Regional Development Coordination Council will be as a consultative body. It will include institutions involved in ITI implementation – institutions involved in ESI fund management and other institutions that will be involved in implementation and monitoring of sustainable urban development management – municipalities of the cities and unions of municipalities (according to the Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 paragraph 3 of article 7), as well as institutions of ESI fund management, planning regions and other organizations involved in implementation of sustainable urban development). ITI implementation scheme can be divided into the following steps:

- Coordination of integrated development programmes of municipalities;
- Concluding delegation agreement between the Managing Authority, the municipality of the city and intermediate body;
- Selection of operations and evaluation of ITI supported actions;

Concluding agreement on project implementation.

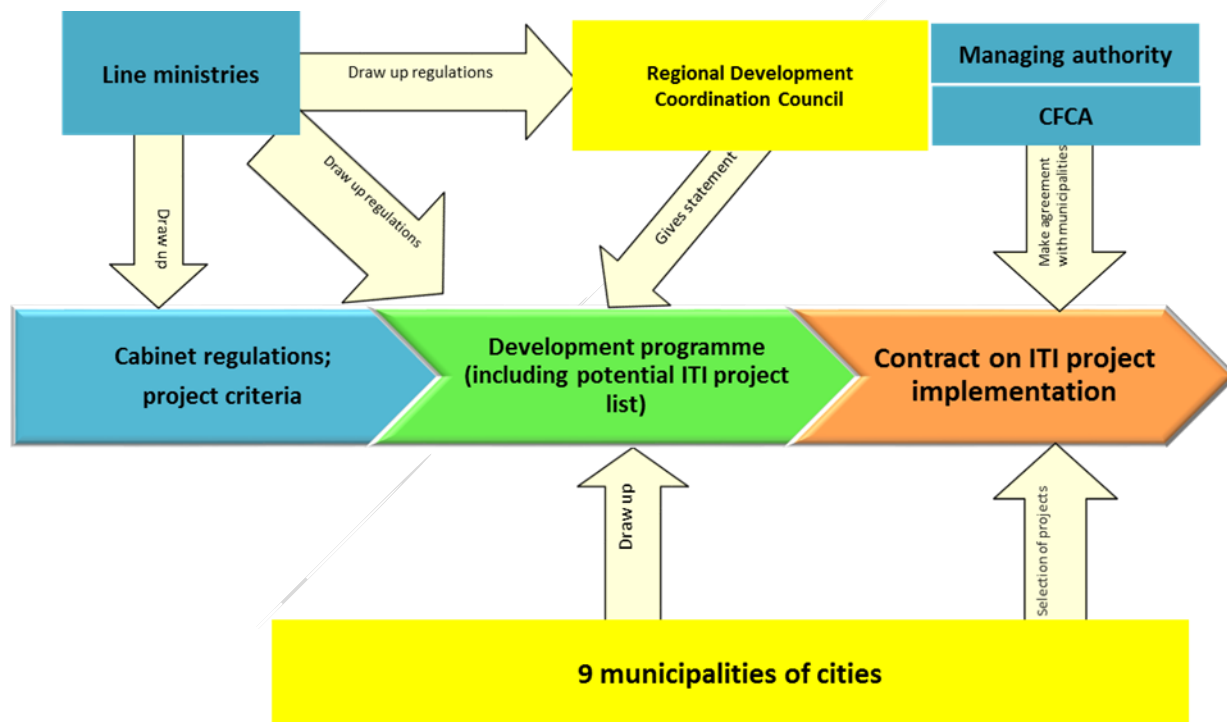


Figure 23 : Implementation scheme of Integrated Territorial Investment (ITI)

- (670) **Within the first step** nine cities that are national important development centers, develop or updated and approve their integrated development programmes (strategies), with particular sections for ITI projects which will include integrated measures to tackle the economic, environmental, climatic, demographic and social challenges, simultaneously taking into account the need to develop links between cities and rural areas. Regional Development Coordination Council shall coordinate development strategies and shall provide an opinion on the overlapping of projects with national level initiative projects.
- (671) **Within the second step** Managing Authority conclude delegation agreement with municipality of a city and intermediate body on ITI implementation.
- (672) **Within the third step** municipalities of cities within ITI develop and select ITI supported actions consistent with the previously approved development strategies and provisions of specific objectives, in coordination with entrepreneurs and shall provide transparent selection of operations within ITI.
- (673) **Within the fourth step** applicants of selected operations by municipality conclude agreement with intermediate body on implementation and monitoring of ITI project, including setting results and the amount of available funding for the project.
- (674) The aforementioned support will create complementarity with the investments planned in the Rural Development Programme for facilitation of the economic activity in the infrastructure of the municipalities in the rural development area, measures for support of enterprises (other measures related to the thematic objective „To improve competitiveness of SMEs and agriculture as industry (in relation to EAFRD) and fisheries and aquaculture industry (in relation to EMFF)”) and other investments within the framework of funding of ESI funds, state budget and other funding.

Table 3.1.3.2: Indicative allocation of funding on national level for sustainable urban development (ERDF)

Source	Indicative breakdown of funding on national level for sustainable development of urban environment (EUR)	Part of the total allotment (%)
ERDF	230 848 621	9.61%
CF	0	0.00%
(ESF)	0	0.00%

3.1.4. ETC, areas of cooperation and EUSBSR

ETC programmes and priorities

- (675) Latvia has set priority thematic objectives within the framework of ETC instrument, which are based on the analysis of needs and strategic vision on further development of the country pursuant to NDP 2020. At the same time there is a necessity to adjust the priorities set by Latvia to the cooperation format and objectives of specific ETC programme, taking into consideration specifics and international dimensions of ETC instrument, thereby supporting possible synergy of other thematic objectives/combination of their investment priorities for the aforementioned thematic objectives in event of necessity, based on the results of discussions with other Member States.
- (676) The priority thematic objectives of Latvia within the framework of ETC instrument upon starting discussions on the content of programmes with partnering countries are as follows:
1. to facilitate sustainable transportation and eliminate deficiencies in the main network infrastructures;

2. to improve competitiveness of small and medium-sized enterprises;
 3. to stimulate social inclusion and combat poverty;
 4. to invest in education, skills and lifelong learning;
 5. to protect environment and facilitate efficiency of resources;
 6. to facilitate employment and support labour mobility;
 7. to strengthen research, development of technologies and innovation;
 8. to improve institutional capacity and efficient public administration.
- (677) Thematic objectives and investment priorities supported in the scope of the programmes will be identified in the course of discussions on ETC programmes. One of the principles during discussions will be ensuring coordinated and complementing investments with other target programmes „European territorial cooperation” and „Investments in employment and growth”. Ensuring OP content is set as the discussion principle for bilateral and tripartite programmes, allowing supporting both investments of various types, including in development of infrastructure, and establishing of cooperation networks and contacts, development of pilot projects, which in future might be funded also from other national or international sources.
- (678) Coordinated and complementing investments with other target programmes „European territorial cooperation” and „Investments in employment and growth” will be ensured during the development and implementation of ETC programmes. Consultative work group will be established with a purpose to ensure the quality supervision for the development of ETC instrument OP for 2014–2020. A national sub-committee will also be established, the objective whereof being to ensure an advisory function for the national authority responsible for the implementation of ETC programmes and avoiding overlapping of project activities with other financial instruments.
- (679) Latvia is planning participation in the following ETC programmes:
- Estonian - Latvian Cross Border cooperation program;
 - Latvian - Lithuania Cross Border Cooperation Programme;
 - Latvian - Russian Cross Border cooperation program;
 - Latvian - Lithuanian - Belarusian Cross-Border program sadarabības;
 - Central Baltic Cross-Border Cooperation Programme;
 - Baltic Sea Region - Transnational Cooperation Programme;
 - INTERREG EUROPE Interregional Cooperation Programme;
 - URBACT III Interregional Cooperation Programme;
 - ESPON Interregional Cooperation Programme;
 - INTERACT III territorial cooperation programs of good governance program.
- (680) Thematic focus of ETC programmes during the 2014 – 2020 programming period is based on cooperation areas identified in EUSBSR to ensure as efficient as possible regional impact of the projects prepared in ETC programmes and ensure succession of the development projects, attracting additional investments of ESI funds in further course of the project implementation.

Indicative cooperation areas and EUSBSR

- (681) In the context of ESI funds, EUSBSR, which is a significant instrument of cooperation, encompassing eight EU Member States in the Baltic Sea region, which have combined their forces to solve common regional problems, is considered as a tool important for the growth of Latvia, allowing coordination of the national needs and challenges on the regional level, facilitating joint implementation of the projects, in order for it to ensure reaching common objectives defined by EUSBSR.
- (682) Three main EUSBSR objectives — ‘Save the sea’, ‘Connect the region’ and ‘Increase prosperity’ — conform to the objectives of the Strategy „Europe 2020”, i.e., smart, sustainable and inclusive growth. The strategy also supports cooperation with neighbouring countries, including Russian and

Norway, and is directed towards new type of cooperation, the basis whereof is formed by the understanding that common problems in the areas of environment, economy or security, etc. faced by specific regions should be solved by joint efforts. Therefore joint planning is useful, allowing using all available resources more efficiently.

- (683) EUSBSR provides an opportunity to define and take into consideration the mid-term development trends of the region, while keeping in mind local social and economic factors. The objectives included in EUSBSR are closely connected with the priorities included in priority report of the Strategy „Latvia 2030” and NDP 2020. Several areas may be emphasized in NDP 2020 context, where national interests of Latvia conform to EUSBSR objectives: energy safety and independence, cooperation-oriented society, creation of infrastructure facilitating innovation, improvement of transportation infrastructure, reduction of regional development differences, etc.
- (684) Special interests of the Republic of Latvia in EUSBSR context are:
1. Increasing competitiveness of the Baltic Sea Eastern shore and ensuring balanced development.
 2. Priority areas of Latvia in EUSBSR framework are: energy, education, research, culture, health, competitiveness and public safety.
 3. Importance of EUSBSR objective ‘Connect the Region’, striving for coordinated approach in development of transportation infrastructure (Western – Eastern, Northern-Southern direction).
- (685) Investments of ESI funds in Latvia in these areas will provide direct contribution to reaching of EUSBSR objectives. Indicative priority axes and specific objectives contributing to reaching EUSBSR objectives are identified in Annex 9 to this Partnership Agreement and within the operational programmes of appropriate funds.
- (686) The biggest challenge in EUSBSR context is to get more pilot projects with the participation of Latvia. Only few references to Latvia can be currently found in renewed EUSBSR Action Plan – those are mostly in the areas of transportation (Rail Baltica, Via Baltica), energy (NORDEL), environmental protection (for implementation of strategic objective „Save the sea”) („BalticDeal”, managing partner: Rural Support and Consultation Centre, PRESTO, CLEANSHIP, INNOSHIP) and sustainable fisheries (Aquabest). The Action Plan for 2009-2012 contained several pilot projects in the area of environmental protection with the participation of Latvia (e.g. BRISK, COHIBA). Latvia participates in all projects where the managing partner is HELCOM. Latvia participates in the pilot projects of horizontal priorities for spatial planning „Multi-level management in spatial planning of sea in The Baltic Sea region” (PartiSEApate) and climate changes „Adaptation to climate changes in the Baltic Sea region” (BALTADAPT).
- (687) To ensure the achievement of EUSBSR and alignment with national operational programmes, Baltic Sea Region countries are holding regular meetings to foster the development of common projects, where Latvia is participating actively.
- (688) Different organizations and partners in Latvia have participated and continue to be interested in applying for flagship project status and acquire funding. In 2013, the creative hub in Riga “Tabakas Fabrika” received EUR 50 000 seed money to cooperate with Finland, Sweden, Estonia, Lithuania, Norway, Denmark, Germany, Russia and Poland. The newly founded creative platform will facilitate interregional exchanges of innovative educational models and best practice in entrepreneurship and will promote cooperation among SMEs and educational institutions in the cultural and creative industries.
- (689) In the framework of EUSBSR, NGOs and other organizations in Latvia will participate in flagship project “School to Work”, that is aimed at improvement of transnational cooperation among Baltic Sea region countries in early school leaving and youth unemployment prevention, as well as organizations in Latvia will also participate in flagship project *Learning for Life and Work in*

School – LLWS Baltic, which is aimed at preventive support measures for children and young people at risk of social exclusion, and other flagship projects. Thus, EUSBSR target “Increase prosperity” and strategy „Europe 2020” targets will be reached in synergy with priority axes “Employment and labour mobility” and “Social inclusion and combating poverty” and “Education, skills and lifelong learning”. Implementation of thematic objective of low carbon monoxide level is directly related to EUSBSR implementation, supporting its objectives related to facilitation of resource efficiency and reduction of climate changes, as well as complementing the implementation of the sub-objective „Reliable energy markets” and the priority area „Improving the access to, and the efficiency and security of the energy markets”, including by implementing the measures for introduction of Energy efficiency directive. Even though support to international cooperation and development of energy infrastructure networks is not planned in the scope of priority area, planned support for energy efficiency and use of local renewable energy will provide direct contribution in reaching EUSBSR objectives.

3.1.5. Territories with the highest level of poverty, greatest risk of discrimination or social exclusion, especially in the risk groups.

- (690) Major differences in indicators of area developments are observed in the regions of Latvia. Low economic activity and incomplete preconditions for its increasing in the regions, especially along the eastern border and rural areas, is a significant reason for regional development differences. Significantly different economic activity, accessibility and availability of services create different life quality standards and development opportunities for the residents of rural areas and encourage their migration from less developed to more developed areas, thus still further reducing the growth opportunities for less developed areas.
- (691) Statistical data on poverty risk index¹⁶⁷ in Latvia is available in the breakdown by statistical region (NUTS3), and the indicator in 2011 fluctuated from 12.9% in Riga to 28.6% in the Latgale region (in Greater Riga – 15.5%, Kurzeme – 19.8%, Zemgale – 22.2%, Vidzeme – 27.8%). The average indicator in Latvia – 19.4% of the population exposed to poverty risk – therefore does not reflect the territorial differences to be observed among regions. The residents of rural areas are also more exposed to poverty risk than urban residents. Data on poverty index in the breakdown by local administrative territories – regions and towns – are not available during development of partnership agreement in Latvia. Yet, the uneven situation across the statistical regions is evidenced by, e.g., operative data of the Ministry of Welfare on the number of people having the status of a needy person (see appendix „Number of population having effective status of a needy person in January 2013”). It can be concluded that in January 2013 the proportion of needy persons fluctuated from 0.88% in the Marupe municipality to 25.27% in the Cibla municipality, while the status of a needy person in the aforementioned period in Latvia was assigned to 5.37% of population. Latgale has the biggest number of municipalities with large proportion of people in need. The measures to be taken by Latvia for reduction of the poverty rate are based on changes in tax and benefit policy and improvement of social security system, as well as expansion of state budget-supported access to child care services and reimbursement of the education costs; ESF support is planned for facilitation of availability of healthcare and educational services, improvement of professional social work and monitoring of poverty and social exclusion risk. Regional differences pursuant to the content of the specific measure will be taken into account in implementation of employment measures (including by planning more resources for long-term activation programmes of unemployed and mobility support for the regions with higher unemployment rate and fewer job vacancies).

¹⁶⁷ Poverty risk reflects the proportion of population with income under 60% of median income.

- (692) The target groups most exposed to poverty risk include incomplete families, large families, households with one member. The situation of these groups is expected to improve as a result of changes to tax and benefit system, by the improving availability of services and strengthening social work in municipalities. Support to disabled persons is planned in several directions – for development of inclusive education, support of employment and ensuring services at the place of residence to facilitate independent life of disabled persons in society. Special attention will be paid to improvement of availability of the physical environment, transportation, ICT and other planned public objects and services supported by ESI funds for disabled persons.
- (693) More detailed information is provided in chapter 5 of OP „ Special needs for the areas with highest poverty or discrimination risk, especially population risk groups”.

Table 3.1.5.1: Role and contribution of ESI funds in implementing integrated measures to handle the special needs of the territories most exposed to poverty risk, discrimination and social exclusion.

[Not applicable, taking into account the above information]

[For more detailed description of territorial differences in Latvia, see Section 1]

Target group/ geographical area	Main types of planned actions which are part of the integrated approach	Priority axis	Investment priority	Fund	Category of region

3.1.6. Demographic challenges in the regions

- (694) Latvia has too large disproportions in territorial development indicators, which are substantial also on the EU scale. According to *Eurostat* data, in dispersion of regional per capita GDP¹⁶⁸ in NUTS 3 statistical region group in 2009 Latvia showed the fourth worst result among EU member states (43.3%). Similar trends can be observed also in other social and economic development indicators of other territories. The number of population between 2000 and 2011 has increased only in the areas around the capital, whereas it has decreased in the rest of the country; in individual more distant municipalities the decrease is as much as 25-30% (Population census data). Especially negative economic development indicators may be observed in the Latgale region¹⁶⁹.
- (695) The significant differences in economic activity, availability and accessibility of services creates different life quality standards and development opportunities for the area residents and encourages the migration of population from less developed areas to more developed ones, thus even further reducing the growth opportunities of less developed areas. GDP of statistical regions of Latvia per one resident in comparison with average EU indicators is constantly low. Per capita GDP of EU

¹⁶⁸ Variation ratio expressed as percentage. Characterizes deviation of regions in % of average GDP in the country. If digit is 0, differences among regions do not exist, i.e., equal amount of GDP is produced in all regions.

¹⁶⁹ According to Eurostat, per capita GDP of the Latgale planning region based on purchasing power (PP) in 2010 constituted only 6990 (in Latvia – 13 200, EU-27 – 24 500), i.e. less than 30% of EU-27 average.

NUTS 3 regions in 2009 fluctuates from EUR 136 500 (Inner London – West regions in Great Britain) to EUR 2 300 (Silistra region in Bulgaria), while that of statistical or NUTS 3 regions of Latvia – from EUR 13 800 in the statistical region of Riga to EUR 4 500 per capita in the statistical region of Latgale.

- (696) Municipalities along the eastern border are characterized by especially small population density, low economic activity and especially rapid emigration of population. Districts along the eastern border take up 20.6% of the territory of Latvia, while only 7.4% of the population of Latvia resides there. The number of population in the municipalities along the eastern border between the beginning of 2007 and the beginning of 2012 has decreased three times faster than on average in municipalities, and 2.5 times faster than in Latvia in general; moreover, they also have a high proportion of population beyond working age and a low proportion of population below working age. Significant challenges in territorial development are also characteristic along the Lithuanian and Estonian borders, but they are similar to those in other rural areas. More detailed information see in the chapter “Territories with the highest level of poverty, greatest risk of discrimination or social exclusion, especially in the risk groups”.
- (697) In order to handle the demographic challenges in respect of populating the territories, it is necessary within the framework of regional and city polities to revitalize development centres in the territories, which are rapidly voided, and facilitate integrated planning for development of urban areas and surrounding areas, linking tightly the urban and rural areas (for example, by linking the voided rural areas with the urban areas where the number of population increases).
- (698) Target audiences or territorial focus, new investment planning and support system to territories, thematic concentration in facilitation of regional development with emphasis on stimulation of economic activity in the areas, as well as the emphasis on extensive involvement of various parties in reaching the regional policy objectives is established in the regional policy of Latvia. Development opportunities within the framework of regional policy will be provided to each territory of Latvia, simultaneously setting specific territorial focus, for the provided support to be purposeful and give maximum return. The most significant role in this context will be played by international, national and regional importance development centres. The investments in the 2014-2020 programming period therefore will be based on development opportunities and priorities identified on local and regional level, which are justified in territorial development and industry planning documents.
- (699) Long-term results and performance indicators of the regional policy to be reached by 2030: increased development rate for of lagging behind regions, to get as close as possible to average GDP level of the country by facilitating reduction of regional differences – dispersion of per capita GDP is less than 30 (base value in 2006 is 46.8); polycentric residence structure is facilitated, maintaining the ratio of urban/rural area residents 70/30 (i.e. limiting the migration of rural area residents to urban areas, since it cannot be stopped completely) (base value in 2009 is 67.8/32.2).
- (700) In order to solve the aforementioned problems, investments of ESI funds will be used for development of regional potential, improvement of environment of economic activity and the measures for stimulation of employment and education, especially planning specific investments for national and regional importance centres and Latgale municipalities. It will also be ensured that the measures implemented on regional and local level contribute to the implementation of sectoral policies in the areas. As to the investments needed in each territory, the visions of national, region and local levels will be matched within the new investment planning approach.

4. IMPLEMENTATION OF EFFICIENT PA AND OPERATION PROGRAMMES

4.1. E-FUNDS

- (701) Registration and monitoring of projects funded by CP funds in the 2007-2013 programming period of CP funds was executed using decentralized IT system module. Decentralized information regarding projects, disbursements and inspection was stored in IT systems of 5 agencies and collected in central information system of CP fund management. Upon evaluation of experience of the present period, it was concluded that storage of project data of CP funds in several IT systems, taking into consideration the number of institutions involved in CP fund management and their specific needs, in general has ensured efficient registration and monitoring of the projects financed by CP funds. Decentralized IT system module for institutions involved in CP management has ensured a faster implementation of specific IT system improvements, which were necessary for strengthening CP fund management. Upon evaluation of the existing IT systems, different quantities of e-services and their availability to beneficiaries was identified. One of the most serious decentralized IT system module limitations is the non-availability of detailed information in one place for all institutions involved in the management of ESI funds.
- (702) Taking into consideration the recommendations made in the scope of “Mid-term assessment of the implementation efficiency of SSFD priorities, measures and activities of CP funds in the 2007 – 2013 programming period” identified in PA chapter No. 2.6 “Activities for reduction of administrative burden including time schedule”, one central IT system will be used for registration and monitoring of projects funded by CP funds in the 2014-2020 programming period of EU CP funds, which will be available for all institutions involved in CP fund management and project applicants/beneficiaries. Upon evaluation of existing functionality and available e-services of CFCA project management information system, as well as changes in management and control system, Council of Information Technologies of FM decided that central IT system will be used on the basis of existing CFCA project management information system. System will be supplemented with additional necessary functionality defined in EC regulations and identified by the Member State.
- (703) Procurement on supplementation works of CFLA system will be announced in the last quarter of 2013 and it is planned that the contract with the system developer will be concluded by the middle of 2014. By the end of 2014, electronic data exchange platform is planned to be developed in the central information system of CP fund management, which will allow the project applicant and beneficiary to submit project application, obtain the most recent information on the submitted project, submit and sign with electronic signature disbursement forecasts, disbursement orders, progress reports, justifying documents online, electronically communicate with cooperation institution, access archive of project documents and other services. In order to ensure broader availability of e-services and reduce paper document circulation among the beneficiary and institutions administrating the fund, the central IT system will be linked to other information systems of state importance. The system will include detailed information regarding the projects funded in activities of financial instruments, information regarding performed audits and applications for EC payments. System will ensure storage of a portion of data necessary for impact and efficiency assessment of CP funds, which are not available to other institutions. System will store data on project level indicators and specific objectives with an opportunity to clearly identify the titles of indicators, their measurement units and definitions, initial and target values and volume of their servicing.
- (704) In respect of EAFRD and EMFF, a range of important measures has been performed in the 2004–2006 and 2007–2013 programming period to ensure exchange of information electronically among

beneficiaries and responsible authorities – see Section 2.6. Operation of information systems in 2014–2020 programming period is planned to be improved to ensure these services to as broad range of support applicants/ beneficiaries as possible. In addition, the operation of these IT systems is planned to be expanded not only for the purpose of EAFRD and EMFF implementation, but also in respect of other available financial instruments.

- (705) Pursuant to annual Certification reports prepared by KPMG, a Certifying Institution selected according to the procedure specified in Section 7 of the Council Regulation No. 1290/2005 on the Financing of the Common Agricultural and public procurement procedure, concluded that medium significance deficiencies and majority of low significance deficiencies established in the work of disbursing agency are related to the operation of IT systems and their safety. Low significance deficiencies specified in the report have been eliminated during 2007 – 2013 programming period; therefore significant improvements in the operation of systems in respect of their operation and safety are not necessary in the next period.
- (706) The ISO 9001:2008 Quality Certificate has been issued to EAFRD and EMFF Disbursing Authority – Rural Development Service as of 1 June 2011, which certifies that the operational areas of the Service – administration of EU and state support measures in agriculture, fisheries, forestry and rural development - is carried out pursuant to internationally recognized quality management standard.

APPENDICES:

Annex 1. Summary on execution of ex ante conditionalities on national level

Annex 2. Summary on institutions involved in the coordination process of the Partnership Agreement for the ESI funds programming period 2014–2020.

Annex 3. Summary on important comments provided by the partners

Annex 4. Planned investments in infrastructure of social services in the 2014-2020 programming period of ESI funds.

Annex 5. Network of healthcare service providers.

Annex 6. Implementation chart of RDF 2014-2020 measures.

Annex 7. Number of residents having valid status of needy people in January 2013.

Annex 8. The agglomerations not complying waste water requirements specified in 21.05.1999.Directive 91/271/EEC until 2015.

Annex 9. The coordination of operational programmes with the priorities of EU Strategy for the Baltic Sea Region.

Annex 10. The information on the directives of environmental monitoring and control which implementation requires ESI funding.

Annex 11. An action plan for the development of mapping of educational infrastructure.