



EUROPEAN COMMISSION

Observations on the Partnership Agreement with the Republic of Latvia

PART I

Introduction

The observations laid out below have been made within the framework of the Common Provisions Regulation (CPR) and the fund-specific regulations¹. The observations take into account the 2013 Country-specific Recommendations (CSRs) adopted by the Council on 9 July 2013² and are based on the Commission Services' Position Paper (CPP) for the use of the European Structural and Investment Funds (ESIF) in 2014-2020.

The observations address issues based on the Partnership Agreement (PA) submitted by the Republic of Latvia on 15 January 2014.

The observations are presented following the structure of the PA as laid out in the template. The most critical issues for the Commission are noted in Part I.

PART I

1. Assessment of Member State policy objectives

¹ OJ L347 Volume 56, 20.12.2013: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2013:347:SOM:EN:HTML>

² (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:217:FULL:EN:PDF>) its supporting analysis (SWD) (http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm)

The PA is a framework document that should set out clear political commitments to the strategic goals to address the key challenges identified by the Europe 2020 strategy, the CSRs and the National Reform Programme (NRP). It should define a framework for achieving the maximum European value added of the ESIF investments in Latvia for 2014-2020 by addressing the bottlenecks hampering growth and by pursuing an ambitious development strategy enabling an enhanced long-term competitiveness of the Latvian economy and further reducing regional disparities. By establishing strong links between ESIF interventions, the NRP and the strategic development vision of Latvia, cohesion policy can deliver a positive impact in reaching the Europe 2020 targets set for Latvia.

The Commission appreciates the Latvian authorities' commitment to the renewed cohesion policy with its alignment to the Europe 2020 objectives of smart, sustainable and inclusive growth and its orientation to achievement of higher impact and results through clear focusing of investments.

Overall the quality of the PA has been improved compared to the previous version.

While further attempts to address CSR 5 have been made in the revised proposal, the PA still does not demonstrate a strong commitment to the reform of the higher education accreditation system. It is not clear from the PA that ESIF will support the establishment of a national EQAR³ agency and/or international accreditation of programmes. Regarding consolidation of institutions, the PA currently foresees only functional consolidation.

While the focus of CSR 6 on improving connectivity with EU energy networks is better addressed, the PA should also target the strengthening of the national electricity grid, development of smart metering and distribution systems as well as the upgrading of networks to enable uptake from renewable energy sources (RES).

While a good progress in the elaboration of the Latvian Smart Specialisation Strategy framework (RIS3)⁴ is achieved, important further steps need to be made to address a number of important remaining issues. These include a robust and reliable monitoring and evaluation system, an effective and dynamic stakeholder's involvement and a focused priority setting by concentrating on fewer innovation- and knowledge-based development priorities. In addition, the composition of the Latvian RIS3 should be clarified and coherent linkages between the presented documents and strategies established.

The intervention logic has been improved, however there are still cases when development needs are omitted or not substantiated in the analysis, or proposed actions are not complete or justified by analysis. Also, prioritization within each TO should be evident. These relate mainly to the areas of ICT, entrepreneurship, urban and territorial development, environment, transport and education (more details provided in Part II). All results should demonstrate a qualitative change; be specific and concise about this change, including in relation to the target group; and be possible to achieve solely with ESIF contribution.

³ European Quality Assurance Register for Higher Education

⁴ Research and innovation strategies for smart specialisation

2. Financial allocation proposed by Member State

The Commission welcomes Latvia's efforts in revising the financial allocation in order to sustain long-term economic growth. However, the Commission notes that the allocation for the environment remains insufficient to achieve compliance with the EU environmental *acquis*, both in relation to applicable intermediary and 2020 targets. A comparison of the needs analysis and the proposed activities clearly demonstrate that further allocations are necessary (more details are provided in Part II under 1.1 and 1.3).

The climate related expenditure needs to be at least 20 %. The PA indicates two different figures (Table 1.4.5 and subsequent text); this needs to be clarified.

The Commission recognises efforts the Latvian authorities have made in order to allocate adequate European Social Fund (ESF) funding in response to the challenges in the labour market, education system and society as a whole, as well as earmark substantial funding for social inclusion objectives.

3. Cross-cutting policy issues and effective implementation

References to the Blue Growth Strategy are only made in the context of territorial planning and the EU Strategy for the Baltic Sea Region (EUSBSR). However, the blue growth concept and Integrated Maritime Policy (IMP) should also be reflected under TO3 and TO6, indicating the planned allocation of funding from ESI funds other than the EU Maritime and Fisheries Fund (EMFF).

4. Other critical issues

The Commission disagrees with Latvia's self-assessment with regard to the following ex-ante conditionalities (EACs):

- 1.1 regarding research and innovation, apart from a monitoring system, the sub-criteria on a limited set of priorities and stimulation of private RTD investment are not fulfilled;
- 2.1 regarding digital growth, the criterion on SWOT analysis is not fulfilled;
- 4.1 regarding energy efficiency, Latvia has declared only partial transposition of the Energy Performance of Buildings Directive whereby the criterion is not fulfilled;
- 6.2 regarding the waste sector, the criterion on measures for reuse and recycling of biodegradable waste is not fulfilled;
- 7.1, 7.2, 7.3 regarding transport, apart from measures to ensure capacity of intermediary bodies, the criteria regarding the strategic environmental assessment and mature project pipeline are not fulfilled;
- 10.1 regarding early school leaving (ESL), a system for collecting and analysing data and information on ESL at relevant levels is not considered to be in place.

Concerning the ex-ante conditionalities requiring an action plan to fulfil them, the Commission reserves its final assessment on the possible significant prejudice to the effectiveness and efficiency of the achievement of the specific objectives until the time when the programme has been submitted and all necessary information is available.

As regards additionality, the Commission insists that a target level of 3.5 % of GDP is appropriate to avoid cuts in growth enhancing expenditure.

The PA should outline a projected spending trajectory for achieving the committed national Europe 2020 target of 1.5 % of GDP spending for RTD&I.

ESIF should increasingly favour low carbon and environmentally sustainable modes of transport for investment. For the planned investments in roads a clear prioritisation should be made. The PA should explain how the transport infrastructure will be properly maintained. To ensure complementarity with ESIF financing, the PA should outline projected national financing for road construction and maintenance in 2014-2020.

PART II - FURTHER OBSERVATIONS

To ensure comparability, European Statistical System (ESS) statistics should be used to support the needs analysis. In case the necessary data is not available at EU level, links to similar ESS statistic datasets should be provided in addition to the national data sources.

It is crucial that territorial analysis on sub-national level makes use of the harmonised spatial definitions (e.g. NUTS)⁵. Urban and rural⁶, coastal⁷ and metropolitan regions⁸ referred to in the analysis should also be delineated according to the harmonised definitions.

1.1. Analysis of disparities, development needs, and growth potentials with reference to the thematic objectives and the territorial challenges

The following improvements need to be made with regard to specific TOs.

TO1: Strengthening research, technological development and innovation

The needs analysis and growth potential in the area of RTD&I has been generally improved. The new proposal refers to the RIS3 which is positive. However, as the RIS3 is a composition of different documents, it is necessary to provide a clear description on what it constitutes and establish the necessary linkages and coherence between the different parts to make one integrated strategy. This is an imperative requirement for the PA as it needs to be explicit on what exactly the smart specialisation strategy/framework for Latvia is. So far the RTD&I Guidelines 2014-2020 and the informative report on the 'Elaboration of a Smart Specialisation Strategy' have been presented. The informative report makes reference to eight other policy documents (p.4). It should be made clear what the interaction of the various policy documents is and how they contribute to the RIS3 framework.

Furthermore, the PA should make an explicit commitment to use the ESIF under this TO to implement the RIS3 and to support research excellence and innovation in the fields identified by the strategy.

⁵ http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction

⁶ http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Urban-rural_typology

⁷ http://epp.eurostat.ec.europa.eu/portal/page/portal/maritime_coastal_regions/introduction

⁸ http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/metropolitan_regions

Very importantly, the PA should identify the challenges and risks for the achievement of the national Europe 2020 target of 1.5 % of GDP spending for RTD&I (see also comments under 1.3).

The PA mentions the sectors identified by the RIS3 e.g. bio-economy and all Key Enabling Technologies (KETs) (17). These sectors are too broad and their selection has not been sufficiently justified. It is recommended, that the PA should rather focus on the two KET areas highlighted in the RIS3: biotechnologies and advanced materials.

The PA briefly mentions the 2007-2013 period experience (15). However, it is clear that a meaningful analysis of the investments and lessons learned during the 2007-2013 period has not been carried out. This should be done as a part of the ex-ante conditionality requirement (see also comments under 2.3).

Finally, the Latvian authorities should highlight the potential of the public demand-driven innovation and to use pre-commercial procurement and public procurement of innovative solutions across TOs, such as TO1, TO2, TO4-TO8 and TO11.

TO2: Enhancing access to and use and quality of ICT

The gap analysis for the Next Generation Access (NGA) investments mentions the existing digital divide between urban and rural areas (188) but does not provide sufficient detail. The PA should provide a more comprehensive description as regards the NGA investments, in line with the commitments in the IS Guidelines. The analysis should also be built on the National Broadband Plan and data from the Digital Agenda Scoreboard to illustrate the context and how Latvia is performing against other EU countries in terms of coverage/penetration.

According to the IS Guidelines, Latvia has decided to rely on wireless solutions for the last mile in rural areas. It should be noted that the currently offered solutions by Long Term Evolution (LTE) do not seem to deliver the 30Mbps on a consistent basis. Therefore, the performance investigation on last mile broadband investment is welcome and should be mentioned in the PA along with a commitment that national budget resources will be ensured in case the planned investments will not be sufficient to meet the 30 Mbps target (see also the comment under 2.3).

The gap analysis on ICT services has been improved and a reference to the RIS3 is made. It is, however, necessary to streamline the text even further with a clear reference to the IS Guidelines. The PA should make clear that a SWOT analysis or similar has been performed and underlies the proposal (see also the comment under 2.3).

TO3: Enhancing the competitiveness of SMEs

Creative industries and tourism are explicitly mentioned (21). These sectors have their importance in the Latvian economy but the PA lacks justification as to why they should be specifically targeted over other sectors.

The statements regarding shortage of industrial areas and infrastructure suitable for development of manufacturing and quality of public infrastructure (21) are generic and do not specify any particular sectors or territorial areas experiencing this problem and there is no statistical or evaluation data confirming such needs. Such challenges could be addressed if there is a clearly identified market failure in some pronounced sectors and/or territorial areas, and if the most appropriate means to address the challenges are clearly identified and justified.

TO 4: Supporting the shift towards a low-carbon economy in all sectors

The needs analysis for RES and energy efficiency has been improved. However, the targets and remaining distance to the 20% target for energy efficiency as included in the Energy Efficiency Directive should be substantiated (81).

The inconsistencies between the needs analysis and selection of funding priorities have to be clarified. The needs analysis does not raise energy efficiency of industrial buildings as a challenge, but it has been selected as a funding priority.

In order to better address the CSR 6, the PA should outline what is the situation in the area of smart metering and distribution systems that operate at low and medium voltage level. "Smart energy management" is mentioned in the table 1.3.2, but it is not clear what it includes.

It is positive that the general assessment of the public transport is provided in the transport development guidelines. However, a general assessment of public transport (accessibility and use) would bring added value to the analysis included in the PA. Sustainability of public transport and the take-up of infrastructure should be demonstrated and ensured. The role of public transport and interconnection of main nodes are not highlighted as a major opportunity.

TO 5: Promoting climate change adaptation and risk prevention and management

The needs analysis has been generally improved. However, the main challenges for climate change adaptation actions identified in developing the Environmental Policy Guidelines 2014-2020 should be highlighted in the PA. The supporting information for the analysis could be improved, e.g. data on how many inhabitants and areas are under risk from current and future climate change.

Latvia plans to focus on ecosystem based solutions to address climate change induced risks. At the same time, the Commission is aware of other structural issues in relation to risk prevention and management. For example, absence of multi-sectorial risk assessment, equipment of the rescue services and training facilities, level of effectiveness of the population alerting system in case of disasters, and level of awareness of the population about disaster risks and the actions in the event of disaster. Therefore, the PA should demonstrate that the mentioned deficiencies are reflected in relevant national policy planning documents and indicate what other (national, private) resources will be used to address the identified gaps.

Although the green infrastructure is mentioned in (232.1), the PA should provide further details on how it will be applied as an option to cope with flood risks and coastal erosion.

Climate change adaptation and mitigation is directly linked to the protection of biodiversity and natural resources of water and soil. It is, therefore, necessary that the PA addresses biodiversity and climate change in an integrated way.

TO 6: Protecting the environment and promoting resource efficiency

Waste: The Commission's previous request to resolve the discrepancies in the baseline statistical data used on recycling rates of household waste still needs to be taken into account. Three different recycling rates appear as the baseline data for 2012 – in the PA (86), in the draft Operational Programme (OP) 'Growth and Employment' (Table 2.5.4 (3)) and in Latvia's report on the implementation of Directive 2008/98/EK – 15.2 %,

24 % and 18.4 % respectively. At the same time, the data provided by Eurostat for 2011 show only a 11 % recycling rate for household waste.

Water: The nature of breach for all identified 67 non-compliant agglomerations (98) needs to be identified and described. This is essential to make an informed decision on the priorities in the sector, i.e. collection and/or treatment, the size of the agglomerations and the name of the agglomeration (these should be listed in an annex).

With regard to drinking water, the description of the needs in the PA is not justified by the obligations of the applicable EU environmental *acquis*⁹.

Nature: The last sentence of (100) stating that financing for protection of biodiversity in the previous programming period has been sufficient is incorrect and should be deleted. The PA (101) recognises that other support measures (also agri-environmental supported measures in particular in Natura 2000) for the management of biotopes have been limited and the latest biodiversity implementation report states that the majority of species and habitats have an unfavourable status. Point (102) suggests that ecosystem services from agriculture and forest land are not relevant and should therefore be deleted.

The needs analysis and the potential of environmental activities in aquaculture and promotion of sustainable activities in the fishing industry need to be included in view of consistency with the EMFF selected objectives in Chapter 1.3.

TO7: Promoting sustainable transport and removing bottlenecks in key network infrastructure

There is a reference to the critical condition of roads infrastructure (56) which was affected by the consolidation of the state budget during the crisis. However, the issue of maintenance is not adequately addressed in the PA. There is a reference to the state road improvement programme dealing with the issue (70). However, a clear commitment is necessary in the PA to ensure that any future investments in transport infrastructure will be properly maintained and that the problems related to road maintenance will not continue in the future. The PA should clearly outline the projected national financing for road construction and maintenance in 2014-2020 to ensure complementarity with ESIF financing.

53.7 % of regional roads are considered to be in a bad or very bad condition (63). The definition of what is meant by regional roads should be included in the PA to ensure conformity with the scope of ESIF in this area.

The PA envisages investments in the ports of Ventspils, Liepaja and Riga, in particular due to the critical state of common hydro-technical structures and bad quality of access roads (67). Much more detailed justification, analysis and data on the state of ports infrastructure are needed in the PA to justify these investment needs.

The CSR 6 requires further effort in strengthening national electricity grid and its connections to other Baltic countries. While the cooperation aspect is addressed by referring to the use of the Connecting Europe Facility (CEF) instrument and the Baltic Energy Market Interconnection plan (BEMIP), the aspect on national electricity grid is not analysed. The PA should outline what is the situation in the area of national electricity networks, as well as electricity uptake from RES.

TO8: Promoting employment and supporting labour mobility

⁹ Directives 98/83/EC, 2000/60/EC

Substantial progress with regard to this TO has been made during the informal dialogue. The few remaining issues concern intervention logic, in particular (i) the potential of flexible working modes as well as mobility challenges which should be reflected in the needs analysis; (ii) the proposed ways to address the challenges (122) should be included in Chapter 1.3.

TO9: Promoting social inclusion and combating poverty

Substantial progress with regard to this TO has been made during the informal dialogue. The few remaining issues concern intervention logic, in particular: (i) the challenges of ex-convicts related to labour market participation and social integration should be analysed in a comprehensive way (currently analysis refers to stereotypes in society as the only challenge) and supported by data including analysis of the current re-socialisation system (described as fragmentary); (ii) analysis on the human resources situation in the health care sector, including the territorial coverage, should be provided; (iii) the proposed ways to address the challenges (138) should be included in Chapter 1.3.

TO10: Investing in education, skills and lifelong learning

This chapter of the PA requires further improvements. In particular, the following elements of analysis should be improved to justify the planned investment in the framework of comprehensive intervention logic:

(1) Higher education: while measures to improve governance and content of programmes are proposed, the specific challenges in these two areas are not analysed.

(2) VET: the analysis should be substantiated with data on (i) quality of programmes, (ii) available infrastructure, (iii) qualification of teachers, (iv) extent to which VET programmes are work based and/or designed together with social partners, and more generally on challenges related to promoting apprenticeships in Latvia, (v) challenges of inclusive education and (vi) specific ESL reasons for this level.

The 2007-2013 contribution to the professional qualification standards should be included (e.g. how many standards have been elaborated on, how many remain).

(3) General education: analysis should be substantiated with data on ESL reasons, qualification of teachers, challenges of inclusive education and state of play of extra-curricular activities including coverage and impact. The latest data of the OECD PISA survey¹⁰ should be used.

(4) Analysis on lifelong learning should be developed including data on current participation of different groups with a focus on the targeted groups for 2014-2020 investment.

(5) The proposed ways to address the challenges (142,146,148,149,156) should be included in Chapter 1.3.

¹⁰ <http://www.oecd.org/pisa/keyfindings/pisa-2012-results.htm>

TO11: Enhancing institutional capacity and an efficient public administration

Substantial progress with regard to this TO has been made during the informal dialogue. The remaining issue concerns intervention logic, in particular the role of public administration in reduction of the administrative burden, corruption and promoting a better entrepreneurial environment, as well as the need to strengthen its capacity, should be reflected in the needs analysis (similar to analysis on the judiciary).

Experience from the 2007-2013 period and the state of achievement of objectives set out for 2007-2013 programmes (EAFRD)

Latvia is requested to significantly improve Chapter 1.1 under the following development priorities:

- Increase of economic productivity, quality of innovation, research and science – explain the main achievements of the investment and knowledge-related measures of the RDP 2007-2013 that contributed to increased productivity (e.g. training, advisory services, modernisation of agricultural holdings, development of new products) and the lessons learnt;
- Sustainable use of natural and cultural resources – explain the main achievements of the various measures under Axis 2 of the RDP 2007-2013 and the lessons learnt;
- High employment rate in inclusive society – explain the main achievements of the measures of the RDP 2007-2013 that contributed to employment (e.g. diversification, business creation), as well as the lessons learnt;
- High quality and efficiency of the education system – explain the experiences and main achievements from RDP 2007-2013 training and advisory service measures if not covered by Priority 1: Increase of economic productivity, quality of innovation, research and science;
- Balanced and sustainable territorial development – explain the main achievements of the LEADER approach in 2007-2013 and the lessons learnt.

1.1.3. Territorial imbalances

Alongside sectoral analysis, there is a need to present analysis of the urban and territorial challenges and needs under this chapter, and to demonstrate a clear link between this analysis and any strategies/arrangements proposed for integrated urban and territorial development under Chapter 3.

The PA description of the territorial challenges should distinguish between those addressed under the mainstream TOs/and priority axes and those that will be addressed through the urban and territorial instruments (ITIs or CLLDs), ensuring complementarity between the sectoral and territorial approaches.

Latvia will use the ITI instrument for sustainable urban development under Article 7 of ERDF Regulation. However, the challenges relating specifically to the nine urban areas developing ITIs are not described at all and should be demonstrated in this chapter.

It is not clear how the different challenges, including those relating to urban-rural linkages, are addressed by the strategies of the nine cities and which themes are prioritised for implementation through Article 7 of ERDF Regulation. It should be explained whether the integrated investments in infrastructure development (257) are proposed as part of the Riga ITI. It is necessary to demonstrate how the challenges are addressed and which measures will be taken, in Chapter 3.

The draft PA describes the territorial challenges and development potential in the Latgale region. It should also be indicated which TOs will address these challenges and how.

Apart from the Latgale planning region, the PA does not identify the territorial challenges and opportunities of other regions in line with the specific arrangements of key territorial challenges required by Annex I 6.5 (a) and (c) of CPR.

A clear link between the analysis of challenges and needs, and the proposed territorial approaches, should be provided, which should also make visible how different programmes and financing sources complement each other. In Chapter 1.1 challenges and development needs of coastal areas are not adequately analysed. In this context, in (193) it is not clear what is meant by public infrastructure. For this type of investment evidence of need is not provided. It should be emphasised that infrastructure investments in the field of tourism or local roads are not a priority for ERDF.

The PA (177) recognizes that a "significant share of these development centres do not have sufficient critical mass", which suggests that there is a need for concentration on a fewer number of growth centres. This is not analysed and indicated in the PA. Also, it is not clear whether the issue of an 'insufficient critical mass' is a concern for some of the nine cities proposed under the Article 7 of ERDF Regulation on sustainable urban development.

There is also insufficient information about the territorial challenges that will be addressed by TOs 8-10.

A reference to the 2007-2013 programming period is made (176). However, a more meaningful analysis, including lessons learnt on the approach to territorial development should be included.

1.2. Summary of ex-ante evaluation

The summary should include evaluation of the consistency of the PA with the CPR (including the Community Strategic Framework).

Information should be provided on environmental, climate change and energy aspects of the ex-ante evaluation.

1.3. Selected thematic objectives and investment priorities

TO1: Strengthening research, technological development and innovation

The PA should clearly outline projected spending trajectory for achieving the committed national Europe 2020 target of 1.5 % of GDP spending for RTD&I. Based on the identified challenges and risks in Chapter 1.1 the PA should explicitly mention how these will be addressed so that the target can be reached.

One of the set objectives (209) is increased investment in R&D. While this is a very relevant input indicator of the sector, it has, however, its limitations. The recent external assessment of Latvia's research system highlights the heterogeneity in the quality of scientific institutes in Latvia and the generally low level of scientific output. In this context, research output in terms of scientific publications, citations and patents could be added as an additional indicator in the PA to substantiate the results planned.

The Commission accepts Latvia's clarification regarding the investments in maritime RTD&I. However, the Latvian authorities are encouraged to address maritime innovation within the scope of TO3 and thoroughly in the EMFF OP.

The TO1 investment priorities of EAFRD should be clarified.

TO2: Enhancing access to and use and quality of ICT

The PA objectives (214) and results (215) concentrate on e-Government and households but do not mention businesses, especially SMEs. At the same time the IS Guidelines devote Chapter 5.6 to identifying actions that could make SMEs more innovative. The PA should foresee relevant measures (e.g. ICT innovation vouchers) to increase ICT uptake by the SMEs.

TO3: Enhancing the competitiveness of SMEs

The current proposal includes the development of infrastructure for manufacturing and the attraction of investment (227). Such investments should be justified through analysis, outlining the type of support, potential target sectors in line with RIS3, geographical location, as well as the provisions for state aid compatibility. The draft OP 'Growth and Employment' suggests that the investments include manufacturing premises, access roads, electricity, gas, and communications. These are not compatible with the investment priorities defined in Article 5(3) of ERDF Regulation. In addition, the scope of Article 3(e) of ERDF Regulation does not allow support for large-scale infrastructure projects.

Support under TO3 should contribute to enhancing the competitiveness of SMEs, as defined in Article 2(28) of CPR, i.e. aid has to focus on enterprises and the result indicators also have to relate directly to the impact on these enterprises. Investment in the construction or upgrading of any public infrastructure under this TO is therefore not a priority and, if foreseen at all, can only be of an ancillary nature i.e. limited in scope, necessary for the achievement of a specific objective and intrinsically linked to the intervention logic of the selected operation. The financial allocations should be reviewed to be in line with SME support measures that are directly enhancing SMEs competitiveness.

Training, including the one for the workforce, is usually performed with ESF support. In the PA proposal, however, the ESF does not contribute to TO3. The ERDF could be used for employee skills improvement in cases where (i) it forms part of the same operation; (ii) is necessary for the successful implementation of the operation to which it is directly linked (Article 98 of CPR); and (iii) it targets SMEs rather than being a stand-alone activity. Consistency in this respect has to be ensured with the OP proposal.

As the draft Regional Development Programme (RDP) 2014-2020 foresees support to the producer groups, it is requested to include horizontal and vertical cooperation among supply chain actors and support for producer groups in the PA.

TO 4: Supporting the shift towards a low-carbon economy in all sectors

During the informal dialogue¹¹ Latvia expressed commitments to fulfil RES targets with a number of actions and has responded to the Commission services' informal observations, in particular, by committing to support RES in district heating and to include RES solutions in the energy efficiency measures. Agreed commitments should be confirmed through appropriate modifications in the PA, adding RES use to the energy efficiency measures in industrial, public and residential buildings and increasing the share of RES in centralised district heating (227 and 228).

Furthermore, in order to address all the elements of the CSR 6, steps have to be taken to strengthen the internal electricity grids, develop smart metering and distribution systems, and upgrade networks to enable uptake from RES. The PA should include information on what financial resources will be used and outline the planned measures in the short, medium and long term.

The PA still does not give a clear picture of how urban mobility will be addressed. It states that environmentally-friendly transport will be developed (227). The Commission requires a strong and ambitious commitment and proposal in this field from Latvia in the PA, including on urban mobility. The OP should include a comprehensive set of measures in order to address the urban mobility issues¹².

Latvia is taking part in the clean fuel initiative launched by Commission Vice President Siim Kallas in 2013. A reference in the PA would be beneficial if the commitments under this initiative were to be supported by ESIF.

TO 5: Promoting climate change adaptation and risk prevention and management

With regard to hydrologic structures, the PA still fails to require that any such plans and projects must be specifically set out in the River Basin Management Plans (RBMP), comply with Article 4(7) of the Water Framework Directive¹³ (WFD), as well as include mitigation measures and ensure resilience to the impact of climate.

The previous comment on use of green infrastructure is only symbolically taken into account because this condition is not applied when referring to the concrete measures. The other environmental considerations (higher water table dependent habitats/species, peat lands, greenhouse gas balance) are also not reflected.

Latvia should ensure that support for amelioration systems (232) is allocated to the correct TO linking to the correct RDP focus area. As a consequence climate change expenditure in Table 1.4.5, line 5 is expected to change.

TO 6: Protecting the environment and promoting resource efficiency

The table on targets quoted from the Europe 2020 strategy is not relevant for this TO and should be removed. Relevant national targets (if any) could eventually be presented.

¹¹ Informal dialogue meeting on energy issues of 7 November 2013

¹² For more information, please consult the available guidance on urban mobility http://ec.europa.eu/regional_policy/information/guidelines/index_en.cfm

¹³ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p.1).

Waste: The PA does not justify whether and how the applicable Europe 2020 targets and all intermediary targets in relation to collection and recycling for all waste streams will be fulfilled by carrying out the planned activities. The Commission maintains its position that the current and projected rates of recycling of household waste indicate great difficulties ahead in meeting 50 % of the Europe 2020 target, irrespective of the discrepancies in the baseline data used.

The PA should include prioritisation for the listed activities (240) and make it a condition that such priorities must be compliant with the waste hierarchy. In addition, activities linked with disposal should not be prioritised, for example, automated sorting lines at landfills. Demarcation between schemes (240.2 and 240.5) must be justified to prove efficient use of funding because they are aimed at the same waste streams. Furthermore, the description of the planned activities needs to be qualified and quantified. The PA should provide concrete information on the planned increase of separate collection (i.e. geographic coverage, mode and waste type expansion) and on preparation for recycling and recovery and recycling capacities (i.e. recycling centres, waste type and quantification of capacities).

With regard to biodegradable waste, Latvia must clearly explain and justify its priorities. Latvia has not identified in the PA or in the National Waste Management Plan 2013-2020 a clear strategy and the exact measures that will be taken and supported under the PA (and OP) to ensure compliance with the applicable diversion targets for 2013 and 2020. The options of separation at source or diversion to treatment installations and composting are contradictory because composting cannot be achieved unless waste is sorted. The PA's references to options of production of refuse derived fuel and generation of energy (238) are too vague. They must be supported by relevant data, an impact analysis on its consequences to the development of the recycling industry and legal and technical regulatory framework to support such priorities.

Water: Due to the very low connection rates of Latvian households to the waste water collection networks, the planned investments for individual connections are necessary to ensure compliance with Directive 91/271/EEC. However, such investments from ESIF can be justified only in very concrete cases and a strict prioritisation must be applied. The following criteria need to be fulfilled: (i) agglomerations in which the collection networks are fully established, (ii) agglomerations where the Accession Treaty transition periods have expired and the requirements of Directive 91/271/EEC are fully applicable and the amount of p.e. which is not connected to the network is significant, (iii) priority must be given to measures ensuring establishment of the collection network in all agglomerations over EU funded measures financing actual household connections, (iv) specifically defined target groups, such as 'target groups at highest risk of discrimination or social exclusion' (Article 96(4)(a) of CPR) should be defined. The PA should also establish that all network related projects should be accompanied by specific administrative and financial measures at national or local level to ensure that households are connected to the established networks.

As for the waste water treatment obligations, the PA must include a needs analysis (in Chapter 1.1) and priorities (in Chapter 1.3). These must also be prioritised according to the risk category of an agglomeration, namely, the size of the agglomeration, applicability of the Accession Treaty transition rules, category of breach: collection or treatment (secondary, tertiary). This does not necessarily result in the prioritisation of treatment plants discharging into the sea (243).

With regard to the drinking water related projects, the PA only focuses on the establishment and improvement of centralised water supply systems (243). The PA fails to justify to what extent these measures are required. If these projects are planned to ensure compliance with Directive 98/83/EC, the PA should justify the measures in relation to its quality standards.

Monitoring: The PA (254) should identify the priority order for monitoring activities and the concerned sectors. Activities in the water sector (254.3) must be aligned with the needs under Directive 2000/60/EC, including support for the information base for RBMPs (linked with ex-ante conditionality), especially for chemical and biological monitoring, and Directive 2008/56/EC.

Nature: Latvia should ensure that Natura 2000 territories (forest and/or agricultural areas) to be supported under the PA are consistent with the information in the RDP.

Support measures for biodiversity (246) must be in line with the Prioritised Action Framework for Natura 2000.

It is suggested that the priorities identified on the sustainable use of land to prevent pollution risk of soil and water (249) also include support to manure management measures, including storage with regard to which the level of non-compliance under the Nitrates Directive is high.

The Commission maintains its position and requires an increase in the allocated funding to achieve compliance with the EU environmental *acquis*. It is suggested to reallocate the funding within TO6 by giving higher priority to the investments in environment sector where the level of non-compliance and risk of environmental pollution is higher. In addition, the PA should demonstrate what other (national, private) resources will be used to close the identified gaps in the environmental sector.

Culture and sport infrastructure of national importance is mentioned (257). Please note that Article 3(e) of ERDF Regulation specifies that only 'investment in the development of endogenous potential through fixed investment in equipment and small scale infrastructure, including small-scale cultural and sustainable tourism infrastructure (...)' may be supported. The PA should, therefore, indicate that the support will be given only to small scale infrastructure.

In view of intervention logic, the EMFF selected objectives should be consistent with the identified needs and potential (in Chapter 1.1.) where the analysis regarding environmental activities in aquaculture and promotion of sustainable activities in the fishing industry needs to be included.

Please also be aware that in the course of EMFF adoption, certain measures already referred to in the PA may become ineligible and therefore may require amendments of the PA.

Support for the cross-sectoral projects, such as 'Maritime spatial planning' and 'Integrated surveillance' as well as the allocation of funding (EMFF and ERDF) should be addressed under TO6.

TO7: Promoting sustainable transport and removing bottlenecks in key network infrastructure

A prioritisation process in the planning of the regional road network is mentioned (265), however, no further details have been provided. Considering the possible magnitude of such investments in Latvia, more information, such as the methodology used for prioritisation, should be provided. It is recommended to give priority to regional roads of higher grade. The hierarchy of regional roads should be referred to in the relevant underpinning strategy. In addition, as a matter of principle (due to subsidiarity and limited impact on growth and jobs) the ERDF should not co-finance investments in local roads.

In order to reach the objective ‘to decrease the share of motor roads in a bad and very bad condition’, Latvia must apply the road safety procedures established by Directive 2008/96/EC to the TEN-T road infrastructure which will be co-financed by ESI funds.

It is not entirely clear (266) what measures are proposed to address transit and cargo transportation issues in urban areas.

Regarding investments in ports, it has been recommended to focus cohesion policy support on port access and hinterland connections (by rail, road, inland water way) to ensure that ports, primarily TEN-T ports, are developed as multimodal nodes with efficient entry and exit points through full integration with land infrastructure. The PA, however, proposes improvements in ‘common use infrastructure’ e.g. reconstruction of the hydraulic structures of large ports which is not in line with the above recommendation. It should be noted that EU Funds can support only major investment projects, including in ports, which can clearly demonstrate a thorough cost benefit analysis (CBA), that they are desirable from an economic point of view and financially viable. Furthermore, the use of cohesion policy resources to support investment in port infrastructure operating on competitive markets should be avoided because commercial financing can be used. The wider impact on the distribution of traffic between ports should be considered before the merits of investment at a particular location can be assessed. This is because investment in one port may result in diverting traffic from another and – eventually – in the decrease of regional economic efficiency and welfare.

It is necessary to clarify what investments are envisaged to fulfil environmental requirements in the Riga airport.

The following wording is proposed for the paragraph (269) of the PA to clearly describe the commitment: ‘Coherence with EU transport policy and harmonisation of technologies with those in neighbouring countries will be ensured by 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 legislation¹⁴. Investments in the TEN-T railway network will support a transition to low carbon dioxide emission levels, promote environmental protection and efficient use of resources, and will therefore increase the sustainability of the transport system.’

As regards rail transport, there is still some incoherence between Chapters 1.1. and 1.3. There is a reference to the low electrification rate of the Latvian railway network (61), however, how this will be addressed is not developed further. Lack of connectivity with Western Europe by rail (62) is also not addressed in Chapter 1.3. Moreover, investments

¹⁴ Interoperability Directive and the Technical Specification for Interoperability relating to the Control-Command and Signalling subsystems of the trans-European rail system (CCS TSI)

in the ETCS and modernisation of rail passenger infrastructure are not highlighted as a development need under Chapter 1.1. Some of the results (271) such as transportation and logistics services providing employment and significant contribution to the growth in the export of services are neither addressed in the needs chapter nor the investment priorities chapter. The decrease of CO2 emissions in railway cargo transportation is not addressed in Chapter 1.3.

TO8: Promoting employment and supporting labour mobility

Substantial progress with regard to this TO has been made during the informal dialogue. The remaining issues concern the intervention logic and result orientation. In particular, the results should be revised to reflect the qualitative change (e.g. increase instead of promotion) and be in line with other specific requirements as explained in Part I.

TO9: Promoting social inclusion and combating poverty

Substantial progress with regard to this TO has been made during the informal dialogue. The few remaining issues concern intervention logic, in particular: (i) although underlined in Chapter 1.1, no support for a re-socialisation system is included under the measures (286); (ii) (293) should be included in Chapter 1.1.; (iii) results should be revised to reflect qualitative change (e.g. increase instead of promotion, in particular results n° 4, 5, 6, 7, 11) and be in line with other specific requirements as explained in Part I.

In addition, mapping showing the 2007-2013 investment and plans for 2014-2020, as part of an overall strategic framework for an accessible, sustainable and cost-efficient social and health care system, together with assessment of its contribution to the set objectives, has not been included in the current PA proposal. From the draft OP it is understood that such mapping will be part of the guidelines for the four health networks and will be produced in 2014 with ESF funding. This should be confirmed and the mapping should be provided in due time to justify the investments and their rationale (the needs, location, type of investments, ensuring efficiency and sustainability etc.).

TO10: Investing in education, skills and lifelong learning

This section of the PA requires further improvements. Real commitments for higher education reform should be stated (instead of what is needed to be done), in particular in view of the areas still to be addressed regarding CSR 5. It should be clear from the PA that ESIF will provide means for European Quality Assurance Register for Higher Education (EQAR) accreditation of programmes and/or support the establishment of a national EQAR agency and support consolidation of institutions in higher education.

In view of intervention logic, support for improved monitoring at all education levels should be included. Target groups for lifelong learning should be specified.

The results should be revised to reflect qualitative change (e.g. increase instead of promotion, in particular results n° 1,2) and be in line with other specific requirements as explained in Part I.

The long-term mapping showing the 2007-2013 investment and plans for 2014-2020, as part of an overall strategic framework for an accessible, sustainable and cost-efficient education system should be included in the revised proposal.

TO 11: Enhancing institutional capacity and an efficient public administration

Substantial progress with regard to this TO has been made during the informal dialogue. The few remaining issues concern intervention logic. The ambition of investment in institution building (321, 322) should be reconsidered and be more focussed on raising the qualification of staff to be consistent with the OP.

The result regarding judiciary (323) is too broad and cannot be achieved with ESIF investment only, it is thus not in line with result orientation.

EUSBSR

Chapter 1.1 should provide a more comprehensive description on how the EUSBSR was taken into account in identifying the main development needs especially in the case of TOs linked to transport, energy (Latvia coordinates the energy PA in the EUSBSR Action Plan), entrepreneurship, climate change adaptation i.e. there should be links/consistencies between Chapters 1.1 and 1.3.

Table 1.4.1.

The figures for EMFF should be included once available.

Table 1.4.3.

The figures and percentage of the technical assistance (TA) should be verified.

Table 1.4.5.

There are two different figures for the total support planned for climate change: in the table and in the text below; this needs to be clarified¹⁵.

The rounding of the total figure of Cohesion Funds (CF) should be checked: with the current amounts, the total value should be EUR 409 852 772 (consequently the total of all funds should be amended).

Table 1.6.1.

The figure for the OP ‘Growth and Employment’ in Table 1.6.1 (total for period 2014-2020: EUR 4 418 286 166) does not match with the sum of the total figures for CF, ERDF and the Youth Employment Initiative (YEI) as indicated in Table 1.4.1. The value of the total contribution for the funds should be made consistent in all the parts of the PA.

Please ensure that the figures for EAFRD match the final values in the related Regulation after transfers between pillars.

1.5. The application of horizontal principles and policy objectives

1.5.2. Equality

¹⁵ The share of total climate related expenditure is below 20 % if the figure in the text is considered, but above 20 % based on the figure in the table.

To be in line with the principle of equal opportunities and non-discrimination, all ESIF investment needs to promote better physical access, including to health care, through setting exclusion selection criteria to this end.

1.5.3. Sustainable development

This section needs further improvements to be more concrete in view of the forthcoming OPs and to better reflect the genuine consideration of climate, energy, risk prevention and biodiversity across all funds including the minimum sustainable criteria in project selection. The possible uptake of the Commission tool 'CO2MPARE' should be considered.

This section should include reference to spatial planning. The PA should also explain how it will be ensured that funding is in line with the land take objectives of the Roadmap for Resource Efficient Europe (zero net land take) and Europe 2020.

The Commission's comment that the PA fails to incorporate support for cross-sectoral considerations into other project planning processes under Maritime Spatial Planning, Integrated Coastal Zone Management and Directive 2008/56/EC has not been taken into account. This is a significant shortcoming considering Latvia's priorities in coastal, fisheries and aquaculture development. Furthermore, Latvia should note that 'integrated surveillance' includes also other sectors besides the fisheries.

The reference to mandatory application of the 'polluter pays principle' in relation to water management must be clarified so that it is clear it concerns all water services.

1.5.4. Horizontal policy aim

Please describe how ESI funds under the 2014-2020 financial framework and Latvia's planned initiatives will reinforce maritime economic activities as highlighted in the Commission's Blue Growth Communication and the description of the main contributing financial instruments.

2. Arrangements to ensure effective implementation – Article 15(1)(b) of CPR

2.1. Arrangements ensuring coordination between the ESI Funds and other Union and national funding instruments and with the EIB

There is no description of the coordination mechanisms between the EUSBSR and Investments for Growth and Jobs (IFGJ) and European Territorial Cooperation (ETC) programmes. As regards the EUSBSR, coordination mechanisms between policy-makers, managing authorities of the programmes, national contact point of the strategy and priority area coordinators at national level should be explained. It should not be limited to one thematic area (currently TO3), but a general coordination mechanism should be provided.

From (388), it seems that coordination between ETC and IFGJ will be ensured through discussions on ETC programmes (which take place with other Member States). However, the PA does not mention whether coordination will be ensured discussing the IFGJ programmes. All ETC programmes shall liaise with the Ministry of Foreign Affairs in order to avoid overlaps between ETC programmes and other cohesion policy (CP) programmes (388). It is not clear how synergies will be identified and followed up. It should be clarified that ETC is part of the CP fund family (386, 388).

Synergies between the ESIF and research-specific instruments (European Research Area and Horizon 2020) should be better described. The PA should include building of competence for downstream activities in addition to upstream coordination (392). Mechanisms and structures to coordinate measures and avoid duplication of effort with Horizon 2020 should be specified. In addition, to involve the public sector in this process it is suggested to complement (392) text as follows: ‘Complementarity and synergies between Horizon 2020 and the ESIF for fundamental research in science and technology as well as to foster innovation are possible with an objective to promote closer cooperation between scientists, businesses and the public sector and international cooperation.’”

The information on synergies (418) with other EU funding instruments on transport is quite limited. In particular synergies with the Connecting Europe Facility (CEF) should be further developed, outlining the mechanisms and structures to coordinate interventions, to promote complementarities and avoid duplication of efforts. There is no reference in the PA to the North Sea – Baltic core network corridor and the priority project on it ‘Rail Baltica’. A short description of the present situation and next steps could be provided, together with information on planned construction activities and funding.

The planned coordination with the Internal Security Fund (ISF) should be described.

2.2. Additionality

The additionality target has been slightly increased (from 2.55 % to 3.0 %). However, this level is still below what is considered the minimum acceptable level (3.5 %). Moreover, the target set is not in line with the average of the table (3.06 %).

2.3. Summary of the assessment of the fulfilment of applicable ex-ante conditionalities in accordance with Article 19 and Annex (XI) at national level

Consistency between the self-assessment in the main text of the PA and Annex 1 should be ensured. Some elements are omitted in both.

Smart specialisation

The Commission partly agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

1.1 Research and Innovation. The Commission agrees that the criterion on a monitoring and evaluation system is not fulfilled and suggests involving external expertise in the development of such system. In addition, Latvia's past experience of supporting RTD&I with different funding streams needs to be assessed. There should be a systematic approach to listing Latvia's scientific and research assets developed over the previous programming period in order to establish a baseline for a credible strategy. With respect to the comprehensiveness and importance of this exercise it is suggested to take sufficient time to develop such system, but no longer than one year.

According to Latvia's self-assessment all other criteria are met. However, in the Commission opinion the following sub-criteria are not sufficiently met:

(1) while prioritisation covers almost all knowledge fields, the focus should be made on a limited number of innovation and research priorities in line with the identified potential

for smart specialisation. These priorities should be the areas where Latvia can realistically hope to excel. Otherwise there is a high risk that the resources will be spread too thinly;

(2) private sector engagement (i.e. process of entrepreneurial discovery) is poorly established, while the general understanding amongst stakeholders of the RIS3 process is scarce. Latvia should ensure an effective appreciation of entrepreneurial dynamism, involving entrepreneurial actors, and management and governance bodies responsible for the RIS3 in direct discussion. The RIS3 should hence provide for a set of consultation and auditing tools, through for instance technology auditing, interviews with cluster management and firms, mixed working groups, setting up of observatories and monitoring organisations. Furthermore, the focus seems to be biased towards the scientific research aspects which might be a consequence of poor stakeholder involvement. Therefore, the actual exploitation and transition to economic opportunity, i.e. innovation, has not been addressed in a meaningful way.

Summarising the above, a brief but realistic action plan needs to be presented in order to introduce the necessary corrections in the RIS3 and to develop a strict monitoring and evaluation system.

Digital Growth and NGA

The Commission partly agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

2.1. Digital Growth. The Commission does not agree that the full set of the criteria is met. The IS Guidelines follow the main pillars of the Digital Agenda for Europe and are consistent both in terms of structure and areas covered. However, according to the Commission assessment, the sub-criterion as regards the SWOT analysis consistent with the Digital Agenda for Europe Scoreboard is not fulfilled. Neither the IS Guidelines nor the PA provides evidence on how the prioritisation process was carried out and why certain areas were chosen while others left out. Latvia is required to submit an action plan on how the criterion will be met.

2.2. Next Generation Access (NGA). The Commission agrees that the criterion on NGA Infrastructure has been met. However, in order to gain assurance that the Digital Agenda targets for broadband will be reached, the Commission requests to mention specifically in the PA the commitment of the national budget if the planned performance investigation in 2017 would conclude that further investments are necessary to ensure the 30 Mbps speed, in line with what was foreseen by the IS Guidelines Chapter (5.2.2).

Energy efficiency and RES

The Commission partially agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

4.1. Energy efficiency. The Commission does not agree that all the criteria have been met. Latvia has declared partial transposition of the Energy Performance of Buildings Directive 2010/31/EU. Thirty-four implementing measures have been notified as of 17

February 2014. The notified legislative package is currently under assessment by the Commission services. Latvia is required to submit an action plan on how the criteria will be met.

Climate change and risk prevention

The Commission agrees with Latvia's self-assessment that the ex-ante conditionality has not been met. According to the available information, the Environment Policy Guidelines 2014-2020 have not yet been adopted. Hence the Commission provides the following comments.

5.1. Risk prevention and risk management. Given the delay with the adoption of the Environment Policy Guidelines 2014-2020, Latvia is required to submit an action plan on how the ex-ante conditionality will be met.

Environment acquis

The Commission partly agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

6.1. Water sector. Latvia recognises that both criteria with regard to incentive water pricing policy and the adoption of a river basin management plan (RBMP) are not met. Latvia commits to fulfil the criteria by amending the RBMP by 1 December 2015.

The first criterion is partially fulfilled: (i) environmental and resource costs (ERC) are only partially internalised via water abstraction and environmental taxes and there is further need of calculation of ERCs; (ii) incentive water pricing is not in place for all household sectors.

The second criterion is partially fulfilled due to the significant shortcomings in the monitoring network (absence of many biological, hydro-morphological, physico-chemical quality elements). The classification of the ecological status, pressure impact analysis and setting of the ecological objectives is provisional for all water bodies. It is not based on all quality elements required by the WFD but on all information available at the time of the development of RBMPs. The high number of exemptions applied in the first RBMPs is a cause for concern. Latvia should take all necessary measures to bring down the number of exemptions for the next cycle, and achieve the needed improvements in the characterisation process, monitoring networks and status assessment methods, as well as significantly reducing the degree of uncertainty. The costs breakdown of the Programme of Measures (PoM) per sector, by pressure and by water category is not presented. There are only total costs calculated for the overall implementation of the PoM.

An action plan, providing information on how this ex-ante conditionality will be fulfilled by 31 December 2016, should be submitted. The following elements must be addressed:

- cost recovery levels for all water services (self-abstraction (for different water uses), cooling for energy production, storage or impoundments for floods defence and navigation services, hydropower), taking into account potential cross-subsidisation leading to distorted pricing in the sectors which are covered by ERDF/CF;
- analysis and improvements to ensure adequate contribution of water uses causing significant pressures (in relation to the polluter pays principle (PPP)); and improve calculation of ERC;
- introduction of measures to increase the rate of incentive water pricing (volumetric charging) in households;
- analysis and calculation of 'non-internalised' environmental costs for the second cycle RBMPs.

6.2. Waste sector. Latvia considers that all the criteria with regard to waste management are met. However, according to the Commission assessment the condition on measures for re-use and recycling of biodegradable waste is not fulfilled in relation to the diversion of biodegradable waste from landfills to ensure compliance with the Landfill Directive. Latvia is therefore required to submit an action plan on how this criterion will be met.

Transport

The Commission partly agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

7.1. Transport, 7.2 .Railway, 7.3. Other Modes of Transport. Latvia considers that all criteria are met except measures to ensure capacity of intermediary bodies and beneficiaries for which the proposed action plan is acceptable for the Commission. The Transport Development Guidelines have been adopted by the Cabinet of Ministers in December 2013. However, it is not clear from the guidelines whether the document complies with legal requirements for strategic environmental assessment. According to the Commission assessment, the condition on a realistic and mature pipeline for projects envisaged for support from ERDF and CF is not met. It should be included in the Transport Development Guidelines in line with the provisions of Annex XI of CPR. Currently only an investment plan (without prioritisation of projects) describing sources of financing, responsible institutions, deadlines of completion of activity, without timetables for the projects' preparation and implementation, is included. Latvia is therefore required to submit an action plan on how criteria on strategic environmental assessment and a realistic and mature project pipeline will be met.

Employment

The Commission overall agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities related to employment, except for the following elements.

Regarding EAC 8.5., in order to assess fulfilment of the criterion on measures to promote the preparation and management of the restructuring processes, the Commission needs more information on involvement of external actors, such as regional and local authorities, social partners and their representatives, companies of the supply chain and SMEs, throughout the restructuring process.

Social Inclusion

The Commission overall agrees with Latvia's self-assessment regarding fulfilment of the relevant EACs related to social inclusion, except for the following elements.

Regarding EAC 9.1, the Commission can accept the proposed action plans for the criteria on measures supporting the achievement of the national poverty and social exclusion target and support for stakeholders. The Re-socialisation Guidelines should be included in the action plan as the Guidelines on Social Services do not cover the given target group. Finally, the latest template should be used for self-assessment (two criteria are inversed).

Regarding EAC 9.3., the self-assessment should be corrected to 'not fulfilled' (in Annex 1 of the PA) as the provided criteria are not fulfilled. The body responsible for implementation of the action should be included in the action plan. The latest template should be used for self-assessment (currently incomplete).

Education and Life Long Learning

The Commission disagrees with Latvia's self-assessment with regard to ex-ante conditionality 10.1 on early school-leaving (ESL). The information at our disposal does not allow us to conclude that a sufficient evidence-base exists. In our view the system does not allow for identification of the main causes triggering ESL. The collected data are of an administrative nature and do not include educational and socio-economic reasons. Clarifications on data collection covering all types of education and training should be provided, as Annex 2 of the Education Development Guidelines currently includes contradicting information. Moreover, it is not clear in what way these data have been analysed and how this feeds into the planning policy response. As real factors triggering ESL are not identified, it is unclear on what basis the measures have been conceived and it is impossible to assess the relevance of the measures.

Educational Development Guidelines for 2014-2020 mention plans to conduct research on early school leaving by the end of 2015. As this is thought to be conditional on any further work in this area, it should be implemented earlier and should be part of Latvia's action plan to fulfil the given ex-ante conditionality.

The Commission agrees with Latvia's self-assessment regarding fulfilment of the remaining relevant ex-ante conditionalities related to education and life long learning.

Finally, as a technical remark, the hyperlinks to the relevant documents should be added in the assessment grid (in Annex 1 of the PA).

Institutional capacity

Overall the Commission agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities related to institutional capacity, except for the following elements.

Regarding the criterion on a quality management system, commitment to timing of the informative report should be included in the action plan.

Regarding the criterion on development of skills at all levels, self-assessment is not coherent (considered fulfilled but proposing action plan). The action plan for judiciary is acceptable. With regard to overall public administration, commitment on timing of the informative report should be made for the action plan to be acceptable.

Regarding the criterion on monitoring and evaluation, although judged as fulfilled in self-assessment, it is not supported by any reference.

Finally, references to the bodies responsible for the implementation of the proposed actions should be included.

General ex-ante conditionalities

1. Anti-discrimination, 2. Gender and 3. Disability

The proposed action plan to fulfil the criteria related to staff training is acceptable.

4. Public procurement

The Commission overall agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides following comments.

4.1. The Latvian authorities should be reminded that the revised directives on public procurement provide for a gradual transition to mandatory e-procurement starting in 2016¹⁶. Thus, the Latvian authorities are urged to prepare a national strategy for timely and efficient transition to end-to-end e-procurement, setting out the specific objectives to be achieved, the process to be followed, the milestones and indicators.

5. State aid

The Commission overall agrees with Latvia's self-assessment regarding fulfilment of the relevant ex-ante conditionalities and provides the following comments.

5.1. The PA refers to the current reporting obligation and the reports that are submitted to the Commission. However, there is no registry in place to ensure accurate knowledge on the aid expenditure.

5.2. Arrangements for dissemination of information, including an established network of all relevant staff involved in the implementation of ESI funds and dealing with state aid issues should be put in place.

2.4. Methodology and mechanism to ensure consistency in the functioning of the performance framework in accordance with Article 21 of CPR

The PA should be clear on coordination of the performance framework across the different OPs including assessing consistency of setting targets and milestones and selecting indicators across the OPs as well as timing of such assessment. In addition, findings of the ex-ante evaluation in this respect should be provided in this section.

2.5. Assessment of the need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and the beneficiaries

It should be described how the proposed structure (461) will guarantee the independence of the audit authority and to specify the measures in place to ensure the independence.

¹⁶ This includes: (i) mandatory electronic notification of call for tenders and electronic access to tender documents (from March 2016); (ii) mandatory electronic submission of offers (e-submission) - from March 2017 for central purchasing bodies (CPBs), and from September 2018 for all contracting authorities.

The PA contains commitment to ensure a smooth transition between the programming periods and reference to the joint human resource development plan to be elaborated (468). However, it is suggested to include a specific section in the mentioned HR plan that would identify risks and challenges of keeping the experienced and knowledgeable staff and know-how retention throughout the changes of the implementation system.

3. Arrangements to ensure an integrated approach to the use of the ESI funds for the territorial development of specific sub-regional areas

3.1. Measures towards ensuring integrated development of the territories

The PA should be clear on the integrated approach to the use of the ESI Funds for territorial development.

3.1.1. Community-led local development (CLLD)

The section on CLLD is not sufficiently developed. It should also outline: (i) the main challenges to be tackled through this approach; (ii) main objectives and priorities Latvia aims to achieve by using CLLD (reference to Europe 2020 is not sufficient); (iii) describe the focus and target groups that will be addressed; (iv) towards which thematic objectives CLLD will contribute to (although programmed in the relevant funds under one priority and the related TO, it can contribute to several TOs); (v) coordination and administrative arrangements between the EAFRD and EMFF.

Even if the ERDF and ESF would not be formally part of the CLLD, it should be described how the integrated approach concerning the ESI Funds will be achieved at the local level.

3.1.3. Sustainable urban development

The PA should be clearer on the use of ITI as the delivery method for Article 7 of ERDF Regulation. In general, the approach to ITIs should already be described in Chapter 3.1.2.

Implementation arrangements for the ITIs in nine urban areas should be described, including their coordination. The PA should also be clear on the role of the urban authorities responsible for selection of projects under Article 7 of ERDF Regulation and the role of the coordination council (542).

3.1.4. ETC, areas of cooperation and EUSBSR

ETC programmes should be listed (the mentioned list of programmes (548) is not available) to assess whether the PA includes cooperation activities.

The needs arising from the EUSBSR should be identified and associated to the IFGJ and ETC programmes.

In addition to general information on the opportunities provided by the EUSBSR (550, 551), comprehensive description on how macro-regional strategies have been taken into account into strategic programming to ensure consistency of interventions and how priorities identified in the strategy and related action plan link up to planned use of ESI Funds should be provided (currently done only regarding contribution to energy objectives (555)).

Participation of Latvian partners in flagship projects should be taken into account in defining Latvia's role in implementing the EUSBSR (552).

Editorial and technical comments:

Please update the PA in accordance with the new template.

The correct title of the EU Strategy for the Baltic Sea Region should be used. Abbreviation of the EU Strategy for the Baltic Sea Region should be the EUSBSR. In addition, the latest EUSBSR terminology (objectives, titles of priority areas) should be used (104).

(276) should be coherent with Annex 1 regarding the national strategic policy framework.

In (499) it is not clear if e-Governance or e-Cohesion is meant.

In (546) and (552) the word 'pilot' needs to be deleted as ETC mostly finances projects which are not pilot ones.