

10 April 2024

**Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the second payment request submitted by Latvia on 22 December 2023, transmitted to the Economic and Financial Committee by the European Commission**

**Executive summary**

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 22 December 2023, Latvia submitted a request for payment for the second instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Latvia provided due justification of the satisfactory fulfilment of the 43 milestones and targets of the second instalment of the non-repayable support, as set out in Section 1.2 of the Council Implementing Decision 8 December 2023 on the approval of the assessment of the recovery and resilience plan for Latvia<sup>1</sup>.

In its payment request, Latvia has confirmed that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed. The Commission does not have evidence of the contrary. Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones and targets. Based on the information provided by Latvia, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of all 43 milestones and targets.

The milestones and targets positively assessed as part of this payment request demonstrate significant steps in the implementation of Latvia's Recovery and Resilience Plan. They notably highlight the continuation of the reform momentum in key policy areas. This includes, among others, adoption of digital health strategy, adoption of national work plan to reduce shadow economy, establishment of the European Digital Innovation Hub and reform of the governance of higher education institutions. The milestones and targets also confirm progress towards the completion of investment projects related to improving energy efficiency of residential and national historical buildings, energy efficiency support programme for businesses, improvements in regional and local roads.

By the transmission of this positive preliminary assessment and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets.

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<sup>1</sup> ST 15569/23; ST 15569/23 ADD 1.

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<b>Number: 7</b>	<b>Related Measure: 1.2.1.1.i. Improving the energy efficiency of multi-apartment buildings and transition to renewable energy technologies</b>	
<b>Name of the Milestone: Entry into force of support programme for improving energy efficiency in residential buildings</b>		
<b>Qualitative Indicator:</b> Entry into force of support programme for improving energy efficiency in residential buildings		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>Milestone 7 is part of the investment 1.2.1.1.i., which aims to improve the energy efficiency of buildings, to reduce the energy bills for inhabitants and increase the level of security of energy supply, to reduce energy poverty and support employment. The measure consists of a support programme for energy renovation in multi-apartment buildings.</p> <p>Milestone 7 concerns the entry into force of a support programme for improving energy efficiency in residential buildings.</p> <p>Milestone 7 is the first step of the implementation of the investment, and it will be followed by targets 8 and 9 related, respectively, to the approval of energy renovation projects representing at least EUR 40 097 400 and to the reduction of 14 423 MWh/Year of primary energy consumption in the multi-apartment buildings benefitting from the energy efficiency renovations under the measure. The investment has a final expected date for implementation on 31 August 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the Regulation No. 460 of the Cabinet of Ministers "Implementing rules for the 1.2 reform and investment strand "Improving energy efficiency" of the European Union Recovery and Resilience Facility Plan 1.2.1.1.i." adopted by the Cabinet of Ministers on 14 July 2022, published in the Official Journal on 19 July 2022, entered into force on 20 July 2022. The links to the publication in the Official Journal: <a href="https://www.vestnesis.lv/url.php?id=334084">https://www.vestnesis.lv/url.php?id=334084</a>.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of the annotation of the Regulation No. 460 of the Cabinet of Ministers. Link to the publication: <a href="https://tapportals.mk.gov.lv/annotation/ebe159c2-5897-4f17-9b11-f50f8f86cc4e">https://tapportals.mk.gov.lv/annotation/ebe159c2-5897-4f17-9b11-f50f8f86cc4e</a>;</li> <li>ii. Copy of the minutes of the meeting of cabinet of ministers on 14 July 2022. Link to the publication: <a href="https://www.vestnesis.lv/op/2022/140.2">https://www.vestnesis.lv/op/2022/140.2</a>;</li> <li>iii. Copy of the open call for projects selection, issued by ALTUM on 8 December 2022, for the implementation of the energy efficiency improvement of new apartment buildings and the implementation of the technology support programme for the transition to renewable energy resources (hereinafter the open call for project selection). Link to the publication: <a href="https://www.altum.lv/pakalpojumi/iedzivotajiem/daudzdzivoklu-maju-energoefektivitate-2022-2026/">https://www.altum.lv/pakalpojumi/iedzivotajiem/daudzdzivoklu-maju-energoefektivitate-2022-2026/</a></li> <li>iv. The general explanation regarding the entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, communicated to the European Commission on 12 May 2022.</li> </ol>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p> <p><b>Entry into force of a support programme for improving energy efficiency in residential buildings with eligibility criteria to reflect the requirements of the applicable intervention field "025bis –</b></p>		

**energy efficiency renovation of existing housing, demonstration projects and support measures meeting energy efficiency criteria” of Annex VI of the RRF Regulation.**

As evident from the copy of the Regulation No. 460 of the Cabinet of Ministers “Implementing rules for the 1.2 reform and investment strand “Improving energy efficiency” of the European Union Recovery and Resilience Facility Plan 1.2.1.1.i.” (hereinafter referred to as “Cabinet Regulation No. 460”), and the copy of the minutes of the meeting of Cabinet of Ministers on 14 July 2022 on 14 July 2022, the Latvian authorities adopted the Cabinet Regulation No. 460. The regulation was published in the Official Journal on 19 July 2022 and entered into force on 20 July 2022. As stated in the ‘General explanation regarding entry into force of the legal acts in conformity with the national rules of the Republic of Latvia’ provided by the Latvian authorities on 12 May 2022, if not specified in the Cabinet of Ministers regulation, the general rule of entry into force on the next day after the publication applies, as laid down in Article 7(2) of the Law on Official Publications and Legal Information of 31 May 2012, which entered into force on 1 July 2022. Since the Cabinet Regulation does not specify the date of its entry into force, the general rule applies to the Cabinet Regulation. It means that it entered into force on 20 July 2022.

Cabinet Regulation No. 460 establishes the legal framework for the support programme for improving energy efficiency in residential buildings. Indeed, according to paragraph 1 of Cabinet Regulation No. 460, the regulation lays down the arrangements for the implementation of investment 1.2.1.1.i. of the national Recovery and Resilience Plan, the funding available for the support programme, and the conditions for eligibility of costs and beneficiaries.

Intervention field 025bis of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (hereinafter RRF Regulation) provides that a measure is eligible if its objective is to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786. In Commission Recommendation on Building Renovation (EU) 2019/786, a medium-depth level renovation is defined as achieving between 30% and 60% primary energy savings, meaning that the objective shall be primary energy savings of at least 30%.

Paragraph 4 of Cabinet Regulation No. 460 establishes that “the support programme shall be implemented, and support shall take the form of a combined financial instrument, provided that the objective set out in paragraph 25 of this regulation has been achieved”.

Paragraph No. 25 of Cabinet Regulation No. 460 specifies a 30% primary energy reduction requirement as an eligibility criterion, in line with the requirements of the applicable intervention field “025 bis – energy efficiency renovations of existing housing, demonstration projects and support measures meeting energy efficiency criteria” contained in Annex VI of the RRF Regulation. The paragraph reads as follows: “[projects] are eligible if the objective of the project is to achieve at least 30% primary energy savings from the primary energy consumption of the multi-apartment building before the start of the project”.

Furthermore, in line with the description of the measure, **the measure consists of a support programme for energy renovation in multi-apartment buildings. It shall take the form of a financial instrument (loan) with a capital discount of up to 49% of the amount of the loan.**

Paragraph 25 of Cabinet Regulation No. 460 specifies that an apartment owner is eligible for support under the programme “if the objective of the project is to achieve at least 30 % primary energy savings from the primary energy consumption of the multi-apartment building before the start of the project”. This proves unequivocally that the measure consists of a support programme for energy renovation in multi-apartment buildings, as Cabinet Regulation No. 460 sets the legal framework for the implementation of measure 1.2.1.1.i of the national RRP, as confirmed by paragraph 1 of the same Regulation.

Sub-paragraph 2.1. of Cabinet Regulation No. 460 refers to a financial instrument consisting of a loan, a guarantee or parallel loan with a capital discount of up to 49% of the eligible costs of the project. Sub-paragraphs 4.1 and 4.3 further clarify the nature of the aid provided by the public limited

company 'Development Finance Institution Altum' (hereinafter "Altum") under the programme. In cases where Altum is the sole financing entity for the project, the aid is granted in the form of a loan with a capital discount according to sub-paragraph 4.1. In cases where the project is already financed with one or more loans issued by third entities, Altum provides co-financing in the form of a parallel loan with a capital discount according to sub-paragraph 4.3. Moreover, according to sub-paragraph 4.2, Altum might also support projects which are only financed via a loan issued by a third entity. In these cases, where no parallel loan from Altum is envisaged in the financing strategy of the project, Altum might still support the project via a guarantee and capital discount applied to the loan issued by another financier to which the Altum guarantee is attached.

As evident from Paragraph 71 of Cabinet Regulation No. 460, Altum shall take the decision to pay the capital discount taking into account the maximum amount of the capital discount set out in the contract with the person in charge of the implementation of the project and the amount of eligible costs actually incurred for the project. Altum decision is further subject to the provisions contained in sub-paragraphs 71.1, 71.2, and 71.3 of Cabinet Regulation No. 460. Sub-paragraph 71.1 specifies that the conditions of Paragraph 25 of the regulation shall have been met (at least 30% of primary energy savings as a result of the project). As clarified by paragraph 36 of Cabinet Regulation No. 460, eligible projects are granted a capital discount of up to 49% of the amount of eligible costs of the project. The capital discount reduces the principal amount of the loan, thereby motivating project applicants to implement quality projects and achieve at least 30% primary energy savings. According to the annotation of the Regulation No. 460 of the Cabinet of Ministers, projects will be financed in the most appropriate way to meet the needs of the specific dwelling, as follows: (i) a project is financed by a loan from a commercial bank and with the Altum guarantee being attached to that loan; (ii) a project is financed by the Altum parallel loan, i.e. by attracting a loan from both commercial banks and Altum for the implementation of the project, and ensuring that the Altum loan is at least equal to the amount of the capital discount; (iii) a project is financed by a loan from Altum at least up to the amount of the capital discount if it is not possible to attract a loan from a commercial bank to finance the project.

The Council Implementing Decision required that the support programme take the form of a financial instrument (loan) with a capital discount of up to 49% of the amount of the loan. As evident from Paragraph 4 and sub-paragraphs 4.1, 4.2 and 4.3 of Cabinet Regulation No. 460, as well as from the analysis above, the support provided by Altum, always subject to the requirement of Paragraph 25, might also take the form of a guarantee with a capital discount when the beneficiary has entered into a loan agreement with a third party and no parallel loan from Altum is envisaged in the financing strategy chosen by the applicant. Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, this deviation does not alter the nature of the support programme and does not affect the progress towards the achievement of the objective of the measure, as indicated in the Council Implementing Decision. Importantly, energy efficiency projects are still supported through the support programme, and the eligibility criterion of Paragraph 25 requiring that the project delivers at least 30% reduction in primary energy use is all the time applicable. Furthermore, the provisions of sub-paragraph 4.2 concerning aid provided in the form of a guarantee are not a replacement of the loan, but an additional support option for those projects where a loan could be already obtained from a third party and no parallel loan from Altum is envisaged by the financing strategy chosen by the applicant. In these cases, Altum might provide support in the form of a guarantee with a capital discount applied to the loan issued by a third party and to which the Altum guarantee is attached. This additional support modality, rather than negatively affecting the progress towards the achievement of the objective of the measure, positively boosts the reach of the investment measure overall. The form "loan with capital discount" is still available to all those applicants which have chosen this form of financing as the most appropriate for their project. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Furthermore, in line with the description of the measure, **aid shall only be available for buildings where the project is expected to achieve at least 30 % energy savings.**

As evident from paragraph 25 of Cabinet Regulation No. 460, apartment owners may only apply for aid if the objective of the project is to achieve at least 30 % primary energy savings from the primary energy consumption of the apartment building prior to the commencement of the project.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 10</b>	<b>Related Measure: 1.2.1.2.i. Increasing energy efficiency in business in the form of a combined financial instrument</b>	
<b>Name of the Milestone: Entry into force of the Support Programme for Entrepreneurial Energy Efficiency</b>		
<b>Qualitative Indicator:</b> Entry into force of Regulation		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>Milestone 10 is part of the investment 1.2.1.2.i., which aims to improve the energy efficiency of Latvian businesses. Investments in the energy efficiency of businesses aim to promote a rationalised use of energy resources, reduce negative impacts on the environment and climate, as well as improve the productivity, competitiveness and export capacity of enterprises.</p> <p>Milestone 10 concerns the entry into force of a support programme in the form of a combined financial instrument. In line with the description of the measure 1.2.1.2.i, the support programme is to finance investments by enterprises in improving energy efficiency, introducing renewable energy technologies, as well as investing in sustainable transport and introducing new energy-efficient technologies in production.</p> <p>Milestone 10 is the first step of the implementation of the investment, and it will be followed by target 11 and target 12, related to greenhouse gases (hereinafter: 'GHG') emission savings and the approved projects representing at least EUR 108 000 000, respectively. The investment has a final expected date for implementation on 31 August 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the Regulation No. 594 of the Cabinet of Ministers "1.2.1.2.i. investments "Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply and research and development activities (including in the bioeconomy)" of the 1.2.2.2.i.1 of the European Union Recovery and Resilience Facility Plan 1.2.2.i.1." of 20 September 2022, published in the Official Journal on 4 October 2022 and entered into force on 5 October 2022. Link to the publication <a href="https://www.vestnesis.lv/url.php?id=336032">https://www.vestnesis.lv/url.php?id=336032</a> ;</li> <li>iii. Copy of the annotation of the Cabinet Regulation No. 594, published on the website of the State Chancellery. Link to the publication <a href="https://tapportals.mk.gov.lv/annotation/8bc1a300-66ce-478c-a107-6eee17d8e60a">https://tapportals.mk.gov.lv/annotation/8bc1a300-66ce-478c-a107-6eee17d8e60a</a>;</li> <li>iv. Copy of the checklist to be filled in and duly signed by the project applicant demonstrating compliance with the "Do no significant harm" during project implementation issued by Altum on 4 November 2022, related to 1.2.1.2.1.i. Sub-investment "Reinforcing energy efficiency in business" (including the transition to the use of renewable energy technologies in heating) loan or guarantee application. Available at <a href="https://www.altum.lv/wp-content/uploads/2023/08/DNSH-aplicinajums_v5-1.xlsx">https://www.altum.lv/wp-content/uploads/2023/08/DNSH-aplicinajums_v5-1.xlsx</a> ;</li> <li>v. Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1. "Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply)" and its Annex, published by Altum in the</li> </ol>		

official website on 4 November 2022. Available at the link: [https://www.altum.lv/wp-content/uploads/2022/11/ANM-Energo\\_pieteikumu\\_atlases\\_nolikums-1-karta.pdf](https://www.altum.lv/wp-content/uploads/2022/11/ANM-Energo_pieteikumu_atlases_nolikums-1-karta.pdf);

- vi. Copy of the application form for loan issued by Altum on 4 November 2022 and to be filled in by the applicant on the website mans.altum.lv.

The authorities also provided:

- i. Methodology, published by Altum on 4 November 2022 in the official website, for applying selection criteria for project applications. Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/ANM-Energo\\_pieteikumu\\_atlases\\_nolikuma\\_1\\_pielikums-v2.pdf](https://www.altum.lv/wp-content/uploads/2022/11/ANM-Energo_pieteikumu_atlases_nolikuma_1_pielikums-v2.pdf);
- ii. Methodology, published by Altum on 4 November 2022 in the official website, for determining support. Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/Cela-karte\\_atbalsta\\_noteiksanai.pdf](https://www.altum.lv/wp-content/uploads/2022/11/Cela-karte_atbalsta_noteiksanai.pdf);
- iii. Support material, published by Altum on 4 November 2022 in the official website, for determination of eligible costs for support to be provided pursuant to Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/Paligmaterials-attiecino-izmaksu-noteiksana\\_VGAR\\_v2.pdf](https://www.altum.lv/wp-content/uploads/2022/11/Paligmaterials-attiecino-izmaksu-noteiksana_VGAR_v2.pdf);
- iv. Template for Calculation, published by Altum on 4 November 2022 in the official website, of project costs (purchase of renewable energy technology). Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/Projekta-izmaksu-finansesanas-aprekins\\_Atjaunojamo-energoresursu-pasakumi.xlsx](https://www.altum.lv/wp-content/uploads/2022/11/Projekta-izmaksu-finansesanas-aprekins_Atjaunojamo-energoresursu-pasakumi.xlsx);
- v. Template for Calculation, published by Altum on 4 November 2022 in the official website, of project costs (measures to increase energy efficiency). Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/Projekta-izmaksu-finansejuma-aprekins\\_Energoefektivitates-paaugstinanas\\_pasakumi-1.xlsx](https://www.altum.lv/wp-content/uploads/2022/11/Projekta-izmaksu-finansejuma-aprekins_Energoefektivitates-paaugstinanas_pasakumi-1.xlsx);
- vi. Template for Calculation, published by Altum on 4 November 2022 in the official website, of project energy savings (solar and wind). Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/PEIA\\_AER-saule-vejs.xlsx](https://www.altum.lv/wp-content/uploads/2022/11/PEIA_AER-saule-vejs.xlsx);
- vii. Template for Project energy resource savings calculation (various renewable energy resource solutions), published by Altum on 4 November 2022 in the official website. Link to the publication: <https://www.altum.lv/wp-content/uploads/2022/11/PEIA-AER-parejie.xlsx>;
- viii. Template for Project energy resource savings calculation (increasing energy efficiency), published by Altum on 4 November 2022 in the official website. Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/11/PEIA\\_energoefektivitate.xlsm](https://www.altum.lv/wp-content/uploads/2022/11/PEIA_energoefektivitate.xlsm);
- ix. Template for a Declaration on the conformity of the commercial company to the small or medium-sized commercial company published by Altum on 4 November 2022. Link to the publication: [https://www.altum.lv/wp-content/uploads/2022/07/mvu\\_deklaracija\\_4e62e\\_3cab1.docx](https://www.altum.lv/wp-content/uploads/2022/07/mvu_deklaracija_4e62e_3cab1.docx);
- x. ELENA On-going project factsheets, published by the European Investment Bank on 21 December 2023. Link to the publication: <https://www.eib.org/en/products/advisory-services/elena/projects/index>, in particular ELENA Project Factsheet for Latvia: ENERGOGRANTS, link to the publication: [143-project-factsheet-energogrants.pdf \(eib.org\)](https://www.eib.org/en/products/advisory-services/elena/projects/index).

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Entry into force of Regulation approved by the Cabinet of Ministers supporting the implementation of programmes to improve energy efficiency of businesses.**

On 20 September 2022, the Cabinet of Ministers adopted Regulation No. 594 "1.2.1.2.i. investments "Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply and research and development activities (including in the bioeconomy))"



of the 1.2.2.2.i.1 of the European Union Recovery and Resilience Facility Plan 1.2.2.i.1.” (hereinafter referred to as Cabinet Regulation No. 594). The Cabinet Regulation No. 594 was published in the Official Journal on 4 October 2022 and entered into force on 5 October 2022 in accordance with Article 7(2) of the Law on Official Publications and Legal Information of 31 May 2012, entered into force on 1 July 2022.

Cabinet Regulation No. 594 establishes the legal framework for the implementation of programmes for increasing energy efficiency of businesses. Indeed, paragraph 1 of Cabinet Regulation No. 594 explicitly states that the Regulation lays down: the implementation and monitoring arrangements for the support programme under measure 1.2.1.2.i of the national Recovery and Resilience Facility Plan; the funding available, the activities to be supported and the costs eligibility conditions; the right and obligations of the entities involved. Moreover, paragraph 3 of Cabinet Regulation No. 594 specifies that the objective of the support programme is to promote investments in the energy efficiency of businesses, the development of renewable energy technologies and the rational use of energy resources, reducing the negative impact on the environment and climate change, as well as improving the productivity, competitiveness and export capacity of economic operators and promoting sustainable and environmentally friendly business development. Paragraph 16 of Cabinet Regulation No. 594 clarifies that the company Altum implements the aid programme and grants the aid in accordance with the provisions of the Regulation. Paragraph 25 of Cabinet Regulation No. 594 spells out three strands of eligible supported activities: projects related to the improvement of energy efficiency, projects related to the introduction of renewable energy sources and projects related to the purchase of zero-emission vehicles.

**The support programmes shall be implemented in the form of a combined financial instrument, which is a repayable loan and a capital discount.** Furthermore, in line with the description of the measure, **the first pillar of the measure consists in a support programme in the form of a combined financial instrument (loan with a grant in the form of a capital discount).**

Paragraph 4 of Cabinet Regulation No. 594 states that the support programme shall be implemented, and the support shall be provided, in the form of a combined financial instrument with a capital discount. Sub-paragraphs 4.1, 4.2 further clarify the nature of the aid provided by the public limited company Altum. The support consists of a loan from Altum with a capital discount in cases where no other financier is involved in the financing of the project and the loan from Altum is at least equal to the amount of the capital discount. The support consists of a parallel loan from Altum with a capital discount if the project is co-financed with one or more other financiers.

Moreover, in accordance with sub-paragraph 4.3 of Cabinet Regulation No. 594, for projects related to the purchase of zero-emission vehicles and when a leasing service is to be contracted by the project applicant with a third entity, Altum might provide support via a guarantee and capital discount (a reduction in the principal amount of the lease payment).

The Council Implementing Decision required the support programme to take the form of a combined financial instrument (loan with a capital discount). The support programme implemented by Latvia, in certain specific cases where a loan is not contemplated in the financing strategy of a project (the design of this strategy rests with the applicants), can also take the form of a guarantee and a capital discount in the context of the applicant concluding a leasing agreement with a third party. Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, the deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that the milestone represents as it provides for a combined financial instrument supporting energy efficiency measures in businesses. The “guarantee with a capital discount” is expected to support the purchase of zero-emission vehicles for which a loan solution was not considered the most effective financing solution by the applicant. This additional support modality, rather than negatively affecting the progress towards the achievement of the objective of the measure, positively boosts the reach of the investment measure. The form “loan with capital discount” is still available to all those applicants which have chosen this form of financing as

the most appropriate for their project. Therefore, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**As eligibility criteria to reflect requirements of applicable intervention field “024.ter – Energy efficiency and demonstration projects in SMEs or large enterprises and support measures meeting energy efficiency criteria” of Annex VI of the RRF Regulation, the aid conditions shall set a minimum primary energy saving of 30% for energy efficiency projects in buildings and for equipment, a minimum of 30% of average primary energy savings in the project portfolio of the RRF measure (with at least 25% for energy efficiency equipment).**

As per footnote (3) of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (hereinafter “RRF Regulation”), intervention field *024ter* requires that the objective of a measure is either a) to achieve, on average, at least a medium-depth (between 30% and 60%) level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786, or (b) to achieve, on average, at least a 30 % reduction of direct and indirect GHG emissions compared to the ex-ante emissions. In Commission Recommendation on Building Renovation (EU) 2019/786, a medium-depth level renovation is defined as achieving between 30% and 60% primary energy savings, meaning that the objective shall be primary energy savings of at least 30%. The requirements of the applicable intervention field *024ter* of Annex VI to the RRF Regulation have been reflected in paragraph 61 under Chapter III “Aid for improving energy efficiency” of Cabinet Regulation No. 594, in which it is stated that the economic operator, when implementing an energy efficiency project, shall ensure that at least 30% of primary energy savings are achieved following the implementation of one or more of the measures referred to in paragraphs 53 or 54 of the same Regulation. Paragraphs 53 and 54 of Cabinet Regulation No. 594 explicitly refer to energy efficiency activities in buildings (sub-paragraphs 53.1, 53.2 and 53.4-53.9, and sub-paragraphs 54.1, 54.2, 54.4-54.9) and for equipment (sub-paragraphs 53.3 and 54.3). The Annex to the “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1. ‘Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply)’ ” (hereinafter “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1.”) contains a scoring system for energy efficiency projects (p.13).

According to this system, a project with less than 30% primary energy savings receives a score of “0”. The system in the Annex to Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1. refers to Cabinet Regulation No. 594 and clarifies that, if 0 points are received in the specific criterion related to primary energy savings, the application is rejected. Indeed, this is in line with sub-paragraph 91.2 of Cabinet Regulation No. 594.

The 30% of primary energy savings target at project level automatically translates in a minimum of 30% of average primary energy savings in the project portfolio of the RRF measure, where the project portfolio is encompassing all those activities related to energy efficiency in buildings and for equipment financed by the support programme. As the 30% primary energy savings target enshrined in paragraph 61 of Cabinet Regulation No. 594 applies indistinctly to energy efficiency measures in buildings and for equipment, the 25% target for energy efficient equipment set in the Council Implementing Decision is overachieved. As stated by paragraph 2.2. of the “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1.”, the applicant shall attach to the application form also calculations of energy savings (related to implementation of energy efficiency measures) prepared and electronically signed by one of the following specialists: accredited company energy auditor, legal entity; certified expert in the field of energy performance of buildings; an employee of the economic operator means an energy manager if the economic operator holds a valid ISO 50001 certificate attesting that the company has implemented an energy management system in accordance with ISO 50001 standard.

**In order to ensure that results are achieved, the conditions shall include a minimum threshold for energy savings per euro of public funding invested as an eligibility criterion for the project.**

The existence of a minimum threshold for energy savings per euro of public funding invested as an eligibility criterion for the project can be induced from the scoring system included in the Annex to the "Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1." (p.13). In particular, criterion 1.1 of the Annex establishes a scoring system in relation to the distinct primary energy savings of a specific project as expressed in MWh/year. The minimum threshold for energy savings per euro of public funding invested is 0.40 MWh/year per 1 000 EUR of capital discount. According to this scoring system, projects with expected energy savings of less than 0.40 MWh/year per EUR 1000 of capital discount receive 0 points and therefore will not be selected. This is confirmed by a combined reading of sub-paragraph 91.2 of Cabinet Regulation No. 594 and the Annex to the "Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1." (p. 13).

**The conditions shall include eligibility criteria to ensure compliance with the DNSH principles in line with the DNSH Guidelines (2021/C58/01) and with relevant EU and national legislation.**

Paragraph 96 of the Cabinet Regulation No. 594 states that, when implementing energy efficiency improvement measures, introduction of renewable energy technologies or purchase of electric cars in accordance with the provisions of the Regulation, the economic operator shall ensure that the 'do no significant harm' principle is respected. This includes different provisions at sub-paragraphs 96.1, 96.2, 96.3, 96.4 and 96.5 of the Cabinet Regulation No. 594, such as requiring that 70% of generated waste be recycled, in accordance with the Waste Framework Directive (2008/98/EC). Furthermore, in ensuring that applicants comply with the DNSH requirements, paragraph 93 of Cabinet Regulation No. 594 clarifies that, when applying for aid, a beneficiary shall also submit a) a complete 'do no significant harm' checklist demonstrating compliance with the principles referred to in paragraph 96 of the same Regulation (sub-paragraph 93.1) and a certification regarding the conformity of the activities envisaged by the project with national and European Union environmental legislation (sub-paragraph 93.2). The checklist referred to by sub-paragraph 93.1 of Cabinet Regulation No. 594 corresponds to the checklist to be filled in and duly signed by the project applicant demonstrating compliance with the "Do no significant harm" during project implementation issued by Altum on 4 November 2022, provided by Latvia as evidence (hereinafter "the checklist"). The checklist satisfactorily covers the relevant national and EU legislation, referring adequately to i) Latvian construction standard LBN 223-15 for "canalisation constructions" and to general building requirements standard LBN 200-21, ii) to Commission Regulation (EU) 2015/1189 implementing Directive 2009/125/EC with the regard to eco-design requirements for solid fuel boilers and air pollution mitigating measures, iii) to Commission Implementing Regulation (EU) 2021/447 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC of the European Parliament and of the Council.

Cabinet Regulation No. 594 applies in whole to the support programme under milestone 10, as clarified by the "Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1. "Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply)" and its Annex, which both refer to Cabinet Regulation No. 594 as the Regulation governing the support programme.

Moreover, the Annex to the "Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1." includes a list of non-DNSH compliant activities that shall be excluded from support (pp. 1, 2 and 3). The Annex makes it clear that project applications related to non-DNSH compliant activities spelt out in paragraph 28 of Cabinet Regulation No. 594 will be rejected. The respect of the exclusion provisions of the Annex is also ensured by the checklist to be filled in and duly signed by the project applicant demonstrating compliance with the "Do no significant harm" during project implementation issued by Altum on 4 November 2022 (see sections 2.2, 2.3, 2.4, 2.5, 2.6).

Lastly, **support shall be provided through competitive tendering for projects with the highest expected energy savings per one euro invested.**

As per paragraph 88 of Cabinet Regulation No. 594, Altum prepares and publishes on the website [www.altum.lv](http://www.altum.lv) a notice on the open call for applications for participation in the support programme, corresponding to the amount of funding earmarked for the relevant selection round. Paragraph 90 of the same regulation clarifies that, within one month from the conclusion of the selection, Altum assesses the conformity of the documents submitted by the applicants with the assessment criteria referred to in Annex 1 of the same Regulation. Paragraph 92 of Cabinet Regulation No. 594 then states that applications meeting the criteria set out in Annex 1 to the Regulation shall be ranked according to the points received in order of priority. Where at least two applications score the same number of points, priority shall be given to those applications which have obtained a higher score in the specific criteria referred to in Annex 1 to the Regulation.

Annex 1 to the Cabinet Regulation No. 594 distinguishes between a set of common criteria and a set of specific criteria. Concerning measures aimed at improving energy efficiency, a specific scoring system based on planned primary energy savings (MWh/year) with a reference capital discount of EUR 1000 is contained in Annex 1. More specifically, the following scoring system is established:

- 2.50 MWh/year or more → 6 points
- from 2.00 MWh/year to 2.49 MWh/year → 5 points
- from 1.50 MWh/year to 1.99 MWh/year → 4 points
- from 1.00 MWh/year to 1.49 MWh/year → 3 points
- from 0.40 MWh/year to 0.99 MWh/year → 2 points
- less than 0.40 MWh/year → 0 points.

As evident from a combined reading of paragraph 91.2 of Cabinet Regulation No. 594 and of section II “Specific Criteria” of Annex 1 to Cabinet Regulation No. 594, a project for improving energy efficiency shall get at least two points to be selected.

Furthermore, in line with the description of the measure, **this measure specifically focuses on businesses.**

Paragraph 3 of the Cabinet Regulation No. 594 states that the objective of the support programme is to promote investment in energy efficiency in business, the development of renewable energy technologies and the rational use of energy resources, reducing the negative impact on the environment and climate change, as well as improving the productivity, competitiveness and export capacity of economic operators and promoting sustainable and environmentally friendly business development. Paragraph 7 of the same Regulation further specifies that the target group and the final beneficiary of the aid programme shall be an economic operator, while paragraph 25 clarifies that support is provided for the implementation of projects in the territory of the Republic of Latvia relating to energy efficiency improvements, the deployment of renewable energy sources or the purchase of zero-emission vehicles. Paragraph 27 of Cabinet Regulation No. 594 states that the economic operator shall, at the time the aid is granted, be registered in the Commercial Register of the Republic of Latvia. Moreover, paragraph 93.3 of Cabinet Regulation No. 594 specifies that, when applying for aid, an economic operator shall submit a signed declaration that the undertaking is not in the situation referred to in Article 2(18)(c) of Commission Regulation No. 651/2014.

In line with the description of the measure, **the investment programme shall finance investments by enterprises in improving energy efficiency, introducing renewable energy technologies, as well as investing in sustainable transport and introducing new energy-efficient technologies in production.**

Paragraph 3 of the Cabinet Regulation No. 594 states that the objective of the support programme is to promote investment in energy efficiency in business, the development of renewable energy technologies and the rational use of energy resources, reducing the negative impact on the environment and climate change, as well as improving the productivity, competitiveness and export

capacity of economic operators and promoting sustainable and environmentally friendly business development. Paragraph 7 of the same Regulation further specifies that the target final beneficiary of the aid programme shall be an economic operator, while paragraph 25 clarifies that support is provided for the implementation of projects in the territory of the Republic of Latvia relating to energy efficiency improvements, the deployment of renewable energy sources or the purchase of zero-emission vehicles (this latter activity clearly qualifies as an investment in sustainable transport, as zero-emission vehicles are sustainable by definition). Paragraph 27 of Cabinet Regulation No. 594 states that the economic operator shall, at the time the aid is granted, be registered in the Commercial Register of the Republic of Latvia. Moreover, paragraph 93.3 of Cabinet Regulation No. 594 specifies that, when applying for aid, an economic operator shall submit a signed declaration that the undertaking is not in the situation referred to in Article 2(18)(c) of Commission Regulation No. 651/2014. The concept of “undertaking” unequivocally identifies an enterprise. The different pillars of the measure description, i.e., the different objectives associated with the investment, are evident from the different chapters of Cabinet Regulation No. 594. Chapter III lays down provisions concerning aid for improving energy efficiency (including the introduction of new energy-efficient technologies in production), chapter IV lays down provisions concerning support for the deployment of renewable energy technologies, and chapter V lays down provisions concerning aid for the purchase of zero-emission vehicles. According to paragraph 10 of Cabinet Regulation No. 594, the financing available for the support programme consists of EUR 25 750 840 for the implementation of energy efficiency improvements, EUR 45 000 000 for the deployment of renewable energy technologies, and EUR 5 000 000 for the purchase of zero-emission vehicles.

In line with the description of the measure, **in order to ensure that the measure complies with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall exclude the following list of activities: (i) activities related to fossil fuels, including downstream use; (ii) activities under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) activities related to waste landfills, incinerators and mechanical biological treatment plants; and (iv) activities where the long-term disposal of waste may cause harm to the environment.**

Paragraph 16 of the Cabinet Regulation No. 594 clarifies that Altum must implement the support programme and grants aid in accordance with the conditions laid down by the Regulation. Paragraph 28 of Cabinet Regulation No. 594 identifies activities, sectors and economic operators to which no aid shall be granted. Activities related to fossil fuels, including downstream use, are excluded from aid as evident from sub-paragraph 28.14 of Cabinet Regulation No. 594. Moreover, in accordance with sub-paragraph 28.15 of Cabinet Regulation No. 594, no support shall be granted for activities under the EU Emissions Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks as set out in the Commission Implementing Regulation (EU) 2021/447. Sub-paragraph 28.15 also specifies that, where the activity supported achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks, an explanation of the reasons why this is not possible must be provided. For activities related to waste disposal and landfill, mechanical biological treatment or incineration of waste, and mechanical biological treatment and waste incineration plants, sub-paragraph 28.12 of Cabinet Regulation No. 594 specifies that no aid is to be granted, except for installations dedicated exclusively to the treatment of non-recyclable hazardous waste and for existing installations where the investment is intended to improve the energy efficiency, to capture, store or use exhaust gases or to extract materials from combustion ashes, provided that such investments do not increase the recycling of waste from the plant or extend the economic life cycle of the plant. Latvia decided not to avail itself Cabinet Regulation No. 594 of the exception concerning mechanical biological treatment spelt out by footnote 4 of the Council

Implementing Decision. This means that activities related to mechanical biological treatment plants are fully excluded from support with no exception.

The exclusion of activities as specified in paragraph 28 of Cabinet Regulation No. 594 is replicated accurately in the Annex to the “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1.”. Indeed, the Annex (pp. 1, 2 and 3) makes clear that, in the event of non-compliance with one of the exclusion provisions of paragraph 28 of Cabinet Regulation No. 594, the application shall be rejected, which is in line with the Council Implementing Decision. Moreover, this exclusion list is also replicated in the checklist to be filled in by the project applicant demonstrating compliance with the “Do no significant harm” during project implementation issued by Altum on 4 November 2022. The applicant is obliged to submit this checklist by virtue of sub-paragraph 93.1 of Cabinet Regulation No. 594.

The Council Implementing Decision states that “in order to ensure that the measure complies with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the eligibility criteria contained in terms of reference for upcoming calls for projects shall exclude the following list of activities: [...] (iv) activities where the long-term disposal of waste may cause harm to the environment”. Paragraph 28.13 of Cabinet Regulation No. 594, as transposed also in the Annex to the “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1.”, states that “activities where the long-term disposal of waste may cause long-term harm to the environment” shall be excluded from support. Activities related to the long-term disposal of waste, by their nature, cause no or negligible harm to the environment in the short-term as the potential significant harm of these activities is manifested mainly in the long term. On this basis, and considering the overarching objective of this investment measure, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Finally, in line with the description of the measure, **the terms of reference shall additionally require that only activities that comply with relevant EU and national environmental legislation may be selected.**

In ensuring that applicants comply with the DNSH requirements and environmental legislation, paragraph 93 of Cabinet Regulation No. 594 clarifies that, when applying for aid, a beneficiary shall also submit a) a complete ‘do no significant harm’ checklist demonstrating compliance with the principles referred to in paragraph 96 of the same Regulation (sub-paragraph 93.1) and a certification regarding the conformity of the activities envisaged by the project with national and European Union environmental legislation (sub-paragraph 93.2). The checklist referred to by sub-paragraph 93.1 of Cabinet Regulation No. 594 corresponds to the checklist to be filled in and duly signed by the project applicant demonstrating compliance with the “Do no significant harm” during project implementation issued by Altum on 4 November 2022, provided by Latvia as evidence. The checklist satisfactorily covers the relevant national and EU legislation, referring adequately to i) Latvian construction standard LBN 223-15 for “canalisation constructions” and to general building requirements standard LBN 200-21, ii) to Commission Regulation (EU) 2015/1189 implementing Directive 2009/125/EC with the regard to eco-design requirements for solid fuel boilers and air pollution mitigating measures, iii) to Commission Implementing Regulation (EU) 2021/447 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2025 pursuant to Article 10a(2) of Directive 2003/87/EC of the European Parliament and of the Council. Cabinet Regulation No. 594 applies in whole to the support programmes under milestone 10, as clarified by the “Terms of reference for the first selection round for application for participation in measure 1.2.1.2.i.1. “Increasing energy efficiency in business (including the transition to the use of renewable energy technologies in heat supply)” and its Annex, which both refer to Cabinet Regulation No. 594 as the Regulation governing the support programme.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 13</b>	<b>Related Measure: 1.2.1.3.i. Improving municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency</b>
<b>Name of the Milestone: Entry into force of the legal framework for a support programme to improve energy efficiency in municipal infrastructure, which supports projects with a planned reduction of primary energy or CO2 by at least 30%</b>	
<b>Qualitative Indicator:</b> Entry into force of Cabinet Regulation	<b>Time:</b> Q4 2022
<p><b>Context:</b></p> <p>Milestone 13 is part of investment 1.2.1.3.i., which aims to improve the energy efficiency of municipal buildings, to reduce annual primary energy consumption and greenhouse gas emissions, as well as to reduce the cost of maintenance of municipal buildings.</p> <p>Milestone 13 concerns the entry into force of Cabinet Regulation laying down implementing conditions for improvement of local government buildings and infrastructure, promoting the transition to the use of renewable energy technologies and improving energy efficiency.</p> <p>This milestone is the first milestone or target of the investment 1.2.1.3.i. Two targets, 14 and 15, will follow the completion of milestone 13. The targets relate to the notification of the award of contracts for the implementation of energy efficiency improvement projects for local government buildings and infrastructure (target 14) and to the reduction in primary energy consumption in municipal buildings and infrastructure (target 15). The investment has a final expected date for implementation on 31 December 2025.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of Cabinet Regulation No. 709 “Regulation for implementing the investment measure No. 1.2.1.3.i “Improving municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency” for reform No. 1.2 “Improving energy efficiency” of the Recovery and Resilience Facility plan of the European Union” adopted by the Cabinet of Ministers on 8 November 2022; published in the Official Journal on 25 November 2022. The link to the publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/228.2">https://www.vestnesis.lv/op/2022/228.2</a>; <a href="https://likumi.lv/ta/id/337385">https://likumi.lv/ta/id/337385</a>;</li> <li>iii. Copy of the Annex to the Cabinet Regulation No. 709 which includes the selection criteria for project applications: <a href="https://likumi.lv/wwwraksti/2022/228/">https://likumi.lv/wwwraksti/2022/228/</a>.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of annotation of the Cabinet Regulation No. 709 “Regulation for implementing the investment measure No. 1.2.1.3.i. “Improving municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency” for reform No. 1.2 “Improving energy efficiency” of the Recovery and Resilience Facility plan of the European Union”. Link to the publication: <a href="https://tapportals.mk.gov.lv/annotation/">https://tapportals.mk.gov.lv/annotation/</a>.</li> <li>ii. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.</li> </ol>	
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p>	
<p><b>Entry into force of Cabinet Regulation laying down implementing conditions for improvement of local government buildings and infrastructure, promoting the transition to the use of renewable</b></p>	

**energy technologies and improving energy efficiency**, with eligibility criteria to reflect requirements of applicable intervention field “026 bis – Energy recovery or energy efficiency measures for public infrastructure, demonstration projects and support measures meeting energy efficiency criteria” of Annex VI of the RRF Regulation.

The Cabinet Regulation No. 709 “Regulation for implementing the investment measure No. 1.2.1.3.i. “Improving municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency” for reform No. 1.2 “Improving energy efficiency” of the Recovery and Resilience Facility plan of the European Union” (hereinafter referred to as “Cabinet Regulation No. 709”) was adopted on 8 November 2022 and published in the Official Journal on 25 November 2022. As stated in the ‘General explanation regarding entry into force of the legal acts in conformity with the national rules of the Republic of Latvia’ provided by the Latvian authorities on 12 May 2022, if not specified otherwise in the Cabinet of Ministers regulation, the general rule of entry into force on the next day after the publication applies, as laid down in Article 7(2) of the Law on Official Publications and Legal Information of 31 May 2012, which entered into force on 1 July 2022. Since the Cabinet Regulation No. 709 does not specify the date of its entry into force, the general rule applies to the Regulation. It means that the Regulation entered into force on 26 November 2022.

As evident from its paragraph 1, Cabinet Regulation No. 709 lays down the procedures and conditions for the implementation of investment 1.2.1.3.i. of the national RRP, dedicated to modernising municipal buildings and infrastructure by promoting the transition to renewable energy technologies and improving energy efficiency. Paragraph 2 of Cabinet Regulation No. 709 indeed specifies that the objective of the investment is to improve the energy efficiency of municipal buildings and infrastructure in order to reduce annual primary energy consumption and achieve energy savings by introducing the most effective measures to reduce greenhouse gas emissions. Paragraph 3 of Cabinet Regulation No. 709 clarifies that the target group of the investment is the municipalities of the Republic of Latvia, while paragraph 12 defines municipal buildings and their infrastructure as buildings of a municipality, a local authority capital company or a public private capital company, and the infrastructure directly related to them. According to paragraph 19 of Cabinet Regulation No. 709, support under the programme is provided in the form of a grant. Paragraph 22 of Cabinet Regulation No. 709 lists the activities that might receive support under the programme, amongst them activities of reconstruction and renovation of existing buildings (sub-paragraph 22.1), reconstruction or renovation of heat supply infrastructure to the extent provided for in the energy performance certificate of the building (sub-paragraph 22.3), and installation of equipment producing energy, including zero-emission equipment and equipment using renewable energy (sub-paragraph 22.5).

All activities listed by paragraph 22 of Cabinet Regulation No. 709 are eligible provided that the improvements they are expected to deliver lead to the achievement of primary energy savings per year in the amount of at least 30%, in comparison with the annual indicators of primary energy consumption prior to the implementation of the project. This is evident from paragraph 21 of Cabinet Regulation No. 709. Moreover, according to paragraph 9.1. of Cabinet Regulation No. 709, energy efficiency improvement measures supported by the programme are to result in reduction of primary energy consumption in municipal buildings and infrastructure by 4 544 563 kWh/year by the end of 2025 under investment 1.2.1.3.i., which is in line with target 16 that will follow milestone 13 and target 14 linked to measure 1.2.1.3.i.

Entry into force of Cabinet Regulation laying down implementing conditions for improvement of local government buildings and infrastructure, promoting the transition to the use of renewable energy technologies and improving energy efficiency, **with eligibility criteria to reflect requirements of applicable intervention field “026 bis – Energy recovery or energy efficiency measures for public infrastructure, demonstration projects and support measures meeting energy efficiency criteria” of Annex VI of the RRF Regulation.**

As per footnote (6) of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (hereinafter RRF Regulation), intervention field *026bis* requires that the objective



of a measure is either (a) to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786, or (b) to achieve, on average, at least a 30 % reduction of direct and indirect GHG emissions compared to the ex-ante emissions. The renovation of buildings is also meant to include infrastructure in the sense of intervention fields 85 to 92 of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility. Paragraph 21 of Chapter IV “Eligible costs and actions” of Cabinet Regulation No. 709 provides that, under the investment, support shall be given to projects that improve energy efficiency and thermal resilience of municipal buildings by achieving annual primary energy savings of at least 30% compared to annual primary energy consumption prior to the implementation of the project. This corresponds to the requirement of “at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786”. Indeed, Commission Recommendation on Building Renovation (EU) 2019/786 defines a medium-depth level renovation as the one achieving between 30% and 60% primary energy savings, meaning that the objective shall be primary energy savings of at least 30%. The Annex to the Cabinet Regulation No. 709, which includes the selection criteria for project applications, at its criterion 3.2 incorporates the requirement spelt out by paragraph 21 of the same Regulation.

Sub-paragraph 9.2 of Cabinet Regulation No. 709 specifies that one of the targets to be achieved under the investment is that of 4 544 563 kWh/year of energy savings by 31 December 2025, which is in line with target 16 that will follow milestone 13 and target 14 linked to measure 1.2.1.3.i. According to the same sub-paragraph, this objective is monitored by the Agency on the basis of project data submitted by the beneficiaries.

Furthermore, in line with the description of the measure, **the measure consists of investments in energy efficiency renovation in buildings owned by local government (and mixed properties where the municipalities are majority shareholders), including buildings dedicated to social housing, health care, education and social services.**

Paragraph 2 of Cabinet Regulation No. 709 specifies that the objective of the investment is to improve the energy efficiency of municipal buildings and infrastructure in order to reduce annual primary energy consumption and achieve energy savings by introducing the most effective measures to reduce greenhouse gas emissions. Paragraph 3 of Cabinet Regulation No. 709 clarifies that the target group of the investment is the municipalities of the Republic of Latvia, while paragraph 12 defines municipal buildings and their infrastructure as buildings of a municipality, a local authority capital company or a public private capital company, and the infrastructure directly related to them. According to paragraph 19 of Cabinet Regulation No. 709, support for improvement of local government buildings and infrastructure is provided in the form of a grant.

Paragraph 32 of Chapter V of Cabinet Regulation No. 709 states that the project applicant shall be a local government or an institution established by it, a local government capital company which performs the administration tasks delegated by the local government or has entered into a service contract for the provision of public utilities, as well as a public private capital company in which the capital shares or voting shares belong to at least one local government and which performs the administration tasks delegated by the local government or has entered into a service contract for the provision of public utilities. Cabinet Regulation No. 709 (paragraphs No. 3, 12, 29, 32 and 35) provides that municipalities, their institutions, their capital companies and public private capital companies may submit a project proposal for renovation of kindergartens, music and art schools, elementary schools, secondary schools, community houses, nursing homes for the elderly, hospitals and other buildings mentioned under intervention fields 85 to 92 of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility. These types of buildings clearly qualify as buildings dedicated to social housing, health care, education and social services.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 16</b>	<b>Related Measure: 1.2.1.4.i. Improving the energy efficiency of public sector buildings, including historical buildings</b>	
<b>Name of the Milestone: Entry into force of support programme for improving energy efficiency in national and historical buildings</b>		
<b>Qualitative Indicator:</b> Entry into force of support programme for improving energy efficiency in national and historical buildings approved by the Cabinet of Ministers		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The objective of the measure is to improve the energy efficiency of the Latvian public building stock. It applies to buildings owned by the central government including historical ones. The measure seeks to improve their energy efficiency, promote the transition to renewable energy in energy production, and achieve GHG emission reductions. The measure consists of investment in energy efficiency improvements for public buildings. The aid shall ensure that the implementation of all projects shall, on average, result in at least 30 % energy savings under the programme.</p> <p>Milestone 16 concerns the entry into force of a support programme for improving energy efficiency in national and historical buildings.</p> <p>This milestone is the first step of the implementation of the measure 1.2.1.4.i. - Improving the energy efficiency of public sector buildings, including historical buildings. It will be followed by target 17, which concerns the notification of contract awards representing at least EUR 16 769 200, and by target 18 on the reduction of primary energy consumption in public buildings with improved energy efficiency. The investment has a final expected date for implementation on 31 August 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled, with appropriate links to the underlying evidence;</li> <li>ii. Copy of the Regulation No. 443 of the Cabinet of Ministers “The European Union Recovery and Resilience Facility Plan Reform and Investment Directions 1.2. “Improving Energy Efficiency strand of reforms and investments 1.2.1.4.i. investment “Improving the energy efficiency of public sector buildings, including historical buildings””, adopted on 11 August 2023, published in the Official Journal on 10 August 2023, entered into force on 11 August 2023. Link to the publication <a href="https://m.likumi.lv/ta/id/344285">https://m.likumi.lv/ta/id/344285</a>; <a href="https://www.vestnesis.lv/op/2023/153.13">https://www.vestnesis.lv/op/2023/153.13</a>.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of the annotation of the Regulation No. 443 of the Cabinet of Ministers. Link to publication: <a href="https://tapportals.mk.gov.lv/annotation/0bcee13a-81f2-4171-b09e-be109e74b9ff">https://tapportals.mk.gov.lv/annotation/0bcee13a-81f2-4171-b09e-be109e74b9ff</a>.</li> </ol>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p> <p><b>Entry into force of support programme for improving energy efficiency in national and historical buildings</b></p> <p>As evident from the copy of Regulation No. 443 of the Cabinet of Ministers “The European Union Recovery and Resilience Facility Plan Reform and Investment Directions 1.2. “Improving Energy Efficiency strand of reforms and investments 1.2.1.4.i. investment “Improving the energy efficiency of public sector buildings, including historical buildings”” (hereinafter Cabinet Regulation No. 443), the Latvian authorities adopted the Cabinet Regulation No. 443. As evident from the annotation of the Regulations No. 443 of the Cabinet of Ministers, the regulation was adopted by the Cabinet of Ministers on 8 August 2023 and entered into force in accordance with the Article 7 of the Law on Official Publications and Legal information on 11 August 2023.</p>		

Cabinet Regulation No. 443 establishes the legal framework for the support programme for improving energy efficiency in public sector buildings, including historical buildings. In particular, as specified by its paragraph 1, Cabinet Regulation No. 443 lays down the arrangements for the implementation and monitoring of the investment “Improvement of energy efficiency in public sector buildings, including historic buildings” contained in the national RRP. More specifically, the Regulation sets out the funding available for the support programme (paragraph 7); the objective and target group of the support programme (paragraph 3 and 4); requirements for the project applicants and eligibility conditions for the project implementation partners (Chapter II); the activities to be supported and the eligible costs (Chapter IV); the procedure for submitting a project application, evaluating and concluding an agreement or a contract for the implementation of the project (Chapter III).

Paragraph 3 of Cabinet Regulation No. 443 specifies that the objective of the support programme is to improve energy efficiency and transition to renewable energy sources in public sector buildings with a cultural function, including historic buildings, in order to achieve a reduction in the total primary energy consumption, as well as to achieve a reduction in greenhouse gas emissions. Paragraph 4 of Cabinet Regulation No. 443 states that the target group for the investment shall be the owners and users of public sector buildings, including historical buildings.

Sub-paragraph 2.5 of Cabinet Regulation No. 443 defines a building as “a building in the ownership of the project applicant or that, on the basis of a regulatory enactment, contract or decision of an institution has been transferred to the project applicant for use, management or possession, including a building which is located in a complex of historic buildings”. Sub-paragraph 2.2 of Cabinet Regulation No. 443 defines a project applicant as “an institution of direct administration or a legal person governed by private law which manages State immovable properties or a building (group of buildings) in which the cultural function is ensured”. This sub-paragraph refers to the Annex to the Cabinet Regulation, where a closed list of nine eligible immovable state properties is included. The combined reading of sub-paragraphs 2.5, 2.2, and of the Annex to Cabinet Regulation No. 443 clarifies that the support programme is dedicated to national (owned by the State) buildings including historical ones. This is also in line with the description of the measure, which states the measure **applies to buildings owned by the central government, including historical ones.**

**with eligibility criteria to reflect requirements of applicable intervention field 026 bis – Energy recovery or energy efficiency measures for public infrastructure, demonstration projects and support measures meeting energy efficiency criteria of Annex VI of the RRF Regulation.**

As per footnote (6) of Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (hereinafter RRF Regulation), intervention field *026bis* requires that the objective of a measure is either (a) to achieve, on average, at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786 or (b) to achieve, on average, at least a 30% reduction of direct and indirect GHG emissions compared to the ex-ante emissions. The renovation of buildings is also meant to include infrastructure in the sense of intervention fields 85 to 92 Annex VI to the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility.

Paragraph 14 of Cabinet Regulation No. 443 specifies that the Ministry of Economics, which is responsible for the implementation of the support programme, shall ensure that, as a result of the implementation of projects, an average saving of 30% of the total primary energy is achieved within the scope of the investment with a medium-depth renovation of the building (or group of buildings). This corresponds to the requirement of “at least a medium-depth level renovation as defined in Commission Recommendation on Building Renovation (EU) 2019/786”, which requires primary energy savings of between 30 and 60%.

Paragraph 21 of Cabinet Regulation No. 443 clarifies that the evaluation of the project applications shall be performed in accordance with the following criteria (among others):

- the project applicant conforms to the requirements laid down in the Regulation;

<p>- the project applicant is indicated in the Annex to the Regulation;</p> <p>- the minimum total primary energy savings planned in the project application are not less than those indicated in the Annex to the Regulation.</p> <p>The Annex to the Cabinet Regulation No. 443 lists nine immovable properties of the State and specifies, for each of these properties, the total primary energy savings target to be achieved within the framework of the project applied for. It is evident from the list contained in the Annex that the nine energy efficiency interventions eligible under the support programme shall deliver, on average, at least 30% total primary energy savings (the actual average is 30.7%).</p> <p>The analysis above also applies to the requirement in the measure description that <b>the aid shall ensure that the implementation of all projects shall, on average, result in at least 30% energy savings under the programme.</b></p>
<p><b>Commission Preliminary Assessment:</b> Satisfactorily fulfilled</p>

<b>Number:</b> 22	<b>Related Measure:</b> 1.3.1.r. Disaster management system adaptation to climate change, rescue and rapid response services	
<b>Name of the Milestone:</b> Publication of a report on implementation of the disaster risk management system		
<b>Qualitative Indicator:</b> Publication of an information report on the implementation of the disaster risk management system approved by the Cabinet of Ministers		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The measure aims to contribute to climate objectives by strengthening the response capacity of disaster and fire rescue services.</p> <p>Milestone 22 concerns the publication of an information report on the implementation of the disaster risk management system approved by the Cabinet of Ministers.</p> <p>Milestone 22 is the first step of the implementation of the measure. It is followed by target 23, which provides for the construction of nearly zero-energy consumption disaster management and emergency response centres, and by target 24 related to reduction in the hectares of area affected by wildfires. The final expected date for implementation of the measure is on 31 March 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of an information report ‘On the implementation of the disaster risk management framework’ (hereinafter referred to as ‘the informative report’), adopted by the Cabinet of Ministers and published in the Official Journal on 14 June 2022. The link to publication: <a href="https://tapportals.mk.gov.lv/legal_acts/929fe1d0-dbaf-4b0c-8c96-979d6ed25a09">https://tapportals.mk.gov.lv/legal_acts/929fe1d0-dbaf-4b0c-8c96-979d6ed25a09</a>;</li> <li>iii. Copy of the comments of the different ministries, available through the following link: <a href="https://tapportals.mk.gov.lv/legal_acts/929fe1d0-dbaf-4b0c-8c96-979d6ed25a09">https://tapportals.mk.gov.lv/legal_acts/929fe1d0-dbaf-4b0c-8c96-979d6ed25a09</a>;</li> <li>iv. Copy of the minutes of the Cabinet of Ministers’ meeting dated 14 June 2022 (No. 32), available through the following link: <a href="https://tapportals.mk.gov.lv/meetings_protocols/b88862be-83d9-415b-9f74-d3b9d973659c">https://tapportals.mk.gov.lv/meetings_protocols/b88862be-83d9-415b-9f74-d3b9d973659c</a>.</li> </ol>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p> <p><b>In agreement with the institutions involved in the disaster management system, the Ministry of the Interior shall publish an informative report to the Cabinet of Ministers</b></p>		

The Ministry of the Interior has published an informative report to the Cabinet of Ministers on the construction sites of disaster centres. The informative report was adopted by the Cabinet of Ministers and published in the Official Journal on 14 June 2022 in agreement with the institutions involved in the disaster management system. The evidence “copy of the comments of the different ministries” contains comments and proposals of the ministries involved in the disaster management system, as well as information as to how the comments were addressed by the Ministry of the Interior. The institutions involved in the disaster management system had no objection to the final draft informative report. Furthermore, as evident from the evidence “Copy of the minutes of the Cabinet of Ministers’ meeting dated 14 June 2022 (No. 32)”, paragraph 40, the informative report was approved.

**on the construction sites of disaster centres, construction areas and costs at each construction site, as well as the indicative timetable for the implementation of the disaster management plans to be deployed at each site and on the conclusion of construction contracts, including in the report.**

The informative report includes information on the construction sites of disaster centres, construction areas and costs at each construction site, as well as the indicative timetable for the implementation of the disaster management plans to be deployed at each site and the conclusion of construction contracts. In particular, section 4 of the informative report entitled “4. Construction of disaster management centres” provides information on the construction sites of disaster centres, construction areas and costs at each construction site. In section 4.1 entitled “4.1. Construction of disaster management centres under the Recovery Fund,” the informative report identifies, for each centre, the construction sites of the disaster centres, the total surface area as well as their costs. Section 4.1.1 “Planned actions and deadlines for the implementation of the plan for the construction of disaster management centres under the Recovery Fund” of the informative report provides an indicative timetable for the implementation of the disaster management plans to be deployed at each site and on the conclusion of construction contracts.

**The report shall also include an overall reform progress report and an implementation plan on the following reform components: (i) the technical capacity building (notably on the upgrading of specialised response and rescue vehicles),**

Section 5 of the informative report entitled “5. Technical capacity building” provides information related to technical capacity building (notably on the upgrading of specialised response and rescue vehicles). This section discusses recent progress of the reform and planned implementation steps on the topic “including retrofitting of specialised response vehicles and measures to address shortages of technical resources.” In particular, section 5 of the report includes the description of the technical capacity building, notable on modernisation of specialised rescue vehicles for the State Firefighting and Rescue Service and creation of a new firefighting, logistics and repair base complex.

**(ii) the timetable for implementation of related disaster management ICT solutions and**

Section 6 of the informative report entitled “6. Timetable for the implementation of information and communication technology solutions for disaster management” provides information on the timetable for implementation of related disaster management ICT solutions. This section discusses recent progress of the reform and planned implementation steps on the setting-up of a single contact centre platform (‘112 platform’) and timetable for its implementation (section 6.1. “112 platform and timetable for its implementation”) and the modernisation of the early warning system with the introduction of cell broadcasting technology and timetable for its deployment (section 6.2), the establishment of a disaster loss database and timetable for its implementation (section 6.3) and the “Common Fire and Civil Protection Platform and Fire and Civil Protection Risk Assessment Instrument” (section 6.4).

**(iii) progress on implementation of training and preventive measures.**

Section 7 of the informative report entitled “7. Progress on training and implementation of preventive measures” provides information on progress on implementation of training and preventive measures. This section discusses recent progress of the reform and planned implementation steps on the “establishment of mobile and fixed security classes for prevention and a timetable for their implementation” (section 7.1), the construction of the Fire Safety and Civil Protection College complex (section 7.2), the training of officials to refresh training for firefighters, based on the evaluation of industry experience (section 7.3) and the construction of a training site (section 7.4).

Furthermore, in line with the description of the measure, it **shall contribute to climate adaptation by shortening the response time of fire rescue services (in the framework of a more general reform integrating different services of the Ministry of the Interior under one roof).**

Section 5 of the informative report entitled “5. Technical capacity building” provides information on the priorities of the State Fire and Rescue Service (VUGD) and the measures to address technical resource shortages. Herein it is stated that the provision of the VUGD with firefighting and rescue vehicles is to “ensure the quality and accessibility of the service provided, by providing timely assistance to residents in various dangerous situations, saving people’s lives, material values and preventing environmental hazards”. Similarly, as evident from section 6.4 of the informative report entitled “6.4. Joint Fire and Civil Protection Platform and Fire Safety and Civil Protection Risk Assessment Tool”, the introduction of the Joint Fire and Civil Protection Platform and Fire Safety and Civil Protection Risk Assessment Tool will enable the automatic analysis of the response time of the VUGD in the Geo Spatial information system, thus identifying possible gaps in coverage in a timely manner, in order to plan the necessary resources in the relevant unit of the VUGD, reducing the response time. The results of the risk assessment and the analysis of the response times will also help identify in which administrative areas and to what extent volunteer firefighters need to be deployed through enhanced cooperation.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 27</b>	<b>Related Measure: 2.1.1.r. Modernisation of national processes and services and digital transformation</b>	
<b>Name of the Milestone: Establishment of a framework for unified governance management of ICT development activities in public administration</b>		
<b>Qualitative Indicator:</b> Entry into force of the legal framework		<b>Time:</b> Q1 2022
<p><b>Context:</b>  Milestone 27 is part of reform 2.1.1.r. which aims to modernise public administration and its services by digital transformation, focusing on important functions, processes and services of the public administration that have not yet been digitally transformed, are being newly developed or substantially strengthened.  Milestone 27 concerns the establishment of a legal framework for unified governance management of Information and Communications Technology (hereinafter: ‘ICT’) development activities in public administration.  Milestone 27 is the first step of the implementation of the reform and is followed by milestone 28, related to the entry into force of the Cabinet of Ministers regulation establishing a normative framework for receiving support in the field of digital transformation of public administration processes and services. The reform has the final expected date for implementation on 30 June 2022.</p>		
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> </ol>		

- ii. Copy of Cabinet of Ministers Regulation No. 368 'Procedure for monitoring the development activities and liquidation of information systems and information and communication technology resources and services necessary for their operation', which was adopted by the Cabinet of Ministers on 4 July 2023, published in the Official Journal on 11 July 2023 and entered into force on 12 July 2023. The link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2023/131.12> ; <https://likumi.lv/ta/id/343550>.

Annexes of Cabinet of Ministers Regulation No. 368:

- Copy of Annex 1 – A 'Development activity application' form, in which applicants must describe the development of the information system and its planning before requesting financing for the implementation of development activity;
  - Copy of Annex 2 – A 'Description of the development activity' form, in which applicants must explain and certify the conformity of the development activity with the technological and security requirements for information and communication of State institutions. This form must be filled in prior to the commencement of the development activity;
  - Copy of Annex 3 – A 'Development activity change request' form, which applicants must use when requesting changes in their development activity;
  - Copy of Annex 4 – A 'Notification of the end of the development activity' form, which institutions in charge of development activity must fill in within 10 working days after the completion of the development activity implementation;
  - Copy of Annex 5 – An 'Information system decommissioning activity application' form, which must be filled in by an institution when liquidating an information system activity;
- iii. Copy of Cabinet of Ministers Regulation No. 367 'General technical requirements for information systems' which was adopted by the Cabinet of Ministers on 4 July 2023, published in the Official Journal on 11 July 2023 and entered in force on 12 July 2023. The link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2023/131.11>; <https://likumi.lv/ta/id/343549>;
- iv. Copy of the Law 'Amendments to the Law on State Information Systems' which was adopted by the Latvian Parliament (*Saeima*) on 5 May 2022, published in the Official Journal on 17 May 2022 and entered into force on 1 June 2022. The link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2022/94.11>; <https://likumi.lv/ta/en/en/id/62324-law-on-state-information-systems>

The authorities also provided:

- i. Copy of Cabinet of Ministers Regulation No. 89 'Rules for the National Information Resources, Systems and Interoperability Information System' (VIRISIS – 'Valsts informācijas resursu, sistēmu un sadarbības informācijas sistēma') adopted by the Cabinet of Ministers on 6 February 2024, published in the Official Journal on 7 February 2024 and entered in force on 8 February 2024. The link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2024/27.7> ; <https://likumi.lv/ta/id/349664>

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Regulations of the Cabinet of Ministers laying down common procedures for monitoring ICT development activities entered into force.**

The Cabinet of Ministers Regulation No. 368 'Procedure for monitoring the development activities and liquidation of information systems and information and communication technology resources and services necessary for their operation' (hereinafter – Cabinet Regulation No. 368) lay down the common procedures for the monitoring of ICT development activities by public administration. The scope of Regulation No. 368 is determined in articles 1 and 2, which cover a list of public

administrations and ICT activities. Articles 3 to 20, as well as the annexes to the Cabinet Regulation No. 368, set the procedures to be followed by public administrations when creating, modifying or decommissioning an information system to enable standardised monitoring of such development activities.

The Cabinet of Ministers Regulation No. 367 'General technical requirements of information systems' (hereinafter – Regulation No. 367) lays down minimal technical requirements for information systems or ICT development activities. The scope of the Regulation No. 367 is defined in article 1 and covers the same list of public administrations as in Cabinet Regulation No. 368.

Regulation No. 368 was adopted on 4 July 2023, published in the Official Journal on 11 July 2023 and entered into force on 12 July 2023 in accordance with Article 7 of the Law on Official Publications and Legal information. Article 3 of that Regulation, which concerns registration of the information in the 'National Information Resources, Systems and Interoperability Information System' (VIRIS – '*Valsts informācijas resursu, sistēmu un sadarbības informācijas sistēma*'), enters into force on 1 July 2024, as indicated in Articles 21 and 22.

Regulation No. 367 was adopted on 4 July 2023, published in the Official Journal on 11 July 2023 and entered into force on 12 July 2023 in accordance with Article 7 of the Law on Official Publications and Legal information. Article 5 provides that 'The requirements of this Regulation shall enter into force on 1 July 2024 for the development of information systems of institutions financed by the State budget, as well as existing information systems and information and communication technology resources and services necessary for their operation.'

The Council Implementing Decision required the reform to be implemented by 30 June 2022. The provisions regulating the development of information systems of "newly created institutions financed by the State budget" under Cabinet Regulation No. 367 and the Article 3 of Cabinet Regulation No. 368, relevant to the fulfilment of the requirements for the milestone, enter into force on 1 July 2024, as is evident from Article 5 of Cabinet Regulation No. 367 and Articles 21 and 22 of Cabinet Regulation No. 368. Whilst this constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, the delay between the entry into force of Cabinet Regulation No. 367 and Article 3 of Cabinet Regulation No. 368 and the actual application of the provisions is considered both limited and proportional, notably, due to the adaptation of the 'National Information Resources, Systems and Interoperability Information System' (VIRIS – '*Valsts informācijas resursu, sistēmu un sadarbības informācijas sistēma*') which was completed in February 2024, as evidenced by Cabinet of Ministers Regulation No. 89 'Rules for the National Information Resources, Systems and Interoperability Information System' which entered into force on 8 February 2024. Moreover, both Regulations No. 367 and 368 were adopted by the Cabinet of Ministers on 4 July 2023 and published in the Official Journal on 11 July 2023, and their provisions, referred to above, clearly indicate their future date of entry into force and, thus, the beginning of their application. This provides certainty of their application and of the beginning of their legal effects. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**For the new regulations to be applicable for all ICT development activities within the scope of the measures of the Latvian recovery and resilience plan (including municipalities), the scope of the Law of State Information Systems Law shall be extended.**

The Law 'Amendments to the Law on State Information Systems' was adopted by the Latvian Parliament (*Saeima*) on 5 May 2022, published in the Official Journal on 17 May 2022 and entered into force on 1 June 2022 in accordance with Article 7 of the Law on Official Publications and Legal information. With these amendments, the scope of the State Information Systems Law is extended, and Regulations No. 367 and 368 are made applicable to all ICT development activities within the Latvian recovery and resilience plan, including development activities by municipalities. The amendment to Article 1(1) of the Law on State Information Systems extends the definition of State information systems to systems operated by an 'institution of direct administration, a State authority not under subordination of the Cabinet, a derived public entity or its institution, a judicial institution,



the Prosecutor's Office, and also a private individual who is delegated with a task of State administration', which includes local governments and municipalities as 'State authority not under subordination of the Cabinet'. Amendments to Articles 1 to 10, 12, 13, and 16 to 18 make Regulations No. 367 and 368 applicable to all ICT development activities carried out by a public administration, including all activities within the scope of the measures of the Latvian recovery and resilience plan. For example, Regulations No. 367 and 368 are applicable to ICT development activities of public administrations of the domestic affairs sector (including civil protection, fire safety supervision and public safety) or the cultural sector (including the accumulation of the heritage of archives, libraries, museums, cultural monuments, and media content), which are under the scope of the Latvian recovery and resilience plan.

Overall, by setting minimum technical requirements and defining the procedures for creating, modifying or decommissioning an information system, the three aforementioned legal acts (the amendments to the Law on State Information Systems and the two Regulations No. 367 and 368) establish a framework for unified governance and management of ICT development activities in the Latvian public administration, as stipulated by the name of the milestone.

Furthermore, in line with the description of the measure, the reform consists of **building the common ICT conceptual architecture for public administration services and their management support, defining qualitative and quantitative metrics of services.**

Regulation No. 368 (Articles 3 to 20 and annexes) lays down the common procedures for the monitoring of ICT development activities by public administrations. For example, Article 4 introduces a requirement to fill in standardised forms for any change in ICT systems of public administrations. Article 2 of Regulation No. 367 lays down minimum technical requirements for State and public information systems. The common ICT conceptual architecture for public administration services and their management support is therefore built through procedures to be followed by public administrations and minimal requirements for ICT services developed by public administrations.

The Council Implementing Decision states that the reform consists of defining qualitative and quantitative metrics of services. The Recovery and Resilience Plan provides that the common ICT conceptual architecture of public administration for public administration services and their management support will foresee that qualitative and quantitative metrics of services are defined. Article 2 of Regulation No. 367 defines data requirements, setting standards for the definition of qualitative and quantitative metrics of services. The annotation to Regulation No. 367 provides examples of qualitative and quantitative metrics of service. The annotation writes that 'metadata information that describes the data and its life cycle is required for data pairing and analysis purposes'. This is an example of a qualitative metric of service. According to the annotation, data reported under Regulation No. 367 must also include a clearly defined population and population units may be persons, dwellings, objects, etc. (for example, permanent residents of Latvia in 2023; economically active enterprises in 2022). The annotation also specifies that 'Overlay or over-coverage characterises the part that does not mistakenly belong to the target population (for example, deceased persons included in the age group '15-74' of the usually resident population of Latvia in 2023; enterprises of the service sector included in the list of retail trade enterprises; in some cases – duplicates).' The population definition and the definition of overlay provide an example of quantitative metric of service.

On the basis of these examples, it is for the responsible authority to define qualitative and quantitative metrics of services (Ministry of Environmental Protection and Regional Development and the Central Statistical Bureau as per Article 3 of Regulation No. 367).

The Regulation ensures that standardised information on ICT services is reported and defined. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**The implementation of the reform shall be coordinated and managed by the national ICT governance organisation, while the implementation of the specific tasks of implementing the reform shall be carried out by the authority responsible for each task.**

Article 5 of Regulation No. 368 lists the ministries which compose the national ICT governance organisation and makes them responsible for the coordination and management of the implementation of the reform. This provision also makes the Ministry of Environmental Protection and Regional Development responsible for operating the ICT construction board.

Moreover, Article 4 of Regulation No. 367 states that ‘The fulfilment of the requirements of this Regulation shall be supervised by the Ministry of Environmental Protection and Regional Development in accordance with the laws and regulations in the field of supervision of information system development activities.’ Therefore, the implementation of the reform is coordinated and managed by the national ICT governance organisation, under the supervision of the Ministry of Environmental Protection and Regional Development.

Article 1(14) of the Law on State Information Systems as amended defines the role of the ‘authority information system manager’ as ‘an authority which organises and manages the operation of the information system of the authority’. Article 4 of Regulations No. 368 states that the information system manager is ‘responsible for the implementation of the development activity’. As follows from Article 2 of Regulation No. 368, this includes ICT development activities. The implementation of the specific tasks of the reform is therefore delegated to the authorities responsible for each task. Moreover, Article 5 of Regulation No. 368, which lists the ministries that are part of the national ICT governance organisation, and Articles 7 to 16 of Regulation No. 368, which set the procedures to be followed by the information system managers and the national ICT governance organisation when developing an ICT activity, demonstrate that the implementation of the reform is carried out by the authorities responsible for each task.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 28</b>	<b>Related Measure: 2.1.1.r. Modernisation of national processes and services and digital transformation</b>	
<b>Name of the Milestone: Establishment of a normative framework for receiving support in the field of digital transformation of public administration processes and services</b>		
<b>Qualitative Indicator:</b> Entry into force of the legal framework		<b>Time:</b> Q2 2022
<b>Context:</b>		
<p>Milestone 28 is part of reform 2.1.1.r., which aims to modernise public administration and its services by digital transformation, focusing on important functions, processes and services of the public administration that have not yet been digitally transformed, are being newly developed or substantially strengthened.</p> <p>Milestone 28 concerns the establishment of a normative framework for receiving support in the field of digital transformation of public administration processes and services.</p> <p>This milestone is the second and last milestone or target of the reform, and it follows the completion of milestone 27 related to the establishment of a framework for unified governance management of ICT development activities in public administration.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of the Cabinet of Ministers Regulation No. 435 ‘Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 “Digital Transformation of State Administration, Including Local Governments” of Component 2 “Digital Transformation” of the Plan for the European Recovery and Resilience Facility’ adopted by the Cabinet of</li> </ol>		

Ministers on 14 July 2022 and published in the Official Journal on 18 July 2022. The link to publication in the Official Journal: <https://www.vestnesis.lv/op/2022/136.5>

- iii. Copy of Annex 1 of the Cabinet of Ministers Regulation No. 435 - Targets of the Reform and Investment Direction of the Recovery Fund Plan, Descriptions and Certification of Achievement.
- iv. Copy of Annex 2 of the Cabinet of Ministers Regulation No. 435 - Project Passport.
- v. Copy of Annex 3 of the Cabinet of Ministers Regulation No. 435 - Plan for the Development of Centralised Functions or Shared Services.
- vi. Copy of Annex 4 of the Cabinet of Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction.
- vii. Copy of Annex 5 of the Cabinet of Ministers Regulation No. 435 - Statement of Intent.

The authorities also provided:

- i. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Cabinet of Ministers regulation entered into force for granting support in the field of digital transformation of public administration processes and services.**

Cabinet of Ministers Regulation No. 435 'Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 "Digital Transformation of State Administration, Including Local Governments" of Component 2 "Digital Transformation" of the Plan for the European Recovery and Resilience Facility' (hereinafter referred to as 'Cabinet Regulation No. 435') was adopted on 14 July 2022, published in the Official Journal on 18 July 2022 and entered into force in accordance with article 7 of the Law on Official publications and Legal Information on 19 July 2022.

The Cabinet Regulation No. 435 constitutes the legal framework for granting support in the field of digital transformation of public administration processes and services as evident from the objectives and target group specified in paragraph 2 and sub-paragraphs 2.1 and 2.1.1 of Cabinet Regulation No. 435. In particular, the legal framework is characterised by:

- The financing available for support in the field of digital transformation of public administration processes and services is set out in sub-paragraph 6.1 of Cabinet Regulation No. 435;
- The competence of the authorities involved in the implementation of the support is set out in section II, paragraph 11 and 12 of Cabinet Regulation No. 435. This includes the beneficiaries of the funding (institutions of direct administration, the Central Election Commission and the Office of the Prosecutor, the Free Port of Rīga Authority, local governments of State cities and municipalities which have the capacity to provide shared solutions to local governments, capital companies and associations) as well as the authorities responsible for implementation and granting the support (The Ministry of Industry and the State Chancellery), either independently or through transferring implementation to a financial recipient. In accordance with Paragraph 17, in instances where the beneficiary is not state capital companies under the direct administrative authority or the Ministry of Industry, the functions shall be fulfilled by other authorities specified in the related sub-paragraphs. Lastly, in accordance with Section II, paragraph 14 of Cabinet Regulation No. 435, the following institutions shall ensure the monitoring of the implementation of the reform and investment direction: the information and communication technology management organisation, sectoral ministries and the Central Financial and Contract Agency.
- The rules and procedures for the granting of support for projects. Paragraph 12 and related sub-paragraphs establishes the authority responsible for granting of support while paragraph

13 and related sub-paragraphs establishes the rules, procedures, and time limits of the eligible projects.

- Sub-paragraph 13.1 requires the financial recipient to prepare and submit to the Ministry of Industry or the institution referred to in Paragraph 17 a draft order containing information on the beneficiary as well as that required by the project passport, as evident from the copy of Annex 2 of the Cabinet of Ministers Regulation No. 435 - Project Passport.
- Sub-paragraph 13.2 requires the financial beneficiary to submit project application data in the management information system following the receipt of the invitation of the Ministry of Environmental Protection and Regional Development as an information and communication technology management organisation.
- Sub-paragraph 13.3 requires the financial beneficiary to implement the project in conformity with the investment objectives referred to in the copy of Annex 4 of the Cabinet of Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction, as well as to submit and update information in the management information system during the course of implementation.
- Sub-paragraph 13.9 requires the financial beneficiary to develop and internal control system necessary to ensure the implementation and effective operation of the project, as well as ensuring a range of control activities.
- The conditions for the commencement of the supported projects, their implementation, and unilateral termination are set out in Section III of the Regulation. This includes the requirement to enter into, and the provisions of, a project implementation contract in paragraphs 25 to 29 of Cabinet Regulation No. 435, the eligible activities for support in paragraphs 30 and 31, and the eligible costs in paragraph 32 to 34;
- The annexes 2-6 to the Regulation provide for procedural documents that must be completed for applying for the support.

Furthermore, in line with the description of the measure, the objective is to modernise public administration and its services through digital transformation, **focusing on important functions, processes and services of the public administration that have not yet been digitally transformed, are being newly developed or substantially strengthened.**

As evident from sub-paragraph 2.1.1 of Cabinet Regulation No. 435, the objective of the reform is to *“modernise public administration and its services through digital transformation and by focusing on important public administration functions, processes and services that have not yet been digitised, are being re-developed or substantially strengthened”*.

For substance of the legal act corresponding to the stated objective above, paragraph 31 defines the activities eligible for support, including *“modernisation of the processes and services of the State administration (including scientific institutions, higher education institutions) by digitising them”* in sub-paragraph 31.1. Sub-paragraphs 31.1.1 of Cabinet Regulation No. 435 defines the measures considered as contributing to the eligible activities, such as those related to *“state administration functions, processes and services [...] which have not yet been digitised or a being redeveloped or refined”*.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

**Number: 31**

**Related Measure: 2.1.2.r. Increasing efficiency and interoperability in the use of national ICT resources**

**Name of the Milestone: Establishment of the legal framework for receiving support in the area of development of central systems and platforms of public administration and consolidation of computing infrastructure services**

**Qualitative Indicator:** Entry into force of the legal framework

**Time:** Q2 2022

**Context:**

Milestone 31 is part of reform 2.1.2.r, which aims to transform the ICT provision approach in public administration by centralising the provision of uniform ICT sharing services in competence centres that support several institutions.

Milestone 31 concerns the establishment of the legal framework for receiving support in the area of development of central systems and platforms of public administration and consolidation of computing infrastructure services.

This milestone is the only milestone of this reform.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
- ii. Copy of the Cabinet of Ministers Regulation No. 435 “Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 “Digital Transformation of State Administration, Including Local Governments” of Component 2 “Digital Transformation” of the Plan for the European Recovery and Resilience Facility” adopted by the Cabinet of Ministers on 14 July 2022 and published in the Official Journal on 18 July 2022. The link to publication in the Official Journal: <https://www.vestnesis.lv/op/2022/136.5>.
- iii. Copy of Annex 1 of the Cabinet of Ministers Regulation No. 435 - Targets of the Reform and Investment Direction of the Recovery Fund Plan, Descriptions and Certification of Achievement.
- iv. Copy of Annex 2 of the Cabinet of the Ministers Regulation No. 435 - Project Passport.
- v. Copy of Annex 3 of the Cabinet of the Ministers Regulation No. 435 - Plan for the Development of Centralised Functions or Shared Services.
- vi. Copy of Annex 4 of the Cabinet of the Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction.
- vii. Copy of Annex 5 of the Cabinet of the Ministers Regulation No. 435 - Statement of Intent.

The authorities also provided:

- i. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Entry into force of the legal framework for granting support in the area of development of central IT systems and platforms of public administration and consolidation of computing infrastructure services.**

Cabinet of Ministers Regulation No. 435 ‘Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 “Digital Transformation of State Administration, Including Local Governments” of Component 2 “Digital Transformation” of the Plan for the European Recovery and Resilience Facility’ (hereinafter referred to as ‘Cabinet Regulation No. 435’) was adopted on 14 July 2022, published in the Official Journal on 18 July 2022 and entered into force in accordance with Article 7 of the Law on Official Publications and Legal Information on 19 July 2022.

The Regulation constitutes the legal framework for granting support in the area of development of central IT systems and platforms of public administration and consolidation of computing

infrastructure services, as evident from paragraph 3 and sub-paragraphs 3.1, 3.1.1, and 3.1.2 of Cabinet Regulation No. 435. In particular, the legal framework is characterised by:

- The financing available for the support in the area of development of central IT systems and platforms of public administration is set out in sub-paragraph 6.2 of the Regulation;
- The financing available for the consolidation of computing infrastructure services is set out in sub-paragraph 6.3 of the Regulation;
- The competence of the authorities involved in the implementation of the support in section II, paragraph 11 and 12 of Cabinet Regulation No. 435. This includes the beneficiaries of the funding (institutions of direct administration, the Central Election Commission and the Office of the Prosecutor, the Free Port of Rīga Authority, local governments of State cities and municipalities which have the capacity to provide shared solutions to local governments, capital companies and associations) as well as the authorities responsible for implementation and granting the support (The Ministry of Industry and the State Chancellery), either independently or through transferring implementation to a financial recipient. In accordance with Paragraph 17, in instances where the beneficiary is not state capital companies under the direct administrative authority or the Ministry of Industry, the functions shall be fulfilled by other authorities specified in the sub-paragraphs. Lastly, in accordance with Section II, paragraph 14 of Cabinet Regulation No. 435, the following institutions shall ensure the monitoring of the implementation of the reform and investment direction: the information and communication technology management organisation, sectoral ministries and the Central Financial and Contract Agency;
- The rules and procedures for the granting of support for projects. Paragraph 12 and related sub-paragraphs establishes the authority responsible for granting of support while paragraph 13 and related sub-paragraphs establishes the rules, procedures, and time limits of the eligible projects.
  - Sub-paragraph 13.1 requires the financial beneficiary to prepare and submit to the Ministry of Industry or the institution referred to in Paragraph 17 a draft order containing information on the beneficiary as well as that required by the project passport, as evident from the copy of Annex 2 of the Cabinet of Ministers Regulation No. 435 - Project Passport.
  - Sub-paragraph 13.2 requires the financial beneficiary to submit project application data in the management information system following the receipt of the invitation of the Ministry of Environmental Protection and Regional Development as an information and communication technology management organisation.
  - Sub-paragraph 13.3 requires the financial beneficiary to implement the project in conformity with the investment objectives referred to in the copy of Annex 4 of the Cabinet of Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction, as well as to submit and update information in the management information system during the course of implementation.
  - Sub-paragraph 13.9 requires the financial beneficiary to develop and internal control system necessary to ensure the implementation and effective operation of the project, as well as ensuring a range of control activities.
- The conditions for the commencement of the supported projects, their implementation, and unilateral termination are set out in Section III of the Regulation;
- The annexes 2-6 to the Regulation provide for procedural documents that are relevant or must be completed for applying for the support.

Furthermore, in line with the description of the measure, the objectives of the measure are to transform the ICT provision approach in public administration **by centralising the provision of uniform ICT sharing services in competence centres that support several institutions.**

As evident from sub-paragraph 3.1.1 and 3.1.2 of Cabinet Regulation No. 435, the objective of the reform is to *“to modify the access to the provision of information and communication technologies in public administration by centralising the provision of common information and communication technology sharing services in competence centres, which support several institutions”* as well as *“developing the consolidation of the central system of public administration and of the platform and data infrastructure services, ensuring the automation and efficiency of supply processes and cross-border access to public administration services and the consolidation of public administration data and data storage infrastructure services”*.

For substance of the legal act corresponding to the stated objective above, sub-paragraph 31.2.1, 31.2.2 and 31.2.3 of Cabinet Regulation No. 435 defines the measures considered as contributing to the eligible activities, such as those related to *“consolidation of information and communication technology and support functions of the State administration, centralising services for the provision of administrative services, information and communication technologies and support functions necessary for the support of several institutions in the competence centres”, “the consolidation of State administrative authorities’ computing and data storage infrastructure services, by establishing specialised centres of competence”, and “equipping the State Administration with specialised technological solutions and specialised equipment, which has been performed within the framework of the project action plan in order to achieve the objective of the specific investment measure, ensuring the possibility to implement digitally transformed management processes”*. That means that eligible activities for support under the legal framework consists of projects relating to the consolidation of information and communication technologies and support functions of the State, necessary for the support of several institutions, by setting up specialised centres of competence.

Furthermore, the reform consists of **the development of central systems and platforms of public administration and consolidation of computing infrastructure services, enabling the automation and efficiency of the processes of supply.**

As evident from sub-paragraph 3.1.2 of Cabinet Regulation No. 435, the objective of the reform is to *“developing the consolidation of the central system of public administration and of the platform and data infrastructure services, ensuring the automation and efficiency of supply processes and cross-border access to public administration services and the consolidation of public administration data and data storage infrastructure services”*.

For substance of the legal act corresponding to the stated objective above, paragraph 31 of Cabinet Regulation No. 435 defines the activities eligible for support, including: *“The development of centralised platforms and sharing services of the State administration (including the scientific institutions of State-city and municipal local governments, higher education institutions)”* in sub-paragraph 31.2. That means that eligible activities for support relate to the development of central systems and platforms of public administration. Furthermore, this includes:

- *“Consolidation of information and communication technology and support functions of the State administration”* in sub-paragraph 31.2.1.
- *“The consolidation of State administrative authorities’ computing and data storage infrastructure services, by establishing specialised centres of competence”* in sub-paragraph 31.2.2.

That means that eligible activities concern the development of central systems and platforms of public administration and consolidation of public administration computing and data storage infrastructure services.

As evident from the legal framework provided by Cabinet Regulation No. 435, the eligible activities included in the framework for granting support will support activities that ultimately enables the automation and efficiency of supply processes by facilitating the integration of central public

administration systems and platforms and centralising the provision of information and communication technologies in competence centres, thereby improving resource allocation and efficiency.

**Ensure cross-border access to public administration services, and consolidation of public administration computing and data storage infrastructure services.**

As evident from in sub-paragraph 31.3, eligible activities also include *“the introduction and development of data management, including”*:

- *“The availability and sharing of public administration (including scientific bodies) and private sector data and services, establishing a framework for the development of data and a platform for economic development and interoperability with European data spaces and ensuring the sharing of data within the European Union”* in sub-paragraph 31.3.1.
- *“The establishment of technological and organisation solutions which ensure the cross-sectoral circulation and use of data (including research data)”* in sub-paragraph 31.3.2.

That means that eligible activities concern the provision of cross-border access to public administration services within the European Union through activities to enhance interoperability with European data spaces, as well as cross-sectoral circulation and use of data, corresponding to consolidation of public administration computing and data storage infrastructure services.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 37</b>	<b>Related Measure: 2.1.3.r. Development of the national economic data and digital services economy</b>	
<b>Name of the Milestone: Entry into force of the legal framework for receiving support in the field of transformation of economic data management</b>		
<b>Qualitative Indicator:</b> Entry into force of the legal framework		<b>Time:</b> Q2 2022
<p><b>Context:</b>  Milestone 37 is part of reform 2.1.3.r., which aims to ensure the availability and sharing of public and private data and services by laying the foundations for the development and interoperability of the data and platform economy with European data spaces and by ensuring data sharing within the EU. Milestone 37 concerns the entry into force of the legal framework for granting support in the field of transformation of economic data management.  This milestone 37 is the first step of the implementation of reform, and it will be followed by milestone 38 related to the entry into force of the legal framework for the functioning of the national platform for the circulation of data.  The reform has a final expected date for implementation on 31 December 2023.</p>		
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.</li> <li>ii. Copy of the Cabinet of Ministers Regulation No. 435 ‘Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 “Digital Transformation of State Administration, Including Local Governments” of Component 2 “Digital Transformation” of the Plan for the European Recovery and Resilience Facility’, adopted by the Cabinet of Ministers on 14 July 2022 and published in the Official Journal on 18 July 2022. The link to the publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/136.5">https://www.vestnesis.lv/op/2022/136.5</a>.</li> <li>iii. Copy of Annex 1 of the Cabinet of Ministers Regulation No. 435 - Targets of the Reform and Investment Direction of the Recovery Fund Plan, Descriptions and Certification of Achievement Thereof.</li> <li>iv. Copy of Annex 2 of the Cabinet of Ministers Regulation No. 435 - Project Passport.</li> </ol>		



- v. Copy of Annex 3 of the Cabinet of Ministers Regulation No. 435 - Plan for the Development of Centralised Functions or Shared Services.
  - vi. Copy of Annex 4 of the Cabinet of Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction.
  - vii. Copy of Annex 5 of the Cabinet of Ministers Regulation No. 435 – Statement of Intent.
- The authorities also provided:
- i. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Entry into force of the legal framework for granting support in the field of transformation of economic data management harmonised by the Cabinet of Ministers.**

Cabinet of Ministers Regulation No. 435 ‘Regulations Regarding the Implementation of the Reform and Investment Direction 2.1 “Digital Transformation of State Administration, Including Local Governments” of Component 2 “Digital Transformation” of the Plan for the European Recovery and Resilience Facility’ (hereinafter referred to as Cabinet Regulation No. 435) was adopted on 14 July 2022, published in the Official Journal on 18 July 2022 and entered into force in accordance with Article 7 of the Law on Official Publications and Legal Information on 19 July 2022.

The Regulation constitutes the legal framework for granting support in the field of transformation of economic data management harmonised by the Cabinet of Ministers, as evident from paragraph 4.1 and sub-paragraphs 4.1.1 and 4.1.2 of Cabinet Regulation No. 435. In particular, the legal framework is characterised by:

- The financing available for support in the field of transformation of economic data management is set out in the sub-paragraph 6.4 of Cabinet Regulation No. 435.
- The competence of the authorities involved in the implementation of the support in section II, paragraph 11 and 12 of Cabinet Regulation No. 435. This includes the recipients of the funding (institutions of direct administration, the Central Election Commission and the Office of the Prosecutor, the Free Port of Rīga Authority, local governments of State cities and municipalities which have the capacity to provide shared solutions to local governments, capital companies and associations) as well as the authorities responsible for implementation and granting the support (The Ministry of Industry and the State Chancellery), either independently or through transferring implementation to a financial beneficiary. In accordance with Paragraph 17, in instances where the beneficiary is not state capital companies under the direct administrative authority or the Ministry of Industry, the functions shall be fulfilled by other authorities specified in the sub-paragraphs. Lastly, in accordance with Section II, paragraph 14 of Cabinet Regulation No. 435, the following institutions shall ensure the monitoring of the implementation of the reform and investment direction: the information and communication technology management organisation, sectoral ministries and the Central Financial and Contract Agency.
- The rules and procedures for the granting of support for projects. Paragraph 12 and related sub-paragraphs establishes the authority responsible for granting of support while paragraph 13 and related sub-paragraphs establishes the rules, procedures, and time limits of the eligible projects.
  - o Sub-paragraph 13.1 requires the financial beneficiary to prepare and submit to the Ministry of Industry or the institution referred to in Paragraph 17 a draft order containing information on the beneficiary as well as that required by the project passport, as evident from the copy of Annex 2 of the Cabinet of Ministers Regulation No. 435 - Project Passport.

- Sub-paragraph 13.2 requires the financial beneficiary to submit project application data in the management information system following the receipt of the invitation of the Ministry of Environmental Protection and Regional Development as an information and communication technology management organisation.
  - Sub-paragraph 13.3 requires the financial beneficiary to implement the project in conformity with the investment objectives referred to in the copy of Annex 4 of the Cabinet of Ministers Regulation No. 435 - Allocation of Responsibility for the Implementation of the Reform and Investment Direction, as well as to submit and update information in the management information system during the course of implementation.
  - Sub-paragraph 13.9 requires the financial beneficiary to develop and internal control system necessary to ensure the implementation and effective operation of the project, as well as ensuring a range of control activities.
- The conditions for the commencement of the supported projects, their implementation, and unilateral termination are set out in Section III of the Regulation;
  - The annexes 2-6 to the Regulation provide for procedural documents that are relevant or must be completed for applying for the support.

Furthermore, in line with the description of the measure, the objective of the reform is to ensure the availability and sharing of public and private data and services **by laying the foundations for the development and interoperability of the data and platform economy with European data spaces and by ensuring data sharing within the EU.**

As evident from sub-paragraph 4.1.1 and 4.1.2 of Cabinet Regulation No. 435, the objective of the reform is to *“to ensure the availability and sharing of public and private data and services by laying the foundations for the development and compatibility of data and platforms with European data spaces and by ensuring the sharing of data with the European Union”* as well as *“developing the capacity of the public sector to collect and process data and establishing appropriate management principles in order to ensure that the one-stop agency has access to data exchange between sectors and European data spaces”*.

For substance of the legal act corresponding to the stated objective above, sub-paragraph 31.3.1 and 31.3.2 of Cabinet Regulation No. 435 defines the measures considered as contributing to the eligible activities, such as those related to *“the availability and sharing of public administration (including scientific bodies) and private sector data and services, establishing a framework for the development of data and a platform for economic development and interoperability with European data spaces and ensuring the sharing of data within the European Union”*, and *“the establishment of technological and organisational solutions which ensure the cross-sectoral circulation and use of data (including research data), the availability of State platforms to support commercial sector and State administration activities and the development of services, or the possibility of sharing personal data”*.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 40</b>	<b>Related Measure: 2.2.1.r. Creating the full cycle of business digital transformation support with regional coverage</b>	
<b>Name of the Milestone: The European Digital Innovation Hub (EDIH) has been established</b>		
<b>Qualitative Indicator:</b> The European Digital Innovation Hub (EDIH) has been established.		<b>Time:</b> Q2 2022
<b>Context:</b> Milestone 40 is part of reform 2.2.1.r. The reform aims to support the digital transformation of businesses in Latvia through the establishment of a regional European Digital Innovation Hub (EDIH) and to create a single and coordinated support ecosystem to facilitate the digital transformation of commercial activities.		

Milestone 40 concerns the establishment of the European Digital Innovation Hub (EDIH). This milestone is the first step of the implementation of this reform, and it is accompanied by milestone 41, related to the start of the provision of new digital transformation support functions by regional business support centres, and milestone 42, related to the establishment of a digital maturity test system for entities to identify the actions needed by entities and state support. The reform has a final expected date for implementation on 30 September 2022.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
- ii. Certificate of establishment of the European Digital Innovation Hub - Grant agreement between European Commission and Biedriba Latvijas Digitalais Akselerators (DAoL) signed on 28 October 2022.
- iii. Certificate of establishment of the European Digital Innovation Hub - Grant agreement between European Commission and Latvijas Informācijas Tehnoloģiju Klasteris (EDIHLV) signed on 5 December 2022.

The authorities also provided:

- i. Copy of the Regulations of the Cabinet of Ministers No. 577 “Component 2 “Digital transformation” of the Latvian Recovery and Resilience Facility plan, Reform 2.2 and Investment Direction “Digital transformation and innovation” 2.2.1 r. Establishment of a full cycle support for the digital transformation of business with a regional scope 2.2.1.1.i. Implementing rules for the investment “Support for the establishment of Digital Innovation Centres and Regional Contact Points”, published in the Official Journal 20 September 2022. Link to the publication in the Official Journal: <https://likumi.lv/ta/id/335663-latvijas-atveselosanas-un-noturibas-mehanismu-plana-2-komponentes-digitala-transformacija-2-2-reformu-un-investiciju-virziena>.
- ii. Methodology of EDIH (Latvijas Informācijas Tehnoloģiju Klasteris) for the implementation of supported activities of 2023.
- iii. Methodology of EDIH (Latvijas Digitalais Akselerators) for the implementation of supported activities of 15 February 2023.
- iv. Activity report provided by EDIHs including information of received applications, invitations of filling digital maturity tests, statistics of filled tests and developed digital development road maps provided on 22 November 2023.
- v. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.
- vi. The information websites of the European Digital Innovation Hubs of Latvia:
  - b. About us - Latvijas Informācijas Tehnoloģiju Klasteris (Latvian IT Cluster, EDIHLV): <https://dih.lv/lv/par-mums/edic>
  - c. Types of support and services – Latvijas Informācijas Tehnoloģiju Klasteris (Latvian IT Cluster, EDIHLV): <https://dih.lv/lv/musu-pakalpojumi/pakalpojumu-cenradis>
  - d. About us - Latvijas Digitalais Akselerators (Latvian Digital Accelerators, DAoL): <https://www.digitallatvia.lv/par-mums/>
  - e. EDIH Latvia – Latvijas Digitalais Akselerators (Latvian Digital Accelerators, DAoL): <https://www.digitallatvia.lv/edic-latvija/>

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The EDIH shall be in operation in line with the Digital Europe Programme priorities and form part of the network of a common European Digital Innovation Hub.**

As evident from the Grant Agreements between the European Commission and Biedriba Latvijas Digitalais Akselerators (Latvian Digital Accelerators, hereinafter referred to as “DAoL”) as signed on 28 October 2022 and between the European Commission and Latvijas Informācijas Tehnoloģiju Klasteris (Latvian IT Cluster, hereinafter referred to as “EDIHLV”) as signed on 5 December 2022 (hereinafter referred to as “the grant agreements”), the grant agreements are set in accordance with the priorities of the Digital Europe Programme. As evident from Annex ‘Description of the action’ of the grant agreement with DAoL (page 72) and Annex ‘Description of the action’ of the grant agreement with EDIHLV (page 73), each grant agreement specifies that the activities at stake, structured around work packages, are to be undertaken in accordance with the Digital Europe programme. This means that the EDIHs have entered into a binding funding agreement to carry out the activities and priorities specified by the Digital Europe Programme.

The EDIHs operate in line with the Digital Europe Programme priorities by fostering digital innovation, enhancing digital skills, and supporting the digital transformation of businesses and the public sector. As evident from Article 3 and Article 16 of Regulation (EU) 2021/694 of the European Parliament and of the Council of 19 April 2021 establishing the Digital Europe Programme, these priorities are set out in five key capacity areas: supercomputing, artificial intelligence, cybersecurity, advanced digital skills, and ensuring a wide use of digital technologies across the economy and society, including through Digital Innovation Hubs. The priorities of the Digital Europe Programme are reinforced through the activities facilitated by the EDIHs. As evident from the website of EDIHLV (Par mums, <https://dih.lv/lv/par-mums/edic>), the EDIH provides services related to the digital transformation of businesses and public entities, offering digital maturity assessments, testing facilities for digital technologies, and specialised training programs and consultations for the development of digital skills. Furthermore, as evident from the website of DAoL (Par mums, <https://www.digitallatvia.lv/par-mums/>), the EDIH provides similar services related to digital transformation strategies, supporting the design, prototyping, testing and deployment of new digital platforms, products, and services, and a commitment to promoting the use of artificial intelligence, high performance computing, cybersecurity and other digital technologies. That means the EDIHs focus on development of skills in, and application of, technologies such as artificial intelligence, high performance computing, strengthening cybersecurity, etc., and therefore operate in line with the Digital Europe Programme priorities. A spot check by Commission services on 8 February 2024 confirmed the active nature of these websites.

Furthermore, as evident from the EDIH catalogue on the European Commission’s webpage (Link: <https://european-digital-innovation-hubs.ec.europa.eu/edih-catalogue>), both EDIHs have been approved under the Digital Europe Programme as partners in the EDIH network and, thus, form part of the network. The EDIHs may therefore participate in the network of common European Digital Innovations Hubs. By participating in the network, the EDIHs serve to disseminate knowledge and advance collaboration within the European Union through the network of Digital Innovation Hubs. A spot check by Commission services on 8 February 2024 confirmed the active nature of the website.

**It shall serve as a one-stop shop for the coordination of the digital transformation of businesses.**

The EDIHs serves as one-stop shops for the coordination of the digital transformation of business, as they provide a wide range of services related to digital transformation that cater to the different needs of the entities wishing to engage in digital transformation activities, in a centralised and integrated manner. The signed grant agreements specify that the EDIHs are single points of contact that serve to enhance the digitalisation of businesses and public organisations, as evident from page 74 of the Grant Agreement with DAoL and page 78-79 of the Grant Agreement with EDIHLV.

Furthermore, as evident from the website of EDIHLV (Types of support and services, <https://dih.lv/lv/musu-pakalpojumi/pakalpojumu-cenradis>) and DAoL (EDIH Latvia,

<https://www.digitallatvia.lv/edic-latvija/>), the EDIHs provide access to the Digital Maturity Assessment, which assesses the degree of digitalisation of the entities involved, prepare Digital Roadmaps and digital transformation strategies, and provide access to consulting services and provide access to testing and experimenting of digital technologies and solutions. Hence, the EDIHs provide a comprehensive range of services, addressing the diverse needs for digitalisation efficiently, in a single location, and through a single platform, serving as one-stop shops for the coordination of the digital transformation of businesses, in accordance with Recital 17 of Regulation (EU) 2021/694. A spot check by Commission services on 8 February 2024 confirmed the active nature of the websites.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 41</b>	<b>Related Measure 2.2.1.r.: Creating the full cycle of business digital transformation support with regional coverage</b>	
<b>Name of the Milestone: Regional business support centres provide new digital transformation support functions</b>		
<b>Qualitative Indicator:</b> Regional business support centres provide digital transformation support functions		<b>Time:</b> Q3 2022
<p><b>Context:</b>  Milestone 41 is part of reform 2.2.1.r. ‘Creating the full cycle of business digital transformation support with regional coverage’. The reform aims to support the digital transformation of commercial activities in Latvia through the establishment of regional European Digital Innovation Hubs (EDIHs) and to create a single and coordinated support ecosystem to facilitate the digital transformation of commercial activities. Milestone 41 sets out that the regional business support centres shall have started providing new digital transformation support functions.  Milestone 41 is the second step of the implementation of the reform 2.2.1.r. Milestone 41 is accompanied in this payment request by milestone 40 concerning the establishment of the European Digital Innovation Hub (EDIH), and by milestone 42 related to the establishment of a digital maturity test system for entities to identify the actions needed by the entities and state support. The reform has a final expected date for implementation on 30 September 2022.</p>		
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. The list of regional contact points of the EDIHs and statistical overview provided by Latvian IT Cluster (Latvijas Informācijas Tehnologiju Klasteris, EDIHLV) and Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) of testing and piloting, implemented mentoring activities and digital skills trainings given by 9 November 2023, containing the following documentary evidence: <ol style="list-style-type: none"> <li>a. A description of the organisation of the digital maturity test in the regions;</li> <li>b. Description of provided access to testing and piloting;</li> <li>c. An overview of the implemented mentoring activities;</li> <li>d. An overview of digital skills trainings provided.</li> </ol> </li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Information of 22 February 2023, issued by the Ministry of Economics, of the Digital Entrepreneurship Support Programme Opening Event “Digital transformation for Business Development”, which took place on 22 February 2023.</li> <li>ii. List, issued by Latvian IT Cluster (Latvijas Informācijas Tehnologiju Klasteris, EDIHLV) and Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL), of events in which the</li> </ol>		

EDIHs have been taking part or which they have organised in different parts of Latvia and online since 1 September 2022.

- iii. Copy of the Regulations of the Cabinet of Ministers No. 577 “Component 2 “Digital transformation” of the Latvian Recovery and Resilience Facility plan, Reform 2.2 and Investment Direction “Digital transformation and innovation” 2.2.1 r. Establishment of a full cycle support for the digital transformation of business with a regional scope 2.2.1.1.i. Implementing rules for the investment “Support for the establishment of Digital Innovation Centres and Regional Contact Points”, published in the Official Journal 20 September 2022. Link to the publication in the Official Journal: <https://likumi.lv/ta/id/335663-latvijas-atveselosanas-un-noturibas-mehanismu-plana-2-komponentes-digitala-transformacija-2-2-reformu-un-investiciju-virziens>.
- iv. Grant agreement between the European Commission and Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL), signed on 28 October 2022.  
Grant agreement between the European Commission and Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, EDIHLV), signed on 5 December 2022.
- v. Methodology of EDIH: Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, EDIHLV) for the implementation of supported activities, provided by Latvijas Informācijas Tehnoloģiju Klasteris in 2023.
- vi. Methodology of EDIH: Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) for the implementation of supported activities, provided by Latvijas Digitalais Akselerators on 15 February 2023.
- vii. Statistics provided by Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) of digital maturity tests filled, closed agreements between the EDIH and recipients etc. on 9 August 2023, provided by Latvijas Digitalais Akselerators on 9 August 2023.
- viii. Statistics provided by Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, EDIHLV) of digital maturity tests filled, closed agreements between EDIH and recipients etc. on 9 August 2023, provided by Latvijas Informācijas Tehnoloģiju Klasteris on 15 August 2023.
- ix. Example, issued by Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) on 10 August 2023, of a digital development road map developed for a recipient towards prototyping, testing, and training.
- x. E-mail of 15 December 2023 from Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) about the steps made for providing test before investment service to a recipient, sent to the Ministry of Economics.
- xi. Announcements from the regional business support centres detailing the initiation or implementation of digital maturity tests, provision of testing and piloting, and access to mentoring and training:
  - a. Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, EDIHLV) of 22 February 2023 available at <https://dih.lv/lv/jaunumi-un-pasakumi/jaunumi/atklatas-pirmas-tris-atbalsta-programmas-uznemejdarbibas-digitalizācijas-veicināšanai>
  - b. Latvian Digital Accelerators (Latvijas Digitalais Akselerators, DAoL) of 19 December 2023 available at <https://www.digitallatvia.lv/jaunumi/params/post/4406399/noverte-sava-uznemuma-digitalo-gatavibu> and of 14 February 2024 available at <https://www.digitallatvia.lv/jaunumi/params/post/4446835/kas-ir-digitala-brieduma-tests>.
  - c. Green Tech Cluster (Zaļo un viedo tehnoloģiju klasteris) of 14 January 2024 available at <https://greentechlatvia.eu/lv/2024/01/projekta-latvijas-digitalais-akselerators-daol-2023-gada-aktualitates/>
  - d. Ventspils High Technology Park (Ventspils Augsto tehnoloģiju parks) of 30 January 2024 available at <https://www.vatp.lv/ventspils-uznemumi-var-sanemt-bezmaksas-konsultācijas-un-atbalstu-jaunu-digitalu-produktu-un-pakalpojumu-radīšanai>

- e. University of Latvia (Latvijas Universitāte) of 25 January 2024 available at <https://www.lu.lv/par-mums/lu-mediji/zinas/zina/t/82613/>
- xii. Promotional material of the regional business support centres:
  - a. Zemgale Business Center (Zemgales uzņēmējdarbības centrs) of 27 November 2023 available at <https://zuc.zemgale.lv/jaunumi/iespeja-izzinat-digitalizācijas-pieredzi/>
  - b. Latgale Business Centre (Latgales uzņēmējdarbības centrs) of 23 October 2023 available at <https://lpr.gov.lv/lv/2023/aicina-uz-vebinaru-inovācijas-razosana-kvadrokopteru-izstrade/>
  - c. Zemgale Business Center (Zemgales uzņēmējdarbības centrs) of 17 October 2023 available at <https://zuc.zemgale.lv/jaunumi/hpc-regionalais-seminars-superdatoru-iespejas/>
  - d. Digital Innovation Park (Digitālo inovāciju parks) of 12 December 2023 available at <https://www.digip.lv/pasakums/chat-gpt-uznemuma-produktivitates-paaugstinasanai>
- xiii. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The regional business support centres shall have started providing the following new digital transformation support functions: 1. Digital maturity tests in regions;** Furthermore, in line with the description of the measure, the reform consists of **ensuring the regional contact points provide the following new digital transformation support functions: digital maturity tests in regions.**

The Council Implementing Decision states that the regional business support centres shall have started providing the following new digital transformation support functions: 1. Digital maturity tests in regions. The Council Implementing Decision also states the reform consists of ensuring the regional contact points provide the following new digital transformation support functions: digital maturity tests in regions. Similarly, in accordance with Recital 600 of the original submission of the Latvian Recovery and Resilience Plan, *“The EDIC will set up and coordinate regional contact points in cooperation with five business centres in the planning regions or equivalent organisations representing business interests in a given region. Regional contact points and their business digital transformation specialists will be able to support the digital maturity test and inform businesses about further support opportunities that will be offered by the EDIC”*. Furthermore, the grant agreements provide that the EDIHs have coordinated and set up the regional contact points in collaboration with business centers strategically positioned in planning regions or equivalent organisations representing business interests within a specific region or sector (page 107 of the Grant Agreement between the European Commission and Latvijas Digitalais Akselerators (Latvian Digital Accelerators, hereinafter referred to as “DAoL”) as signed on 28 October 2022 (hereinafter referred to as “the DAoL grant agreement”) and page 75 of the Grant Agreement between the European Commission and Latvijas Informācijas Tehnoloģiju Klasteris (Latvian IT Cluster, hereinafter referred to as “EDIHLV”) as signed on 5 December 2022 (hereinafter referred to as “the EDIHLV grant agreement”). This collaborative effort extends to other entities such as research and academic centers and public institutions. The harmonisation of the terms ‘regional contact points’ and ‘regional business support centres’ is rooted in the shared scope of functions of these bodies. On this basis, two terms ‘regional contact points’ and ‘regional business support centres’ are used interchangeably and considered as synonyms.

According to Sub-paragraph 29.7 of Regulations of the Cabinet of Ministers No. 577 “Component 2 “Digital transformation” of the Latvian Recovery and Resilience Facility plan, Reform 2.2 and Investment Direction “Digital transformation and innovation” 2.2.1 r. Establishment of a full cycle

support for the digital transformation of business with a regional scope 2.2.1.1.i. Implementing rules for the investment “Support for the establishment of Digital Innovation Centres and Regional Contact Points”, adopted by the Cabinet of Ministers on 13 September 2022, published in the Official Journal on 20 September 2022 and entered into force in accordance with Article 6 of the Law on Publication of Official and judicial information on 21 September 2022, the EDIHs are required to establish at least 5 regional contact points. As evident from Sub-paragraph 29.9, the regional business support centres are further legally obliged to initiate, develop and maintain digital maturity tests.

The Latvian Digital Accelerator (Latvijas Digitalais Akselerators, hereinafter referred to as “DAoL”) provides its services in 6 regional contact points (Riga, Liepaja, Jelgava, Ventspils, Valmiera, Rezekne), as evident from page 101 of the DAoL grant agreement. The contact points were established with the grant agreement, signed on 28 October 2022. Similarly, the Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, hereinafter referred to as “EDIHLV”) provides its services in 5 regional contact points in 5 regions (Riga, Vidzeme, Latgale, Zemgale, Kurzeme), as evident from page 78 of the EDIHLV grant agreement. The contact points were established with the grant agreement, signed on 5 December 2022. The relevant grant agreements with DAoL and EDIHLV further set out the contractual obligation to provide digital maturity tests, aligning with the broader reform for digital transformation, as evident from work package 2 on page 79 of the DAoL grant agreement and work package 1 on page 78 of the EDIHLV grant agreement.

The fulfillment of the requirement that the regional business support centres have started providing digital maturity tests in the region is evident from announcements of the regional contact points detailing the initiation or implementation of digital maturity tests. The regional business support centres have started providing access to digital maturity tests in:

- Riga – As evident from the announcement of EDIHLV of 22 February 2023 available at <https://dih.lv/lv/jaunumi-un-pasakumi/jaunumi/atklatas-pirmas-tris-atbalsta-programmas-uznemejdarbibas-digitalizācijas-veicināšanai> and the announcements of DAoL of 19 December 2023 available at <https://www.digitallatvia.lv/jaunumi/params/post/4406399/noverte-sava-uznemuma-digitalo-gatavibu> and of 14 February 2024 available at <https://www.digitallatvia.lv/jaunumi/params/post/4446835/kas-ir-digitala-brieduma-tests>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the websites.
- Vidzeme (Valmiera) - As evident from the announcement of Valmiera Development Agency (Valmieras Attīstības aģentūra) of 15 January 2024, available at <https://developvalmiera.lv/valmieras-attistibas-agentura-aicina-uznemejus-un-organizācijas-digitalizēties/>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.
- Zemgale (Jelgava) - As evident from the announcement of Green Tech Cluster (Zaļo un viedo tehnoloģiju klasteris) of 14 January 2023, available at <https://greentechlatvia.eu/lv/2024/01/projekta-latvijas-digitalais-akselerators-daol-2023-gada-aktualitates/>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.

The websites furthermore provide the possibility for requesting a maturity test.

## **2. Access to testing and piloting;**

The contractual obligation for regional contact points to facilitate access to testing and piloting is outlined in the grant agreements. As evident from page 79 of the DAoL grant agreement and page 79 of the EDIHLV grant agreement, the regional contact points are contractually obligated to facilitate access to testing and piloting in the regions.

According to page 6 of the methodology of DAoL for the implementation of supported activities, provided by DAoL on 15 February 2023, and page 6 of the methodology of EDIHLV for the



implementation of supported activities, provided by EDIHLV in 2023, the EDIHs shall have the responsibility and support actions to provide technological services enabling access to experimentation, piloting and testing activities, including the provision of the necessary infrastructure, technological and knowledge support to facilitate technology testing and testing in the appropriate environment prior to its introduction into business development processes.

The fulfillment of the requirement that the regional business support centres have started providing access to testing and piloting is evident from announcements of the regional contact points detailing the initiation or implementation of testing and piloting services. The regional business support centres have started providing access to testing and piloting in:

- Kurzeme and Zemgale, as evident from the announcement of Green Tech Cluster (Zaļo un viedo tehnoloģiju klasteris) of 14 January 2024 available at <https://greentechlatvia.eu/lv/2024/01/projekta-latvijas-digitalais-akselerators-daol-2023-gada-aktualitates/>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.
- Ventspils, as evident from the announcement of Ventspils High Technology Park (Ventspils Augsto tehnoloģiju parks) of 30 January 2024 available at <https://www.vatp.lv/ventspils-uznemumi-var-sanemt-bezmaksas-konsultacijas-un-atbalstu-jaunu-digitalu-produktu-un-pakalpojumu-radisanai>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.
- Riga, as evident from the announcement of University of Latvia (Latvijas Universitāte) of 25 January 2024 available at <https://www.lu.lv/par-mums/lu-mediji/zinas/zina/t/82613/>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.

### **3. Mentoring and digital skills training.**

The contractual obligation for the regional contact points to facilitate access to mentoring and digital skills training is outlined in the grant agreements. As evident from page 80 of the DAoL grant agreement and page 78 of the EDIHLV grant agreement, the regional contact points are contractually obligated to facilitate access to testing and piloting in the regions.

The fulfillment of the requirement that the regional business support centres have started providing access to mentoring is evident from the promotional material of the regional contact points, detailing the date, venue, and activities to be undertaken for mentoring events. The promotional material establishes a direct connection between the regional contact point and the event. The regional business support centres have started providing access to:

- Digitalisation seminar in Zemgale with mentoring provided by the enterprise 'Laflora' related to their digitisation experience - As evident from the promotional material of Zemgale Business Center (Zemgales uzņēmējdarbības centrs) of 27 November 2023 available at <https://zuc.zemgale.lv/jaunumi/iespeja-izzinat-digitalizacijas-pieredzi/>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.

The fulfillment of the requirement that the regional business support centres have started providing access to digital skills training is evident from the promotional material of the regional contact points, detailing the date, venue, and activities to be undertaken. The promotional material establishes a direct connection between the regional contact point and the event. The regional business support centres have started providing access to:

- Webinar on innovations in manufacturing and development of quadcopters in Latgale – As evident from the promotional material of Latgale Business Centre (Latgales uzņēmējdarbības centrs) of 23 October 2023 available at <https://lpr.gov.lv/lv/2023/aicina-uz-vebinaru->

<p><a href="#">inovācijas-razosana-kvadroķteru-izstrade/</a>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.</p> <ul style="list-style-type: none"> <li>• Seminar on High-Performance Computing (HPC) in Zemgale - As evident from the promotional material of Zemgale Business Center (Zemgales uzņēmējdarbības centrs) of 17 October 2023 available at <a href="https://zuc.zemgale.lv/jaunumi/hpc-regionalais-seminars-superdatoru-iespejas/">https://zuc.zemgale.lv/jaunumi/hpc-regionalais-seminars-superdatoru-iespejas/</a> A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.</li> <li>• Masterclass for ChatGPT in Latgale – as evident from the promotional material of Digital Innovation Park (Digitālo inovāciju parks) of 12 December 2023 available at <a href="https://www.digip.lv/pasakums/chat-gpt-uznemuma-produktivitates-paaugstinasanai">https://www.digip.lv/pasakums/chat-gpt-uznemuma-produktivitates-paaugstinasanai</a>. A spot check by Commission services on 21 February 2024 confirmed the active nature of the website.</li> </ul> <p>The initiation of digital skills training is evidenced in promotional materials, exemplified by the innovations in manufacturing webinar in Latgale, the High-Performance Computing seminar in Zemgale, and the masterclass for ChatGPT in Latgale, confirming fulfillment of the requirement.</p> <p><b>Commission Preliminary Assessment:</b> Satisfactorily fulfilled</p>
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<b>Number: 42</b>	<b>Related Measure: 2.2.1.r. Creating the full cycle of business digital transformation support with regional coverage</b>
<b>Name of the Milestone: Establishment of a digital maturity test system for entities to identify the actions needed by the entities and state support.</b>	
<b>Qualitative Indicator:</b> Digital maturity test system in place	<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>Milestone 42 is part of the reform 2.2.1.r. ‘Creating the full cycle of business digital transformation support with regional coverage’. The reform aims to support the digital transformation of commercial activities in Latvia through the establishment of regional European Digital Innovation Hubs (EDIHs) and to create a single and coordinated support ecosystem to facilitate the digital transformation of commercial activities.</p> <p>Milestone 42 concerns the establishment of a digital maturity test system for entities to identify the actions needed by the entities and state support. The digital maturity test is a digital tool that should be made available on the EDIH website and that should assess the digital maturity of an entity in various aspects.</p> <p>Milestone 42 is the third and last milestone or target of reform 2.2.1.r and is accompanied in this payment request by milestone 40, related to the entry into operation of the EDIHs to form part of the common European Digital Innovation Hub, serving as a one-stop shop for the coordination of the digital transformation of businesses, and milestone 41, related to the start of the provision of new digital transformation support functions in the regional business support centres. The reform has a final expected date for implementation on 30 September 2022.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.</li> <li>Statistics provided by Latvian Digital Accelerators (<i>Latvijas Digitalais Akselerators</i>, DAoL) of digital maturity tests filled, closed agreements between the EDIH and recipients etc. on 9 August 2023, provided by <i>Latvijas Digitalais Akselerators</i> on 9 August 2023.</li> <li>Statistics provided by Latvian IT Cluster (<i>Latvijas Informācijas Tehnologiju Klasteris</i>, EDIHLV) of digital maturity tests filled, closed agreements between EDIH and recipients etc. on 9 August 2023, provided by <i>Latvijas Informācijas Tehnologiju Klasteris</i> on 15 August 2023.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>Printscreen from European Commission (EC) digital maturity test platform;</li> </ol>	

- v. Digital maturity test result form, provided by the Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV) on 24 November 2023;
- vi. Additional digital maturity test part B made by EDIH on 24 November 2023, to obtain the information necessary for the development of the digital development road map and qualitative assessment of digitalisation opportunities;
- vii. Copy of the Regulations of the Cabinet of Ministers No. 577 “Component 2 “Digital transformation” of the Latvian Recovery and Resilience Facility plan, Reform 2.2 and Investment Direction “Digital transformation and innovation” 2.2.1 r. Establishment of a full cycle support for the digital transformation of business with a regional scope 2.2.1.1.i. Implementing rules for the investment “Support for the establishment of Digital Innovation Centres and Regional Contact Points”, published in the Official Journal 20 September 2022. Link to the publication in the Official Journal: <https://likumi.lv/ta/id/335663-latvijas-atveselosanas-un-noturibas-mehanismu-plana-2-komponentes-digitala-transformacija-2-2-reformu-un-investiciju-virziena>;
- viii. Grant agreement between the European Commission and Latvian Digital Accelerators (*Latvijas Digitalais Akselerators*, DAoL), signed on 28 October 2022;
- ix. Grant agreement between the European Commission and Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV), signed on 5 December 2022;
- x. E-mail from the Digital Transformation Accelerator (DTA) (support office for the network of EDIH) about the EDIH Network Announcement of DMA (Digital maturity assessment) Tool for Public Sector Organisations (PSOs) being ready to use and additional information on the DMA Tool, sent by the Digital Transformation Accelerator (DTA) on 9 March 2023 to European Digital Innovation Hub network (EDIH Network Announcement);
- xi. Methodology of EDIH Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV) for the implementation of supported activities, provided by Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV) in 2023;
- xii. Methodology of EDIH Latvian Digital Accelerators (*Latvijas Digitalais Akselerators*, DAoL) for the implementation of supported activities, provided by Latvian Digital Accelerators (*Latvijas Digitalais Akselerators*, DAoL) on 15 February 2023;
- xiii. A document laying down the internal control system of EDIH Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV), provided by Latvian IT Cluster (*Latvijas Informācijas Tehnologiju Klasteris*, EDIHLV) on 16 February 2023;
- xiv. A document laying down the internal control system of EDIH Latvian Digital Accelerators (*Latvijas Digitalais Akselerators*), DAoL, provided by Latvian Digital Accelerators (*Latvijas Digitalais Akselerators*, DAoL) on 15 February 2023.
- xv. The general explanation regarding entry into force of the legal acts in conformity with the national regulations of the Republic of Latvia, provided by the Latvian authorities to the European Commission on 12 May 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**A digital maturity test system for entities shall be established.**

According to Sub-paragraph 29.9 of Regulations of the Cabinet of Ministers No. 577 “Component 2 “Digital transformation” of the Latvian Recovery and Resilience Facility plan, Reform 2.2 and Investment Direction “Digital transformation and innovation” 2.2.1 r. Establishment of a full cycle support for the digital transformation of business with a regional scope 2.2.1.1.i. Implementing rules for the investment “Support for the establishment of Digital Innovation Centres and Regional Contact Points”, which was adopted by the Cabinet of Ministers on 13 September 2022, published in the Official Journal on 20 September 2022 and entered into force in accordance with Article 6 of the Law on Publication of Official and Judicial Information on 21 September 2022, the European Digital

Innovation Hubs (hereinafter referred to as “EDIHs”) are legally obliged to initiate, develop and maintain digital maturity tests.

The establishment of the digital maturity test system includes relevant methodologies, tools and processes to evaluate the various aspects of digital capabilities, indicating the design of the test system. According to section 3.4 on page 11 of the methodology of Latvian Digital Accelerators (Latvijas Digitalais Akselerators, hereinafter referred to “DAoL”) for the implementation of supported activities, provided by DAoL on 15 February 2023, and section 3.4.1 on page 15 of the methodology of Latvian IT Cluster (Latvijas Informācijas Tehnoloģiju Klasteris, hereinafter referred to as “EDIHLV”) for the implementation of supported activities, provided by EDIHLV in 2023, the EDIHs execute assessment of the digital maturity of the entities assessing their abilities to use digital technologies. The entity is given the possibility to access the test individually on the webpage of the EDIHs or through assistance from an EDIH expert, either by contacting the EDIH directly or through the regional contact points. The assessment integrates an in-depth analysis of business processes whereby the entity will complete testing in areas such as administrative processes, staff management processes, resource managements processes, data management processes, etc. Upon completion, the entity receives the results and is offered the possibility to apply to an EDIH expert for the development of a Digital Road Map.

As evident from the digital maturity test result form, provided by the EDIHLV on 24 November 2023, the functionality of the digital maturity test system has been established. The result form provides the specific results obtained from testing of the company Melnais Grāpis, showcasing that the entity has undergone digital maturity testing and reflecting their digital capabilities. Furthermore, as evident from the statistics provided by DAoL of digital maturity tests filled, closed agreements between the EDIH and recipients etc. on 9 August 2023, provided by Latvijas Digitalais Akselerators on 9 August 2023, and the statistics provided by EDIHLV of digital maturity tests filled, closed agreements between EDIH and recipients etc. on 9 August 2023, provided by Latvijas Informācijas Tehnoloģiju Klasteris on 15 August 2023, the usage metrics indicate consistent utilisation of the system.

**The digital maturity test is a digital tool available on the EDIH website**

As the evidence for the Digital Maturity Test tool being available on the EDIH website was provided in the form of screenshots (evidence iii), the Commission services conducted on-the-spot checks to verify that the Digital Maturity Test tool is operational and available on the EDIH website to registered entities. At a meeting that took place on 25 January 2024, the Commission services conducted an on-the-spot check to verify the fulfilment of the milestone’s description as concerns the availability of the Digital Maturity Test tool on the EDIH website, which assessed an entity’s digital maturity in various aspects. During the check, the Latvian Ministry of Economics, in cooperation with the EDIHs, demonstrated that the test is available online and operational. The EDIHs demonstrated accessing the test tool, filling out the required information related to registration, and filling out the maturity test. Once completed, the entity will receive a digital maturity score that can be expanded into various digitalisation segments. The on-the-spot check was finalised successfully without any issues found.

**Which assesses an entity’s digital maturity in various aspects.**

As evident from the copy of a Digital Maturity Test result form, provided by EDIHLV on 24 November 2023, the digital maturity of participating entities is being measured in several dimensions. These include digital business strategy, digital readiness, human-centric digitalisation, data management or governance, automation and artificial intelligence, and green digitalisation. As follows from the copy of a Digital Maturity Test result form, after filing the digital maturity test, the company receives a digital maturity score, which is used as a basis to measure the digital transformation of the entity. The maturity test further allows the company to compare itself to other users across Europe through comparing the digital maturity score across all dimensions.

**And may be filled by the entity independently or with the help of a consultant.**

The Latvian authorities have explained that, while the platform is available on the portal of the European Commission for registered users only, the test may be filled out independently by the beneficiary or together with a consultant from the EDIH. This is evident from the Grant agreement between the European Commission and the Latvian Digital Accelerator (Biedriba Latvijas Digitalais Akselerators), signed on 28 October 2022 as well as the grant agreement between the European Commission and Latvian IT Cluster (Latvijas Informācijas Tehnologiju Klasteris), signed on 5 December 2022, which clarifies that the EDIHs shall enable the entities to carry out the test either independently or with the help of a consultant (pp. And pp. , respectively). That means the EDIHs have committed to enabling supported entities to fill out the maturity test individually or with the help of a consultant. At a meeting that took place on 25 January 2024, the Commission services conducted an on-the-spot check to verify the fulfilment of the milestone's description. During the check, the EDIHs demonstrated that the test may be filled independently by the entity and explained that consultants could be provided to help fill the test if deemed necessary. In that case, the consultants provide guidance on the interpretation of the questions and potential answers based on the characteristics of the entities. The on-the-spot check was finalised successfully without any issues found.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 69</b>	<b>Related Measure: 2.3.2.r Digital skills for the digital transformation of society and government</b>	
<b>Name of the Milestone: The normative framework strengthens and implements a common framework for assessment of basic digital skills, identification and planning of training needs and assessment</b>		
<b>Quantitative Indicator:</b> Regulatory framework entered into force		<b>Time:</b> Q4 2022
<b>Context</b>		
<p>The measure aims to achieve at least basic digital skills level for 54% of inhabitants aged 16-74. This objective shall be operationalised through the development of a common framework for the assessment of basic digital skills and the identification and planning of training needs.</p> <p>Milestone 69 requires the adoption of legislative acts establishing the common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp 2.1 framework.</p> <p>Milestone 69 is the first step in the implementation of the measure together with milestone 70, which concerns the acquisition of digital competences in higher education programmes. They will be followed by target 68 related to ensuring a defined share of citizens with at least basic digital skills. The reform has a final expected date for implementation on 31 August 2026.</p>		
<b>Evidence Provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of Cabinet of Ministers regulation No. 395 of 13 July 2023 "Procedure for issuing a permit for the implementation of the non-formal education program" adopted by the Cabinet of Ministers on 13 July 2023, published in the Official Journal on 18 July 2023, entered into force on 19 July 2023. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2023/136.20">https://www.vestnesis.lv/op/2023/136.20</a>;</li> <li>iii. Excerpt from the Education Law, Section 14, clause 11<sup>1</sup> and Section 46, adopted by Saeima as part of the amendments to the Education Law on 15 September 2022, published in the Official Journal on 27 September 2022, entered into force on 10 October 2022. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/187.3">https://www.vestnesis.lv/op/2022/187.3</a>.</li> </ol> <p>The authorities also provided:</p>		

- i. “A common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp” published on 14 March 2024 on the website of the Ministry of Education and Science. Link to publication: <https://www.izm.gov.lv/lv/vienotais-ietvars-digitalo-pamatprasmju-novertesanai-macibu-vajadzibu-noteiksanai-planosanai-un-novertesanai-kura-pamata-ir-digcomp-0>.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Legislative acts establishing a common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp 2.1 have entered into force.**

The Council Implementing Decision states that legislative acts should have entered into force establishing a common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp 2.1. The Recovery and Resilience Plan provides that the common framework in the assessment of basic digital skills consists of learning outcomes. As explained by the national authorities, the learning outcomes are statements of what an individual should know, understand and/or be able to do at the end of a learning process, which are defined in terms of knowledge, skills and responsibility and autonomy. Learning outcomes form the common basis on which national qualifications frameworks are built and influence the definition and writing of qualifications and curricula as well as the orientation of assessment and teaching and training. In accordance with Latvian Recovery and Resilience Plan, the learning outcomes had been implemented in the regulations of all levels of education, leaving out the field of non-formal education. The text of the Recovery and Resilience Plan focuses on the necessity to complement and strengthen the regulatory base of non-formal education, lacking the same rules on assessment of basic digital skills as in the other study levels. Additionally, the Commission takes into account in its assessment that a common framework as such is not typically being established by means of legislative acts alone.

Against this background, the Latvian authorities have submitted “*A common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp*” which, in accordance with the intentions laid out in the Recovery and Resilience Plan, outlines the common framework for the assessment of basic digital skills, the identification and planning of learning needs and the assessment based on DigComp 2.1. This common framework is publicly available on the Ministry of Education and Science website: <https://www.izm.gov.lv/lv/vienotais-ietvars-digitalo-pamatprasmju-novertesanai-macibu-vajadzibu-noteiksanai-planosanai-un-novertesanai-kura-pamata-ir-digcomp-0>.

The common framework:

- outlines the rationale behind the establishment of the common framework for the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp 2.1;
- specifies the modalities of the common framework in terms of basic digital skills and what policy actions are taken to enable and implement the common framework;
- provides an explanation of the policy level issues of the previous framework describing the common elements of the education framework which has been set up;
- explains the reasons behind the regulatory changes required to implement the common framework in non-formal education, providing an analysis on regulatory gaps;
- highlights spillover effects between formal and non-formal education for the establishment of the common framework, which demonstrates how the presence of the common

framework can be used in the design and implementation of formal and non-formal education content; and

- elaborates how the common framework enables the assessment of basic digital skills, the identification and planning of training needs and the assessment based on DigComp 2.1.

Furthermore, as mentioned above and explained by the national authorities, the definition of learning outcomes for digital skills was left to the providers of non-formal education programmes, which resulted in poor transparency, fragmentation and lack of common standards. This issue has been acknowledged not only by national authorities (see Latvian Education Development Guidelines 2021-2027, page 23) but also by international observers (see OECD (2019), OECD Skills Strategy Latvia: Assessment and Recommendations, page 22; Broek, S. and B. Buiskool (2013), Developing the adult learning sector: Quality in the Adult Learning Sector, page 463, 464 and 468).

Therefore, in order to fill in the legislative gaps in non-formal education and implement in legislation the necessary changes to establish a common framework across both formal and non-formal education, the authorities have adopted and amended the following acts:

- The Law “Amendments to the Education Law” adopted by the Latvian parliament (*Saeima*) on 15 September 2022, published in the Official Journal on 27 September 2022 and entered into force in accordance with Article 6 of the Law on Official publications and legal information on 10 October 2022 adjusts the definition and provides a description of non-formal education programmes as well as provides a delegation to the Cabinet of Ministers to regulate the specific requirements for non-formal education programmes.
- Cabinet of Ministers regulation No. 395 of 13 July 2023 “Procedure for issuing a permit for the implementation of the non-formal education program” adopted by the Cabinet of Ministers on 13 July 2023, published in the Official Journal on 18 July 2023 and entered into force in accordance with Article 7(2) of the Law on Official publications and legal information on 19 July 2023 establishes rules for issuing and cancelling permits for the implementation of non-formal education programmes and stipulates rules for structuring the planned learning outcomes in accordance with the levels of the DigComp 2.1 framework.

The amendments to the Education Law (Section 46), adopted on 15 September 2022, defined non-formal education programmes as programmes that are applicable to all citizens without age limitations and provide an opportunity for a person to acquire new competences and to develop existing competences in accordance with the interests of personal development and the demands of the State or an employer. In addition, the amendments provided a delegation to the Cabinet of Ministers to regulate the specific requirements for non-formal education programmes (Section 14, clause 111).

Following up on the delegation from the Latvian Parliament (*Saeima*), the Cabinet of Ministers developed Regulation No. 395, adopted on 13 July 2023, “Procedure for issuing a permit for the implementation of the non-formal education programme” (hereafter - Regulation No. 395). This regulation established rules for issuing and cancelling a permit for the implementation of non-formal education programmes to promote the availability and quality of non-formal education, including the acquisition of basic digital skills.

In common with the existing Cabinet Regulations No. 747, 332 and 416, which cover basic, secondary and vocational education, respectively, Regulation No. 395 on non-formal education puts the concept of learning outcomes at the core of the framework for the assessment of skills, including basic digital skills (part 1 of the Annex to Regulation No. 395). Providers of non-formal education programmes must describe how the acquisition of the learning outcomes to be achieved in the programme will be evaluated (paragraph 10 of the Annex to the regulation). Moreover, paragraph 3 of the Annex to

Regulation No. 395 requires providers of non-formal education to include in the description of the non-formal education programme the relevant information on the requirements in relation to the previously acquired education, experience in the programme-related field and the level of prior knowledge of potential learners, which provides a framework for the identification and planning of training needs. Finally, paragraph 7 and the annex to Regulation No. 395 stipulate rules for structuring planned learning outcomes in accordance with the levels of the DigComp 2.1 framework.

Hence, the amendments to the Education Law and the subsequent Regulation No. 395 focus on non-formal education to implement the previously missing part of a common framework, including in terms of learning outcomes, ensuring the assessment of digital skills, the identification and planning of training needs and the assessment across the educational system in Latvia.

On this basis, taking into account the provided common framework together with the legislative amendments adopted in the non-formal education that complete the necessary legislative amendments for this framework, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 70</b>	<b>Related Measure: 2.3.2.r. Digital skills for the digital transformation of society and government</b>	
<b>Name of the Milestone: Amendments have entered into force to normative acts on national higher education standards, envisaging achievement of digital competence study results at the corresponding levels of the Latvian Qualification Framework</b>		
<b>Qualitative Indicator:</b> Amended regulatory framework entered into force		<b>Time:</b> Q4 2022
<b>Context:</b>		
<p>The measure aims to develop a common framework for the assessment of basic digital skills, and the identification and planning of training needs.</p> <p>Milestone 70 requires amending legislation on national higher educational standards, to set out the results to be achieved in the acquisition of digital competences and provide that higher education programmes are drawn up, licensed and accredited to include such achievable study results.</p> <p>Milestone 70, together with milestone 69 related to development of the common framework for the assessment of basic digital skills and included in the second payment request, are the first steps in the implementation of the measure. They will be followed by target 68 related to ensuring a defined share of Latvian inhabitants with at least basic digital skills. The reform has a final expected date for implementation of 31 August 2026.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the Regulations of the Cabinet of Ministers No. 305 “Regulations on the state vocational higher education standard” adopted on 13 June 2023, published in the Official Journal on 20 June 2023, entered into force on 21 June 2023. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2023/118.16">https://www.vestnesis.lv/op/2023/118.16</a></li> <li>iii. Copy of the Regulations of the Cabinet of Ministers No. 804 “Amendments to the Cabinet of Ministers Regulation No. 240 of 13 May 2014 ‘Regulations on the state academic education standard’” adopted on 20 December 2022, published in the Official Journal on 22 December 2022, entered into force on 1 January 2023. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/248.11">https://www.vestnesis.lv/op/2022/248.11</a>.</li> </ol> <p>The authorities also provided:</p>		



- i. Copy of the Amendments to the Vocational Education Law, published in the Official Journal on 15 March 2022, entered into force on 1 April 2022. Link to publication in the Official Journal: <https://www.vestnesis.lv/op/2022/52.3>
- ii. Copy of the Guidelines for the Preparation of the Description of a Study Programme are adopted in accordance with subparagraph 2.3. of the Regulations of the Cabinet of Ministers No. 795 "Regulations on Licensing of Study Programmes", adopted on 11 December 2018;
- iii. Copy of the Guidelines for the Preparation of the Self-Assessment Report of a Study Field are adopted in accordance with paragraph 12 of the Regulations of the Cabinet of Ministers No. 793 "Regulations Regarding Opening and Accreditation of Study Fields", adopted on 11 December 2018;
- iv. Copy of extracts of the Law on Higher Education Institutions, adopted on 2 November 1995, published in the Official Journal on 17 November 1995;
- v. Copy of extracts of the Education Law, adopted on 29 October 1998, published in the Official Journal on 17 November 1998.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Amendments to national higher education standards (State Standard for Higher Academic Education and National Standard for Higher Vocational Education) have entered into force.**

The amendments to the existing legal acts defining the state standards of higher education for all types of higher education programmes at EQF level 5-7 were adopted on 20 December 2022 and entered into force on 1 January 2023:

- 1) Regulations of the Cabinet of Ministers No. 802 as amendments to the Regulations of the Cabinet of Ministers No. 141 of 20 March 2001 "Regulations on the state standard of first-level professional higher education";
- 2) Regulations of the Cabinet of Ministers No. 803, as amendments to the Regulations of the Cabinet of Ministers No. 512 of 26 August 2014 "Regulations on the state standard of second-level professional higher education";
- 3) Regulations of the Cabinet of Ministers No. 804 as amendments to the regulations of the Cabinet of Ministers No. 240 of 13 May 2014 "Regulations on the state academic education standard".

On 13 June 2023, for reasons not related to the implementation of the RRF commitments, the Cabinet of Ministers adopted the Cabinet of Ministers Regulations No. 305 "Regulations on the state vocational higher education standard", which updated the two existing Cabinet Regulations regulations on the state vocational higher education standards (Cabinet Regulations No. 802 and No. 803) and merged them into a single legal act. With the adoption of latter legal act Regulations No. 802 and No. 803 lost their legal force.

Accordingly, the evidence presented justifying the fulfilment of milestone 70 requirements includes:

- the Cabinet of Ministers Regulations No. 305 adopted on 13 June 2023, published in the Official Journal on 20 June 2023 and entered into force in accordance with Article 7(2) of the Law on Official Publications and Legal Information on 21 June 2023.
- the Cabinet of Ministers Regulations No. 804 adopted on 20 December 2022, published in the Official Journal on 22 December 2022 and according to Clause 2 of the Concluding provisions of the regulation entered into force on 1 January 2023.

**They shall establish the results to be achieved in the acquisition of digital competences and ensure their application in the development, licensing and accreditation of higher education programmes, providing that study programmes that are drawn up, licensed and accredited after the entry into force of the regulatory framework include such achievable study results and appropriate courses or modules to achieve them**

The Cabinet Regulations No. 305 and the Cabinet Regulations No. 804 stipulate that one of the results to be achieved by the higher education study programme is to enable graduates of each study programme to choose and apply/use responsibly and safely information technologies in their professional activities, research, and lifelong learning, as well as to acquire, create and share digital content (clause 5.5 and 7.4 of the Regulations of the Cabinet of Ministers No. 305 “Regulations on the state vocational higher education standard”; clause 3.2 of the Regulations of the Cabinet of Ministers No. 804 “Amendments to the Cabinet of Ministers Regulation No. 240 of 13 May 2014 ‘Regulations on the state academic education standard’”). Therefore, the amendments establish the results to be achieved in the acquisition of digital competences.

Moreover, the temporary provisions set in both Cabinet of Ministers Regulations (clause 65 of the regulations No 305 and clause 1.3 of the regulations 804) indicate the timeframe in which the newly established results in acquisition of the digital competences at the institutional level shall be introduced in the study programmes.

The Member State in the cover note explains that there is existing legal mechanism predating adoption of Regulation 2021/241, which ensures that new requirements on the acquisition of digital competences set by the Cabinet Regulations No. 305 and the Cabinet Regulations No. 804 are applied for the development, licensing and accreditation of higher education programmes, including at the level of courses or modules.

Therefore, the amendments to higher education standards foresee that higher education institutions have to introduce at the institutional level the newly established objective at the time of accreditation of study field. Consequently, at the operational level higher education institutions are bound to revise descriptions of study programmes and introduce appropriate courses and modules to achieve them to comply with the new requirement of the standards and in order to receive accreditation. On this basis, it is considered that this constitutive element is satisfactorily fulfilled.

In accordance with the description of the measure, **the reform shall be implemented by [...] 31 December 2022 for amending higher education standards [...].**

The Council Implementing Decision requires that the reform for amending higher education standards shall be implemented by 31 December 2022. The amendments to the existing legal acts defining the state standards of higher education for all types of higher education programmes were adopted on 20 December 2022 (Cabinet Regulations No. 802, 803 and 804) and entered into force on 1 January 2023. Whilst this constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, the delay between the adaptation of these regulations and the entry into force is acceptable since the delay of one day is considered minor. As for this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the reform that the milestone represents.

At the same time, transitional provisions to the amended higher education standards in the Cabinet Regulations No. 804 and 305 (the initial Cabinet Regulation No. 802 and No. 803 merged in to the Cabinet Regulations No. 305) provided that the newly established results in acquisition of the digital competences at the institutional level shall be introduced in the study programmes within 12 months from the day of accreditation of a study field in cases when the accreditation of a relevant study field was made after 31 December 2022. As explained in the annotations (explanatory document annexed to the regulations) of the Cabinet Regulations No. 802, 803 and 804, the new requirement of the acquisition of digital transversal competence must be included in all accredited study fields of higher education institutions, at the level of descriptions of the content and implementation of studies, which is a special document regulating the study programme. Whilst this constitutes a minimal deviation from the requirement of the Council Implementing Decision, the delay between the adaptation of these regulations and the actual application of the provisions is considered both limited and proportional. Notably, it is necessary to provide higher education institutions an adequate time period to ensure practical preparation of study-regulating documentation as this represents a time and human resource intensive process. Moreover, since the application process of the delayed newly

established results is envisaged in both Cabinet Regulations No 804 and 305, it is considered that there is a certainty of application and the beginning of legal effects. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 85</b>	<b>Related Measure: 3.1.1.1.i. Improvement of the network of regional and local roads</b>		
<b>Name of the target: Renovated or rebuilt regional and local roads for the safe accessibility of the county administrative centres and their services and jobs and for the full functioning of the new municipalities</b>			
<b>Quantitative Indicator:</b> km	<b>Baseline:</b> 0	<b>Target:</b> 70	<b>Time:</b> Q4 2022
<p><b>Context:</b>  The general objective of investment 3.1.1.1.i. is to renovate or rebuild state regional and local roads to improve road safety, ensure the connectivity of the new municipalities and enhance the access of citizens to jobs and services.  Target 85 concerns the renovation or rebuilding of 70 km of regional and local roads for the safe accessibility of the county administrative centres and their services and jobs and for the full functioning of the new municipalities.  Target 85 is the first step of the implementation of the investment, and it will be followed by target 86, related to the renovation or rebuilding of 210 km of regional and local roads.  The investment has a final expected date for implementation on 31 December 2024.</p>			
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled.</li> <li>ii. Copy of information provided by the Ministry of Transport (hereinafter – MoT) and State Limited Liability Company “Latvian State Roads” (hereinafter – LSR) containing the list of roads confirming the achievement of quantitative indicator goal of 70 km due in Q4 of 2022 under target No. 85 along with the road section lengths, costs, date of completion and date of issue for final assessment acts for each construction object.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of file provided by MoT and LSR containing information that confirms the completion of the construction of objects accounting towards the achievement of Target 85 and which are included in the investment result indicator as well as in the document listed under (ii) below. This includes for each construction object: the construction completion acts issued by the construction contractors and LSR, the works quality assessments issued by SIA ‘Professional supervision of works’ and accepted by LSR, and the final assessment acts issued by LSR.</li> <li>ii. Copy of information report “On the implementation of investment 3.1.1.1.i. “Improvement of the network of regional and local roads” of reform and investment vector 3.1. “Regional Policy” and reform 3.1.1.r. “Administrative-territorial reform” of the European Union Recovery and Resilience Facility plan for Latvia” approved by the Cabinet of Ministers on 8 November 2022 (hereinafter – Information report) and prepared by the Ministry of Environmental Protection and Regional Development (hereinafter – MoEPRD), providing information on how the investment 3.1.1.1.i. will be carried out, including the responsibilities of MoEPRD, MoT, LSR. The information report also has 3 appendices outlining the roads relevant towards this investment. Road sections indicated in the appendices are in the priority list of MoEPRD.</li> </ol>			

- iii. Summary document issued by MoEPRD, containing brief descriptions on how renovated and rebuilt roads have contributed towards the accessibility of the administrative centres of the counties and their services and jobs, and explaining the investments made towards road safety improvements.
- iv. Information report “Implementation of the Investment Programme for the Development of State Roads in the Context of Administrative Territorial Reform”, approved by the Cabinet of Ministers on 18 March 2021 and its annex including the list of state roads indicatively totalling 878 km of state regional and local roads (in total 1 014 km with sections of sidings), the conversion and renewal of which is a priority for the implementation of the administrative territorial reform.
- v. Copy of the acts of completion for the five road sections regarding the investments made towards road safety improvement. The acts have been issued by the corresponding project manager and construction engineer.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the target.

**The state regional and local roads have been renovated or rebuilt for the accessibility to the administrative centres of the counties and their services and jobs and for the full functioning of the new municipalities. Road construction works shall involve investments that improve road safety.**

In total, 75 km of four road sections of state regional roads and one road section of a local road have been renovated or rebuilt for the accessibility to the administrative centres of the counties and their services and jobs and for the full functioning of the new municipalities, as evidenced by the construction completion acts issued by the construction contractors and LSR, the works quality assessments issued by SIA ‘Professional supervision of works’ and accepted by LSR, and the final assessment acts issued by LSR for all relevant construction objects.

Information report “Implementation of the Investment Programme for the Development of State Roads in the Context of Administrative Territorial Reform” contains the full list of state roads, both regional and local, prepared by MoEPRD and approved by the Cabinet of Ministers, of which the reconstruction and renovation are a priority for the implementation of the administrative territorial reform. This list has been defined in collaboration with planning regions, Latvian State Roads and the Ministry of Transport. In addition, in the context of the administrative territorial reform, the priority list has been established with the objective to ensure better accessibility of county administrative centres, facilitating access to services and jobs and therefore contributing to the full functioning of the new municipalities. The information report specifies the implementation of investment 3.1.1.1.i. and outlines the roads relevant towards this investment included in the priority list of MoEPRD, and, therefore, meeting the requirement for the target.

The list of construction works, supported by the work completion act, work quality assessment and final assessment act for each road section, regarding the road sections (localisation, length) confirms which roads were renovated or rebuilt in accordance with the Information report “Implementation of the Investment Programme for the Development of State Roads in the Context of Administrative Territorial Reform”. Construction works include restoration of asphalt concrete pavement or double surface treatment of gravel pavement.

A signed confirmation of the completion of each road section by the contractor and LSR representative offers evidence that the construction has been completed and that the object has been fully transferred to the LSR and is at operational capacity.

Furthermore, acts of works completion for each of the five road sections contains information how road construction works have included investments to improve road safety. This includes installation of safety barriers, installation and replacement of road signs, markings, ditch cleaning or bush cutting.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 89	<b>Related Measure:</b> 3.1.1.2.i. Strengthening the capacity of municipalities to improve the efficiency and quality of their operations	
<b>Name of the Milestone:</b> The legal basis for implementing support for capacity building of local governments has been adopted		
<b>Qualitative Indicator:</b> Regulations of the Cabinet of Ministers have been adopted		<b>Time:</b> Q4 2022
<b>Context:</b> <p>Milestone 89 is part of investment 3.1.1.2.i., which aims to improve the quality and efficiency of municipal services following the reorganisation of local administrations and to increase the capacity and professional skills of municipalities to allow them to better serve citizens.</p> <p>Milestone 89 concerns the adoption of the legal basis for implementing support for capacity building of local governments.</p> <p>Milestone 89 is the first step in the implementation of investment 3.1.1.2.i. and will be followed by milestone 90, related to the completion of the assessment of local government public services, and targets 91 and 92, related to the number of local government employees trained. The investment has a final expected date for implementation on 31 August 2026.</p>		
<b>Evidence provided:</b> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"><li>Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.</li></ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"><li>Copy of Informative Report on implementation of the investment 3.1.1.2.i. ‘Strengthening the capacity of municipalities to improve the efficiency and quality of their operations’ of the reform and investment vector 3.1. “Regional Policy” and the reform 3.1.1.r. “Administrative-territorial reform” of the European Union Recovery and Resilience Facility plan for Latvia (hereinafter referred to as ‘Informative Report’) approved by the Cabinet of Ministers on 8 November 2022. Link to publication: <a href="https://tapportals.mk.gov.lv/legal_acts/50d62d57-58f3-4e91-9e67-a8ee68b245c6">https://tapportals.mk.gov.lv/legal_acts/50d62d57-58f3-4e91-9e67-a8ee68b245c6</a> ;</li><li>Copy of the Guidelines of 13 February 2023 for the development of an Information Report or Cabinet Regulations regarding the implementation of the reform or investment of the European Union Recovery and Resilience Mechanism Plan prepared by the Ministry of Finance <a href="https://old.esfondi.lv/upload/af_vadlinijas-13.02.2023.pdf">https://old.esfondi.lv/upload/af_vadlinijas-13.02.2023.pdf</a>;</li><li>Copy of Protocol Decision No. 56 of 8 November 2022 of the Cabinet of Ministers of the Republic of Latvia on “Informative Report on implementation of the investment 3.1.1.2.i. ‘Strengthening the capacity of municipalities to improve the efficiency and quality of their operations’ of the reform and investment vector 3.1. “Regional Policy” and the reform 3.1.1.r. “Administrative-territorial reform” of the European Union Recovery and Resilience Facility plan for Latvia” (hereinafter referred to as ‘Protocol Decision’), including point 37. Link to publication: <a href="https://likumi.lv/ta/id/337132-ministru-kabineta-sedes-protokols">https://likumi.lv/ta/id/337132-ministru-kabineta-sedes-protokols</a>;</li><li>Copy of the Cabinet Regulation “Rules of Procedures of the Cabinet” (hereinafter - the Procedures) No. 606, adopted on 7 September 2021 (Link to publication: <a href="https://likumi.lv/ta/en/en/id/325944">https://likumi.lv/ta/en/en/id/325944</a>) defining the types of documents which are examined and adopted by the Cabinet of Ministers (point 2. of the Procedure).</li></ol>		
<b>Analysis:</b> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p>		

### **Cabinet Regulations have been adopted for the implementation of support for capacity building of local governments**

The Council Implementing Decision required the adoption of Cabinet Regulations for the implementation of support for capacity building of local governments. Instead of adopting Cabinet Regulations, an Informative Report of the Cabinet of Ministers was adopted by the Protocol Decision of the Cabinet of Ministers on 8 November 2022. As follows from the Procedures, the Informative Report together with the Protocol Decision gives a legal mandate to the Ministry of Environmental Protection and Regional Development (hereinafter referred to as 'MoEPRD') to implement the investment 3.1.1.2.i., support for capacity building of local governments, in line with the description of the milestone.

Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, the adoption of an informative report instead of Cabinet Regulations complies with the internal procedures of Latvia. In particular, the Guidelines prepared by the Ministry of Finance for the development of an Information Report or Cabinet Regulations regarding the implementation of the reform or investment of the European Union Recovery and Resilience Mechanism Plan sets the criteria for the adoption of the Cabinet Regulations or the Informative Report for implementation of the measures related to the Recovery and Resilience Plan. In accordance with point 6 of the Guidelines, it is recommended to prepare an Informative Report of the Cabinet of Ministers rather than a Cabinet regulation in case the support is foreseen for a predetermined public body (state budget institutions and state companies, or institutions subordinate to the Ministries), or private entity carrying out a delegated task of the public administration. Investment 3.1.1.2.i. intends to provide the support to municipalities. The Informative Report was issued by the Cabinet of Ministers in the form of an internal legal act – the Protocol Decision-, which in accordance with Article 12 of Cabinet Regulation "Rules of Procedures of the Cabinet" is legally binding on subordinate institutions and officials of the Cabinet of Ministers and therefore has in that respect a legal value equivalent to Cabinet Regulations. Given that the MoEPRD is a subordinate institution to the Cabinet of Ministers, an internal legal act such as the Informative Report is legally binding on the MoEPRD, and the MoEPRD has been tasked with the implementation of support for capacity building of local governments in accordance with Paragraph 8 of Cabinet Regulation No. 621 of 7 September 2021, Procedures for the Implementation and Monitoring of the Plan of the European Union Recovery and Resilience Facility. In addition, the list of relevant tasks was included (e.g., to ensure implementation of the investment 3.1.1.2.i. in accordance with the scope of the Informative Report; to request the funding; to request new employees for successful implementation of the investment 3.1.1.2.i.) in the Protocol Decision of the Cabinet which provides for further action for implementation of the investment and is legally binding on the MoEPRD. Therefore, this minimal deviation does not affect the progress towards achieving the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The Informative report entered into force in accordance with Article 7 of the Law on Publication of Official and Judicial Information on 9 November 2022.

#### **including:**

##### **(a) defining the scope and parameters of the capacity building actions in the municipalities;**

The scope and parameters of the capacity building actions are defined in Part V, Part IX and Part X of the Informative Report.

Part V defines investment indicators, including the number of local government employees trained, improving their knowledge and qualifications, and methodological support provided to work in municipalities following the administrative territorial reform (which relates directly to targets 91 and 92 of the same measure).

Part IX defines the responsibilities of the different entities involved in, and the activities associated with, the implementation of the investment. Therefore, Part V and Part IX define the parameters of the capacity building actions.

Part X defines the eligible actions and undertakings, and quantifies the indicative costs associated with these activities, thereby defining the scope of the capacity building.

**(b) municipal public service assessments;**

Part IX of the Informative Report defines the scope of municipal public service assessments and states that two assessments of current public services shall be conducted. The first assessment aims to identify the knowledge and skills gaps associated with the efficient provision of service, proposals for services whose effectiveness could be improved, and their design at a regional level. The second assessment aims to determine the impact of the support at the end of the investment period.

**(c) provision of methodological support and capacity-building;**

Part IX of the Informative Report states that methodological support shall be given through conferences and specific capacity building measures shall be carried out through activities and events such as training seminars, generation of new ideas for the improvement of services (hackathons), support for piloting, implementation of the best ideas in the planning and delivery of public services, foreign exchange visits and measures to improve knowledge and skills.

**(d) piloting ways of planning and providing municipal public services.**

Part IX of the Informative Report defines the piloting ways of planning and providing municipal public services. Piloting is described as one of the types of capacity building events (activity 4), that can be organised by the regions.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 93</b>	<b>Related Measure: 3.1.1.3.i. Investments in business public infrastructure for the development of industrial parks and areas in regions</b>	
<b>Name of the Milestone: Adoption of a support programme for the development of industrial parks and territories in the regions</b>		
<b>Qualitative Indicator:</b> Cabinet Regulations and coordinated aid programme adopted		<b>Time:</b> Q4 2022
<p><b>Context:</b>  Milestone 93 is part of investment 3.1.1.3.i., which aims to support the infrastructure of industrial zones and attract investors and firms to Latvia's regions outside Riga helping to create high added-value and export-oriented jobs and to reduce the development divide between the Riga region and the rest of the country.  Milestone 93 concerns the adoption of a support programme for the development of industrial parks and territories in the regions.  It is the first step of the implementation of the investment and it will be followed by milestone 94, related to the award of contracts for the development of industrial parks in the regions and targets 95, 96 and 97, respectively related to the number of letters of intent/contracts concluded, the completed construction of industrial parks/territories where public infrastructure is developed in the regions and the creation of new jobs in the industrial parks with average salaries above the average salary in the respective economic sector.  The investment has the final expected date for implementation on 31 August 2026.</p>		
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled, with appropriate links to the underlying evidence.</li> </ul>		

- ii. Copy of the Cabinet of Ministers Regulation No. 543 “Regulation for implementing the investment measure No. 3.1.1.3.i. “Investments in business public infrastructure for the development of industrial parks and areas in regions” for reform No. 3.1 “Regional Policy” of the Recovery and Resilience Facility plan of the European Union” and selection criteria for project applications (as a whole – the support programme for the development of industrial parks and territories in the regions), adopted by the Cabinet of Ministers on 30 August 2022, published in the Official Journal on 20 September 2022 and entered into force on 21 September 2022. Link to the publication in the Official Journal: <https://likumi.lv/ta/id/335625-eiropas-savienibas-atveselosanas-un-noturibas-mehanisma-plana-31-reformu-un-investiciju-virziena-regionala-politika-3113i-investicijas-investicijas-uznemejdarbibas-publiskaja-infrastruktura-industrialo-parku-un-teritoriju-attistisanai-regionos-istenosanas-noteikumi>
- iii. Copy of the annotation of the Cabinet of Ministers Regulation No. 543. Link to the publication: <https://tapportals.mk.gov.lv/annotation/913757a7-993f-40c2-9488-a82248e35176>

The authorities also provided:

- i. Copy of the open call for project selection documentation for the development of industrial parks and territories in the regions issued by the Central Finance and Contracting Authority. Link to the publication: <https://www.cfla.gov.lv/lv/3113i-investicijas-uznemejdarbibas-publiskaja-infrastruktura-industrialo-parku-un-teritoriju-attistisanai-regionos>;
- ii. Copy of the statute for the selection of project applications. Link to the publication: <https://www.cfla.gov.lv/lv/media/9207/download?attachment>;
- iii. Copy of the project application form and its attachments. Link to the publication: <https://www.cfla.gov.lv/lv/media/8885/download?attachment>;
- iv. Copy of the list of documents to be submitted. Link to the publication: <https://www.cfla.gov.lv/lv/media/8888/download?attachment>;
- v. Copy of the cost-benefit analysis calculation model and its filling methodology. Link to the publication: <https://www.cfla.gov.lv/lv/media/8894/download?attachment>;
- vi. Copy of the methodology for completing the project application form. Link to the publication: <https://www.cfla.gov.lv/lv/media/8891/download?attachment>;
- vii. Copy of the draft confirmation of compliance with the requirements and the absence of double funding. Link to the publication: <https://www.cfla.gov.lv/lv/media/8900/download?attachment>;
- viii. Copy of the draft contract/agreement on project implementation. Link to the publication: <https://www.cfla.gov.lv/lv/media/8897/download?attachment>;
- ix. Copy of the draft declaration of interest. Link to the publication: <https://www.cfla.gov.lv/lv/media/9213/download?attachment>;
- x. Copy of the draft declaration of fulfilment of the conditions regarding the amount of compensation granted and the control of overcompensation. Link to the publication: <https://www.cfla.gov.lv/lv/media/8906/download?attachment>;
- xi. Copy of the draft declaration of compliance with state aid conditions. Link to the publication: <https://www.cfla.gov.lv/lv/media/8909/download?attachment>;
- xii. Copy of the draft declaration of compliance with de minimis conditions. Link to the publication: <https://www.cfla.gov.lv/lv/media/8912/download?attachment>;
- xiii. Copy of the draft declaration that the operator of an economic activity does not conform to the characteristics of the performer of economic activity in difficulty. Link to the publication: <https://www.cfla.gov.lv/lv/media/8915/download?attachment>;
- xiv. Copy of the draft information on State aid received and planned by the project applicant and the cooperation partner. Link to the publication: <https://www.cfla.gov.lv/lv/media/8918/download?attachment>
- xv. Copy of the draft annex of the project application form - cost-benefit analysis. Link to the publication: <https://www.cfla.gov.lv/lv/media/8921/download?attachment>;



- xvi. Copy of the draft investment project budget summary annex. Link to the publication: <https://www.cfla.gov.lv/lv/media/9216/download?attachment>;
- xvii. Copy of the draft methodology for applying the selection criteria for project applications. Link to the publication: <https://www.cfla.gov.lv/lv/media/9210/download?attachment>;
- xviii. Copy of the registration, by Deputy State Secretary for EU Structural Funds and the Cohesion Fund Armands Eberhards, of the state aid support programme with case number SA.104556 on 13 October 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Regulations of the Cabinet of Ministers laying down the conditions and criteria for the provision of aid to industrial areas have been drawn up and adopted.**

The Cabinet of Ministers Regulation No. 543 ‘Regulation for implementing the investment measure No. 3.1.1.3.i. “Investments in business public infrastructure for the development of industrial parks and areas in regions” for reform No. 3.1 “Regional Policy” of the Recovery and Resilience Facility plan of the European Union’ (hereinafter referred to as ‘Cabinet Regulation No. 543’) and its annex with the selection criteria for the support programme for the development of industrial parks and territories in the regions, i.e. the provision of aid to industrial areas, were adopted by the Cabinet of Ministers on 30 August 2022, published in the Official Journal on 20 September 2022 and entered into force in accordance with Article 6 of the Law on Publication of Official and Judicial Information on 21 September 2022.

Cabinet Regulation No. 543 refers in paragraph 2 to the purpose of the investment and sets the conditions for the coordinated aid programme for the development of industrial parks and areas in regions. The Annex to the Cabinet Regulation No. 543 specifies the selection criteria.

The selection criteria ensure that the selected projects comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01) through the use of an exclusion list and the requirement of compliance with the relevant EU and national environmental legislation.

The Cabinet Regulation No. 543 contains the following requirements to ensure that the selected projects comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01):

- paragraph 38 specifies that a project must meet the necessary requirements for compliance with the “Do no significant harm” Technical Guidance and comply with the European Union and national environmental legislation indicated in the Council Implementing Decision of 6 July 2021 on the approval of the assessment of the recovery and resilience plan for Latvia, that is with the relevant European Union and Latvian environmental legislation;
- the DNSH principle is one of the eligibility criteria for projects: paragraph 38 further specifies the specific eligibility criterion (No 3.14.) as well as a quality criterion (No 4.2) during the selection of project applications, which ensure that the selected projects comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01) through the use of an exclusion list and the requirement of compliance with the relevant EU and national environmental legislation. .
- The exclusion list as provided in paragraph 38 is in line with the “Do not significant harm’ Technical Guidance (2021/C58/01), excluding from eligibility activities related to fossil fuels (except for the use of thermal energy or electricity for the provision of connections of public utilities in accordance with the regulation), activities under the EU Emissions Trading System (ETS) to achieve projected greenhouse gas emissions not lower than the relevant benchmarks, activities related to waste landfills incinerators and mechanical biological treatment plants, and activities where the long-term disposal of waste may cause harm to the environment.
- Paragraph 38 also stipulates that sustainable and renewable energy resources (RES) must be used in the construction process and in the operation of the industrial parks and territories. This complies with the DNSH Technical Guidance in the area of climate change mitigation.

- Paragraph 38 also includes that an environmental impact assessment shall be performed for the activities provided for within the scope of the project, in compliance with the “Do no significant harm” Technical Guidance. This is assessed in a specific eligibility criterion (3.14.9).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 99</b>	<b>Related Measure 3.1.1.4.i. Establishing a financing fund for the construction of low-rented dwellings</b>	
<b>Name of the Milestone: Adoption of a housing affordability strategy</b>		
<b>Qualitative Indicator:</b> The government has adopted housing, affordability strategy		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>Milestone 99 is part of investment 3.1.1.4.i., which aims to stimulate housing supply, provide affordable housing, contribute to regional labour mobility, and help attract and retain skilled professionals in the region. The measure consists of the entry into force of a new legal framework, adoption of a housing affordability strategy, adoption of a low-rent housing regulation, approval of projects for at least 467 apartments, and construction of at least 300 apartments within the timeframe of the Recovery and Resilience Facility.</p> <p>Milestone 99 concerns the adoption of a housing affordability strategy specifying policy indicators, directions of actions, and tasks for promoting housing affordability.</p> <p>Milestone 99 is the second milestone of investment 3.1.1.4.i., and it follows the completion of milestone 98 related to the entry into force of the Law on rental housing. It will be followed by milestone 100, related to the establishment of a financing fund for the construction of low-rent dwellings and by target 101, related to the approval of funding for at least 300 apartments by the national development institution, target 102 related to the number of apartments within approved projects, and target 103 related to the number of apartments built. The investment has a final expected date for implementation on August 31 of 2026.</p>		
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>Copy of the Housing Affordability Strategy 2023-2027 approved on 8 November 2023, published in the Official Journal on 10 November 2023. Link to publication: <a href="https://likumi.lv/doc.php?id=347211&amp;version_date=10.11.2023;">https://likumi.lv/doc.php?id=347211&amp;version_date=10.11.2023;</a> <a href="https://www.vestnesis.lv/op/2023/219.4">https://www.vestnesis.lv/op/2023/219.4</a>.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>Copy of Annex 3, Indicative impact on state and municipal budgets, to the Housing Affordability Strategy 2023-2027 approved on 8 November 2023.</li> </ol>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the LV authorities covers all constitutive elements of the milestone.</p> <p>On 8 November 2023, the Housing Affordability Strategy 2023-2027 (hereinafter referred to as ‘the Strategy’) has been adopted by the Cabinet of Ministers. The Strategy was adopted on 8 November as stated in the official website of the Legal Acts of the Republic of Latvia (<a href="https://likumi.lv/doc.php?id=347211&amp;version_date=10.11.2023">https://likumi.lv/doc.php?id=347211&amp;version_date=10.11.2023</a>). The Strategy was published in the Official Journal on 10 November 2023.</p> <p><b>The housing affordability strategy shall include directions of action, policy indicators and set of tasks for promoting access to housing, providing solutions for providing housing affordability</b></p>		

**support to households of different types and income levels, including the lowest-income households, and that support mechanisms and regulations promote both the repair of the existing housing stock and the development of a new housing stock.**

Based on the assessment of the identified problems in the introduction and the part 'Characteristics of the housing situation', the Strategy defines the directions of action, as well as a vision of the necessary directions for investing public funds; as follows:

1. Support for vulnerable group (point 1)
2. Support for middle-income households (point 2)
3. Support for upper-middle-income households (point 3)
4. Support for the improvement of the housing stock (point 4)

The Strategy in accordance with the point 'Objective, policies and performance indicators of the Housing Affordability Strategy' includes three policy categories for a total of nine performance indicators aiming at promoting housing affordability for households of different income groups, improving the existing housing stock and development of new housing, in line with the directions of action. In accordance with the point 'Objective, policies and performance indicators of the Housing Affordability Strategy', the Strategy includes policy indicators, with baselines set at the value in 2018, intermediate targets are set for 2024 and final targets for 2027.

In addition, the Strategy defines the tasks for promoting access to housing and solutions for providing housing affordability support to households of different types and income level:

- Low-income households: Within the strategy (point 1), the main task is to draft a new Affordable Housing Law, which will expand the number of people who could receive support from municipalities. Within the scope of the new Law, it is planned to review the minimum requirements for the quality of municipal housing and shared premises. In addition, at least 1 500 social housing units are to be renovated and built as part of the support programme.
- Middle-income households: Within the strategy (point 2), the task is to improve the Housing Affordability Fund, which will ensure that invested funding in low-rent housing is reinvested in building future low-rent dwellings and will enable to scale-up for a lasting impact on the Latvian housing market. The Housing Affordability Fund was established by the Latvian government in 2022 as a long-term self-sustaining financing model to channel investment into affordable housing. The Strategy aims at attracting additional funding through the extension of the maximum term of the Treasury loan to municipal capital companies, if the loan is used to ensure construction of low-rent housing, as well as to evaluate the possibilities to reduce the proportion of the amount of liabilities related to the municipality's long-term liabilities, if the liabilities have been incurred as a result of construction of low-rent housing. Finally, in accordance with point 2.2 of the Strategy, the support programme will extend to the construction of private houses in regions where there is no demand for the construction of apartment buildings, but the housing stock is insufficient.
- Upper middle-income households: In accordance with the point 3 of the Strategy, it aims to extend and improve the conditions and aid intensity of existing housing purchase support programmes in the regions; assess the necessity of introducing other targeted support instruments for expanding housing affordability in Latvia and to ensure the availability of support in the form of loans and guarantees for the development of real estate for merchants expanding their activities in the regions.

Finally, the Strategy (point 4) sets support mechanisms and regulations that promote both the repair of the existing housing stock and the development of a new housing stock. For example, support is planned to be provided for improvement of the existing housing stock with various financial instruments, e.g., grants, loans or guarantees, in order to improve energy efficiency and accessibility of housing. Specifically, the Strategy refers to an aid scheme for the renovation of private houses and the improvement of energy efficiency in line with Cabinet Regulation No. 103 of 11 February 2021 regarding the Support Programme for the Renovation and Energy Efficiency Improvement of

One-Apartment Residential Houses and Two-Apartment Residential Houses. In the context of the support mechanism 'Balsts', families with children can receive support in the form of a guarantee for the purchase or construction of their dwelling (up to 30% of the loan for a family of four or more children).

The Strategy (points 1.2, 2.1 and 3.2) envisages a number of tasks involving the construction of new housing stock for different groups of households regarding their income, such as a support programme for the construction of social housing. In addition to this, the Strategy aims to ensure access to funding and guarantees for developers to sell or rent to households on market terms in Latvian regions where development of new housing stock has stagnated over the years.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 100</b>	<b>Related Measure: 3.1.1.4.i. Establishing a financing fund for the construction of low-rent dwellings</b>	
<b>Name of the Milestone: Government regulation on the construction of low-rent dwellings</b>		
<b>Qualitative Indicator:</b> Entry into force of government regulation on construction of low-rent dwellings		<b>Time:</b> Q3 2022
<p><b>Context:</b></p> <p>Milestone 100 is part of the investment 3.1.1.4.i., which aims to stimulate housing supply, provide affordable housing, contribute to regional labour mobility, and help attract and retain skilled professionals in the region. The measure consists of the entry into force of a new legal framework for rents, adoption of a housing affordability strategy, entry into force of a low-rent housing regulation, approval of projects for at least 467 apartments, and construction of at least 300 apartments within the timeframe of the Recovery and Resilience Facility (henceforth "RRF").</p> <p>Milestone 100 concerns the entry into force of a Regulation of the Cabinet of Ministers on the construction of low-rent dwellings in order to define size, scope and type of support and criteria for beneficiaries.</p> <p>Milestone 100 is the third milestone or target of investment 3.1.1.4.i., and it follows the completion of milestone 98 related to the entry into force of the Rental Law of housing premises and of milestone 99, related to the adoption of a housing affordability strategy specifying policy indicators, directions of actions, and tasks for promoting housing affordability. It will be followed by target 101, related to the approval of funding for at least 300 apartments by the national development institution, target 102 related to the approval of funding for at least 467 apartments by the national development institution and target 103 related to 300 apartments built. The investment has a final expected date for implementation on 31 August 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.</li> <li>ii. Copy of the Cabinet of Ministers Regulation No. 459 "Rules on aid for the construction of residential rental houses European Union Recovery and Resilience Facility reform and investment strand "Regional policy" of the Plan 3.1.1.4i Investment "Establishment of a Funding Fund for Low Rents building Housing", adopted by the Cabinet of Ministers on 14 July 2022; published in the Official Journal on 19 July 2022; entered into force on 20 July 2022. The link to the publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/137.13">https://www.vestnesis.lv/op/2022/137.13</a></li> </ol>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p>		

**Regulation of the Cabinet of Ministers on the construction of low-rent dwellings has entered into force in order to define size, scope and type of support and criteria for beneficiaries.**

Regulation No. 459 “Rules on aid for the construction of residential rental houses European Union Recovery and Resilience Facility reform and investment strand “Regional policy” of the Plan 3.1.1.4i Investment “Establishment of a Funding Fund for Low Rents building Housing”” (hereinafter referred to as ‘Regulation No. 459’) was adopted on 14 July 2022, published in the Official Journal on 19 July 2022 and entered into force in accordance with Article 6 of the Law on Publication of Official and Judicial Information on 20 July 2022.

In accordance with Section 19.3, paragraph 2 of the Law of 24 March 1994 on Budget and Financial Management and Section 12, paragraph 4 of the Development Finance Institution Law of 30 October 2014, Regulation No. 459 establishes the legal framework for the construction of low-rent dwellings and specifies, inter alia:

- i) the size of the support offered to beneficiaries as laid out in Article 4 and 6, relating to the establishment of the Housing Accessibility Fund;
- ii) the scope of the support offered to beneficiaries as laid out in Article 8, paragraph 2, relating to the number of low rent apartments to be constructed;
- iii) the type of support offered to beneficiaries as laid out in Article 22, paragraph 1 and Article 26, paragraph 1, relating to the rent ceiling and minimum size of apartments offered to eligible households; and
- iv) the eligibility criteria for the beneficiaries as stated in Article 35, paragraph 1 and 2, relating to the total monthly net average income for eligible persons and the size of eligible households, depending on the different apartment types in question.

Furthermore, in line with the description of the measure, the rent ceiling shall be indicatively at EUR 4.40/m<sup>2</sup>. Despite the use of the word ‘shall’, the use of the word ‘indicatively’ leads to the conclusion that this element of the description of the measure does not create a binding obligation. As such, it suffices to point out that the Latvian authorities have adopted the threshold of EUR 5/m<sup>2</sup>, as evident from Article 22, paragraph 1 of Regulation No. 459. It is additionally noted in any case that this threshold does not undermine the intended result of the measure: ensuring low-rent housing. Inflation in 2022 reached 17.2% in Latvia, while the minimum wage was increased from EUR 500 to EUR 620 in 2022. On average, wage growth reached 14.8% in 2022. Therefore, considering that an indicative rent ceiling of EUR 4.4 per m<sup>2</sup> was considered affordable in 2021, the increase of EUR 0.60 per m<sup>2</sup> (or 13.6%), less than inflation and wage growth in 2022, does not render the dwellings unaffordable for low-income households in Latvia. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 105</b>	<b>Related Measure: 3.1.1.5.i. Development and equipping of educational institutions’ infrastructure</b>	
<b>Name of the Milestone: Adoption of decisions by local councils on the reorganisation of at least 20 general secondary education institutions</b>		
<b>Qualitative Indicator:</b> Adoption of decisions by local councils		<b>Time:</b> Q2 2022
<b>Context:</b>		
Milestone 105 is part of investment 3.1.1.5.i., which aims to improve the quality of regional schools through a combination of investments and optimisation of school network.		
Milestone 105 concerns the adoption of decisions by local governments on the reorganisation of at least 20 general secondary education institutions. Such reorganisation may consist of mergers or the changing of education levels of the institutions.		
Milestone 105 is the second milestone or target of the investment, and it follows the completion of milestone 104, related to the entry into force of the legal framework establishing, among others,		

qualitative and quantitative criteria for general secondary education institutions. It will be followed by target 106, related to developing and equipping the educational institutions' infrastructure. The investment has the final expected date for implementation on 31 August 2026.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Copies of Decisions of the local councils: of the Council of Strenči of 19 February 2020 on the reorganisation of Strenči secondary school, of the Council of Pavilosta of 27 February 2020 on the reorganisation of Pavilosta secondary school, of the Council of Ventspils of 27 February 2020 on the reorganisation of Ventspils secondary school, of the Council of Vārkava of 27 October 2020 on the reorganisation of Vārkava secondary school, of the Council of Daugavpils of 26 November 2020 on the reorganisation of Svente secondary school, of the Council of Niture of 26 November 2020 on the reorganisation of Niture secondary school, of the Council of Rauna of 27 January 2021 on the reorganisation of Rauna secondary school, of the Council of Apr of 28 January 2021 on the reorganisation of David Ozoliņš secondary school, of the Council of Balvi of 25 February 2021 on the reorganisation of Berzpils secondary school, of the Council of Kandava of 27 May 2021 on the reorganisation of Kandava secondary school, of the Council of Kuldīga of 26 August 2021 on the reorganisation of Alsunga secondary school, of the Council of Madona of 15 February 2022 on the reorganisation of Andrei Egly Laudona secondary school, of the Council of Madona of 15 February 2022 on the reorganisation of Vestiena primary school, of the Council of Jelgava of 23 February 2022 on the reorganisation of Stalene secondary school, of the Council of Balvi of 24 February 2022 on the reorganisation of Tilža secondary school, of the Council of Jēkabpils of 24 February 2022 on the reorganisation of Sibling Skrindu Atašiene secondary school, of the Council of Gulbene of 24 February 2022 on the reorganisation of Lizums secondary school, of the Council of Gulbene of 27 February 2022 on the reorganisation of Lower Village secondary school, of the Council of Valmiera of 24 February 2022 on the reorganisation of Nauksheni secondary school, of the Council of Kuldīga of 31 March 2022 on the reorganisation of Skrunda secondary school.
- iii. Copy of the list of the decisions of the local councils on the reorganisation of general secondary education institutions by changing the level of the education institutions to a primary school or merging it with another education institution.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Reorganisation decisions (mergers, change of education level) of at least 20 general secondary education institutions adopted by local governments.**

The reorganisation decisions of 20 general secondary education institutions have been adopted by local councils, as evidenced by the copies of the adopted decisions taken by the local councils regarding the reorganisation of the 20 general secondary education institutions by changing the level of the general secondary education institutions to a primary school or merging it with another general secondary education institution. The reorganisation decisions were adopted during the period from 1 February 2020 until 30 June 2022. The copies of the adopted decisions contain the date of each local council decision, the indication of the local council that adopted the decision, the indication of each general secondary education institution prior to and after the reorganisation and the date of the reorganisation. For example, the decision of the Kandava municipal council of 27 May 2021 reorganised the Kandava regional secondary school into the Kandava regional primary school. The decision of the Jelgava municipal council of 23 February 2022 merged Salgale primary school with the Stalene secondary school.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 107</b>	<b>Related Measure: 3.1.1.6.i. Purchase of zero-emission vehicles for the performance of municipal functions and services</b>
<b>Name of the Milestone: A support programme has been adopted for local governments for the purchase of electric buses for the performance of the municipal functions and related services</b>	
<b>Qualitative Indicator:</b> Entry into force of government regulation	<b>Time:</b> Q4 2022
<b>Context</b> <p>Milestone 107 is part of investment 3.1.1.6.i., which aims at improving the functions and services of the municipalities regarding the mobility of students while optimising the school network. Milestone 107 concerns the adoption of a support programme for local governments for the purchase of transport vehicles for the provision of public services. Milestone 107 is the first step of the implementation of the investment, and it will be followed by targets 108 and 109, related to the awarding of contracts for the purchase of electric buses for a total value of at least 8 300 000 EUR, and the delivery of these buses to the municipalities as beneficiaries for municipal transport of learners. The investment has a final expected date for implementation on 31 December 2025.</p>	
<b>Evidence provided:</b> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"><li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li><li>ii. Copy of the Cabinet of Ministers Regulation No. 673 “Regulation for implementing the investment measure No. 3.1.1.6.i. “Purchase of zero-emission vehicles for the performance of municipal functions and services” for reform No. 3.1. “Regional Policy” of the Recovery and Resilience Plan of the European Union”, including an annex on <i>the selection criteria for project applications</i>, adopted by the Cabinet of Ministers on 25 October 2022, published in the Official Journal on 27 October 2022, entered into force on 28 October 2022. Link to the publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2022/209.12">https://www.vestnesis.lv/op/2022/209.12</a>;</li><li>iii. Copy of the annotation of the Cabinet Regulation No. 673. Link to the publication: <a href="https://tapportals.mk.gov.lv/annotation/0549c237-0e06-431f-986e-0ec5440a6194">https://tapportals.mk.gov.lv/annotation/0549c237-0e06-431f-986e-0ec5440a6194</a></li></ol>	
<b>Analysis:</b> <p>The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p> <p><b>Entry into force of Cabinet Regulations laying down implementing conditions for providing support to local governments for the purchase of electric buses for the performance of the municipal functions and related services</b></p> <p>Cabinet Regulation No. 673, ‘Regulation for implementing the investment measure No. 3.1.1.6.i. “Purchase of zero-emission vehicles for the performance of municipal functions and services” for reform No. 3.1. “Regional Policy” of the Recovery and Resilience Plan of the European Union’ (hereinafter referred to as Cabinet Regulation No. 673) was adopted on 25 October 2022, published in the Official Journal on 27 October 2022 and entered into force in accordance with Article 6 of the Law on Publication of Official and Judicial Information on 28 October 2022.</p> <p>Cabinet Regulation No. 673 establishes implementing conditions for providing support to local governments for the purchase of electric buses for the performance of the municipal functions and related services, inter alia:</p> <ol style="list-style-type: none"><li>i. The activities and objectives of the investment are stated in Art. 6 and include to implement the local government function, ensuring the education of inhabitants, and to ensure the fulfilment of the administration tasks arising from this function. Article 2 of the Cabinet</li></ol>	

Regulation No. 673 specifies the objective of the investment as regards the transport of learners in the territory of the Republic of Latvia, except the territory of Riga municipality, to educational establishments and back to their place of residence. As stated in the article, *“the investment shall aim to improve the implementation of municipal functions and services provided by focusing on the mobility of learners, while promoting the reach of the school network”*. The support given to municipalities, institutions established by them, or companies of municipalities which perform the administrative tasks delegated by the municipalities for the purchase of zero emissions vehicles (Article 29 paragraph 1 and 2) ensures the accessibility of educational services under the new territorial framework, as evident from Article 6. The implementing conditions, meaning the rules and procedures for providing the support to local governments are laid down in Article 47 and for the purchase of zero-emission vehicles are stated in Article 20 paragraph 1. Article 11 paragraph 3 specifies the objectives to be achieved within the framework of the investment, such as the number of vehicles to be purchased by 31 December 2025 (15 vehicles).

- ii. Provisions for the establishment of charging infrastructure in municipalities are included in Article 19 and Article 20 paragraph 2. Therefore, the support for procurement of zero-emission vehicles coupled with the development of the charging infrastructure necessary for their operation contributes to the accessibility of educational services following the administrative reform.
- iii. The investment should contribute to the greening of public transport in Latvia by investing in low-emission vehicles. Article 2 of the Cabinet Regulation No. 673 specifies the objective of the investment as regards to the greening of public transportation in Latvia. The existing fleet of category M2 and M3 fossil fuel vehicles is 14 years old on average, including 21 vehicles between 33 and 45 years of age, according to the information provided by the State Joint Stock Company “Road Traffic Safety Directorate”. Therefore, in laying down the conditions for ceasing operations of existing fossil-fuel powered vehicles and replacing them with new electric vehicles subject to greenhouse gas emissions of 0g CO<sub>2</sub> per kilometre, as evident from Article 19, Article 66 paragraph 2, and Article 69 paragraph 1, Cabinet Regulation No. 673 contributes to the greening of public transport in Latvia.
- iv. Finally, the Cabinet Regulation No. 673 includes the principles of socially responsible public procurement and green public procurement as stated in Article 47, and compliance with the principle of “Do No Significant Harm” of Regulation (EU) 2020/852 as stated in Article 35 paragraph 1 and eligibility criterion No 3.16.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 112	<b>Related Measure:</b> 3.1.2.1.i Measures to promote access to public services and employment for people with disabilities	
<b>Name of the Milestone:</b> Selection of state and local government buildings where environmental adaptations shall be carried out		
<b>Qualitative Indicator:</b> Adoption of a list of 63 selected buildings of public and local authorities in which investments to adapt the environment shall be made		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The measure aims to improve the accessibility of facilities, jobs and services for people with disabilities by implementing investments in 63 public and municipal buildings, where welfare sector public services or municipal social services are provided, and in housing for 259 persons with disabilities. Milestone 112 concerns the adoption of a list of 63 selected buildings of public and local authorities in which investments to ensure their accessibility to persons with functional impairments and persons with disabilities shall be made.</p> <p>Milestone 112 is the first step in the implementation of the investment, and it will be followed by milestone 113, related to the award of contracts for the works on access to public facilities in the pre-selected 63 buildings of public and local authorities, target 114, related to the completion of</p>		



construction works to ensure access to public facilities in state and local government buildings, milestone 115 related to the adoption of a list of selected 259 persons with disabilities who need to adapt their individual housing, target 116, related to the signature of contracts for works to adapt the housing of persons with disabilities and target 117, related to the completion of construction works to adapt the housing of persons with disabilities. The investment has a final expected date for implementation on 30 June 2026.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. A summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled, with appropriate links to the underlying evidence.
- ii. Copy of Cabinet Regulation No. 582 adopted on 20 September 2022 published in the Official Journal of the Republic of Latvia on 23 September 2022 and entered into force on 24 September 2022. Link to publication: <https://www.vestnesis.lv/op/2022/185.6>; <https://likumi.lv/ta/id/335764-eiropas-savienibas-atveselosanas-un-noturibas-mehanisma-plana-3-1-reformu-un-investiciju-virzenu-regionala-politika-3-1-2-1-j>, and amended by Cabinet Regulation No. 666 on 24 November 2023, published in the Official Journal of the Republic of Latvia on 21 November 2023 and entered into force on 24 November 2023. Link to publication: <https://www.vestnesis.lv/op/2023/227.7>; <https://likumi.lv/ta/id/347525-grozijumi-ministru-kabineta-2022-gada-20-septembra-noteikumos-nr-582-eiropas-savienibas-atveselosanas-un-noturibas-mehanisma>. Where the Regulation's annex includes a list of 63 buildings for the implementation of environmental accessibility measures.
- iii. Copy of Cabinet Regulations No. 693 "Building standard of general requirements for buildings LBN 200-21" adopted on 19 October 2021 and published in the Official Journal of the Republic of Latvia on 21 October 2021 (hereinafter referred to as "building standards"). Link to publication: <https://www.vestnesis.lv/op/2021/204.3>; <https://likumi.lv/ta/id/326992-buvju-visparigo-prasibu-buvnormativs-lbn-200-21>).

The authorities also provided:

- i. Copy of the Construction Law of 1 October 2014 (hereinafter referred to as "Construction Law"). Link to publication: <https://likumi.lv/ta/id/258572-buvniecibas-likums>;
- ii. Copy of the self-assessment of environmental accessibility and recommendations for completing the environmental self-assessment questionnaire of 2020, issued by the Ministry of Welfare. Link to publication: <https://www.lm.gov.lv/lv/vides-un-informacijas-pieklustamibas-pasnovertejums-saskana-ar-lbn-208-15>;
- iii. Copy of the updated self-assessment of environmental accessibility and recommendations for completing the environmental self-assessment questionnaire of 2022, issued by the ministry of Welfare (hereinafter referred to as "self-assessment form"). Link to publication: <https://www.lm.gov.lv/lv/vides-un-informacijas-pieklustamibas-plsnovertejums-saskana-ar-lbn-200-21>.
- iv. Copy of the Guidelines for the implementation and monitoring of the horizontal principle of equality, inclusion, non-discrimination and respect for fundamental rights (2021-2027) issued by the Ministry of Welfare on 22 March 2022 and updated on 28 November 2023 (hereinafter referred to as "guidelines of horizontal principles"). Link to publication: <https://www.lm.gov.lv/lv/vadlinijas-horizontala-principa-vienlidziba-ieklausana-nediskriminacija-un-pamattiesibu-ieverosana-istenosanai-un-uzraudzibai-2021-2027>;
- v. Copy of the best practices recommendations to ensure environmental accessibility in addition to LBN 200-21 requirements issued by the Ministry of Welfare on 22 March 2022 (hereinafter referred to as "best practices"). Link to publication: <https://www.lm.gov.lv/lv/labas-prakses-ieteikumi-vides-pieklustamibas-nodrosinasanai-papildus-lbn-200-21-noteiktajam-2022>;

- vi. Copy of the Guidelines for reflecting horizontal principles and ensuring gender equality and equal opportunities when implementing RRF projects issued by the Ministry of Welfare on 31 January 2022 (hereinafter referred to as “guidelines for RRF projects”). Link to publication: [https://www.lm.gov.lv/lv/dzimumu-lidztiesiba-un-vienlidzigas-iespejas-vadlinijas-hp-atspogulosanai-atveselosanas-un-noturibas-mehanisma-plana-2021-2027?utm\\_source=https%3A%2F%2Fauc-word-edit.officeapps.live.com%2F](https://www.lm.gov.lv/lv/dzimumu-lidztiesiba-un-vienlidzigas-iespejas-vadlinijas-hp-atspogulosanai-atveselosanas-un-noturibas-mehanisma-plana-2021-2027?utm_source=https%3A%2F%2Fauc-word-edit.officeapps.live.com%2F).

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**For the implementation of environmental accessibility measures, 63 state and local government buildings providing welfare sector public services or municipal social services shall be selected (these buildings shall be included in the regulations of the Cabinet of Ministers).**

Cabinet Regulation No. 582 was published in the Official Journal of the Republic of Latvia on 23 September 2022 and entered into force on 24 September 2022 in accordance with Article 7 of the Law on Official publications and legal information. Cabinet Regulation No. 582 was amended through Cabinet Regulation No. 666, which was published in the Official Journal of the Republic of Latvia on 21 November 2023 and entered into force on 24 November 2023 in accordance with Article 7 of the Law on Official publications and legal information. Cabinet Regulation No. 582, as amended by Cabinet Regulation No. 666, includes in its annex, a list of the 63 selected buildings owned by the state or municipalities (that is, state and local government buildings), where welfare sector public services or municipal social services are provided. The information on the owners of the buildings is set out in Column 2 of the annex ‘Building owner’ (‘Ēkas īpašnieks’), whereas the name of the entity and the registration number of welfare or social services provider is set out in Column 5 ‘Public service/local authority social service provider in the welfare sector’ (‘Labklājības nozares valsts pakalpojuma/pašvaldības sociālais pakalpojuma sniedzējs’) and 10 ‘Number in the Register of Social Service Providers’ (‘Nr. Sociālo pakalpojumu sniedzēju reģistrā’). Prior to the selection, the Ministry of Welfare asked building owners (municipalities and government entities) to conduct a self-assessment of the accessibility standards, then ranked them from the lowest to the highest accessibility self-assessment mark and selected the buildings for the implementation of environmental accessibility measures.

**The investment shall include measures to implement a minimum accessibility standard: ensure access to the environment and information for persons with functional impairments and persons with disabilities.**

Article 3 of Cabinet Regulation No. 582 states that the aim of the investment is to increase the number of buildings where welfare or social services are provided that are available to the different groups of the society, including people with disabilities and functional impairments. Article 4 defines people with disabilities and reduced mobility as the target group of the investment. Article 8 of Regulation No. 582 requires respecting the ‘Guidelines for the implementation and monitoring of the horizontal principle of equality, inclusion, non-discrimination and respect for fundamental rights (2021-2027)’ which define measures for minimum accessibility standard when implementing a project.

Access to the environment corresponds to the accessibility of buildings for persons with functional impairments and persons with disabilities.

According to Article 24 of Cabinet Regulation No. 582, investment executors must comply with the accessibility principles specified in Cabinet Regulations No. 693 ‘Building standard of general requirements for buildings LBN 200-21’ which sets clear technical construction requirements for all buildings. In addition to those, the Ministry of Welfare drew up guidelines of horizontal principles, best practices, and guidelines for RRF projects to explain legal obligations and provide recommendations for projects to improve environmental accessibility for people with disabilities. Article 8 of Regulation No. 582 requires respecting the guidelines of horizontal principles which define

measures for minimum accessibility standard and therefore ensure access to the environment and information for persons with functional impairments and persons with disabilities.

Finally, under Article 25 of Cabinet Regulation No. 582, an environmental self-assessment regarding accessibility of the building environment must be prepared by building owners after completion of construction work, and it should indicate the improvement in the accessibility standards to at least mark 8 out of 10, therefore ensuring a minimum accessibility standard for persons with functional impairments and persons with disabilities.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 118</b>	<b>Related Measure: 3.1.2.2.i. Development of a forecast tool</b>	
<b>Name of the Milestone: Conclusion of contract for the development of algorithms for the forecasting model, the development of technical specifications for information system and the supervision of system development</b>		
<b>Qualitative Indicator:</b> Development of technical specifications and conclusion of a contract for the consultancy service involving Latvian and foreign econometric and mathematical modelling experts		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>The objective of this investment measure is to upgrade the macroeconomic modelling capacity for assessing the long-term sustainability of the social security system. The final result of the investment envisages the development of a forecasting tool, including a mathematical model for pension forecasting, that could be used for the assessment and evaluation of the social policy initiatives.</p> <p>Milestone 118 concerns the award of a contract for the development of econometric models and a methodology for the forecasting tool and for the development of technical specifications for the information system, as well as respective and supervision of system development.</p> <p>Milestone 118 is the first step of the implementation of the investment, and it will be followed by milestone 119 which foresees the completion of the technical specifications for social security forecasting tool information system, whereas target 120 will conclude the measure with the developed forecasting tool. The investment has a final expected date for implementation on 31 March 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of the contract No. 2003/05-7CNS/LV dated 12 June 2023 concluded between the Ministry of Welfare and the service provider Ernst &amp; Young Baltic for expert services for the development of the technical specification of the forecasting tool and the monitoring of tool development process (hereinafter referred to as – contract);</li> <li>iii. Copy of the Annex 1 to the contract - technical specification developed to engage the service provider for the development of the technical specification of the forecasting tool and monitoring of the tool development process (hereinafter referred to as technical specification);</li> <li>iv. Copy of the Annex 2 to the contract - technical offer prepared by the Ministry of Welfare on 27 January 2023 (hereinafter referred to as technical offer);</li> <li>v. Copy of the minutes No 13 of the Procurement Committee established by the Ministry of Welfare of 13 April 2023, (hereinafter referred to as the minutes);</li> <li>vi. Copy of the 12 July 2023 detailed timetable of provision of expert services for the development of the technical specification of the Pension Forecasting Tool and for the supervision of the tool development process (hereinafter referred to as the Timetable);</li> </ol>		

- vii. Copy of the 11 August 2023 preliminary report on the technical specification for the social security system long-term forecast tool, supervision of the tool's development process and provision of expert services prepared by the service provider Ernst & Young Baltic (hereinafter referred to as the preliminary report).

The authorities also provided:

- i. Copy of the 12 October 2023 technical specification for the social security long-term forecast tool (hereinafter referred to as the technical specification for the forecast tool)
- ii. Copy of the annex to the contract No. 2003/05-7CNS/LV - the form of the deed of transfer and acceptance;
- iii. Copy of the annex to the contract No. 2003/05-7CNS/LV - the financial offer of the service provider;
- iv. Copy of the annex to the contract No. 2003/05-7CNS/LV - a list of sub-contractors and their sub-contractors to be engaged in carrying out contract task;
- v. Copy of the Acceptance Act signed between the Ministry of Welfare and the service provider on 6 November 2023 for the delivery of expert services for the development of the social security system long-term forecast tool (hereinafter referred to as the Acceptance Act).
- vi. Copy of Agreement No. 1 to the service contract of 12 June 2023 No 2023/05-7/CNS/LV modifying the deadline for the transfer of the feasibility study on the current models and their capabilities and the detailed architectural description of the new forecasting tool;
- vii. Copy of Agreement No. 2 to the service contract of 12 June 2023 No 2023/05-7/CNS/LV for the provision of expert services for the development of a technical specification for a forecasting tool and for the monitoring of the tool development process clarifying the change in the timeline by modifying the deadline for the submission of the feasibility study on the current models and their capabilities and the detailed architectural description of the new forecasting tool.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Award of a contract following a competition to:**

Evidence submitted in the form of the contract No. 2023/05-7/CNS/LV demonstrates that the Ministry of Welfare has concluded a contract with Ernst & Young Baltic as service provider for expert services to develop technical specifications for the development of the forecasting tool and monitoring of the system development. The contract has been concluded after launching of procurement procedure on 2 November 2022 by the Ministry of Welfare in the webpage of the Procurement Monitoring Bureau. The minutes No. 13 of the Procurement Committee established by the Ministry of Welfare of 13 April 2023 shows that a contract was awarded to Ernst & Young Baltic, which satisfied selection criteria and price limit.

**develop econometric models and a methodology for the long-term forecasting of social support, including pensions,**

The contract demonstrates technical specifications for the development of a forecasting tool. Article 2.7 of the contract provides that the service provider is obliged to carry out work in line with the technical specification and with the technical offer. Details regarding how the requirement to develop econometric models and a methodology for the long-term forecasting of social support, including pensions, are laid out, in particular, in the technical specification and in the technical offer, which are annexed to the contract and are binding upon the service provider based on Article 2.7 of the contract.

Point 1.3. of the technical specification demonstrates the envisaged broad scope to be covered by the long-term forecasting tool noting that:

- long-term forecasts obtained by the new forecasting tool will include all binding changes to the state social insurance system. It will be possible to develop several and more specific scenarios for the assessment of the national social insurance policy in the long term, taking into account, in particular, the rapid and frequent changes in the social insurance system caused by global and local problems and risks;
- the new forecasting tool will provide the opportunity to make predictions at the required level of detail, as well as easy for the user to make changes and create simulations in line with current and potential adjustments and changes to the national social insurance sector legislation, thus enabling more operational prevention of risks to the sustainability of the system.

The technical offer and the preliminary report, as being part of the contract in accordance with part 14.9. thereof, confirm the broader scope of the forecasting tool in terms of social support. The new model will integrate data such as demographic data on births, deaths and migration forecasts, population age, data on accidents at work and disabled population, employment status.

Point 3.3.3.2. of the technical offer describes the system modularity by listing: 1) pension policy module; 2) macroeconomic module; 3) demographic data module; 4) financial commitments and flows module; 5) asset values module; 6) calculations and simulations module; 7) reports module; 8) data storage module.

**draw up technical specifications for the development of an information system,**

As evidenced by the technical offer considering the envisaged data requirements, system architecture and training requirements for system administrators, as well as applicable legislation including legislation governing information systems, it is evident that an information system is planned to be developed that shall have econometric models as a basis, for example, point 4.9. on page 39 refers to the user experience mapping of the envisaged information system.

**to monitor the development of the system.**

The requirement to monitor the development of the system is covered under Point 1 of the technical specification "Objective: to prepare a technical specification for the procurement of new forecasting tool software development and to monitor the development of forecasting tool software throughout the project."

**The contract concluded shall include a timetable for the following deliverables:**

- **an evaluation report on the current situation**
- **a mathematical model for pension forecasting;**
- **evaluation of the current forecasting tool and its potential;**
- **technical specifications for the development of an information system;**
- **monitoring of the information system development throughout the project.**

The timetable for the deliverables is included on page 30 of the technical offer (initial timetable) which is forming part of the contract based on Article 2.7 of the contract. Additionally, as required by the point 2.1. of the technical specification, which is also forming part of the contract, the service provider Ernst & Young Baltic, submitted a detailed updated timetable covering the deliverables as follows:

- "an evaluation report on the current situation" in the point 2.5. (also point II of initial timetable);
- "a mathematical model for pension forecasting" in the part III (also covered under first point of section III of the initial timetable);

<ul style="list-style-type: none"> <li>- “evaluation of the current forecasting tool and its potential” in the point 2.5. (additionally, sections 2 and 3 of the Preliminary report on the technical specification demonstrate fulfilled delivery);</li> <li>- “technical specifications for the development of an information system” in the point 3.8. – 3.12. (section III of the initial timetable; additionally, the delivery deadline expressed in the contract itself demonstrates a binding agreement on the timeline of this deliverable);</li> <li>- “monitoring of the information system development throughout the project” in the point 5.1.-5.5. (also, first point under section V of the initial timetable).</li> </ul>
<b>Commission Preliminary Assessment:</b> Satisfactorily fulfilled

<b>Number:</b> 121	<b>Related Measure:</b> 3.1.2.3.i. Resilience and continuity of the long-term social care service	
<b>Name of the Milestone:</b> Development of standard construction design		
<b>Qualitative Indicator:</b> Requirements of the design task and standard construction design developed for the provision of long-term care services close to family environment		<b>Time:</b> Q3 2022
<p><b>Context:</b></p> <p>The measure aims to foster the transition from institutional long-term care provision to a more community-based care model. The measure consists of developing one common standard construction design for long-term care facilities that will be used by 17 municipalities to build new long-term facilities for 852 persons of retirement age in 54 buildings.</p> <p>Milestone 121 concerns the development of the standard construction design.</p> <p>Milestone 121 is the first step of the implementation of the investment. It will be followed by target 122 concerning the conclusion of agreements with 17 municipalities on the construction and target 123 related to the creation of new places for the provision of long-term care services close to the family environment for 852 persons of retirement age. The investment has a final expected date for implementation on 30 June 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the standard construction design developed by limited liability company ‘CMB’ providing the service for the construction of buildings necessary for the provision of community-based long-term care services (hereinafter referred to as – standard construction design);</li> <li>iii. Copy of the Acceptance Act (01.12.2022. No. 1-15/131) of the developed standard construction design, signed on 30 November 2022 between the public limited liability company ‘Šampētera nams’ and limited liability company ‘CMB’ providing the service (hereinafter referred to as – acceptance act);</li> <li>iv. An extract of the guidelines ‘Requirements for long-term care services for pensioners close to the family environment’ established by the Ministry of Welfare and published on 14 February 2022 (hereinafter referred to as – guidelines) (Link to publication: <a href="https://www.lm.gov.lv/lv/gimeniskai-videi-pietuvinati-aprupes-pakalpojumi-pensijas-vecuma-personam">https://www.lm.gov.lv/lv/gimeniskai-videi-pietuvinati-aprupes-pakalpojumi-pensijas-vecuma-personam</a>);</li> <li>v. Copy of Cabinet of Ministers Regulation No. 475 ‘Rules for the implementation and monitoring of the second round of investment 3.1 ‘Sustainability and access to social and employment services in support of the minimum income reform’ of the European Union’s Recovery and Resilience Facility Reform and Investment Axis 3.1 ‘Regional Policy’, reform 3.1.2 ‘Access to social and employment services in support of the minimum income reform’,</li> </ol>		

investment 3.1.2.3.i 'Sustainability and continuity of long-term social care services: development of new providers of family-like care services for retirement-age persons' adopted on 22 August 2023, entered into force on 26 August 2023 (hereinafter referred to as Regulation No. 475) (Link to publication: <https://likumi.lv/ta/id/344778-eiropas-savienibas-atveselosanas-un-noturibas-mehanisma-plana3-1-reformu-un-investiciju-virziena-regionala-politika>).

The authorities also provided:

- i. Copy of the technical specification for the procurement of the standard construction design;
- ii. Letter of the Ministry of Welfare to local governments on the availability of the standard construction design in the Construction Information System (hereinafter – letter to the municipalities).

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**A standard construction design for the construction of buildings necessary for the provision of long-term care services close to the family environment has been adopted by the Ministry of Welfare.**

Furthermore, in the line with the description of the measure, **the measure consists of developing a standard construction design for new long-term care facilities.**

The Council Implementing Decision required that the standard construction design for the construction of buildings necessary for the provision of long-term care services close to the family environment be adopted by the Ministry of Welfare. On 30 November 2022 public limited liability company 'Šampētera nams', acting on behalf of the Ministry of Welfare, signed the acceptance act for the completion of the standard construction design, adopting the standard construction design. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, the acceptance act (page 1) refers to the contract signed on 2 November 2022 between the Ministry of Welfare and the public limited liability company Šampētera nams for the implementation of this milestone as part of the measure: 3.1.2.3.i. 'Resilience and continuity of the long-term social care' of the Recovery and Resilience Plan of Latvia. The company Šampētera nams is competent in selecting a standard construction design and its work was supervised by the Ministry of Welfare. As of this, this minimal deviation does not affect the progress towards achieving the investment that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Moreover, the standard construction design for the provision of long-term care services by local communities was provided as evidence and developed in accordance with the guidelines developed by the Ministry of Welfare on the creation of services close to the family environment. In particular, the standard construction design would be suited for persons of retirement age with functional impairments as evidenced by the plans contained in the standard construction design. For example, rooms are free of obstacles, as requested in the guidelines, and enough space is ensured for the movement of a bed between rooms and across the facility. The standard construction design also includes common spaces (for example a multifunctional space) which facilitate interactions and create a family-like environment.

Finally, Articles 30.8. and 40.1. of Cabinet Regulation No. 475 set legal requirements on the use of the standard construction design when building new long-term care facilities for persons of retirement age. Furthermore, Annex 1 of Cabinet Regulation No. 475, which lists the eligibility criteria to be followed by project applicants, shows that long-term care facilities must be close to the family environment in order to be approved. For example, point 2.13 of this annex requires that 'it is indicated in the project application that the place of provision of the social service is planned according to the principles of a service close to the family environment'.

**The construction design shall be intended for the construction of highly energy-efficient buildings (nearly zero-energy buildings).**

The public procurement technical specification provided by the Latvian authorities includes conditions regarding the implementation of environmentally friendly and energy-efficient solutions. The residential buildings must meet the requirements of almost zero energy consumption, while requirements for energy efficiency are specified in the technical specifications of section 3.1., page 4 in the guidelines.

Moreover, the standard construction design documentation includes an ex-ante energy certificate (located in the 'Annex 2.3' file). This certificate shows that the annual total energy demand for the buildings is predicted to be 88 kWh/m<sup>2</sup>, which complies with nearly zero-energy requirements. The construction design is therefore intended for the construction of highly energy-efficient buildings (nearly zero-energy).

Finally, Article 40.2. of the Cabinet Regulation No. 475 obliges beneficiaries to ensure that the "residential house must conform to the requirements for almost zero energy consumption".

**Municipalities shall be in possession of a standard construction project already ready, thus reducing project costs.**

On 10 March 2023 the Ministry of Welfare sent a letter to municipalities informing the municipalities on the availability of the standard construction design on the portal of the Construction Information System to ensure that they are aware that the documents have been made available there.

**Simpler project implementation for municipalities shall reduce risks for delays in project implementation.**

The detailed standard construction design for new buildings provided by the Latvian authorities reduces design costs for individual projects and the risk of delays in project implementation. As explained in the summary document, using a single construction design instead of 17 different ones simplifies project implementation as it reduces procurement processes. The municipalities will only have to link the designed building to a specific plot of land and continue directly with the procurement of a construction company, which simplifies the project implementation. The costs of linking the designed building to a specific plot are significantly lower than elaborating individual construction designs for each building.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 131</b>	<b>Related Measure: 4.1.1.r. Sustainability and resilience of a human-centred, comprehensive, integrated healthcare system</b>	
<b>Name of the Milestone: Adoption of a digital health strategy</b>		
<b>Qualitative Indicator:</b> Digital health strategy adopted by the Ministry of Health		<b>Time:</b> Q3 2022
<b>Context:</b> Milestone 131 is part of reform 4.1.1.r., which aims to develop a human-centred, comprehensive, integrated healthcare system and ensure its sustainability and resilience. Milestone 131 requires the adoption of the digital health strategy. Milestone 131 is the first step of the implementation of the reform, and it is accompanied by milestone 132, related to the development of an investment strategy and recommendations for the development of integrated and epidemiologically safe health care, in this payment request. They will be followed by milestones 133 and 134, related to the establishment of a genome reference as well as the introduction of a uniform methodological management in oncology, respectively. The reform has a final expected date of implementation on 31 August 2026.		
<b>Evidence provided:</b>		



In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Copy of the informative report “Digital Health Strategy until 2029” of 15 August 2023, issued by the Ministry of Health, entered into force on 15 August 2023. Link to the publication: [https://tapportals.mk.gov.lv/legal\\_acts/ca84fcc7-3f49-4ac1-a75a-418b6da1f483#](https://tapportals.mk.gov.lv/legal_acts/ca84fcc7-3f49-4ac1-a75a-418b6da1f483#)
- iii. Copy of the Public health guidelines for the 2021-2027 of 26 May 2022, entered into force on 26 May 2022 as the Cabinet of Ministers order No. 359. Link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2022/105.4>
- iv. Copy of the Digital Transformation guidelines 2021-2027 of 7 July 2021, entered into force on 7 July 2021, as the Cabinet of Ministers order No. 490. Link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2021/133.1>

The authorities also provided:

- i. Copy of the meeting minutes No. 40 of the Cabinet of Ministers of 15 August 2023. Link to the publication in the Official Journal: <https://www.vestnesis.lv/op/2023/163.9>
- ii. Copy of the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027” with the World Health Organisation, Regional Office for Europe
- iii. Copy of the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027, second phase” with the World Health Organisation, Regional Office for Europe
- iv. Report from the workshops organised as part of the development of a digital health strategy, May 2021.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The milestone shall be deemed to be reached after the digital health strategy has been approved by the Ministry of Health.**

The national Digital Health Strategy has been developed by the Ministry of Health, as is evidenced by the informative report “Digital Health Strategy until 2029” which was approved by the Cabinet of Ministers, including the Minister of Health, on 15 August 2023, as evidenced by the Cabinet of Ministers meeting minutes No 40, page 10, clause 38.

The Council Implementing Decision required the digital health strategy to be approved by the Ministry of Health. Instead, the strategy was approved by the Cabinet of Ministers, including the Minister of Health, on 15 August 2023, as evidenced by the Cabinet of Ministers meeting minutes No 40 of 15 August 2023. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, according to the Cabinet regulation No. 606 of 7 September 2021, on the Rules of Procedures of the Cabinet clauses 2. and 2.1. “2. The Cabinet shall, according to its competence, examine the following documents: 2.1. draft development planning documents (hereinafter - the planning documents)” (link to the publication of the Cabinet regulation No. 606 of 7 September 2021 in the Official Journal: <https://www.vestnesis.lv/op/2021/173A.1>). Because of these provisions, the strategy as a planning document developed in the form of an informative report, had to be approved by the Cabinet of Ministers rather than by the Minister for Health alone. The final approved version is published in the Public Portal of Draft Legislation ([Tiesību aktu projektu publiskais portāls \(mk.gov.lv\)](https://tapportals.mk.gov.lv)). The status of the document on the said portal is indicated as “adopted” and it is proved with the link to the Cabinet of Ministers meeting minutes No. 40 of 15 August 2023. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**The strategy shall be developed in line with the Public Health Guidelines 2021-2027 and Digital Transformation guidelines 2021-2027.**

The Digital Health Strategy is developed in line with the Public Health Guidelines 2021-2027 and Digital Transformation guidelines 2021-2027 as evidenced by the introduction section of the Digital Health Strategy, which states that the strategy defines the directions and tasks for the digital transformation of the healthcare sector to ensure the achievement of the goals set in the Public Health Guidelines for 2021-2027, as well as the implementation of tasks outlined in the Digital Transformation Guidelines for 2021-2027 (paragraph 2, page 3).

This is further elaborated in the dedicated annex to the Strategy on the Strategy's links with other planning documents. Namely, the link with the Public Health Guidelines for 2021-2027 is described in paragraphs 314-316, and the link with the Digital Transformation Guidelines for 2021-2027 is described in paragraphs 317-325 of the Strategy, pages 89 and 90, respectively.

In particular, the Digital Health Strategy (paragraph 315, page 89) states that the Strategy serves as a roadmap for the development and implementation of digital solutions in the healthcare sector, aligning with the needs of the industry and its service users in line with the task direction 5. "Sustainability of healthcare, strengthening management, effective utilisation of healthcare resources" of the Public Health Guidelines 2021-2027. Task 5.12. of the Public Health Guidelines for 2021-2007, requires promoting the digital transformation of the health sector (Public Health Guidelines for the 2021–2027, pages 135-136), and sub-task 5.12.8. requires the development of "The digitalisation strategy of the health sector for 2022-2027" (Public Health Guidelines for the 2021–2027, page 136), which is fulfilled by the development of the Strategy, as evidenced by the paragraph 1, page 3 of the Digital Health Strategy.

In addition, the Strategy serves for the implementation of tasks outlined in the Digital Transformation Guidelines for 2021-2027. This is evidenced by section 1.4. "Digital Skills and Cultural Change" of the Strategy (Digital Health Strategy for the 2021–2029, pages 41-45), which includes the tasks of the Digital Transformation Guidelines 2021-2027 development area 4.1. "Digital Skills and Education", sub-section 4.1.5. "Digital Skills in the Healthcare Sector" (Digital Transformation Guidelines 2021–2027, page 20). This is also evidenced by section 1.1. "Digital health information system development" of the Strategy (Digital Health Strategy for the 2021–2029, pages 26-30), which includes tasks of the Digital Transformation Guidelines 2021-2027 development area 4.4.6. "Public Health and Social Well-being" focused on the further development of the e-Health information system (Digital Transformation Guidelines 2021–2027, pages 50-52).

**The strategy shall contain an action plan and monitoring framework.**

The Digital Health Strategy includes an action plan described in the respective sections of the development areas (Digital Health Strategy for the 2021–2029, pages 26-57) and summarised in the list of tasks (Digital Health Strategy for the 2021–2029, pages 62-78). The summary of tasks includes the list of tasks, the level of priority, planned year for completion, co-responsible institution, source and indicative amount of funding.

The monitoring framework is outlined in the section on implementation of the strategy (Digital Health Strategy for the 2021–2029, pages 58-61). The monitoring of the implementation of the Strategy and all planned IT development projects has been entrusted to the Ministry of Health and the digital health council, which consists of state institutions, e-health users and developers (Digital Health Strategy for the 2021–2029, paragraph 270). The monitoring framework also includes the establishment of project monitoring committees (Digital Health Strategy for the 2021–2029, paragraph 274). Monitoring of the implementation progress of the Strategy has been planned to be included in the mid-term and final reports issued by the Ministry of Health on the implementation of the Public Health Guidelines 2021-2027 (Digital Health Strategy for the 2021–2029, paragraph 276). Targets with base value, mid-term value in 2024 and final value in 2029 are also included (Digital Health Strategy for the 2021–2029, table 1, pages 21-22).

**The strategy shall cover such aspects as health care, use of data for research, common use of data, data management, public health sector IT systems and solutions, private IT systems, cross-border data exchange and digital skills.**

The Digital Health Strategy covers various aspects such as use of data for research, common use of data, data management, public health sector IT systems and solutions, private IT systems, cross-border data exchange, and digital skills (Digital Health Strategy for the 2021–2029, pages 24–78). For example, section 1.1.1. “Develop the Digital Health Information System platform (DigiVesIS platform) for the Unified Medical Record (EMR), usable on smart devices”, on pages 27–28, deals with the development of a centralised repository for high-quality patient medical records, along with IT solutions for data exchange between different systems of private and public parties; section 1.2.1. “Ensure data standardisation”, on pages 32–33, deals with data management in terms of data standardisation and the introduction of necessary classifiers to ensure that all essential health data is centralised in the data repository enabling easier, more flexible and efficient information exchange between healthcare institution information systems and state central systems; section 1.2.4. “Engage in the European health data space by participating in EU joint projects for cross-border exchange of health data”, on pages 36–37, deals with cross-border data exchange; section 1.4. “Digital Skills and Cultural Change” on pages 41–45 deals with digital skills of health care staff and use of digital health care service use in society.

Furthermore, in line with the description of the measure, **a Digital Health Sector Strategy shall be developed in cooperation with the World Health Organisation.**

The Digital Health Strategy was developed in collaboration with the World Health Organisation (WHO) (Digital Health Strategy for the 2021–2029, paragraph 7). In particular, in collaboration with the WHO more than 30 in-depth stakeholder interviews and workshops were carried out to identify issues that are relevant to patients, medical institutions, users and developers of IT systems working in the health sector, as well as organisations that use or could use health data (Digital Health Strategy for the 2021–2029, paragraph 54).

The collaboration with the WHO in the development of the Digital Health Strategy is evidenced by the copy of the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027” and the copy of the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027, second phase”, which demonstrate that the WHO hired experts to deliver the implementation of the process No. 1. “Review and assess the current situation in the area of digitalisation in health” and for the process No. 2. “Identify the gaps, challenges, formulate vision, objectives and interventions in the health digitalisation policy document”.

As evidenced by the copy of the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027”, the deliverables included the conduction of stakeholder interviews in February 2021.

As evidenced by the Terms of Reference, Agreement of Performance of Work “Development of a draft digital transformation strategy for the health sector for 2021-2027”, the deliverables for process No. 2. included organisation of 5 workshops by 30 April 2021 and a summary of the results of the workshops by 9 May 2021. The accomplishment of this task is evidenced by the report from the workshops organised as part of the development of a digital health strategy, prepared in May 2021. The report demonstrates that 5 workshops were organised. The first workshop on 21 April 2021 explored the patient's perspective, discussing digital health as an opportunity for patients and examining the ideal patient journey in the context of digital health. The second workshop on 22 April 2021 explored the perspective of healthcare professionals and pharmacists. The event on 27 April 2021 delved into data management in the healthcare sector. On 7 May 2021, the focus turned to partnership and collaboration within the healthcare ecosystem, addressing how to foster collaborations that promote digitalisation, new technologies, methods, and knowledge utilisation.

Finally, on 15 May 2021, the series concluded with a presentation and discussion of Latvia's initial vision for the Digital Health Strategy.

**This strategy shall serve as a way forward to develop and deploy digital solutions in the health sector that are safe and meet the needs of the industry and its users.**

The Strategy aims to improve population health through digital health solutions for patients, healthcare providers, government and other health sector actors (Digital Health Strategy for the 2021–2029, paragraph 64).

The Strategy serves as the way forward to develop and deploy digital solutions as evidenced by the action plan listing the tasks to be completed until 2029 (Digital Health Strategy for the 2021–2029, pages 62 – 78), for example, task 1.1.1.1., on page 62, to develop a digital health care core platform until 2024, task 1.1.1.1. on page 62, to update the digital health patient section for use on smart devices until 2024, task 1.1.2. on pages 62–63, to create a notification and reminder IT solution until 2029.

Paragraph 89, page 28, of the Digital Health Strategy states that the digital health core is designed to create an environment that is secure and open to all industry representatives, and paragraph 100, page 30 of the Strategy states that special attention is given to data processing security requirements, specifying not only software requirements but, if necessary, also physical infrastructure and its security.

To ensure that the digital solutions meet the needs of the industry and users, the users of health care IT systems and representatives of the health industry are involved through expert level working groups, with experts from institutions involved in business processes, users of health care IT systems, IT developers and university representatives (Digital Health Strategy for the 2021–2029, paragraph 273). The action plan lists the involvement of civil society and business organisations in such tasks as:

- (i) the monitoring treatment plan implementation using the e-health platform (Digital Health Strategy for the 2021–2029, page 62 with task 1.1.4)
- (ii) developing and upgrading registries for oncology patients and patients with mental and behavioral disorders in accordance with the Mental Health Care Improvement Plan (Digital Health Strategy for the 2021–2029, page 64, task 1.2.2.1.; page 65, task 1.2.2.3.)
- (iii) participation in designing remote service regulatory framework and preparing a remote service list (Digital Health Strategy for the 2021–2029, page 67, task 1.3.1.2. and 1.3.1.5.)

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 132</b>	<b>Related Measure: 4.1.1.r. Sustainability and resilience of a human-centred, comprehensive, integrated healthcare system</b>	
<b>Name of the Milestone: Development of a human-centred, comprehensive, integrated healthcare delivery model through the development of an investment strategy and recommendations for the development of integrated and epidemiologically safe health care</b>		
<b>Qualitative Indicator:</b> Integrated healthcare model documents approved by the Ministry of Health		<b>Time:</b> Q4 2022
<b>Context:</b> Milestone 132 is part of reform 4.1.1.r. which aims to develop a human-centred, comprehensive, integrated healthcare system and ensure its sustainability and resilience. Milestone 132 concerns the development of integrated healthcare through a set of documents: (i) an investment strategy for infrastructure investments for the provision of publicly funded health services; (ii) recommendations for the implementation of the integrated care approach; and (iii) recommendations for epidemiological requirements. Milestone 132 is the second milestone of the reform, and it is accompanied by milestone 131, related to the adoption of digital health strategy, in this payment request. They will be followed by milestones 133 and 134, related to the establishment of genome reference as well as the introduction of a		

uniform methodological approach in oncology, respectively. The reform has a final expected date for implementation on 31 August 2026.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Copy of the informative report “On health care provision infrastructure development investment strategy for 2021-2027”, adopted by the Cabinet of Ministers on 14 July 2022. Links to the publication: [https://tapportals.mk.gov.lv/legal\\_acts/c9e99f49-7a1e-42a6-8002-31b1cc66dc96](https://tapportals.mk.gov.lv/legal_acts/c9e99f49-7a1e-42a6-8002-31b1cc66dc96);  
[https://tapportals.mk.gov.lv/attachments/legal\\_acts/document\\_versions/670c43d6-16ca-4835-80f5-0c2a3144353e/download](https://tapportals.mk.gov.lv/attachments/legal_acts/document_versions/670c43d6-16ca-4835-80f5-0c2a3144353e/download);
- iii. Copies of the attachments No. 1-3 of the informative report “On health care provision infrastructure development investment strategy for 2021-2027” – Excel sheet No. 1. “Investment available for infrastructure development 2021-2027 (euro), incl. VAT”; Excel sheet No. 2. “Summary of the needs of medical institutions”; Excel sheet No. 3. “Funding available for infrastructure development 2021-2027 from EU funds”. Links to the publication: [https://tapportals.mk.gov.lv/legal\\_acts/c9e99f49-7a1e-42a6-8002-31b1cc66dc96](https://tapportals.mk.gov.lv/legal_acts/c9e99f49-7a1e-42a6-8002-31b1cc66dc96);
- iv. Copy of the recommendations for the integrated health care models, approved by the Ministry of Health on 7 June 2023 with internal filing system No. 01-01.1/76, published on the Ministry of Health website. Link to the publication: <https://www.vm.gov.lv/lv/media/11871/download?attachment>;
- v. Copy of the recommendations for the epidemiological requirements, adopted by the Ministry of Health on 15 June 2023 with internal filing system No. 01-01.1/79.

The authorities also provided:

- i. Copy of the Cabinet of Ministers meeting minutes No. 36 of 14 July 2022, section 105 titled “Informative report “On the investment strategy for the development of health care infrastructure for 2021-2027; 22-TA-1198””; published in Official Journal on 22 July 2022. Link to the publication: <https://www.vestnesis.lv/op/2022/140.2>
- ii. Copy of the order No. 01-01.1/76 of 07 June 2023 of the Ministry of Health on the implementation of the “Recommendations for the integrated health care models”.
- iii. Copy of the order No 01-01.1/79 of 15 June 2023 of the Ministry of Health on “Recommendations for the epidemiological requirements”.
- iv. Copy of the public version of the epidemiological requirements published on the website of the Health Inspectorate. Link to the publication: <https://www.vi.gov.lv/lv/epidemiologijas-prasibu-rekomendacijas>.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The integrated healthcare shall be established once the following documents are developed and approved by the Ministry of Health:**

For the purposes of this milestone, the integrated healthcare is established simply and solely through the development and approval by the Ministry of Health of the documents listed in the description of the milestone.

**1) an investment strategy**

The Ministry of Health has developed an investment strategy for infrastructure investments for the provision of publicly funded health services, as is evidenced by the informative report “On health care provision infrastructure development investment strategy for 2021-2027”. The report was adopted

by the Cabinet of Ministers including the Minister of Health, on 14 July 2022, which is documented in section 105 of the Cabinet of Ministers meeting minutes No. 36.

The Council Implementing Decision required the investment strategy to be approved by the Ministry of Health. Instead, the strategy was approved by the Cabinet of Ministers, including the Minister of Health, on 14 July 2022, as evidenced by the Cabinet of Ministers meeting minutes No. 36 of 14 July 2022. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, according to the Cabinet regulation No. 606 of 7 September 2021, on the Rules of Procedures of the Cabinet clauses 2. and 2.1. "2. The Cabinet shall, according to its competence, examine the following documents: 2.1. draft development planning documents (hereinafter - the planning documents)" (link to the publication of the Cabinet regulation No. 606 of 7 September 2021 in the Official Journal: <https://www.vestnesis.lv/op/2021/173A.1>). Because of these provisions, the strategy as a planning document developed in the form of an informative report, had to be approved by the Cabinet of Ministers rather than by the Minister for Health alone. The final approved version is published in the Public Portal of Draft Legislation (<https://tapportals.mk.gov.lv/>). The status of the document on the said portal is indicated as "adopted" and it is proved with the link to the Cabinet of Ministers meeting minutes No. 36 of 14 July 2022. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**for infrastructure investments for the provision of publicly funded health services, including**

The investment strategy sets the infrastructure investment framework for publicly funded health care services through an analysis of the current situation (pages 7-11), including a mapping of healthcare levels (pages 11-31) and priority areas (pages 33-44). It identifies previous investments, existing gaps and priority needs that justify and prioritise public investments in healthcare infrastructure from 2020 to 2027 to ensure the provision of publicly funded health services. For example, the Strategy explains that contracts for the provision of publicly funded primary health services are signed with 1275 practitioners, it analyses the issues linked with the provision of services such as accessibility and capacity and outlines such planned infrastructure investments as equipment for crisis situations like pandemics and enabling remote consultations, investments in renovations and equipment for the expansion of practices, and addressing disparities through developing primary healthcare centers in underserved areas (pages 11-14).

**a hospital mapping shall be included**

The investment strategy includes hospital mapping by geographical location and levels (informative report "On health care provision infrastructure development investment strategy for 2021-2027", page 20, picture 6) as well as by service profiles (informative report "On health care provision infrastructure development investment strategy for 2021-2027", page 21, table 1).

**to ensure the continuation of the reform of the hospital network,**

The informative report "On health care provision infrastructure development investment strategy for 2021-2027" is developed taking into account the previous planning documents ensuring the continuity of the ongoing reforms (page 5).

As explained in paragraph 69, page 22 of the informative report "On health care provision infrastructure development investment strategy for 2021-2027", the ongoing hospital network reform consists of the annual re-assessment of hospital levels, regular and periodical evaluation of the provision of the hospital inpatient services according to the level of the hospital and the mapping of inpatient services.

The investments are planned taking into account the current hospital levels in accordance with the Cabinet of Ministers regulations No. 555, as reflected in the hospital level mapping in image 6 on page 19, which shows the location and level of each hospital, and the hospital service profiles in table 1 on page 20 of the Strategy, thus ensuring the continuation of the reform.

**including taking into account the assessment of hospital levels;**

As evidenced by section 1. “Health care levels”, pages 11-33 of the informative report “On health care provision infrastructure development investment strategy for 2021-2027”, the investment strategy takes into account overall healthcare service and hospital level assessments as described in the Cabinet of Ministers regulation No 555. This is reflected in the hospital level mapping in image 6 on page 19, which shows the location and level of each hospital, and the hospital service profiles in table 1 on page 20 of the Strategy, which lists all hospitals, grouping them by level from I to V and showing the services they are providing. The investment needs of level V hospitals are described in the section 1.3.1., pages 23-28, and those for I-IV level hospitals in the section 1.3.2., pages 28-29.

**2) recommendations for the implementation of the integrated care approach;**

Recommendations for the implementation of the integrated care approach were prepared and endorsed by the Ministry of Health as evidenced by order No. 01-01.1/76 of 7 June 2023 on feasibility to pilot and implement these integrated care models.

The recommendations explain that integrated healthcare aims to provide quality, patient-centered and equitable services by optimising resources and fostering collaboration among various healthcare providers. It involves organising healthcare processes to enhance service delivery, connecting healthcare with public health and social services (page 9).

The recommendations focus on implementation of the integrated care approach in three areas:

- the transition of chronically ill children from pediatric to adult healthcare (pages 31 -60);
- the organisation of secondary ambulatory care, known as the “Blue Corridor” to ensure coordinated and efficient patient movement for receiving specialised care outside of regular patient flows (pages 61-63);
- the organisation of post-hospitalisation healthcare, including rehabilitation, home healthcare, continuation of treatment in outpatient or lower-level inpatient healthcare facilities to provide effective, patient-centred post-hospitalisation care that is tailored to individual needs (page 91-124).

**3) a set of recommendations for epidemiological requirements**

A set of epidemiological requirement recommendations was prepared by the subordinate institution of the Ministry of Health, the Health Inspectorate, and approved by the Ministry of Health as evidenced by the copy of order No. 01-01.1/79 of 15 June 2023 requiring the Health Inspectorate to distribute the said recommendations to medical care institutions. The epidemiological recommendations are published on the official website of the Health Inspectorate.

The recommendations for epidemiological requirements include a set of general recommendations covering recommendations related to infrastructure, e.g., ventilation systems, isolation rooms, distancing of patients (page 76), hand hygiene (page 77), cleaning of rooms and equipment (page 78), garbage collection and laundry (page 78) and so forth, as well as specific recommendations for 10 level VI and V hospitals.

The Council Implementing Decision required the set of epidemiological recommendations to be developed by the Ministry of Health. The set of the epidemiological recommendations was developed by the Health Inspectorate. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, the Health Inspectorate is a State direct administration authority under the authority of the Minister for Health, which implements the functions of the state administration in the supervision and control of the health sector in order to ensure compliance with the requirements of the regulatory enactments regulating the field of health, public health and pharmaceutical activity for quality and qualified health care, as well as a safe and healthy life environment. As evidenced by the Cabinet of Ministers regulation No. 309 of 9 July 2019 on the regulations of the Health Inspectorate clause 4.7., the Health Inspectorate is tasked to: “4.7. control the implementation of infectious disease prevention and anti-epidemic measures specified in

regulatory acts, as well as compliance with hygiene requirements in high-risk subjects” link to the publication of the Cabinet regulation No. 309 of 9 July 2021 in the Official Journal: <https://www.vestnesis.lv/op/2019/139.3>). As such, developing the set of epidemiological recommendations falls within the area of competence of the Health Inspectorate. Moreover, the recommendations were approved by the Ministry of Health as evidenced by the copy of order No. 01-01.1/79 of 15 June 2023 requiring the Health Inspectorate to distribute the said recommendations to medical care institutions. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Furthermore, in line with the description of the measure, **the development of new models for the delivery of effective integrated health services at all levels of healthcare (primary, secondary and tertiary).**

The recommendations for the implementation of the integrated care approach include the description of three new models of provision of integrated healthcare services in three areas and cover all levels of healthcare (primary, secondary and tertiary) and demonstrate a subsequent and coordinated approach among various health care providers resulting in an integrated health care service. The models include:

- the transition of chronically ill children from pediatric to adult healthcare involving in an integrated manner family doctors (primary care), specialists and psychologist (secondary care), social workers and transition coordinator (pages 31-60);
- the organisation of secondary ambulatory care, known as the “Blue Corridor” to ensure coordinated and efficient patient movement for receiving specialised care outside of regular patient flows involving in an integrated manner family doctors (primary care), specialists (secondary care) and hospitals (tertiary care) (pages 61-63);
- the organisation of post-hospitalisation healthcare, including rehabilitation, home healthcare, continuation of treatment in outpatient or lower-level inpatient healthcare facilities to provide effective, patient-centred post-hospitalisation care that is tailored to individual needs involving in an integrated manner family doctors (primary care), specialists (secondary care) and hospitals (tertiary care) (-page 91-124).

In line with the description of the measure, **an investment strategy defining infrastructure investment needs shall be prepared by 31 December 2022.**

As evidenced by the copy of the informative report “On health care provision infrastructure development investment strategy for 2021-2027”, the investment strategy was adopted by the Cabinet of Ministers on 14 July 2022, thus before the 31 December 2022.

As evidenced by the informative report “On health care provision infrastructure development investment strategy for 2021-2027”, section IV Investment plan, pages 47-49, as well as the attachment No. 2 “The summary of medical institution needs” to the strategy, the investment strategy defines infrastructure investment needs for the period 2021-2027 for ambulatory care, including equipment, stationary care, including equipment, major equipment (above EUR 20 000), other needs, including IT, emergency medical services, primary care and chronically ill patient and palliative care. The total infrastructure investment needs are EUR 1 379 906 705.

In line with the description of the measure, **the reform shall also contain assessments of the provision of hospital services according to the hospital level and the mapping of hospital services.**

The informative report “On health care provision infrastructure development investment strategy for 2021-2027” contains the assessment of the provision of hospital services according to the hospital level, as evidenced by Section 1 “Health care levels” and the mapping of hospital services, as evidenced by the page 20, picture 6; page 21, table 1).



In line with the description of the measure, **these elements together with the integrated care recommendations and epidemiological safety framework are prerequisites for the planned investments in the hospitals and secondary outpatient settings as per investment: 4.1.1.2.i. and 4.1.1.3.i.**

The informative report “On health care provision infrastructure development investment strategy for 2021-2027” includes the planned investments and solutions aimed to improve healthcare services in hospitals (sections 1.3.-1.6, pages 18-31), including the RRF support to infrastructure development for 10 hospitals in line with the RRF investment 4.1.1.2.i. and 40 secondary outpatient care providers in line with the RRF investment 4.1.1.3.i. (section “Planned investments”, paragraphs 53 and 54, pages 16-17; and attachment 1, sheet 1 Available financing, column 11 RRP).

The strategy also lists preconditions that must be met before funding becomes available, including the compliance with the integrated care recommendations and epidemiological safety framework as evidenced by the paragraph 178, table No. 4, line 4, page 48 of the informative report “On health care provision infrastructure development investment strategy for 2021-2027”

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 135</b>	<b>Related Measure: 4.1.1.1.i. Support for public health research</b>
<b>Name of the Milestone: Adoption of the methodology for three studies to improve public health policy planning and implementation in the field of antimicrobial resistance, vaccination and infectious diseases.</b>	
<b>Qualitative Indicator:</b> Adoption of methodology by the Ministry of Health	<b>Time:</b> Q3 2022
<p><b>Context:</b></p> <p>The measure aims to improve public health policy in the areas of antimicrobial resistance, vaccination and infectious diseases. This is planned to be achieved by conducting three studies in these areas. Based on the key findings of the studies, changes are expected to be made in public health policy documents.</p> <p>Milestone 135 requires that the methodology for research in the areas of antimicrobial resistance, vaccination and infectious diseases is developed by a subordinate institution of the Ministry of Health and that it is adopted by the Ministry of Health.</p> <p>Milestone 135 is the first step of the implementation of the investment, and it will be followed by milestones 136 and 137, related to the three studies being conducted and the entry into force of revised legislation in public health policy based on key findings of these studies. The investment has a final expected date for implementation on 31 August 2026.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the methodology of the study in the area of anti-microbial resistance;</li> <li>iii. Copy of the methodology of the study of vaccination;</li> <li>iv. Copy of the methodology of the study in C hepatitis infection reduction;</li> <li>v. Copy of the decision No. 1-20.2/2023/19 of 05 April 2023 of the director of the Centre for Disease Prevention and Control on adopting the methodology for research.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of the Cabinet of Ministers regulations No. 241 on by-laws of the Centre for Disease Prevention and Control approved by the Cabinet of Ministers on 3 April 2012 and a link to publication in the Official Journal: <a href="https://www.vestnesis.lv/ta/id/246288-slimibu-profilakses-un-kontroles-centra-nolikums">https://www.vestnesis.lv/ta/id/246288-slimibu-profilakses-un-kontroles-centra-nolikums</a></li> </ol>	

- ii. Copy of the agreement between Health Ministry and the Centre for Disease Prevention and Control on the implementation of European Union Recovery Fund project No. 4.1.1.1.i.0/1/22/l/VM/001, signed on 28 December 2022
- iii. Copy on an e-mail from the Ministry of Health to the Centre for Disease Prevention and Control on harmonisation of the methodologies for the studies, sent on 18 April 2023.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities covers all constitutive elements of the milestone.

**The milestone shall be considered to be achieved following the development by a subordinate institution of the Ministry of Health and the adoption by the Ministry of Health of a harmonised methodology for research in the areas of anti-microbial resistance (AMR), vaccination and infection reduction**

The evidence provided by the authorities demonstrates that the methodology for the study of the prevalence of infections related to healthcare and use of antimicrobial agents in long-term care facilities in Latvia (Methodology of the study in the area of anti-microbial resistance) is developed and is in the area of anti-microbial resistance (AMR).

The methodology of the study in the area of anti-microbial resistance outlines the theoretical foundation (page 6) and explores long-term social care in Latvia (page 9). The methodologies used in other countries are reviewed based on scientific literature (page 11), and the data sources and quality analysis are discussed in detail (page 20). The research design and conceptual model are outlined (page 22), and the study's objectives, tasks, and target groups are clearly defined (page 23). Representative samples of long-term social care institutions are characterised, emphasising scope and selection methods (page 24). The document then succinctly covers sampling size, participant selection criteria, and study instruments (pages 24-27). Implementation plans, data collection processes, confidentiality, ethical considerations and data processing methods are also detailed (pages 59-64).

The evidence provided by the authorities demonstrates that the methodology for the study on the prevalence of factors delaying vaccination in Latvia (Methodology of the study of vaccination) is developed and is in the area of vaccination.

The document consists of three main sections, each detailing a research study on different vaccination-delaying factors:

(i) study on parents' population (pages 11-15) describes the research design, objectives, target group, sample size, organisation and instruments used for studying vaccination hesitancy among parents concerning their children;

(ii) study on primary healthcare specialists' population (pages 43-49) outlines the research design, objectives, target group, sample size, organisation and instruments used for examining vaccination hesitancy among primary healthcare specialists;

(iii) study on Latvian adult population (pages 79-85) explores the research design, objectives, target group, sample size, organisation and instruments used for investigating vaccination hesitancy among the adult population in Latvia.

The evidence provided by the authorities demonstrates that the methodology for the epidemiological study on the prevalence of hepatitis C in the adult population of Latvia (Methodology of the study in C hepatitis infection reduction) is developed and is in the area of infection reduction.

The methodology of the study in C hepatitis infection reduction outlines theoretical underpinnings, covering the definition, global prevalence, risk factors and transmission methods of hepatitis C, with a focus on mitigating its spread and identifying high-risk groups in Latvia (pages 7-15). The study's objectives, design and conceptual model are discussed, alongside a rationale for selecting the study population and participants (pages 14-16). Detailed descriptions of selected institutions, participant selection criteria, and the study's organisation and implementation are provided, including the timeline, ethical considerations and data collection methods (pages 19-37). The statistical analysis section addresses variables and data analysis stages (pages 38-41). The document concludes with

specifications for the study report, GDPR-compliant data storage, an assessment of compliance with good research practice and an exploration of study risks, strengths and weaknesses (pages 42-47). The evidence provided by the authorities demonstrates that the methodology adopted by the Centre for Disease Prevention and Control (Decision No. 1-20.2/2023/19 of 05 April 2023 of the director of the Centre for Disease Prevention and Control on adopting the methodology for research). As evidenced by a copy of an e-mail of 18 April 2023, sent by the head of Public Health Department of Ministry of Health to the Centre for Disease Prevention and Control, the Ministry of Health has harmonised the methodology in the way that they have evaluated the research methodology and confirm that it will provide significant data for shaping public health policies. The Ministry of Health considers the methodology sent by the Centre for Disease Prevention and Control justified and based on scientific evidence.

The Council Implementing Decision required adoption of the methodology by the Ministry of Health. The documents were adopted by the director of the Centre for Disease Prevention and Control. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, it concerns internal procedures of Latvia as in accordance with point 5 of Ministers regulations No. 241 on by-laws of the Centre for Disease Prevention and Control approved by the Cabinet of Ministers on 3 April 2012, the Centre for Disease Prevention and Control is a subordinate institution of the Minister for Health. Moreover, the Centre for Disease Prevention and Control has a state delegated task of planning, methodically managing, organising, coordinating and conducting studies in the area of public health as evidenced by the by-laws of the Centre for Disease Prevention and Control (point 4.6 Ministers regulations No. 241 on by-laws of the Centre for Disease Prevention and Control approved by the Cabinet of Ministers on 3 April 2012). Consequently, the Centre is the body which develops methodologies for studies defined under milestone 135 of Latvia's Recovery and Resilience plan (RRP) in accordance with the clause 3.1. of the agreement from 28 December 2022 between the Ministry of Health and the Centre for Disease Prevention and Control on the implementation of European Union Recovery Fund project No. 4.1.1.1.i.0/1/22/I/VM/001. Therefore, this minimal deviation does not affect the progress towards achieving the investment the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 138</b>	<b>Related Measure: 4.1.1.2.i. Support for strengthening the health infrastructure of university and regional hospitals</b>		
<b>Name of the Target: Number of projects which received a positive opinion of the Technology Commission on the eligibility of equipment for the provision of the relevant state-funded services</b>			
<b>Quantitative Indicator:</b> number	<b>Baseline:</b> 0	<b>Target:</b> 10	<b>Time:</b> Q4 2022
<b>Context:</b>			
<p>The measure 4.1.1.2.i. aims at developing the health care infrastructure to provide integrated health services, ensure the capacity of the hospitals to adapt to crisis situations, and ensure continued sustainable and high-quality state-funded health services. The investments shall be made in three clinical university hospitals and seven regional hospitals. Investments will be provided for the renovation, refurbishment and construction of new premises as well as for the procurement of the medical technologies and equipment.</p> <p>Target 138 concerns the positive decisions of the Ministry of Health on the acquisition of medical technologies in each of the ten projects. If a project involves the purchase of medical technology, it also requires a positive opinion from the Technology Commission. If such acquisitions are not planned, a decision of the Ministry of Health to that effect is required.</p> <p>Target 138 is the first step of the implementation of the investment. It is followed by target 139 related to at least 40% budget execution of the said investments by Q4 2024 and target 140 which provides for completion of development projects resulting in improved infrastructure of the ten</p>			

hospitals by Q3 2026. The investment has a final expected date for implementation on 31 August 2026.

**Evidence Provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Annex 1.1. copy of the letter No. 01-10.2.-01/1710 of 31 March 2022 from the Ministry of Health to the Daugavpils regional hospital (*SIA "Daugavpils reģionālā slimnīca"*);
- iii. Annex 1.1.2. copy of the technology commission meeting protocol No. 110 of 29 March 2022 for Daugavpils regional hospital;
- iv. Annex 1.2. copy of the letter No. 01-10.3.-02/5370 of 17 November 2022 from the Ministry of Health to Jelgava city hospital (*SIA "Jelgavas pilsētas slimnīca"*);
- v. Annex 1.2.1. copy of the technology commission meeting protocol No. 118 of 7 November 2022 for Jelgava city hospital;
- vi. Annex 1.2. copy of the letter No. 01-10.3.-02/5155 of 3 November 2022 from the Ministry of Health to Jekabpils regional hospital (*SIA "Jēkabpils reģionālā slimnīca"*);
- vii. Annex 1.3.1.1. copy of the technology commission meeting protocol No. 114 of 19 October 2022 for Jekabpils regional hospital;
- viii. Annex 1.3.2. copy of the letter No. 01-10.3.-02/6105 of 28 December 2022 from the Ministry of Health to Jekabpils regional hospital;
- ix. Annex 1.3.2.1. copy of the technology commission meeting protocol No. 122 of 14 December 2022 for Jekabpils regional hospital;
- x. Annex 1.3.3. copy of the letter No. 01-10.3.-02/6106 of 28 December 2022 from the Ministry of Health to Jekabpils regional hospital;
- xi. Annex 1.3.3.1. copy of the technology commission meeting protocol No. 119 of 12 December 2022 for Jekabpils regional hospital;
- xii. Annex 1.3.2. copy of the letter No. 01-10.3.-02/226 of 16 January 2023 from the Ministry of Health to Jekabpils regional hospital;
- xiii. Annex 1.3.4.1. copy of the technology commission meeting protocol No. 1 of 5 January 2023 for Jekabpils regional hospital;
- xiv. Annex 1.4. copy of the letter No. 01-10.2.-01/684 of 8 February 2023 from the Ministry of Health to Liepāja regional hospital (*SIA "Liepājas reģionālā slimnīca"*);
- xv. Annex 2.8.2. copy of the technology commission meeting protocol No. 109 of 27 January 2023 for Liepāja regional hospital;
- xvi. Annex 1.5. copy of the letter No. 01-10.3.-02/6151 of 28 December 2022 from the Ministry of Health to Paula Stradiņa Clinical University Hospital (*Valsts sabiedrība ar ierobežotu atbildību "Paula Stradiņa klīniskā universitātes slimnīca"*);
- xvii. Annex 1.5.1.1. copy of the technology commission meeting protocol No. 121 of 16 December 2022 for Paula Stradiņa Clinical University Hospital;
- xviii. Annex 1.6.1. copy of the letter No. 01-10.3.-02/4929 of 28 December 2022 from the Ministry of Health to North Kurzeme regional hospital (*SIA "Ziemeļkurzemes reģionālā slimnīca"*);
- xix. Annex 1.6.1.1. copy of the technology commission meeting protocol No. 112 of 11 October 2022 for North Kurzeme regional hospital;
- xx. Annex 1.6.2. copy of the letter No. 01-10.3.-02/5636 of 02 December 2022 from the Ministry of Health to North Kurzeme regional hospital;
- xxi. Annex 1.6.2.1. copy of the technology commission meeting protocol No. 115 of 24 November 2022 for North Kurzeme regional hospital;

- xxii. Annex 2.1. copy of the decision of the Ministry of Health No. 01-10.3-02/11 of 3 January 2023 on the harmonisation of the acquisition of medical technology for Children's Clinical University Hospital (*Valsts sabiedrībai ar ierobežotu atbildību "Bērnu klīniskā universitātes slimnīca"*);
- xxiii. Annex 2.2. copy of the decision of the Ministry of Health No. 01-10.3-02/10 of 3 January 2023 on the harmonisation of the acquisition of medical technology for Riga Eastern Clinical University Hospital (*SIA "Rīgas Austrumu klīniskā universitātes slimnīca"*);
- xxiv. Annex 2.3. copy of the decision of the Ministry of Health No. 01-10.3-02/16 of 3 January 2023 on the harmonisation of the acquisition of medical technology for Rezekne hospital (*SIA "Rēzeknes slimnīca"*);
- xxv. Annex 2.4. copy of the decision of the Ministry of Health No. 01-10.3-02/17 of 3 January 2023 on the harmonisation of the acquisition of medical technology for Vidzeme hospital (*SIA "Vidzemes slimnīca"*);
- xxvi. Annex 2.5. copy of the decision of the Ministry of Health No. 01-10.3-02/5701 of 7 December 2022 on the harmonisation of the acquisition of medical technology for Daugavpils regional hospital (*SIA "Daugavpils reģionālā slimnīca"*);
- xxvii. Annex 2.6. copy of the decision of the Ministry of Health No. 01-10.3-02/5854 of 14 December 2022 on the harmonisation of the acquisition of medical technology for Jelgava city hospital (*SIA "Jelgavas pilsētas slimnīca"*);
- xxviii. Annex 2.7. copy of the decision of the Ministry of Health No. 01-10.3-02/245 of 17 January 2023 on the harmonisation of the acquisition of medical technology for Jekabpils regional hospital (*SIA "Jēkabpils reģionālā slimnīca"*);
- xxix. Annex 2.8. copy of the decision of the Ministry of Health No. 01-10.3-02/3255 of 13 July 2022 on the harmonisation of the acquisition of medical technology for Liepāja regional hospital (*SIA "Liepājas reģionālā slimnīca"*);
- xxx. Annex 2.9. copy of the decision of the Ministry of Health No. 01-10.3-01/6187 of 30 December 2022 on the harmonisation of the acquisition of medical technology for Paula Stradiņa Clinical University Hospital (*Valsts sabiedrība ar ierobežotu atbildību "Paula Stradiņa klīniskā universitātes slimnīca"*);
- xxxi. Annex 2.10. copy of the decision of the Ministry of Health No. 01-10.3-02/5700 of 7 December 2022 on the harmonisation of the acquisition of medical technology for North Kurzeme regional hospital (*SIA "Ziemeļkurzemes reģionālā slimnīca"*).

The authorities also provided:

- i. Annex 2.1.1. copy of a letter No. 02-06-218/2022 from the Children's Clinical University Hospital;
- ii. Annex 2.2.1. copy of a letter No. A1/1.1.-07.1/22/1499 from Riga Eastern Clinical University Hospital;
- iii. Annex 2.3.1. copy of a letter No 1.15.1-1/1227 from the Rezekne hospital;
- iv. Annex 2.4.1 copy of a letter No. 1.4-1145 from the Vidzeme hospital;
- v. Annex 2.5.1. copy of the list of medical technologies approved for purchase for Daugavpils regional hospital;
- vi. Annex 2.6.1. copy of the list of medical technologies approved for purchase for Jelgava city hospital;
- vii. Annex 2.7.1. copy of the list of medical technologies approved for purchase for Jekabpils regional hospital;
- viii. Annex 2.8.1. copy of the list of medical technologies approved for purchase for Liepāja regional hospital;
- ix. Annex 2.9.1. copy of the list of medical technologies approved for purchase for Paula Stradiņa Clinical University Hospital;

- x. Annex 2.10.1. copy of the list of medical technologies approved for purchase for Ziemeļkurzeme regional hospital;
- xi. Annex 3 copy of the Ministry of Health order No. 9 of 24 January 2022 establishing the Technology Commission;
- xii. Annex 4 copy of the Ministry of Health internal rule No. 20 of 11 April 2022 on procedure for evaluation of medical technologies;
- xiii. Annex 5 copy of the Ministry of Health internal rule No. 32 of 22 September 2022 on procedure for evaluation of medical technologies.
- xiv. Copy of the attachment to the letter No. 01-10.2.-01/684 of 8 February 2023 from the Ministry of Health to Liepaja regional hospital (*SIA "Liepājas reģionālā slimnīca"*);
- xv. Copies of the attachments of the letter No. 01-10.3.-02/6151 of 28 December 2022 from the Ministry of Health to Paula Stradina Clinical University Hospital;
- xvi. Copies of the attachments to the letter No. 01-10.3.-02/4929 of 28 December 2022 from the Ministry of Health to North Kurzeme regional hospital (*SIA "Ziemeļkurzemes reģionālā slimnīca"*);
- xvii. Copies to the attachments of the letter No. 01-10.3.-02/5636 of 02 December 2022 from the Ministry of Health to North Kurzeme regional hospital.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities covers all constitutive elements of the target.

**The target shall be considered to be achieved with the positive decision of the Ministry of Health on the harmonisation of the acquisition of medical technology in each of the ten projects supporting health infrastructure of university and regional hospitals. This decision shall be prepared for all projects.**

The Latvian authorities provided copies of ten positive decisions of the Ministry of Health on the harmonisation of the acquisition of medical technology for each of the ten hospitals that are included in the measure thus covering all projects:

- Children's Clinical University Hospital (Annex 2.1.);
- Riga Eastern Clinical University Hospital (Annex 2.2.);
- Rezekne hospital (Annex 2.3);
- Vidzeme hospital (Annex 2.4.);
- Daugavpils regional hospital (Annex 2.5.);
- Jelgava city hospital (Annex 2.6.);
- Jekabpils regional hospital (Annex 2.7.);
- Liepaja regional hospital (Annex 2.8.);
- Paula Stradina Clinical University Hospital (Annex 2.9.)
- North Kurzeme regional hospital (Annex 2.10).

**If such acquisitions are not planned, a decision to that effect is required.**

In their letters to the Ministry of Health, four hospitals confirmed that they do not plan acquisitions of medical technologies and that they will reach the objectives of the measure 4.1.1.2.i.:

- Children's Clinical University Hospital (Annex 2.1.1.);
- Riga Eastern Clinical University Hospital (Annex 2.2.1.);
- Rezekne hospital (Annex 2.3.1.);
- Vidzeme hospital (Annex 2.4.1.).

Based on these letters, the Ministry of Health issued four positive decisions to that effect and submitted the copies (annexes 2.1., 2.2., 2.3, 2.4) as evidence for these four hospitals thus fulfilling the requirement.

**If a project involves the purchase of medical technology, it requires a positive opinion from the Technology Commission.**

The opinions of the Technology Commission were recorded in the meeting minutes as per the procedure described in clause 7 as well as section IV of the Ministry of Health internal rule No. 32 of 22 September 2022 on procedure for evaluation of medical technologies. The Latvian authorities provided as evidence copies of ten meeting minutes containing in total ten positive opinions from the Technology Commission and decisions of the Ministry of Health approving the purchase for the projects in six hospitals that involve the purchase of medical technology:

- Daugavpils regional hospital (annexes 1.1.; 1.1.2.)
- Jelgava city hospital (annexes 1.2.; 1.2.1.),
- Jekabpils regional hospital (annexes 1.3.1.; 1.3.1.1.; 1.3.2.; 1.3.2.1., 1.3.3.; 1.3.3.1.; 1.3.4. and 1.3.4.1.)
- Liepaja regional hospital (annexes 2.8.2.; 1.4.1.),
- Paula Stradiņa Clinical University Hospital (annexes 1.5.; 1.5.1.1)
- North Kurzeme regional hospital (annexes 1.6.1.,1.6.1.1., 1.6.2., 1.6.2.1.).

Furthermore, in line with the description of the measure, **the investments to ensure the integrated healthcare approach and make the necessary adaptations for epidemiological safety shall be made in three clinical university hospitals: Riga Eastern Clinical University Hospital, Paula Stradiņa Clinical University Hospital and Children’s Clinical University Hospital and seven regional hospitals: Liepaja Regional Hospital; Daugavpils Regional Hospital, Rēzekne Hospital, North Kurzeme Regional Hospital, Jēkabpils Regional Hospital, Vidzeme Hospital and Jelgava Hospital.**

The above list of hospitals corresponds to the list of hospitals for which the Ministry of Health provided the ten positive decisions (Annexes 2.1.; 2.2.; 2.3.; 2.4.; 2.5.; 2.6.; 2.7.; 2.8.; 2.9.; 2.10.).

The Commission considers that there is a clerical error in the text of the Council Implementing Decision as regards the title of target 138 and has undertaken the assessment based on the description of the target. In the title of the target, it is stated “Number of projects which received a positive opinion of the Technology Commission on the eligibility of equipment for the provision of the relevant state-funded services”.

However, the target description clarifies that in order the target to be considered achieved, all the 10 projects require the positive decision of the Ministry of Health on the harmonisation of the acquisition of medical technology supporting health infrastructure of university and regional hospitals. It further states, that only if a project involves the purchase of medical technology, it requires a positive opinion from the Technology Commission. Therefore, the positive decision of the Ministry of Health on the harmonisation of the acquisition of medical technology for each of the 10 projects is considered relevant for the fulfillment of target 138.

Against this background, the justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the target.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 149</b>	<b>Related Measure: 4.3.1.r. Sustainability of health care, strengthening governance, efficient use of health resources, increase of total public budget in the health sector</b>	
<b>Name of the Milestone: Coordination mechanism approved to assess, develop and implement new healthcare service delivery models</b>		
<b>Qualitative Indicator:</b> Coordination mechanism to assess and implement new healthcare service delivery models developed and approved by the Ministry of Health		<b>Time:</b> Q4 2022
<b>Context:</b>		

The measure 4.3.1.r. aims to establish a service laboratory system for testing, evaluating and implementing new health care service models aimed to improve the provision of state-funded health services and make it more efficient.

Milestone 149 concerns the establishment of a coordinating unit within the Ministry of Health or its subordinate body. This unit shall coordinate the work to develop, implement and assess new healthcare service delivery models. It also requires ensuring industry representative involvement in the development of proposals as experts.

Milestone 149 is the first step of the implementation of the reform, and it will be followed by milestone 150, related to the mainstreaming of the new healthcare service delivery models as part of publicly funded healthcare services. The reform has a final expected date for implementation on 31 August 2026.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Copy of order No. 16-2/162/2023 of the Deputy Director of the National Health Service on establishment of a working group, electronically signed on 20 June 2023.
- iii. Copy of the annex to the order No. 16-2/162/2023 on regulation of the working group (*Darba grupas nolikums*), electronically signed by Deputy Director of the National Health Service on 20 June 2023.
- iv. Copy of order No. 16-2/168/2023 of the Director of the National Health Service approving the project “Laboratory of development of healthcare service models” process description, electronically signed on 26 June 2023.
- v. Copy of the annex to the order No. 16-2/168/2023 on project “Laboratory of development of healthcare service models” process description.
- vi. Copy of the rule of order No. 16-4.4/3/2021 for the National Health Service, Health Care Service Department, Service Development Unit, electronically signed on 10 February 2021.
- vii. Copy of the agreement No. 16-2/168/2023 between Ministry of Health and its subordinate body National Health Service for deliverables of “Reform: 4.3.1.r.: Sustainability of health care, strengthening governance, efficient use of health resources, increase of total public budget in the health sector”, signed on 29 December 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**A coordinating unit within the Ministry of Health or its subordinate body is in place.**

As evidenced by the clause 3.1.1. of the agreement between the Ministry of Health and the National Health Service, the subordinate body of the Ministry of Health - the National Health Service – is designated to implement the milestone 149 “*Coordination mechanism approved to assess, develop and implement new healthcare service delivery models services*”

As evidenced by the order No. 16-2/162/2023 of the Deputy Director of the National Health Service on establishment of a working group, a coordinating unit in the form of a working group (*darba grupa*) was established within the National Health Service.

As evidenced by the order No. 16-2/162/2023 of the Deputy Director of the National Health Service on establishment of a working group, the working group is in place and is composed of 13 key members representing the Ministry of Health and its subordinate institutions and 8 consultants representing industry and the Ministry of Health as follows:

- 13 key members from the following institutions:
  - 8 representatives from National Health service (5 from top level management; 3 from middle level management.);



- 3 representatives from Health Ministry (2 from top level management, 1 from middle level management);
- 1 employee from Health Inspectorate (middle level management);
- 1 employee from Centre for Disease Prevention and Control (top level management);
- 8 consultants who are from the following institutions:
  - 2 representatives from National Health Services;
  - 1 representative from the Faculty of Medicine of the University of Latvia;
  - 2 representatives from the Digital Health Society;
  - 1 representative from Ministry of Health;
  - 2 representatives from Riga Stradins University.

Clause 7 of the rules of order of the working group (order No. 16-2/162/2023), establish that the organisational work of the working group is ensured by the National Health Service and according to clause 8, the work of the working group is led by a delegated representative of the National Health Service. In addition, the clauses 3 and 4 of the annex to the order No. 16-2/168/2023 on project "Laboratory of development of healthcare service models" process description, state that a senior project manager of the Health Care Services Department of the National Health Service is the owner of and responsible for the process of the project.

**It shall ensure that industry representatives are involved in the development of proposals as experts (e.g., a working group or supervisory board).**

In accordance with clause 5.6 of the annex to the order No. 16-2/162/2023 on regulation of the working group, the working group is tasked to cooperate with relevant industry institutions and experts to ensure quality project selection.

According to the process description of healthcare service model pilot project selection in the annex to the order No. 16-2/162/2023, page 5, there are four stages to assess, develop and implement new healthcare service models. During stage I the competition notice is prepared, proposals are developed and evaluated; during stage II selected proposals are further developed in cooperation with mentors; during stage III the proposals are presented to the industry representatives and evaluated, recommendations are made. Stage IV is the pilot implementation stage.

The process description for healthcare service model pilot project selection in the annex to the order No. 16-2/162/2023 demonstrates further involvement of industry representatives in different stages of proposal development:

- (i) participation of the industry representatives was ensured in stage I, activity 4 when the regulation of the service model competition was submitted for public discussion and comments of industry representatives as evidenced by the annex to the order No. 16-2/168/2023 on project "Laboratory of development of healthcare service models" process description, page 6, stage I, activity 4;
- (ii) the procedure of involvement of industry representatives in the development of the proposals as mentors is ensured in stage II activity 2 as evidenced by the annex to the order No. 16-2/168/2023 on project "Laboratory of development of healthcare service models" process description, page 7, stage II, step 2, where mentor is defined as expert (industry representative or externally contracted expert) that helps to prepare the project application (page 4).

**The aim of the unit is to coordinate the work to develop, implement and assess new healthcare service delivery models aimed to provide improved and more efficient provision of state-funded health services at all levels, ensuring availability and quality of services through the establishment of a system change mechanism for state-paid services.**

As evidenced by clause 1 of the annex to the order No. 16-2/168/2023 on project "Laboratory of development of healthcare service models" process description, the aim of the project is to improve

and streamline the provision of state-paid health care services, ensuring the availability of services by creating a systemic change mechanism in the state for paid services.

The tasks of the working group are described in the annex to the order No. 16-2/162/2023 on regulation of the working group and require the working group to coordinate the implementation of the measure through a series of tasks such as to prepare the documentation for the project selection (clause 5.1.), organise project competition and selection (clause 5.2.) and ensure the supervision of the implementation of the projects to be implemented throughout their duration (clause 5.4.).

The overall coordination mechanism is elaborated in the annex to the order No. 16-2/168/2023 on project “Laboratory of development of healthcare service models” process description as approved by the National Health Service. The process flow is reflected in picture 1 “Representation of the project implementation process” (page 5) and demonstrates that there are four stages to assess, develop and implement the new healthcare service models, as described above.

The healthcare service delivery model application form included in the annex to the order No. 16-2/168/2023 on project “Laboratory of development of healthcare service models”, page 15, section 12, requires the applicant to identify the project model type, and it covers all levels of health services, such as family doctor services, secondary ambulatory care services, inpatient services and others.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 151</b>	<b>Related Measure: 4.3.1.1.i. Support for assessing and improving the quality and accessibility of non-hospital secondary healthcare</b>	
<b>Name of the Milestone: Adoption of a methodology for the study on the quality and availability of non-hospital secondary healthcare</b>		
<b>Qualitative Indicator:</b> Adoption of a methodology by the Ministry of Health		<b>Time:</b> Q4 2022
<b>Context:</b>		
<p>The measure 4.3.1.1.i. aims to assess and improve the quality and accessibility of state paid non-hospital secondary health services.</p> <p>Milestone 151 concerns an adoption of a methodology for the study on the quality and availability of non-hospital secondary healthcare.</p> <p>Milestone 151 is the first step of the implementation of the investment, and it will be followed by milestones 152 and 153, related to carrying out the study on non-hospital secondary healthcare and entry into force of amendments to legal acts expected to improve the quality and availability of non-hospital secondary healthcare respectively. The investment has a final expected date for implementation on 31 December 2024.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the methodology for the study on the quality and availability of non-hospital secondary healthcare;</li> <li>iii. Copy of the letter No. 16-7/10209/2023 of 26 June 2023 from National Health Service to the Ministry of Health requesting the approval of the methodology required for carrying out the study on the quality and availability of non-hospital secondary healthcare, signed by the director of the National Health Service on 26 June 2023;</li> <li>iv. Copy of the letter No. 01-16.1/3025 of 6 July 2023 from the Ministry of Health to the National Health Service approving the methodology required for carrying out the study on the quality and availability of non-hospital secondary healthcare.</li> </ol>		
<b>Analysis:</b>		
<p>The justification and substantiating evidence provided by the Latvian authorities covers all constitutive elements of the milestone.</p>		

**The milestone shall be considered to be achieved after the approval by the Ministry of Health of a methodology**

In accordance with the provided copy of the methodology for the study on the quality and availability of non-hospital secondary healthcare, it demonstrates that the National Health Service prepared a methodology for conducting a study on the quality and availability of non-hospital secondary healthcare. The methodology was submitted to the Ministry of Health for approval as it shown in the provided copy of the letter No. 16-7/10209/2023 of 26 June 2023 from National Health Service to the Ministry of Health. The letter to the Ministry of Health demonstrates how the methodology allows to assess the quality and accessibility of non-hospital secondary health care, including mapping of these services and the impact of the administrative territorial reform.

The Ministry of Health approved the methodology in a letter No. 01-16.1/3025 of 6 July 2023 signed by the Deputy Secretary of State for Health Policy.

**required for carrying out the study aimed to assess the quality and accessibility of health care,**

The methodology for the study on the quality and availability of non-hospital secondary healthcare prepared by the National Health Service sets out the approach on assessing the quality and accessibility of health care.

Based on the concept description of the study, the accessibility and quality will be assessed based on five main dimensions: (i) approachability, (ii) acceptability, (iii) availability, (iv) affordability and (v) appropriateness (section 3.1.1., page 37 of the methodology).

The section 4. *Description of the research methodology* operationalises the concept and describes how each of the five dimensions will be assessed based on various primary and secondary data, resulting in 40 indicators for assessing quality and accessibility (page 52, section 4.2 of the methodology). The study will include data analysis and field research, including surveys and focus groups (page 58, section 4.3 of the methodology).

**including non-hospital secondary health service level mapping and the impact of the administrative territorial reform.**

One of the objectives of the study as evidenced by the methodology, page 4, is to perform a mapping of non-hospital secondary health services to identify the changes resulting from the administrative territorial reform of 2021 when the number of administrative territorial units was reduced from 119 to 43. The mapping is made based on the new administrative territories.

The methodology includes the description of the concept of the non-hospital secondary health service level mapping (page 42, section 3.1.2. of the methodology), including at the administrative territorial level. The mapping will cover availability and desired provision of health services at different territorial levels through geographic visualisation. Mapping will be done at the level of detail of the country, regions and the new administrative territories. When mapping is done at the level of the administrative territory, it must indicate the place of provision of each type of service within the administrative territory. In the mapping, it is necessary to depict the intensity of each service provision for a relative number of inhabitants in the administrative territory. Mapping can represent population mobility, taking into account the intensity of public transport and road networks in the administrative territory. The methodology of how the mapping will be completed is described in section 4. *Description of the research methodology* (pages 51-76 of the methodology).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 154	<b>Related measure:</b> 5.1.r. Innovation system governance and private research & development investment motivation
<b>Name of the Milestone:</b> Development of a long-term national strategy for each of the RIS3 areas and establishment of a Strategic Steering Board for each of the RIS3 areas	

<p><b>Qualitative Indicator:</b> The strategy has been agreed with all stakeholders and approved. The Strategic Steering Boards for RIS3 have been established and their representatives elected</p>	<p><b>Time:</b> Q4 2022</p>
<p><b>Context:</b>  Milestone 154 is part of reform 5.1.r., which aims to introduce an ecosystem approach in innovation governance. In particular, it aims to introduce a support instrument that shall enable increased R&amp;D capacity in enterprises, promote cross-sectoral cooperation, increase the share of innovative enterprises and thereby promote increased private investment in innovation. The reform consists of the creation of an innovation governance model which shall mean assigning specific tasks to the involved institutions representing the government, the industry and the academia.  Milestone 154 concerns the development of a long-term national strategy and the establishment of a Strategic Steering Board for each of the Research and Innovation Smart Specialisation Strategy (RIS3) areas.  Milestone 154 is the only milestone or target of this reform. The reform has a final expected date of implementation on 31 December 2022.</p>	
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the 16 February 2021 order of the Cabinet of Ministers No. 93 "About National industrial policy guidelines 2021-2027" (prot. No. 15 31.§). Link to publication: <a href="https://likumi.lv/ta/id/321037-par-nacionalas-industrialas-politikas-pamatnostadnem-20212027-gadam">https://likumi.lv/ta/id/321037-par-nacionalas-industrialas-politikas-pamatnostadnem-20212027-gadam</a>;</li> <li>iii. Copy of the Internal Regulations of the Ministry of Economics "Arrangements for the implementation of the Smart Specialisation system governance" No. 1-5.2/2024/18 adopted on 4 March 2024;</li> <li>iv. Copy of the Internal Regulations of the Ministry of Economics "Amendments to the Internal Regulations No. 1-5.2/2024/18 "Arrangements for the implementation of the Smart Specialisation system governance"" No. 1-5.2/2024/21, adopted on 14 March 2024.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of the State Administration Structure Law, adopted on 6 June 2022, entered into force on 1 January 2023. Link to publication: <a href="https://likumi.lv/ta/id/63545-valsts-parvaldes-iekartas-likums">https://likumi.lv/ta/id/63545-valsts-parvaldes-iekartas-likums</a>;</li> <li>ii. Copy of the Cabinet of Ministers regulations No. 588 "Regulations of the Ministry of Economics" adopted on 22 September 2020, entered into force on 25 September 2020. Link to publication: <a href="https://likumi.lv/ta/id/317511-ekonomikas-ministrijas-nolikums">https://likumi.lv/ta/id/317511-ekonomikas-ministrijas-nolikums</a>;</li> <li>iii. Copy of the amendments to Cabinet of Ministers regulations nr. 857 "Regulations of the Latvian Investment and Development Agency" adopted on 11 May 2021, entered into force on 1 June 2021. Link to publication: <a href="https://likumi.lv/ta/id/323134-grozijumi-ministru-kabineta-2012-gada-11-decembra-noteikumos-nr-857-latvijas-investiciju-un-attistibas-agenturas-nolikums-">https://likumi.lv/ta/id/323134-grozijumi-ministru-kabineta-2012-gada-11-decembra-noteikumos-nr-857-latvijas-investiciju-un-attistibas-agenturas-nolikums-</a></li> <li>iv. Copy of the 26 January 2023 Protocol No. 3 approval of the 2023 action plan.</li> <li>v. Printout from Latvian Investment and Development Agency website about the publication of the "Biomedicine, medical technologies, pharmacy" field strategy, 24 January 2024. Link to publication: <a href="https://www.liaa.gov.lv/lv/media/8829/download?attachment">https://www.liaa.gov.lv/lv/media/8829/download?attachment</a>;</li> <li>vi. Printout from Latvian Investment and Development Agency website about the publication of the "Information and communication technologies" field strategy, 24 January 2024. Link to publication: <a href="https://www.liaa.gov.lv/lv/ris3-vadibas-grupas-ris3-parvaldibas-operacionalais-limenis">https://www.liaa.gov.lv/lv/ris3-vadibas-grupas-ris3-parvaldibas-operacionalais-limenis</a>;</li> </ol>	

- vii. Printout from Latvian Investment and Development Agency website about the publication of the "Photonics and Smart Materials, Technologies and Engineering Systems" field strategy, 24 January 2024. Link to publication: <https://www.liaa.gov.lv/lv/ris3-vadibas-grupas-ris3-parvaldibas-operacionalais-limenis>;
- viii. Printout from Latvian Investment and Development Agency website about the publication of the "Knowledge-intensive bioeconomy" field strategy, 24 January 2024. Link to publication: <https://www.liaa.gov.lv/lv/ris3-vadibas-grupas-ris3-parvaldibas-operacionalais-limenis>;
- ix. Printout from Latvian Investment and Development Agency website about the publication of the "Smart energy and mobility" field strategy 24 January 2024. Link to publication: <https://www.liaa.gov.lv/lv/ris3-vadibas-grupas-ris3-parvaldibas-operacionalais-limenis>;
- x. Copy of the 16 December 2022 protocol No. 4 of Latvian Investment and Development Agency management groups of RIS3 field "Biomedicine, medical technologies, pharmaceuticals", which approved the "Biomedicine, medical technologies, pharmacy" field strategy until 2027 and action plan;
- xi. Copy of the 30 December 2022 protocol No. 6 of Latvian Investment and Development Agency management groups of RIS3 field "Information and communication technologies" sessions, which approved the "Information and communication technologies " field strategy until 2027 and action plan;
- xii. Copy of the 26 January 2023 protocol No. 3 of Latvian Investment and Development Agency management groups of RIS3 field "Photonics and Smart Materials, Technologies and Engineering Systems" sessions, which approved the "Photonics and Smart Materials, Technologies and Engineering Systems" field strategy until 2027 and action plan;
- xiii. Copy of 14 December 2022 protocol No. 5 of Latvian Investment and Development Agency management groups of RIS3 field "Knowledge-intensive bioeconomy" sessions, which approved the "Knowledge-intensive bioeconomy" field strategy until 2027 and action plan;
- xiv. Copy of 20 December 2022 protocol No. 4 of Latvian Investment and Development Agency management groups of RIS3 field " Smart energy and mobility" sessions protocol No. 4, which approved the "Smart energy and mobility " field strategy until 2027 and action plan.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Amendments to the relevant legislation giving the following functions to the relevant institutions shall enter into force:**

The Internal Regulations of the Ministry of Economics "Arrangements for the implementation of the Smart Specialization system governance", signed by the Minister of Economics on 4 March 2024 (No. 1-5.2/2024/18) and their amendments signed on 14 March 2024 (No. 1-5.2/2024/21), covering the procedure for ensuring the management of the smart specialisation tasks (hereinafter referred to as "the Regulations") entered into force on 4 March 2024 based on the day of their issuance in accordance with the article 77 of the State Administration Structure Law. Prior to the adoption of those Regulations, there was no legal framework governing the functioning of the innovation system. The functioning of the innovation system was set out on ad-hoc basis by means of Cabinet Regulation governing a single support scheme. The new Regulations of the Ministry of Economics introduce a framework for the operation of the innovation system and apply to all support schemes. Consequently, the previous ad-hoc system was replaced by a permanent system.

Moreover, the Statute of the Latvian Investment and Development Agency were amended to integrate its functions in the context of the innovation system governance into their overall functions. Since the central idea of the innovation system governance model is bringing together the various stakeholders into a single cooperation platform, the tasks of the involved institutions in the specific context of innovation system governance required the creation of a new legal act.

Article 1 of the Statute of the Latvian Investment and Development Agency (LIDA) states that LIDA is directly subordinated to the Minister of Economics and that the subordination is implemented through the mediation of the Ministry of Economics. The Internal Regulations of the Ministry of Economics state that RIS3 management groups are cooperation platforms (article 2.3) that are set up by LIDA (article 7.2), thus being directly subordinated to LIDA. The chain of subordination from the Minister of Economics through the Ministry of Economics to LIDA and to RIS3 management groups means that the Ministry's internal regulations are binding to all three – the Ministry, LIDA and RIS3 management groups.

**The Investment and Development Agency of Latvia shall be responsible for:**

- **Developing long-term strategies at national level in each of the RIS3 areas,**

Article 5.1 of the Regulations states that LIDA is responsible for developing long-term specialisation strategies for each of the RIS3 smart specialisation areas. There are a total of five smart specialisation areas – biomedicine, information- and communication technologies, photonics, bioeconomics and smart energy and mobility.

- **Developing annual action plans for each of the RIS3 areas,**

Article 5.1 of the Regulations states that LIDA is responsible for developing action plans for each of the RIS3 smart specialisation areas.

- **The establishment of a Strategic Steering Board for each of the RIS3 areas**
- **Leadership and coordination of established councils**

Article 5.2 of the Regulations states that LIDA is responsible for establishing the RIS3 management groups, ensuring the leadership and coordination of their work. The CID annex refers to Strategic Steering Boards and established councils, which were eventually named RIS3 management groups. Therefore, considering that the functions given to RIS3 management groups are exactly as described in the CID annex for Strategic Steering Boards, it is reasonable to conclude that RIS3 management groups are the same entity as Strategic Steering Boards. These RIS3 management groups were set up by LIDA in October 2022. The submitted meeting minutes confirming smart specialisation strategy approval by the RIS3 management groups for each specialisation area shows that LIDA called, led and ensured the secretarial functions of these meetings, providing further evidence that LIDA has been carrying out the leadership and coordination role for RIS3 management groups, which represent the established councils.

- **Developing a methodology for the selection of asset value chains, including the establishment of quantitative criteria for the elimination of value chains**

Article 5.3 of the Regulations states that LIDA is responsible for developing a methodology, including quantitative criteria, for the establishment and liquidation of RIS3 management groups. Each of the smart specialisation areas is created with the aim of building an innovation ecosystem where different parts of the private, public and academic sectors collaborate to create an innovation value chain. The term "value chains" denotes the collaboration between the different actors related to the same industry. Therefore, it is reasonable to conclude that the selection and establishment of said chains can only apply to an entity in charge of coordinating of stakeholders and ensuring their collaboration. Since the coordinating bodies for these ecosystems or value chains are RIS3 management groups, the selection and establishment requirement is attributed to the management groups, without which the collaboration and, hence, the value chains would not exist.

**Strategic Steering Board for each RIS3 area:**

- **Ensure the compatibility of planned investments with RIS3 specialisation strategies, national competitive advantages,**

Article 16.3 of the Regulations states that the responsibility of the RIS3 management groups is to ensure the compatibility of the planned investments with the RIS3 specialisation strategies and country's competitive advantages.

- **shall be made up of key private, public and research actors,**

Article 17 of the Regulations states that the RIS3 management groups shall include at least one member representing the following entities:

- Public sector: Ministry of Economics, Ministry of Education and Science, ministry in charge of the sector's specialisation area, Latvian Investment and Development Agency
- Private sector: a member of the respective sector's association, a member of the respective sector's RIS3 competence centre, a member of the respective sector's cluster. (Competence centres and clusters are private non-profit entities created to coordinate and support the innovation activities of a given industry. There may be more such entities than there are specialisation areas, of which there are five.)
- Research: a member of a scientific institution and of a higher education institution that work in the sector.

- **is elected by LIDA in agreement with the ministries involved. The Strategic Steering Board is re-elected once a year,**

Article 5.2 of the Regulations states that LIDA is responsible for establishing the RIS3 management groups agreeing their composition with the relevant line ministries, ensuring the leadership and coordination of their work. Article 5.7 of the Regulations states that LIDA re-elects the RIS3 management group once a year.

- **The Strategic Steering Board shall be responsible for approving the strategies for the RIS3 specialisation areas.**

Article 16.2 of the Regulations states that the responsibility of the RIS3 management groups is to approve the respective strategies for each of the RIS3 specialisation areas and their action plans.

**The Ministry of Economics shall be responsible for:**

- **Development of analytics and monitoring system for the business sector in RIS3 specialisation areas, development of monitoring reports.**

Article 4.1 of the Regulations states that the Ministry of Economics develops and implements analytics and monitoring system for the business sector. Article 6.3 of the Regulations states that the Ministry of Economics ensures the analysis of the system performance as well as prepares monitoring reports.

Furthermore, in line with the description of the measure, **the reform consists of the creation of an innovation governance model which shall mean:**

- **assigning specific tasks to the involved institutions representing the government, the industry and the academia.**

Article 4 of the Regulations sets out the responsibilities of the Ministry of Economics, representing the government. They are to develop a monitoring and analytics system, to develop and implement policy in the smart specialisation areas, to prepare monitoring reports, to coordinate the innovation policy-related work in the government, analyse the impact of innovation policy's impact on the economy, and to decide on the need for state budget resources for the innovation policy.

Article 5 of the Regulations sets out the responsibilities of LIDA, representing the government. They are: developing the smart specialisation strategies and action plans, establishing and leading the work of the RIS3 management groups, developing a methodology for creation and liquidation of smart specialisation areas, promoting the participation of businesses and scientific institutions in international research and development projects, facilitating the communication among the business,

government and academic sector and gathering and analysing the data from the research support programmes.

Article 8 of the Regulations sets out the responsibilities of the Innovation and Research Governance Council, representing the government. They are providing recommendations to the government for innovation policy actions and innovation governance, preparation of the general design of the innovation support policies, the coordination of the achievement of the objectives of the smart specialisation areas, and others.

Articles 16 and 24 of the Regulations set out the responsibilities of RIS3 management groups, representing all three sectors – the government, academia and industry. Those responsibilities include: participation in the development of RIS3 strategies and action plans, approval of the RIS3 strategies and action plans, and ensuring the compatibility of planned investments with the RIS3 strategies and national competitive advantages.

**The key tasks of the innovation system shall be:**

- **Strategy determination,**

Article 5.1 of the Regulations states that LIDA is responsible for determining smart specialisation strategies for each of the RIS3 smart specialisation areas. The National Industrial Policy Guidelines adopted on 16 February 2021 set out the task to develop long-term strategies for each of the smart specialisation areas (Section 3.2.2). The task specifies that the strategies should be developed in close consultation between the government, industry and academia and therefore should be approved by the RIS3 management groups, which include representatives of all three sectors. In response to this task, strategies for the five specialisation areas, namely biomedicine, information technologies, photonics, bioeconomy and energy, have been approved by the RIS3 management groups during the period from December 2022 to February 2023. The copies of the strategies have been submitted as evidence to the milestone fulfilment.

- **Management of innovation fund,**

Article 4.1.3 of the Regulations states that the Ministry of Economics is obliged to adjust the support instruments available to businesses. Paragraph 10.2 of the Regulations states that the IPPP ensures the general design and content of the support programme, as well as consideration of the issues of distribution of possible funding appropriations and preparation of recommendations. The IPPP is responsible for all support instruments and hence all available funds related to innovation. The regulation states that the management of innovation funding is shared between the IPPP and the Ministry of Economics. It should be noted that a single ‘innovation fund’ as mentioned in the CID annex does not exist and the CID annex does not require the creation of one, the ‘innovation fund’ is taken to mean ‘funding for innovation’.

- **Data gathering,**

Articles 4.1.1 of the Regulations states that Ministry of Economics creates a data collection mechanism (economic operator level data) and Article 7.6 states that LIDA analyses, accumulates and collects data.

- **Performance measurement and monitoring,**

Article 4.1 of the Regulations states that the Ministry of Economics creates and implements analytics and a monitoring system. Article 6.3 of the Regulations states that the Ministry of Economics ensures the analysis of the system performance as well as prepares monitoring reports.

- **As well as periodical reassessment of the governance model.**

Article 4.2 of the Regulations states that the Ministry of Economics develops and implements Smart specialisation policy in response to findings of the monitoring process (which they are responsible to carry out according to article 4.3 of the Regulations), including identifying the necessary improvements to the functioning of the smart specialisation ecosystems (Article 4.2.1), identifying and proposing policy response to the sectoral challenges of each specialisation areas (Article 4.2.2). The governance of the innovation system is a set of institutions, functions and processes by which the decisions related to innovation policy are taken. The governance model set up by the ministry centers



around five designated specialisation areas with a collaborative platform, i.e., RIS3 management groups, for each of them, where the representatives of the government, academia and businesses meet to agree on strategies, action plans and support programmes with LIDA providing the steering, leadership and secretariat functions. The monitoring process is set up to periodically assess the results and functioning of this system. Finally, the Ministry of Economics is tasked with developing (including improving) the overall innovation policy in response to the findings of the monitoring process. Since the governance model is part of the innovation policy, it is required (among other things) to reassess the governance model.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 159	<b>Related Measure:</b> 5.2.1.r. Reform of Higher Education and Scientific Excellence and Governance	
<b>Name of the Milestone:</b> Reform of the governance of higher education institutions		
<b>Qualitative Indicator:</b> Legislative amendments entered into force in line with the reform of governance of higher education institutions		<b>Time:</b> Q4 2022
<b>Context:</b>		
<p>The measure 5.2.1.r. aims at increasing international competitiveness of higher education institutions. The reform concerns structural changes in three pillars: (i) the governance through establishing a separate academic and strategic decision-making, involving external members; (ii) funding that shall be allocated according to the results achieved according to national priorities and higher education institution typology objectives; and (iii) human resources by developing a new and unified career model for academic and scientific staff in line with best global practice, promoting the attraction and retention of global staff, especially the diaspora in Latvia.</p> <p>Milestone 159 concerns the reform of the governance of the higher education system covering: (i) higher education institution typologies and criteria for qualifying for a particular type; (ii) the procedure for the establishment and approval of higher education institution councils, the competence of the councils, while clarifying the competences of the Senate, the Rector and the Constitutional Assembly; (iii) the procedure for selecting and approving new university reactors; (iv) defining the strategic specialisation of higher education institutions.</p> <p>Milestone 159 is the first step of the implementation of the reform, and it will be followed by milestone 160 related to the entry into force of the legislative amendments, target 161 related to the consolidation of higher education institutions and target 162 related to the implementation of the new governance model. The reform has final expected date of implementation in August 2026.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of the Law "Amendments to the Law on Higher Education Institutions" adopted by the Latvian Parliament (<i>Saeima</i>) on 8 June 2021, published in the Official Journal on 28 June 2021 and entered into force on 16 August 2021. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2021/121B.5">https://www.vestnesis.lv/op/2021/121B.5</a></li> <li>iii. Copy of the Regulations of the Cabinet of Ministers No 636 "Procedures for Selection, Nomination and Recall of Members of the Council of a State Higher Education Institution Promoted by the Cabinet of Ministers" approved by the Cabinet of Ministers on 14 September 2021. The Regulations were published in the Official Journal on 20 September 2021 and entered into force on 21 September 2021. Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2021/181.13">https://www.vestnesis.lv/op/2021/181.13</a>.</li> <li>iv. Copy of the Order of the Cabinet of Ministers No 655 "On Types of State Higher Education Institutions" approved by the Cabinet of Ministers on 17 September 2021. The Order was</li> </ol>		

published in the Official Journal on 21 September 2021 and entered into force on 22 September 2021. Link to publication in the Official Journal: <https://www.vestnesis.lv/op/2021/182.14>.

- v. Copy of the Order of the Cabinet of Ministers No 449 "On the Strategic Specialisation of State Higher Education Institutions" approved by the Cabinet of Ministers on 21 June 2022. The Order was published in the Official Journal on 27 June 2022 and entered into the force on 28 June 2022. Link to publication in the Official Journal: <https://www.vestnesis.lv/op/2022/121.22>.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The regulatory framework for implementing the reform of the governance of the higher education system has entered into force,**

The evidence provided by the authorities demonstrates that the amendments to the Law on Higher Education Institutions (hereinafter referred to as the "amendments to the Law") have been adopted by the Latvian Parliament (*Saeima*) on 8 June 2021. Amendments to the Law, as prescribed by the Law itself, entered into force on 16 August 2021.

It has been further supported by:

- the Regulations of the Cabinet of Ministers No 636 "Procedures for Selection, Nomination and Recall of Members of the Council of a State Higher Education Institution Promoted by the Cabinet of Ministers" approved by the Cabinet of Ministers on 14 September 2021. The Regulations were published in the Official Journal on 20 September 2021 and entered into force on 21 September 2021.
- Order of the Cabinet of Ministers No 655 "On Types of State Higher Education Institutions" approved by the Cabinet of Ministers on 17 September 2021. The Order was published in the Official Journal on 21 September 2021 and entered into force on 22 September 2021.
- Order of the Cabinet of Ministers No 449 "On the Strategic Specialisation of State Higher Education Institutions" approved by the Cabinet of Ministers on 21 June 2022. The Order was published in the Official Journal on 27 June 2022 and entered into force on 28 June 2022.

**including:**

- **University typologies and criteria for qualifying for a particular type;**

Article 3(1) of the amended Law sets out four types of higher education institutions (hereafter referred to as "HEIs") – scientific universities, arts and culture universities, applied sciences universities and applied sciences high schools. Articles 3<sup>1</sup>(1), 3<sup>2</sup>(1), 3<sup>3</sup>(1) and 3<sup>4</sup>(1) of the amended Law lay out the specific criteria for qualifying for each type of HEI. Moreover, the Order of the Cabinet of Ministers No 655 "On Types of State Higher Education Institutions" designates the type of HEI for each of the state founded HEIs.

- **the procedure for the establishment and approval of university councils, the competence of the councils,**

Article 14<sup>1</sup> of the amended Law stipulates that the university councils operate in accordance with HEIs' constitution, which is their legal basis of establishment, and that the Cabinet of Ministers sets out the procedure for establishing the selection committee of the university council members, the requirements for the council members as well as the procedure for their nomination and retraction. Regulations of the Cabinet of Ministers No 636 "Procedures for Selection, Nomination and Recall of Members of the Council of a State Higher Education Institution Promoted by the Cabinet of Ministers" set out the specific procedures and requirements for selection of council members.

Article 14<sup>2</sup> of the amended Law sets out the competence of the councils of HEIs. The Council approves HEI's strategy, approves its budget, approves its internal governance processes and principles as well as supervises the audit and control system of the HEI.

**while clarifying the competences of the Senate,**

Article 15<sup>1</sup> of the amended Law sets out the competences of the Senate. The Senate drafts HEI's constitution, approves the HEI's study plan, approves changes in study programmes, sets out the requirements for academic posts.

**the Rector**

Article 17<sup>1</sup> of the amended Law sets out the competences of the Rector. The rector is responsible for the daily management of the HEIs, appoints personnel to academic posts, prepares the academic and scientific development plan for approval in the Senate.

**and the Constitutional Assembly;**

Article 14 of the amended Law sets out the competences of the Constitutional assembly. The Constitutional assembly passes HEI's constitutions, elects HEI's rector and elects the Senate.

- **the procedure for selecting and approving new university rectors;**

Article 17 of the amended Law stipulates that the university council selects a shortlist of candidates for rector's post from an open international competition. The relevant university's constitutional assembly votes for the rector. The same Article also sets the term, term limits, candidate requirements and other aspects of the procedure for selection and approval of university rectors.

- **defining the strategic specialisation of universities.**

Articles 3<sup>1</sup>(2),3<sup>1</sup>(3), 3<sup>2</sup>(2),3<sup>2</sup>(3), 3<sup>3</sup>(2), 3<sup>3</sup>(3), 3<sup>4</sup>(2), 3<sup>4</sup>(3) of the amended Law set out the academic and scientific objectives as well as tasks that each type of university must perform. Finally, in accordance with the order provided by transitional provision 73 of the amendments to the Law, Order of the Cabinet of Ministers No 449 "On the Strategic Specialisation of State Higher Education Institutions" sets out the academic and scientific specialisation areas for each of the state-founded universities and other higher education institutions.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 166	<b>Related Measure: 6.1.1.r. Strengthening analytics and developing data management in the field of tax administration and customs</b>	
<b>Name of the Milestone:</b> Adoption of work plan for public authorities to curb the shadow economy 2021-2022		
<b>Qualitative Indicator:</b> Adoption of the work plan of the national authorities to limit the shadow economy for 2021-2022		<b>Time:</b> Q4 2022
<b>Context:</b> Milestone 166 is part of reform 6.1.1.r., which aims to improve the quality and efficiency of compliance risk management and other activities related to fight against shadow economy through a broad set of measures, including the adoption of a comprehensive action plan for fighting the shadow economy, introducing a new taxpayer segmentation system and adjusting the audit and control practices to better target the risk of non-compliance. Milestone 166 concerns the adoption of a work plan of the national authorities to limit shadow economy for 2021-2022. Milestone 166 is a first step of the implementation of the reform and it will		

be followed by five milestones and targets: related to the entry into operation of a taxpayer rating system (milestone 167), the entry into operation of a basket of data-based services for each segmentation group of taxpayers (milestone 168), the publication of a handbook for compliance risk management (milestone 169), the implementation of the national research programme “Reducing the shadow economy to ensure the sustainable development of the country” (target 170) and the implementation of the research results (milestone 171). The reform has the final expected date for implementation on 30 June 2024.

**Evidence provided:**

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;
- ii. Copy of the publication of the Shadow economy restriction plan for 2021/2022, approved by the order of the Cabinet of Ministers on 23 March 2022 (prot. No. 17 32. §). Link to publication in the Official Journal <https://www.vestnesis.lv/op/2022/60.9> and on the official website of the Legal Acts of the Republic of Latvia: <https://likumi.lv/ta/id/331018>.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**National Institutions Work Plan for Restraining the Shadow Economy for 2021-2022 is adopted.**

On 22 March 2022, the Shadow economy restriction plan for 2021/2022 (hereinafter referred to as the Plan) was approved and, thus, adopted by the Cabinet of Ministers. The Plan was published in the Official Journal on 23 March 2022 (prot. No. 17 32. §) and is accessible through the following link: <https://www.vestnesis.lv/op/2022/60.9>. The Plan consists of the measures for the national institutions to complete within the timeline of the Plan.

The Plan has entered into force in accordance with Article 7 of the Law on Official publications and legal information (<https://likumi.lv/ta/en/en/id/249322>) on the day of signature - 23 March 2022.

**It includes the following activities:**

- **unregistered/illegal economic activity,**
- **undeclared employment,**
- **unrecorded transactions and illicit movement of goods,**
- **unrecorded/uncontrolled movements of cash,**
- **tax fraud.**

The Plan sets out five lines of action:

1. Unregistered economic activity (page 11) for example establishment of a register for guard services;
2. Undeclared work and unreported wages and salaries (page 21) for example to use residence permits for tax administration purposes;
3. Unaccounted transactions and illegal movement of goods (page 29) for example restricting the circulation of illegal waste;
4. Unaccounted and uncontrolled circulation of cash (page 43) for example minimising unaccounted and uncontrolled cash circulation across the border;
5. Tax compliance promotion (page 50) for example obliging credit institutions and payment service providers to provide information to the State Revenue Services on the turnover of accounts of legal persons.

**It shall focus on economic sectors with the highest shadow economy risk, such as construction, trade, services, security, catering and hospitality, transport.**

The shadow economy restriction plan for 2021/2022 includes specific proposals from experts in sectoral ministries and non-governmental associations for measures to reduce the shadow economy. These measures are to be implemented within certain time periods, in sectors where the share of the shadow economy is above average, such as construction (measure 3.2., 3.3., 5.6., 5.7., 5.8., 5.9.), trade (measure 1.4., 3.7., 3.8., 3.11.), services (measure 1.3., 1.5., 1.6., 1.7., 1.8., 2.1., 2.8., 3.4., 3.5., 3.12.), security (measure 1.9., 1.10., 5.4.), catering and hospitality (measure 1.2.) and transport (measure 1.4., 3.2., 3.8.). The measures included in the plan encourage creation of a more open and transparent business environment, the improvement of various registers, the expansion of possibilities for mutual data exchange, use both for tax administration measures and for the efficiency of the tasks to be performed by institutions.

Furthermore, in line with the description of the measure, the objective of this measure is to improve the quality and efficiency of compliance risk management and other activities related to fight against shadow economy through a broad set of measures, including **the adoption of a comprehensive action plan for fighting the shadow economy** [...]. The Plan includes a broad spectrum of activities (see above) to be performed by several national institutions. It is considered therefore to be comprehensive.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 167	<b>Related Measure:</b> 6.1.1.r. Strengthening analytics and developing data management in the field of tax administration and customs	
<b>Name of the Milestone:</b> Entry into operation of a taxpayer rating system, optimisation of controls		
<b>Qualitative Indicator:</b> Entry into force of legal acts		<b>Time:</b> Q4 2022
<p><b>Context:</b></p> <p>Milestone 167 is part of reform 6.1.1.r., which aims at improving the quality and efficiency of compliance risk management and other activities related to the fight against the shadow economy through a broad set of measures, including the adoption of a comprehensive action plan for fighting it, introducing a new taxpayer segmentation system and adjusting the audit and control practices to better target the risk of non-compliance.</p> <p>Milestone 167 concerns the entry into operation of a taxpayer rating system and the related optimisation of tax controls and inspections.</p> <p>Milestone 167 is one of the first steps of the implementation of the reform. It is accompanied by milestone 166, related to the adoption of a national action plan to restrain the shadow economy for 2021–2022, and target 170 related to the implementation of the national research programme “Reducing the shadow economy to ensure the sustainable development of the country”, both of which are also part of this payment request. They will be followed by milestone 168, related to the entry into operation of a basket of data-based services for each segmentation group of taxpayers, milestone 169, related to the publication of a handbook for compliance risk management, and milestone 171, related to publishing of a first assessment report of the size of the shadow economy. The reform has the final expected date for implementation on 30 June 2024.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the law “Amendments to the Law On Taxes and Fees” with regard to the legal framework for the taxpayers rating system, adopted by the Latvian Parliament (<i>Saeima</i>) on 8 June 2023, published in the Official Journal on 20 June 2023 and entered into force on 4 July 2023. Link to the publication: <a href="https://www.vestnesis.lv/op/2023/118.3">https://www.vestnesis.lv/op/2023/118.3</a> <a href="https://likumi.lv/ta/id/342839-grozijumi-likuma-par-nodokliem-un-nodevam-">https://likumi.lv/ta/id/342839-grozijumi-likuma-par-nodokliem-un-nodevam-</a></li> </ol>		

- iii. Copy of the law “Amendments to the Law On Taxes and Fees” with regard to optimizing types of tax control and inspections, adopted by the Latvian Parliament (*Saeima*) on 8 June 2023, published in Official Journal on 16 June 2023 and entered into force on 30 June 2023. Link to the publication: <https://www.vestnesis.lv/op/2023/116.2>  
<https://likumi.lv/ta/id/342748-grozijumi-likuma-par-nodokliem-un-nodevam->
- iv. Copy of the methodological material “Procedures by which officials of the Tax Compliance Incentive Department carry out tax controls”, approved on 13 June 2023 by S. Garanča, Director of the Tax Compliance Incentive Department of the State Revenue Service (No. A001-9/17.26.1/2945).

The authorities also provided:

- i. Copy of the annotation of the draft law “Amendments to the Law “On Taxes and Fees”” with regard to the legal framework for the taxpayers rating system. Link to the annotation: <https://titania.saeima.lv/LIVS14/saeimalivs14.nsf/0/1F8A5D07F7FAA910C2258911003E6384?OpenDocument>;
- ii. Copy of the annotation of the draft law “Amendments to the Law “On Taxes and Fees”” with regard to optimizing types of tax control and inspections. Link to the annotation: <https://titania.saeima.lv/LIVS14/saeimalivs14.nsf/0/21C2B15B4AC692CBC22588F30027E918?OpenDocument>.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Entry into force of amendments to the legal acts, including:**

- **the legal framework of the taxpayer rating system has been included, providing the publishing of their assessment.**

The Law “Amendments to the Law On Taxes and Fees” (hereinafter referred to as the Amendment on the taxpayer rating system adopted by the Latvian parliament (*Saeima*) on 8 June 2023, published in the Official Journal on 20 June 2023 and entered into force in accordance with Article 6 of the Law on Official publications and legal information on 4 July 2023, provides the legal framework for the taxpayer rating system and ensures publication of the overall assessment of taxpayer ratings determined by the State Revenue Service (SRS).

Article 3 of the Amendment on the taxpayer rating system specifies a set of indicators that the SRS must use in assessing the taxpayer’s rating. Article 16 of the Amendment on the taxpayer rating system introduced a right for taxpayers to receive information on the individual indicators characterising the fulfilment of tax obligations that has been used by the SRS in their taxpayer’s rating. An obligation for the SRS has been introduced to ensure that a taxpayer’s rating is publicly available in order to promote voluntary tax compliance (Article 18, paragraph 1, clause 36 of the Amendment on the taxpayer rating system). Moreover, the requirement has been introduced that taxpayer rating is made available for each commercial company, a branch of a foreign economic operator, a branch of a capital company of an EU/EEA Member State, as well as for each farm, fish farm and individual undertaking, if these entities draw up an annual statement (Article 18, paragraph 10).

Taxpayers will receive one of five possible ratings, which will also be visible to the public:

- A – good tax payment discipline and no significant risks concerning tax compliance;
- B – risk of fulfilling tax obligations in at least one area (registration, declaration submission, complete data, tax payment) which needs improvement;
- C – excluded from the SRS Value Added Tax Taxable Persons Register for violations the SRS has suspended economic activity of the taxpayer;
- N – does not carry out active economic activity;
- J – registered as a taxpayer in the last six months.

Furthermore, the amendment has been introduced to expand the exception of the confidentiality principle requiring that a tax administration's civil servant (employee of the SRS in this case) is allowed to disclose information regarding the taxpayer without the taxpayer's consent in specific cases (Article 22, paragraph 1, clause 3).

The abovementioned criteria, rating scale, publication requirements and rights and obligations of relevant actors demonstrate that the Amendment on the taxpayer rating system constitutes a legal framework for taxpayer ratings.

- **optimised types of tax controls and inspections to improve the efficiency of tax controls and inspections**

The Law "Amendments to the Law on Taxes and Fees" (hereinafter referred to as the Amendments on tax control and inspections) adopted by the Latvian Parliament (*Saeima*) on 8 June 2023, published in the Official Journal on 16 June 2023, entered into force in accordance with Article 6 of the Law on Publication of Official and Judicial Information on 30 June 2023. These amendments aim at optimising types of tax controls and inspections in order to improve efficiency of tax controls and inspections.

To optimise the types of tax controls and inspections, the Amendments on tax control and inspections (Article 1) introduce a new type of tax administration inspection – the so-called tax control. The new type of inspection incorporates several types of inspections previously in force, such as thematic inspections, data conformity audits, tax amount adjustments and adjustments of taxable objects. With the Amendments on tax control and inspections thematic inspections, data conformity audit and provisions concerning adjustments of the tax amounts are deleted from the law, thus streamlining and optimising the types of control.

Furthermore, the Amendments on tax control and inspections improve the efficiency of tax controls and inspections, for example through the following changes:

- Article 23 introduces voluntary elimination of irregularities through sending a notification within 30-day period to eliminate irregularities or provide further explanations. By stimulating voluntary elimination of the irregularities, through cost-effective tax administration activities such as informing taxpayers, reminders of tax payment due dates and other preventive measures, the State Revenue Service less frequently needs to carry out the most expensive administrative measures, such as tax reviews (audits), thereby increasing their efficiency.

- Article 41 improves a settlement procedure, by extending it to the initial decision-making process (up to the final decision of the tax administration inspection). By concluding a settlement agreement, the taxpayer agrees to the amount of the additionally assessed tax liabilities or on the reduction of the refunds repayable from the State budget and, because of the agreement, part of the fine and part of the late payment charges are cancelled. The earlier stage for the taxpayer to propose to the SRS to conclude a settlement agreement, the greater the reduction of fines and late payment charges there will be.

The taxpayer shall pay the payments laid down in the concluded settlement agreement within one year from the date of conclusion thereof, or within two years for a natural person who does not perform an economic activity. Such provision for natural persons is established because the aforementioned group of taxpayers does not normally have the financial resources to fulfil their tax obligations within a year. Prior to the reform, the experience of the SRS indicated that, taxpayer tended to opt for another legal instrument as a solution, allowing them to pay the additional calculated tax payments within a period of 5 years, which is however much more disadvantageous than the arrangement under the settlement agreement given the attached calculation of late payment charges, and the lack of reduction of tax-related payments (late payment charges and fines).

Abovementioned demonstrates, by replacing existing three types of inspections with one, by introducing voluntary elimination of irregularities and settlement procedure, that amendments to the

legal acts entered into force on optimised types of tax controls and inspections that improve the efficiency of tax controls and inspections.

Moreover, the administrative act titled “Procedures by which officials of the Tax Compliance Incentive Department carry out tax controls” with annexes (No. A001-9/17.26.1/2945), approved on 13 June 2023 by S. Garanča, Director of Tax Compliance Incentive Department of the SRS, shows how optimised tax controls and inspections are taking place. This methodological material lays down a common set of procedures by which officials of the SRS carry out tax controls (i.e. common set of procedures established for obtaining information on tax control, tax control process and presentation of results in the Tax Compliance Incentive Department, which is a structure of the SRS whose purpose is to provide a common approach to improving taxpayers' behavior by carrying out an operational and in-depth assessment of the risks of non-payment of taxes.

Furthermore, in line with the description of the measure, the reform consists of **the establishment of a taxpayer rating system and the related optimisation of audits and controls and tailoring of state revenue service (SRS) services**. The Amendment on the taxpayer rating system and Amendments on tax control and inspections, by providing legal framework for the taxpayer ratings and by optimizing types of tax controls and inspections, introduced a new taxpayer segmentation system and adjusted the audit and control practices, by optimising audits and control practices of the SRS to better target the risk of non-compliance.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 170</b>	<b>Related Measure: 6.1.1.r. Strengthening analytics and developing data management in the field of tax administration and customs</b>		
<b>Name of the Target: Implementation of the national research programme “Reducing the shadow economy to ensure the sustainable development of the country”</b>			
<b>Quantitative Indicator:</b>	<b>Baseline: 0</b>	<b>Target: 5</b>	<b>Time: Q4 2022</b>
<b>Context:</b>			
<p>Target 170 is part of reform 6.1.1.r., which aims at improving the quality and efficiency of compliance risk management and other activities related to the fight against the shadow economy through a broad set of measures.</p> <p>Target 170 concerns implementation of the national research programme “Reducing the shadow economy to ensure the sustainable development of the country”.</p> <p>Target 170 is one of the steps of the implementation of the reform, it will be followed by Milestone 171, related to publishing of a first assessment report of the size of the shadow economy. Target 170 is accompanied by milestone 167, related to the entry into operation of a taxpayer rating system and the related optimisation of tax controls and inspections; milestone 166, related to the adoption of a national action plan to restrain the shadow economy for 2021–2022; milestone 168, related to the entry into operation of a basket of data-based services for each segmentation group of taxpayers; milestone 169, related to the publication of a handbook for compliance risk management.</p> <p>The reform has a final expected date for implementation on 30 June 2024.</p>			
<b>Evidence provided:</b>			
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the target (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of the Report "Researching the Shadow Economy in Latvia (RE:SHADE)" on the start of project implementation and initial conclusions about factors affecting the shadow economy, 27 November 2020, author Dr. Arnis Sauka;</li> </ol>			



- iii. Copy of the “Report nr.1 on the assessment of the factors affecting the shadow economy in Latvia, in sectors of the economy that have a significant financial impact and in the country as a whole” May 2021, authors Nicolas Gavaille, Tālis Putniņš, Dr. Arnis Sauka, Anna Zasova;
- iv. Copy of the “Report on the reasons why individuals avoid voluntary tax payment and involvement in the social insurance system”, authors Andris Saulītis, Dmitrijs Kravčenko;
- v. Copy of Report No. 3. “Evidence based policy recommendations regarding changes in regulatory acts, the work organisation of institutions, the use of smart technologies or other measures implemented by the state to reduce the shadow economy, with an assessment of the financial impact of the relevant recommendations” Part 1 “Main determinants of envelope wage, best practices on reducing envelope wages and policy recommendations”, May 2021, author Colin C. Williams;
- vi. Copy of Report No. 3. “Evidence based policy recommendations regarding changes in regulatory acts, the work organisation of institutions, the use of smart technologies or other measures implemented by the state to reduce the shadow economy, with an assessment of the financial impact of the relevant recommendations” Part 2 “Compilation and evaluation of national measures to reduce envelope wages 2016 —2021”, May 2021, authors Juris Stinka, Aelita Skromule, Roberta Zariņa, Dr. Arnis Sauka;
- vii. Copy of Report No. 3 “Evidence based policy recommendations regarding changes in regulatory acts, the work organisation of institutions, the use of smart technologies or other measures implemented by the state to reduce the shadow economy, with an assessment of the financial impact of the relevant recommendations” Part 3 “Expert interviews: assessment of the measures taken by the State to reduce envelope wages” May 2021, authors Dr. Arnis Sauka, Juris Stinka, Roberta Zariņa, Aelita Skromule;
- viii. Copy of Report “Evidence based policy recommendations for reducing the shadow economy in Latvia”, January 2022, author Dr. Arnis Sauka;
- ix. Copy of Report “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations” October 2022, author Dr. Arnis Sauka;
- x. Copy of Annex 1 to Report No. 3 “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations”;
- xi. Copy of Annex 2 to Report No. 3 “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations”;
- xii. Copy of “Report on calculation of the amount of tax revenue loss due to illegal activity, assessing financial operations and such flow, proposing policy measures to reduce tax revenue foregone” January 2022, author Prof. Tālis Putniņš;
- xiii. Copy of “Draft Methodology for estimating the size of the shadow economy, an algorithm for forecasting its size, and estimates of the shadow economy in Latvia in 2020 and 2021” January 2022 authors Tālis Putniņš, Dr. Arnis Sauka;
- xiv. Copy of Report No. 5 “Methodology for estimating the size of the shadow economy, an algorithm for forecasting its size, and estimates of the shadow economy in Latvia in 2020 and 2021” October 2022, authors Tālis Putniņš, Dr. Arnis Sauka;
- xv. Copy of Report No. 6 “The study of the size of the shadow economy in Latvia in 2020-2021, based on the developed methodology” October 2022, authors Tālis Putniņš, Dr. Arnis Sauka.  
Link to the publication: <https://www.fm.gov.lv/lv/petijumi-par-enu-ekonomikas-apjomu>

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the target.

**The following research in the area of tax compliance shall be delivered:**

— **Report on the factors influencing the shadow economy in Latvia, focusing on the most significant sectors;**

As evidenced by the report "Researching the Shadow Economy in Latvia (RE:SHADE)" on the start of project implementation and initial conclusions about factors affecting the shadow economy, page 2, "The aim of this work package is to understand what determines the changes in the size of the shadow economy across different sectors of the economy, across businesses and over time. The analysis of this work package also seeks to clarify how individuals' attitudes towards taxation and government affect their participation in the shadow economy. Finally, it aims to better understand how participation in the shadow economy is affected by perceived likelihood of detection, as well as penalties for tax evasion. Overall, these results will improve the understanding of the nature of Latvia's shadow economy, where it has the highest/lowest level, and what contributes to the change in activity of the shadow economy".

Moreover, as evidenced by the "Report nr.1 on the assessment of the factors affecting the shadow economy in Latvia, in sectors of the economy that have a significant financial impact and in the country as a whole" part 'Summary', page 1 report "[...] examines the factors influencing the size of the shadow economy across different economic sectors, different business areas and over time. The analysis carried out as part of the study includes an analysis of people's attitudes with regard to paying taxes, as well as an assessment of the impact of the measures taken by the government on the involvement of Latvian citizens in the activities of the shadow economy. Including citizens' views on the likelihood of being caught and punished for tax evasion."

Furthermore, the report identifies sectors with significant activity in the shadow economy, for example, report summarises on page 2: "The construction sector stands out as the sector with the highest share of the shadow economy. The remaining sectors, according to the inspection data, are characterised by a large number of inspections resulting in tax arrears, including hospitality and catering, the operation of administrative and support services, transport and storage and agriculture, forestry, fishing." The report then dedicates 1 out of 5 chapters to these sectors.

**— Report on the determinants of tax evasion by individuals, including an analysis of the impact of level of the shadow economy on tax compliance;**

As evidenced by the "Report on the reasons why individuals avoid voluntary tax payment and involvement in the social insurance system" report is investigates the reasons why natural persons avoid voluntary taxation and social security coverage; analyses the influencing factors that form the pre-conditions created by the shadow economy for unfair competition and social inequality and lack of security for certain groups of the population; examines the impact of the reduction of the shadow economy on tax treatment. Among several determinants of tax evasion by individuals, the report points out: fairness of the tax system (over-taxation and tax burden on workers); nondeclared work is local praxis; lack of trust in the governments, etc.

Moreover, it is explained in the report: "The survey questions analysed so far show that the existence of the shadow economy is the result of so-called 'retraction' strategies: various aspects that encourage rather than discourage participation in the shadow economy. In the case of Latvia, it is possible to speak mainly of the tax system characterised by the highest tax burden borne by the middle class, with the positive effects of tax progressivity being felt only by the poorest sections of society. Similarly, alternative tax arrangements (autonomy, micro-enterprise tax) in which certain groups of companies (the poorest and richest sections of the public) use or are subject to the possibility of paying less tax than they receive wages, are also relevant. As a result, individuals see unequal conditions of competition in the general tax regime. This contributes to dissatisfaction with the tax system and feelings of inequality. As a result, part of the general scheme reduces the amount of tax due – most often by choosing part, not all, to pay income in envelopes, thus bringing the tax burden closer to workers under alternative tax regimes" (page 20).

The report continues to analyse the impact of level of the shadow economy on tax compliance, concluding that the losses caused by the shadow economy in the form of lost revenue in the state budget can reach 2-3.6 billion euros per year. The researchers found that tax payment and the shadow economy are related to three important factors. Firstly, these are structural factors: the tax

system, the efficiency of tax administration (amount of penalties, possibility of being punished), tax deduction strategies, the prevalence of corruption, the quality of public services. Secondly, these are settlement factors: the availability of goods and services and the difference in costs in the formal and shadow economy, as well as the anonymity of purchases, security, etc. Thirdly, there are historical factors related to tax morale, identity, the ethical behaviour of tax administration institutions, wider political and social environment.

**— Report with policy recommendations for legislative, organisational, technological and other improvements to improve tax compliance, including an assessment of the financial impact of the proposed recommendations;**

As evidenced by Part 1 “Main determinants of envelope wage, best practices on reducing envelope wages and policy recommendations” of the Report No. 3. “Evidence based policy recommendations regarding changes in regulatory acts, the work organisation of institutions, the use of smart technologies or other measures implemented by the state to reduce the shadow economy, with an assessment of the financial impact of the relevant recommendations”, policy recommendations for legislative, organisational, technological and other improvements have been made, for example:

- The SRS may launch several marketing campaigns advertising advantages or disadvantages of declared salary (part 8, page 65);
- Improve and amend tax collection mechanisms of the SRS “A more strategic approach to the design of the database is needed by asking for: “What data is needed to identify the failure to declare pay in full?”” (part 8, page 66);
- The government should not make public information that full pay under-declaration is a widespread phenomenon. By doing so, citizens and businesses will believe that others are scammers and will do so themselves. The government must therefore emphasise how the failure to declare full pay is a small exception and that most comply with the law (part 8, page 69);
- Assistance with record keeping. This may include the provision of free record-keeping software to businesses, the provision of factsheets on record keeping and/or free advice or training, such as educational courses, provide a service enabling companies and workers to calculate their tax and social security obligations (part 8, page 69);

Furthermore, in accordance with (part 4, page 11) of Copy of Annex 1 to Report No. 3 “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations” it is recommended to increase sanctions for abuse of public office for private benefit, amending Criminal Law and Law on Administrative Penalties.

Annex 1 to Report No. 3 “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations” and Report “Evidence based policy recommendations for reducing the shadow economy in Latvia” provides an assessment of the financial impact of the recommendations. The range of the costs of the recommendations are from 0 to 300 000 euros.

**— Report assessing the forgone budgetary revenue resulting from illegal activities, including legislative recommendations for reducing the risks of illicit money circulation;**

As evidenced by the “Report on calculation of the amount of tax revenue loss due to illegal activity, assessing financial operations and such flow, proposing policy measures to reduce tax revenue foregone”, an assessment of forgone budgetary revenue resulting from illegal activities has been made. Part 1, page 2, states: “The main objective of this work package is to calculate the total amount of tax lost in Latvia as a result of the unregistered and shadow economy in 2020. The calculation determines the amount of tax lost on legal goods and services that form part of the cash or undeclared economy and is referred to as “non-collected taxes”. Illicit goods or services, such as drugs, cannot be taxed because they are not authorised and are therefore excluded from the calculation of uncollected taxes. [...]”.

Furthermore part 3, page 20, states “[...] The largest share of uncollected labour taxes, consisting of personal income tax and social security contributions, represents a total of 77% of all lost revenue. The revelation shows that there is considerable potential to increase tax revenues through policy actions that reduce the tax loss on labour. This includes any measures to reduce envelope wages, in particular any policies aimed at eliminating schemes to evade taxes created by high-income earners, which generally result in the largest portion of uncollected taxes compared to what should be collected from such persons. [...]”.

In Annex 1 to Report No. 3 “Evidence based policy recommendations with an assessment of the financial impact of the relevant recommendations” the recommendations are made for reducing the risks of illicit money circulation, for example, legislative recommendation is made to amend Criminal Law and Administrative Penalties Law to increase penalties for public office abuse for obtaining private gain (part 4 “Policy recommendations: tax policy”, page 11).

— **Development of methodology for the measurement of shadow economy, using a dynamic "multi-indicator - multi-cause" model, including breakdown by tax types, company size and sectors.**

A methodology is developed in Report No. 5 “Methodology for estimating the size of the shadow economy, an algorithm for forecasting its size, and estimates of the shadow economy in Latvia in 2020 and 2021”. The report explains that there are two methods used and one of them is “multi-indicator-multi case”. In part 1, page 2 of the report it is stated that “[...] The approach used in the second combined method is an indirect macro-level method called MIMIC (multi-indicator multi-cause model) developed and promoted by Prof. Schneider and his co-authors (e.g. Schneider and Enste, 2000). This method uses economy-wide macro-data on possible causes and indicators of the shadow economy to calculate the relative size of the shadow economy in one country or over a period compared to another country or period. To calculate the true size of the shadow economy, the relative calculations shall be calibrated using absolute measurements of the shadow economy that are known or assumed to be correct. [...]”

The MIMIC method is then combined with the micro level method based on employers’ survey. The second part of the survey on “informal entrepreneurship” is developed based on Baumol’s (1990) concepts of productive, unproductive, and destructive entrepreneurship, the assessment of “deviation from norms” in organisations (e.g., Warren, 2003), and empirical studies on tax evasion in various contexts (e.g., Fairlie, 2002; Aidis, Van Praag, 2007). The aim is to evaluate the scale of shadow economy activities by asking entrepreneurs to estimate the extent to which they do not report business incomes (net profit), the number of employees, employee wages, and the percentage of income that businesses pay in bribes. When questioning informal entrepreneurship, the survey employs an “indirect” approach by asking entrepreneurs about “their industry businesses” rather than “their businesses”. This provides information for breakdown by tax types. In the section 3 of the survey, employers have to indicate the business performance indicators (percentage changes in net sales, trade turnover, and employment from the previous year), company age, industry, and region (pages 8-9). This provides information on company size and sectors.

Furthermore, in line with the description of the measure, investment in **research of taxpayer behavior** shall be used to design a more effective policy response to tax avoidance and evasion. The research package provided research on taxpayer behavior, especially Report No. 3. “Evidence based policy recommendations regarding changes in regulatory acts, the work organisation of institutions, the use of smart technologies or other measures implemented by the state to reduce the shadow economy, with an assessment of the financial impact of the relevant recommendations” analysed taxpayer behaviour and provided recommendations.

Furthermore, in line with the description of the measure, the objective of this measure is to improve the quality and efficiency of compliance risk management and other activities related to fight against

shadow economy through a broad set of measures, [...]. The reform consists of: [...] d) **commissioning of research and policy recommendations in the area of the shadow economy.** As the evidence above shows, a number of the reports have been commissioned and produced with recommendations in the area of shadow economy.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 178</b>	<b>Related Measure: 6.1.2.2.i. Capacity building of the Customs Laboratory</b>
<b>Name of the Milestone: Purchased and installed spectrophotometer for use in the Customs Laboratory</b>	
<b>Qualitative Indicator:</b> Deed of acceptance signed	<b>Time:</b> Q4 2022
<p><b>Context:</b>  The objective of this investment is to allow customs to control smuggling, counterfeit products, and illegal substances more effectively.  Milestone 178 concerns the purchase and installation of a spectrophotometer for use in the customs laboratory.  Milestone 178 is one of the two milestones or targets of this investment, and it is accompanied by milestone 179, which concerns the purchase and installation of a spectrophotometer for use in the airport customs control point, in this payment request. The investment has a final expected date for implementation on 31 December 2022.</p>	
<p><b>Evidence provided:</b>  In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of Acceptance certificate – the transfer-acceptance act signed on 18 August 2022 between the State Revenue Service and the supplier SIA “FANEKS” for the supply and installation of the fixed RAMAN spectrometer and ancillary equipment in accordance with the Agreement No. FM VID 2022/101- 2, concluded on 3 June 2022 between the State Revenue Service and the supplier SIA “FANEKS”.</li> <li>iii. Copy of Technical specification – technical specification for fixed RAMAN spectrometer and ancillary equipment, published in the electronic procurement system (EIS) of Latvia on 23 March 2022 by the State Revenue Service.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of amendments to the agreement No FM SRS 2022/101- 2 on extension of completion period, signed on 26 July 2022, between the State Revenue Service and the supplier SIA “FANEKS” on extension of delivery of goods.</li> <li>ii. Copy of the Agreement No. FM VID 2022/101- 2 for the supply of the RAMAN spectrometer and ancillary equipment, signed on 3 June 2022, between the State Revenue Service and the supplier SIA “FANEKS” for delivery, installation and fulfilling of the warranty obligations of a new RAMAN stationary spectrometer and ancillary equipment.</li> <li>iii. Copy of a handwritten register, kept by the officials of the Customs Laboratory, which is part of State Revenue Service, of the use of RAMAN spectrometer over a period of 16 December 22 and 5 June 2023 indicating the date of the control, the type of sample and the results obtained.</li> </ol>	
<p><b>Analysis:</b>  The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p>	
<b>A spectrophotometer is set up and in use at the Customs Laboratory.</b>	

An acceptance certificate, which corresponds to the certificate of completion, demonstrates that a spectrophotometer in the form of the RAMAN spectrometer has been purchased and set up at the Customs Laboratory.

In particular, the signature of the transfer-acceptance act by the State Revenue Service and the supplier SIA "FANEKS" confirms that the delivery of the goods specified in the Agreement No. FM VID 2022/101- 2 for the supply and installation of the fixed RAMAN spectrometer and ancillary equipment, has been carried out in the amount, terms and appropriate quality specified in the Agreement. Moreover, the transfer-acceptance act confirms that the installed device corresponds to the technical specification in the electronic procurement system (EIS) of Latvia published on 23 March 2022 by the State Revenue Service.

The register of the use of RAMAN spectrometer demonstrates that the device is in use at the Customs Laboratory, as required by the milestone. Moreover, the results of each time the equipment is used are registered in the Document Management System in accordance with the document management procedures of the State Revenue Service. These results encompass control outcomes, testing methodologies, and the specific equipment employed.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 179</b>	<b>Related Measure: 6.1.2.2.i. Capacity building of the Customs Laboratory</b>	
<b>Name of the Milestone: Purchased and installed spectrophotometer for use in Airport customs control point</b>		
<b>Qualitative Indicator:</b> Deed of acceptance signed		<b>Time:</b> Q4 2022
<b>Context:</b>		
<p>Measure 6.1.2.2.i. aims to control smuggling, counterfeit products, and illegal substances more effectively. The investment is expected to contribute to the improvement of the quality of customs control measures, expanding the possibilities of analysing smuggled and counterfeit goods, as well as reducing the activities of organised crime.</p> <p>Milestone 179 concerns the purchase and installation of a spectrophotometer for use in the airport customs control point.</p> <p>Milestone 179 is the second milestone of the implementation of the investment, and it follows the completion of milestone 178, related to the purchase and installation of a spectrophotometer for use in the customs laboratory. The investment has a final expected date for implementation on 31 December 2022.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of Acceptance certificate - the transfer-acceptance act was signed on 7 December 2022, between the State Revenue Service and the supplier SIA "Quantum Latvija" for the supply and installation of the portable (hand-held) RAMAM spectrometer and ancillary equipment in accordance with the Agreement No. FM VID 2022/221 (concluded on 13 October 2022).</li> <li>iii. Copy of Technical specification - technical specification for portable (hand-held) RAMAN spectrometer and ancillary equipment, published in the electronic procurement system (EIS) of Latvia on 1 September 2022 by the State Revenue Service.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of agreement between State Revenue Service and the supplier SIA "Quantum Latvija" for supply ad installation of the portable (hand-held) RAMAN spectrometer and ancillary equipment concluded on 13 October 2022.</li> </ol>		

ii. Copy of report on the usage of portable spectrometer over a period of 1 January to 30 August 2023 indicating the date and hour of the control and result achieved.
<p><b>Analysis:</b> The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.</p> <p><b>A spectrophotometer is set up and in use at the airport customs control point.</b> By the transfer-acceptance act it is demonstrated that a spectrophotometer in the form of portable (hand-held) RAMAN spectrometer has been purchased and set up at the Riga Airport customs control point. The mutual signing of the transfer-acceptance act confirms that the delivery of the goods specified in the Agreement No.FMVID 2022/221 for the supply and installation of the portable (hand-held) RAMAN spectrophotometer and ancillary equipment concluded on 13 October 2022, has been carried out in the amount, terms and appropriate quality specified in the Agreement. Moreover, the technical specification includes technical parameters in accordance with the technical requirements set by the State Revenue Service for the portable (hand-held) RAMAN spectrometer with laser technology for the spectral analysis and identification of solid, liquid, and powdered chemicals, their mixtures, explosives, narcotic, psychotropic substances, and their precursors, as well as ancillary equipment. The technical specification contains information on the equipment description, installation and training requirements, and warranty period requirements. Moreover, the authorities have demonstrated that the portable (hand-held) RAMAN spectrometer is in use by including an internal report on the times of its use dated 30 August 2023.</p> <p>Furthermore, in line with the description of the measure, <b>the investment consists of equipping [..] the customs control point at Riga airport with a spectrophotometer.</b> As evidenced by the transfer-acceptance act, the portable (hand-held) RAMAM spectrometer is available at Riga airport.</p>
<b>Commission Preliminary Assessment:</b> Satisfactorily fulfilled

<b>Number:</b> 196	<b>Related Measure:</b> 6.3.1.r. Modernisation of public administration
<b>Name of the Milestone:</b> Approved Plan for Modernisation of Public Administration	
<b>Qualitative Indicator:</b> Plan for Modernisation of Public Administration approved	<b>Time:</b> Q4 2022
<p><b>Context:</b> The objective of this reform is to take a step in modernising the public administration, which means making it more efficient and innovative and a more attractive place to work to deliver better policy and services to citizens as well as addressing the new challenges that have emerged in the context of the COVID-19 crisis.</p> <p>Milestone 196 concerns the adoption of a plan for the modernisation of public administration. Milestone 196 is the first step in the implementation of the reform, and it will be followed by milestone 197 related to the review of progress in the implementation of the plan for modernisation of public administration. In parallel, milestone 198 requires the concept of the Single Service Centre to be approved. This will be followed by target 199 related to employees in direct administration receiving centralised accounting and resource management services from the single solution service provider. The final expected date for implementation of the measure is 31 August 2026.</p>	
<p><b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> </ul>	

- ii. Copy of the Cabinet of Ministers Order No. 240 "On the Public Administration Modernisation Plan 2023-2027", has been adopted by Cabinet of Ministers on 25 April 2023, entered into force on 5 May 2023, published in Official Journal on 11 May 2023. Link to publication in the Official Journal: <https://www.vestnesis.lv/op/2023/89.3;https://likumi.lv/ta/en/en/id/249322>.
- iii. Copy of Minutes No. 22/26§ (22-TA-3192) of the meeting of the Cabinet of Ministers, 25 April 2023 (published in Official Journal on 10 May 2023). Link to publication in the Official Journal: <https://www.vestnesis.lv/op/2023/88.14>

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities covers all constitutive elements of the milestone.

**A plan for the modernisation of public administration is approved by the Cabinet of Ministers.**

The Public Administration Modernisation Plan 2023-2027 (hereinafter referred to as the Plan) was adopted by order No. 240 of the Cabinet of Ministers on 8 May 2023 and entered into force in accordance with Article 7 of the Law on Official publications and legal and legal information on the day of signature on 8 May 2023. It was published in the Official Journal on 11 May 2023.

**The plan covers the following priority areas and including timeframes for implementation:**

**(a) An open, transparent, fair and accountable public administration: the principles of integrity are reviewed and improved by defining and implementing accountability to every public administration, as well as by respecting ethical principles and values in the work of public administration;**

Section 6.1. and Table 1 "Action direction: Single and efficient public administration" of the Plan aim to strengthen cross-sectoral cooperation and to develop open, transparent, fair and accountable public administration, as well as further implement a values-based culture in public administration, by respecting ethical principles, for example one of the activities (1.5. Further development of TAP portal – public portal on draft legislation, to increase the access of the public). A specific timeline is included in the Plan (page 18).

**(b) Uniform, centralised and standardised support processes and systems – the introduction of a centralised resource management system in public administrations, including accounting and human resources management;**

Section 6.4. and Table 4 "Action direction: Centralisation and standardisation of support functions" of the Plan provides for establishing a Shared Service Centre by 2027, which will ensure uniform, centralised and standardised support processes and systems, including accounting and human resource management support functions. By establishing a Shared Service Centre, a standardised approach to the administrations of national authorities is planned to be introduced, which will enable efficient, automated and optimised administrative functions and processes.

**(c) Strategic human resources management and development, including selection, career management, evaluation, learning and development;**

Section 6.2. and Table 2 "Action direction: Development of human resources" of the Plan aims to create a culture of work by 2027, in which the employees are valued, not just a resource for achieving the objective, where learning and development are an essential part of the work, thereby also promoting progress towards excellence in the provision of public administration services. In order to achieve the aforementioned aim, it is planned to develop a comprehensive and future-oriented regulatory framework for the strategic management of human resources, including strengthening the role of human resources management in public administration and by developing selection, evaluation, learning, mobility and a career management processes through a centralised human resources management information system.



**(d) Available, comprehensible and relevant services – developing digital transmission guidelines and digitising services, while ensuring their accessibility, accessibility and comprehensibility for all citizens, including those who do not use digital tools.**

As described in Section 5 and Section 6.7 of the Plan, digital transformation of public administration is included in the Plan as a horizontal action, taking into account that digitalisation provides support for the implementation of many other measures included in the Plan. The Plan points to the Guidelines for Digital Transformation 2021-2027, which describe specific measures related to the digitalisation of public administration. The role of digital technology implementation coordinator in the Latvian public administration is carried out by the Ministry of Environmental Protection and Regional Development, which focuses its actions on the development and implementation of digitalisation policy on available, accessible, comprehensible and relevant service management and modernisation of public administration services for all citizens, safe and effective use of public administration data, as well as ICT support for the performance of public administration. Moreover, part 2.2. and part 5 describe steps for digitalisation of public administration taking into account citizens, including those who do not use digital tools.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 198</b>	<b>Related Measure: 6.3.1.r. Modernisation of public administration</b>
<b>Name of the Milestone: Concept of the Single Service Centre approved as a prerequisite for the provision of centralised services</b>	
<b>Qualitative Indicator: N/a</b>	<b>Time: Q4 2022</b>
<b>Context:</b> <p>The objective of this reform is to take a step in modernising the public administration, which means making it more efficient and innovative and a more attractive place to work to deliver better policy and services to citizens as well as addressing the new challenges that have emerged in the context of the COVID-19 crisis.</p> <p>Milestone 198 concerns the adoption of a concept of the Single Service Centre.</p> <p>The milestone is the second step in the implementation of the reform, and it will be followed by milestone 199 related to employees in direct administration receiving centralised accounting and resource management services from the single solution service provider. The final expected date for implementation of the measure is 31 August 2026.</p>	
<b>Evidence provided:</b> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"><li>Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li><li>Copy of the Cabinet of Ministers Order No. 404 "On the conceptual report "On the establishment of a Single Service Centre in the public administration"" (hereinafter referred to as the Conceptual Report), adopted on 4 July 2023 and entered into force on 4 July 2023. Published in the Official Journal on 6 July 2023). Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2023/129.1">https://www.vestnesis.lv/op/2023/129.1</a>; <a href="https://likumi.lv/ta/en/en/id/249322">https://likumi.lv/ta/en/en/id/249322</a>.</li><li>Copy of the Minutes No. 34/56§ (22-TA-99) of the meeting of the Cabinet of Ministers, 27 June 2023 (published in the Official Journal on 4 July 2023). Link to publication in the Official Journal: <a href="https://www.vestnesis.lv/op/2023/127.2">https://www.vestnesis.lv/op/2023/127.2</a></li></ol>	
<b>Analysis:</b> <p>The justification and substantiating evidence provided by the Latvian authorities covers all constitutive elements of the milestone.</p>	

**The concept of the Single Service Centre has been developed and approved by the Cabinet of Ministers.**

As evidenced by the Conceptual Report, the concept of the Single Service Centre has been developed and approved by the Cabinet of Ministers on 4 July 2023. The Conceptual Report entered into force in accordance with Article 7 of the Law on Official publications and legal and legal information on the day of signature – 4 July 2023. It was published in the Official Journal on 6 July 2023.

**The concept shall describe how gradual centralisation of public administration support functions (at least accounting and personnel record keeping) shall take place.**

The Conceptual Report outlines how gradual centralisation of public administration support functions shall take place by indicating a roadmap for establishment of a Single Service Centre and transition of institutions to centralised support functions (Section 3.1., page 27), timeline for gradual centralisation (Picture 13, page 29 and page 71), as well as the Conceptual Report describes activities to be carried out by the State Chancellery in centralisation of personal record keeping, human resource management and training (Section 3.4., page 33); and the State Treasury in centralisation of accounting and budget planning (Section 3.5., page 36).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 206</b>	<b>Related Measure: 6.3.1.4.i. Growth of non-governmental organisations to strengthen social security representation and monitor public interests</b>	
<b>Name of the Milestone: Publication of the framework for the support of non-governmental organisations in areas of - social resilience -advocacy of public interest</b>		
<b>Qualitative Indicator:</b> The publication of the rules for the support programme		<b>Time:</b> Q4 2022
<b>Context:</b>		
<p>The measure aims to support public initiatives and dialogue in the areas of social resilience and advocacy of public interest.</p> <p>Milestone 206 concerns the publication of a call for funding to support non-governmental organisations in the areas of public advocacy and social resilience.</p> <p>Milestone 206 is the first step in the implementation of measure 6.3.1.4.i. It will be followed by target 207 related to signature of grant contracts. The investment has a final expected date of implementation on 31 August 2026.</p>		
<b>Evidence Provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of rules of open call for project applications in thematic direction “Representation of the interests of the most vulnerable groups of society in the field of social security” of European Union Recovery and Resilience plan’s component 6 “Rule of Law”, reform and investment direction 6.3. "Modernisation of public administration" reform 6.3.1. "Modernisation of public administration" investment 6.3.1.4.i. “Growth of non-governmental organisations to strengthen social security representation and monitor public interests” (approved by the Society Integration Foundation council on 2 February 2023, published on the Society Integration Foundation’s web page on 6 April 2023), including the following annexes: <ul style="list-style-type: none"> <li>• Project application form</li> <li>• Project budget summary form</li> <li>• Project financing plan form</li> <li>• Annex 1 to project application form</li> <li>• Project collaboration partner certificate</li> <li>• Project implementation contract</li> </ul> </li> </ol>		

Link to publication: <https://www.sif.gov.lv/lv/konkurss-sabiedribas-vismazak-aizsargato-grupu-interesu-parstavnieciba-socialas-drosibas-joma>

iii. Copy of rules of open call for project applications in thematic direction “Public interest advocacy on use of foreign investments and state budget funding” of European Union Recovery and Resilience plan’s component 6 “Rule of Law”, reform and investment direction 6.3. “Modernisation of public administration” reform 6.3.1. “Modernisation of public administration” investment 6.3.1.4.i. “Growth of non-governmental organisations to strengthen social security representation and monitor public interests” (approved by the Society Integration Foundation council on 2 February 2023, published on the Society Integration Foundation’s web page on 6 April 2023), including the following annexes:

- Project application form
- Project budget summary form
- Project financing plan form
- Annex 1 to project application form
- Project collaboration partner certificate
- Project implementation contract

Link to publication: <https://www.sif.gov.lv/lv/konkurss-sabiedribas-interesu-uzraudziba-par-arvalstu-investiciju-un-valsts-budzeta-finansejuma-izlietojumu>

iv. Copy of Regulations of Cabinet of Ministers No. 740 of 22 November 2022 (prot. No. 59 39. §), entered into force on 25 November 2022, “Implementing regulations of European Union Recovery and Resilience plan’s component 6 “Rule of Law”, reform and investment direction 6.3. “Modernisation of public administration” reform 6.3.1. “Modernisation of public administration” investment 6.3.1.4.i. “Growth of non-governmental organisations to strengthen social security representation and monitor public interests””. Link to publication: <https://likumi.lv/ta/id/337374-eiropas-savienibas-atveselosanas-un-noturibas-mehanisma-plana-6-komponentes-likuma-vara-6-3-reformu-un-investiciju-virziena-pub>

#### **Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

#### **An open call for funding for strengthening the work of non-governmental organisations in two areas – (a) fostering social resilience and (b) advocacy for public interest has been published.**

The Latvian authorities have provided evidence of open calls for project applications in two areas - (a) “Representation of the interests of the most vulnerable groups of society in the field of social security” and (b) “Public interest advocacy on use of foreign investments and state budget funding”. These were published on the website of the Society Integration Foundation on 6 April 2023 (Link to publication: <https://www.sif.gov.lv/lv/atveselosanas-fonds>).

#### **The call shall include conditions and criteria for NGO participation in the support programme, a reporting mechanism and indicators and targets to be achieved within the programme.**

- The call for project applications in the thematic direction “Representation of the interests of the most vulnerable groups of society in the field of social security”, approved by the Society Integration Foundation Council on 2 February 2023, published on the Society Integration Foundation web page on 6 April 2023, includes: conditions for NGO participation in the support programme, in section 1 “General issues”, section 2 “Procedure for design and submission of the project application” and section 3 “Requirements for the Project applicant and its partners”;
- criteria for NGO participation in the support programme in section 5 “Procedures and criteria for assessment of project applications”;
- a reporting mechanism in paragraph 6.7;

- indicators and targets to be achieved within the programme in paragraph 1.3., which refers to Article 10.1. of Regulations of Cabinet of Ministers No. 740 of 22 November 2022 "Implementing regulations of European Union Recovery and Resilience plan's component 6 "Rule of Law", reform and investment direction 6.3. "Modernisation of public administration" reform 6.3.1. "Modernisation of public administration" investment 6.3.1.4.i. "Growth of non-governmental organisations to strengthen social security representation and monitor public interests"". The above-mentioned regulations provide for general implementation and supervision mechanisms of investment 6.3.1.4.i.
- The call for project applications in the thematic direction "Public interest advocacy on use of foreign investments and state budget funding", approved by the Society Integration Foundation Council on 2 February 2023, published on the Society Integration Foundation web page on 6 April 2023, includes: conditions for NGO participation in the support programme in section 1 "General issues", section 2 "Procedure for design and submission of the project application" and section 3 "Requirements for the Project applicant and its partners";
- criteria for NGO participation in the support programme in section 5 "Procedures and criteria for assessment of project applications";
- a reporting mechanism in paragraph 6.7.;
- indicators and targets to be achieved within the programme in paragraph 1.3., which refers to Article 10.1. of Regulations of Cabinet of Ministers No. 740 of 22 November 2022 "Implementing regulations of European Union Recovery and Resilience plan's component 6 "Rule of Law", reform and investment direction 6.3. "Modernisation of public administration" reform 6.3.1. "Modernisation of public administration" investment 6.3.1.4.i. "Growth of non-governmental organisations to strengthen social security representation and monitor public interests"". The above-mentioned regulations provide for general implementation and supervision mechanisms of investment 6.3.1.4.i.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 208</b>	<b>Related Measure: 6.4.1.r. Creation of a register of public procurement contracts</b>	
<b>Name of the Milestone: A register of public procurement contracts made available</b>		
<b>Qualitative Indicator:</b> Amendments to public procurement legislation and technical solution developed and available for production		<b>Time:</b> Q4 2022
<b>Context:</b> Milestone 208 is the part of the reform 6.4.1.r., which aims to increase the transparency and control of the execution of procurement contracts to ensure that procurement contracts are executed in accordance with the terms of the contract. Milestone 208 concerns the entry into force of amendments to the regulatory acts governing public procurement and the development of a technical solution for the register of public procurement contracts, which contains structured information on the concluded procurement contracts and their actual performance data (including costs and deadlines or the reason for termination). Milestone 208 is the only milestone of the reform.		
<b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided: <ul style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>ii. Copy of the Law "Amendments to the Public Procurement Law", adopted by the Latvian Parliament (<i>Saeima</i>) on 3 March 2022, and published on Official Journal on 15 March 2022 and entered into force on 1 January 2023. Link to publication: <a href="https://www.vestnesis.lv/op/2022/52.4">https://www.vestnesis.lv/op/2022/52.4</a></li> </ul>		

- iii. <https://likumi.lv/ta/id/330777-grozijumi-publisko-iepirkumu-likuma>  
Copy of the Law “Amendments to the Law on the Procurements of Public Service Providers”, adopted by the Latvian Parliament (*Saeima*) on 5 May 2022, and published on Official Journal on 17 May 2022 and has entered into force on 1 January 2023. Link to publication: <https://www.vestnesis.lv/op/2022/94.10>  
<https://likumi.lv/ta/id/332426-grozijumi-sabiedrisko-pakalpojumu-sniedzēju-iepirkumu-likuma>
- iv. Copy of the Law “Amendments to the Law on Public-Private Partnership”, adopted by Latvian Parliament (*Saeima*) on 5 May 2022, proclaimed by the President and published on Official Journal on 17 May 2022 and has entered into force on 1 January 2023. Link to publication: <https://www.vestnesis.lv/op/2022/94.9>  
<https://likumi.lv/ta/id/332432-grozijumi-publiskas-un-privatas-partneribas-likuma>
- v. Copy of the Acceptance Transfer Act attesting that an information technology solution is developed in accordance with the requirements of the commissioning party and has been made available to the public, mutually signed by Procurement Monitoring Bureau (commissioning party) and OSS Networks Ltd. (executor of contract) on 27 December 2022.

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Amendments to the legislation governing public procurement have entered into force,**

The Law “Amendments to the Public Procurement Law”, the Law “Amendments to the Law on the Procurements of Public Service Providers” and the Law “Amendments to the Law on Public-Private Partnership”, as provided by the authorities, demonstrate that the legislation governing public procurement have been adopted. Amendments to the legislation governing public procurement entered into force on 1 January 2023, as provided in the Law “Amendments to the Public Procurement Law”, the Law “Amendments to the Law on the Procurements of Public Service Providers” and the Law “Amendments to the Law on Public-Private Partnership”.

**providing for a register of contracts containing structured information on procurement contracts concluded and their actual performance (including actual costs and deadlines or the reason for termination).**

In Section 1, Clause 17<sup>1</sup>, and Section 60.<sup>1</sup> of the Law on Amendments to the Public Procurement Law, Section 1, Clause 17<sup>1</sup>, and Section 65.<sup>1</sup> of the Law on Amendments to the Law on the Procurements of Public Service Providers and Section 1, Clause 40, and Section 62.<sup>1</sup> of the Law on Amendments to the Law on Public-Private Partnership, it is stipulated that the register of contracts provides information regarding all contracts and contract amendments concluded by the contracting authorities in accordance with the Public Procurement Law, the Law on the Procurements of Public Service Providers and the Law on Public-Private Partnership and for which a notice is published on the website of Procurement Monitoring Bureau (using the Publications Management System). Such data shall be available in the Contract Register, which contains information on the contracting authority, the economic operator, the date of concluding the contract, the subject matter of the contract, the contract price, the time limit for the performance of the contract, any amendments to the contract, and also information regarding the actual performance of the contract (the contract price, the time limit for the performance, the contractor, and the reason for termination of the contract where applicable), and any other information necessary (Section 1, Clause 171 of the Law on Amendments to the Public Procurement Law ).

**A technical solution for the register of public procurement contracts has been developed and made available online.**

The technical solution has been developed for the register of public procurement contracts, as evidenced by the Acceptance Transfer Act, which corresponds to the certificate of completion attesting that an information technology solution has been developed.

The technical solution of an online register of public procurement contracts has been developed and made available for registering contracts concluded starting from 1 January 2023 in accordance with Section 17 of the Law “Amendments to the Public Procurement Law”. This Contract Register provides information regarding all procurement contracts and contract amendments concluded by the contracting authorities, for which a notice is published on the website of Procurement Monitoring Bureau (using the Publications Management System) Section 1 of the Law “Amendments to the Public Procurement Law”. Using the aforementioned system, the entering of actual performance data (including the actual contract price for which the contract has been performed, the actual date of performance of contract and the reason for termination of contracts (if applicable)) is ensured as well in accordance with Section 10 of the Law “Amendments to the Public Procurement Law”. The Contract Register supports searches according to selection requirements and the exporting of results in .xlsx format. The Contract Register is available online at: <https://info.iub.gov.lv/lv/contracts>.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 210</b>	<b>Related Measure: 6.4.3.r. Development and implementation of a professionalisation</b>	
<b>Name of the Milestone: Adoption of a strategy for the professionalization of procurers</b>		
<b>Qualitative Indicator:</b> A strategy has been adopted		<b>Time:</b> Q1 2022
<b>Context:</b>		
<p>The objective of this reform is to raise the quality and efficiency of public procurement while optimising resources used by developing competencies, skills and capacities of public procurers. Milestone 210 is the first step of the implementation of the reform, and it will be followed by milestone 211, related to the entry into force of amendments to relevant legal acts to raise quality of public procurement, and by milestone 212, related to the entry into force of a decision by the Cabinet of Ministers on the execution of centralised procurements in certain areas. The reform has a final expected date for implementation on 31 August 2026.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>i. Summary document justifying how the milestone (including all the constitutive elements) was satisfactory fulfilled;</li> <li>ii. Copy of Strategy for the Professionalization of Procurers 2022-2024. The strategy was signed on behalf of the Procurement Monitoring Bureau on 23 March 2022 and approved by the order of the Ministry of Finance on 31 March 2022. Link to publication: <a href="https://www.iub.gov.lv/lv/media/6686/download">https://www.iub.gov.lv/lv/media/6686/download</a>;</li> <li>iii. Copy of protocol decision of the Cabinet of Ministers on the directions of action for conducting centralised procurements adopted at the Cabinet of Ministers meeting on 12 April 2022, No.20, 44.§, entered into force on 12 April 2022. Minutes of the Cabinet of Ministers meeting on 12 April 2022, published in Official Journal on 20 April 2022. Link to publication: <a href="https://www.vestnesis.lv/op/2022/76.11">https://www.vestnesis.lv/op/2022/76.11</a>; <a href="https://likumi.lv/ta/id/331697-ministru-kabineta-sedes-protokols">https://likumi.lv/ta/id/331697-ministru-kabineta-sedes-protokols</a></li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>i. Copy of Study on the Evaluation of Benefits for the Centralization of Public Procurement, based on the Analysis of Latvian and Foreign Experience (performed by “Agile&amp;CO” Ltd. in July 2021)</li> <li>ii. Copy of annotation to study on centralised procurement.</li> </ol>		

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**Adoption of a professionalisation strategy that includes specific directions of action for the competence of procurers and for conducting centralised procurements.**

The evidence provided by the authorities demonstrates that the Strategy for the Professionalization of Procurers 2022-2024 has been adopted by Procurement Monitoring Bureau and the Ministry of Finance; and the decision on the directions of action for conducting centralised procurements was taken by the Cabinet of Ministers on 12 April 2022, entered into force on 12 April 2022.

The primary objective of the Strategy for the Professionalization of Procurers 2022-2024 is to assist officials involved in public procurement, by facilitating their sustainable professional growth, as well to improve the public procurement monitoring mechanism.

There are three strategic directions, which altogether will improve the environment of public procurement:

- implementation of a comprehensive training programme (through the website of the State Administration School [www.vas.gov.lv](http://www.vas.gov.lv)) to improve the professional skills of procurers. This training programme will be based on the competency matrix similar to ProcurComp developed by the European Commission; an advanced level training programmer is planned to be developed (primarily for procurers who carry out centralised and large-scale procurement); procurers who have completed the advanced level will be invited to participate in Training of Trainers programme (Strategy, pages 4; 10-12);
- implementation of a data- and risk-based approach in activities of the Procurement Monitoring Bureau, ensuring efficient use of resources and, ultimately, improving the quality of procurement (Strategy, pages 5; 12-14);
- improvement and systematisation of the methodological tools and development of cooperation model between public authorities to ensure the exchange of the most current information (Strategy, pages 3; 9-10).

Based on the study on the Evaluation of Benefits for the Centralization of Public Procurement, performed by "Agile&CO" Ltd. on July 2021, the decision of the Cabinet of Ministers specifying directions for conducting centralised procurements has been adopted, as evidenced by the protocol decision of the Cabinet of Ministers adopted at the Cabinet of Ministers meeting on 12 April 2022, No.20, 44.§, entered into force on 12 April 2022 in accordance with Article 7 on Publication of Official and Judicial Information. With the decision of the Cabinet of Ministers it has been determined that:

- The State Regional Development Agency shall update the catalogues of goods and services available in the electronic procurement system and, along with the Ministry of Transport, evaluate the possibility of centralised procurement of telecommunications equipment and services (part 2);
- The Ministry of Defence ensures the completion of centralised procurement of fuel (part 3);
- The Ministry of Education and Science, the Ministry of Health, the Ministry of Agriculture, universities and research institutes ensure the completion of centralised procurement of laboratory materials, reagents and chemicals (part 3);
- Ministries must ensure that the procurement of vehicles and transport services for the needs of the ministry and its subordinate institutions is organised in a centralised manner (part 4);
- The Ministry of Economics must ensure the organisation of centralised electricity procurement for the needs of ministries and subordinate institutions starting from 2024 (part 6);
- The Ministry of Economics shall perform the evaluation of the possibility of organising centralised natural gas procurement for the needs of ministries and subordinate institutions (part 7);

- Municipalities shall consider the possibility of planning and organising centralised procurement for the needs of municipal institutions at least in the groups of goods and services such as vehicles and transport services, electricity, fuel, natural gas, postal and courier services (part 11).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 211</b>	<b>Related Measure: 6.4.3.r. Development and implementation of a professionalisation strategy</b>	
<b>Name of the Milestone: Amendments to the relevant legal acts, regulation and internal procedures</b>		
<b>Qualitative Indicator:</b> Entry into force of amendments to relevant legal acts, regulations or internal procedures		<b>Time:</b> Q4 2022
<p><b>Context:</b></p> <p>The objective of this reform is to raise the quality and efficiency of public procurement while optimising resources used by developing competencies, skills and capacities of public procurers. Milestone 211 concerns the increase of the quality of procurement by making procurement rules more specific, by evaluating and boosting knowledge of procurers; and by improving control of procurement quality by developing and implementing data and a risk-based approach in the Procurement Monitoring Bureau's daily activities.</p> <p>Milestone 211 is the second step of the reform and it follows the completion of milestone 210, related to adoption of a professionalisation strategy. It will be followed by milestone 212, related to entry into force of a decision of the Cabinet of Ministers on the execution of centralised procurements. The reform has final expected date of implementation on 31 August 2026.</p> <p>Latvia included no expected costs under its Recovery and Resilience Plan concerning this measure, and the Latvian authorities have indicated in the summary document that support of other Union funds is being used for the implementation of this milestone.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>Summary document justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled;</li> <li>Copy of the guidelines containing the standardised qualification requirements in the road transport sector. Link to publication and webinars: <a href="https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas">https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas</a>;</li> <li>Copy of the guidelines containing the standardised qualification requirements in the mobile and fixed communication services sector. Link to publication and webinars: <a href="https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas">https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas</a>;</li> <li>Copy of the guidelines containing the standardised qualification requirements in the construction works sector. Link to publication and webinars: <a href="https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas">https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas</a>;</li> <li>Copy of the guidelines containing the standardised qualification requirements in the information and communication technologies sector. Link to publication and webinars: <a href="https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas">https://www.iub.gov.lv/lv/nozaru-ministriju-vadlinijas</a>.</li> <li>Copy of Cabinet Regulation No. 419 "Regulations on mandatory provisions in public construction contracts and their content", adopted on 5 July 2022, published in the Official Journal on 11 July 2022; entered into force on 12 July 2022; Link to publication: <a href="https://www.vestnesis.lv/op/2022/131.2">https://www.vestnesis.lv/op/2022/131.2</a> <a href="https://likumi.lv/ta/id/333852-noteikumi-par-publisko-buvdarbu-ligumos-obligati-ietveramajiem-noteikumiem-un-to-saturu">https://likumi.lv/ta/id/333852-noteikumi-par-publisko-buvdarbu-ligumos-obligati-ietveramajiem-noteikumiem-un-to-saturu</a></li> </ol>		



- vii. Copy of Roadmap to methodological materials available on Procurement Monitoring Bureau's website starting on 14 June 2022; Link to publication: <https://www.iub.gov.lv/lv/iepirkuma-celvedis>
- viii. Copy of Training Programme:
- Training programme for procurers available on the State Administration School's Learning Management System starting from 1 January 2023  
Link to Training programme's explanation: <https://www.iub.gov.lv/lv/media/7671/download?attachment>
  - Roadmap of training programme
  - Example of learning materials at Module No. 2,
  - Example of test at Module No. 2  
Link to e-module available at Module No. 2 <https://mps.vas.gov.lv/edu/scorm/material/84>
  - Screenshot of content of programme on State Administration School's Learning Management System
  - Example of Basic level exam
- ix. Copy of Updated Methodology of the Professional Competencies and Potential Assessment and Human Resources Development Planning Matrix with added requirements of increased competence for procurement commission in large scale (above EU contract prices) and centralised procurement procedures (amendments marked with yellow) with annexes (Updated on 8 December 2022):
- Professional Procurement Competencies Etalon Model
  - Professional Procurement Competencies Assessment Matrix
  - Professional Procurement Competencies Assessment Matrix in high scale and centralised procurement
  - Potential Assessment Matrix
  - Sample form of the individual development plan
  - Application of etalon model
  - Review of the compliance of the competency matrix with the competency framework developed by the EC ProcurCompEU
  - sample form of observations
- Link to Guidelines with annexes on Procurement Monitoring Bureau's website: <https://www.iub.gov.lv/lv/citi#iepirkumu-veiceju-profesionalizacija>
- x. Copy of Methodological Guidelines for Procurement Monitoring Bureau's Data and Risk Based Approach (signed on 29 December 2022). The guidelines ensure that the procurement commission advertises the appropriate quality of tenders (risk-based supervision of procurements).  
Link to publication: <https://www.iub.gov.lv/lv/media/7680/download?attachment>

**Analysis:**

The justification and substantiating evidence provided by the Latvian authorities cover all constitutive elements of the milestone.

**The adoption of the following has been completed:**

**(1) Standardised qualification requirements by sector (information and communication technologies, construction, road transport, mobile and fixed communication services),**

The evidence provided by the authorities demonstrates that the Procurement Monitoring Bureau has adopted the guidelines containing the standardised qualification requirement by sector and published them on the website of the Procurement Monitoring Bureau:

- for the road transport sector, for example, the requirement for the applicants experience in the vehicle trade is at least 3 years;

- for the mobile and fixed communication services sector, for example, applicant has a right to provide electronic communications services;
- for the construction services sector the requirements are divided into following modules: value of constructions work, types of construction works, group of structures and type of use of the structure; requirements for applicants; requirements for specialist; and other specific requirements;
- for the information and communication technologies sector, for example, “Requirements for the financial standing of an applicant typically include requirements on turnover, liquidity, own funds and the availability of funds. As a general rule, compliance with such requirements shall be evidenced by the tenderer’s balance sheet or by proof of profit loss. There is no reason to require the presentation of an annual report because, as a general rule, all the information available to assess the financial position is found in the balance sheet or in the profit-loss account. As a general rule, these financial indicators must be evidenced by the figures for the last closed financial year.”.

**(2) Standardised acceptance-transfer documents in works procurements,**

The requirement for standardised acceptance-transfer documents in works procurements was adopted in the Cabinet Regulation No. 419 “Regulations on mandatory provisions in public construction contracts and their content”.

Article 1 of that Regulation lays down the mandatory terms and conditions to be included in the public works contract and their content. Annex provides the template of standardised acceptance-transfer document.

**(3) public access to methodological materials,**

In accordance with the provided link, the methodological materials are publicly accessible on the website of Procurement Monitoring Bureau. In accordance with direction 1 of the Professionalisation Strategy of Procurers 2022-2024 (Milestone 210), which was adopted at the Cabinet of Ministers meeting on 12 April 2022 and entered into force on 12 April 2022, the website has been online since 14 June 2022 and was updated on 10 August 2023.

**(4) a single training programme to ensure that procurers’ competence has been developed and implemented,**

A single training programme for public procurers has been developed and implemented. In accordance with direction 2 of the Professionalisation Strategy of Procurers 2022-2024 (Milestone 210), which was adopted at the Cabinet of Ministers meeting on 12 April 2022 and entered into force on 12 April 2022, the training programme for procurers has been available on the State Administration School’s Learning Management System starting from 1 January 2023.

In accordance with the evidence provided, namely, a copy of the training programme (explanation and roadmap) and a copy of the screenshot of content of the programme on the State Administration School’s learning management System, a single training programme was developed and implemented to enhance procurers' competence by creating a structured curriculum based on a competency matrix aligned with European Commission standards (ProcureCompEU). This programme includes two levels: a basic level covering 14 modules across 7 competencies and an advanced level focused on current issues and practical exercises. The training is adaptable, allowing procurement specialists to choose specific modules for improvement. As evidenced by the example of Basic level exam, successful completion of the programme is validated through exams, leading to a certificate and an invitation to an Expert Club for further engagement and discussion of procurement-related topics. As a result, a single training programme is offered by the State Administration School for free to any procurement agent of the state institutions, municipal entities, and state-owned enterprises as provided by the website of the Training programme’s explanation and roadmap.

**(5) increased requirements for procurement commission competence in procurements reaching a certain threshold of contract prices, e.g. certification to the Chair of the Procurement Commission,**

The Methodology of the Professional Competencies and Potential Assessment and Human Resources Development Planning Matrix (hereinafter referred as the Methodology) is an internal document of the State Administration School and the procurement Monitoring Bureau, which is used as a matrix for the requirements of the procurers, secretaries, members and chairs of the procurement commission. This matrix is used for the training programme of the State Administration School of public officials or interested parties to acquire, update or master the knowledge about procurements. In addition, based on this methodology company or public institutions appraise competences of its procurement specialists, choose competent chair of the procurement commission and evaluate effectiveness of procurement function in organisation in general. This is also used as a development tool.

The Methodology has been supplemented by several new requirements especially for the procurement commission's competences in large scale and centralised procurements, for example, in accordance with point 16 (1 group of competences) of the Professional Procurement Competencies Assessment Matrix in large scale (above EU contract prices set by the EU legislation) and centralised procurement of the Methodology, the members of the procurement commission should be able to analyse and apply EU legislation; in accordance with point 18 (1 group of competences) of the Professional Procurement Competencies Assessment Matrix, in high scale and centralised procurement the chair of the procurement commission should have knowledge of application of EU funds and other financial instruments; in accordance with point 12 (2 group of competences) of the Professional Procurement Competencies Assessment Matrix, in high scale and centralised procurement the chair of the procurement commission should be able to ensure quality control of the technical specifications, where necessary with the help of experts.

In accordance with the requirements of the Council Implementing decision the Methodology has been updated with additional requirements of increased competencies for procurement commission in large scale (above EU contract prices set by the EU legislation) procurements. Based on this update the training programme at the State Administration School has been also updated to provide necessary trainings especially to the Chairs of the procurement commission. This training is finalised by the exam and, if successfully completed, a certificate.'

**(6) pre-verification of procurements ensure that the procurement commission advertises the appropriate quality of tenders.**

The *Guidelines for the Procurement Monitoring Bureau's Data and Risk-Based Approach* were adopted on 29 December 2022 to ensure that the procurement commission advertises the appropriate quality of tenders.

In accordance with the chapter 2 and 3 of the guidelines, the pre-verification approach involves using of procurement data and risk criteria available from the Publication Management System (Red Flags) and internal data analysis to target the riskiest procurers, procurement procedures, market sectors or topics that need more attention and actions. Guidelines regulate decision-making on the initiation of specific inspections, conducting pre-verifications, preparing the necessary methodological materials, etc.

**Commission Preliminary Assessment:** Satisfactorily fulfilled