

Introduction

The observations set out below have been made within the framework of currently available outcomes of the negotiations on the Common Provisions Regulation (CPR) and the fund-specific regulations. The observations take into account the 2013 country-specific recommendations adopted by the Council on 9 July 2013(OJ, C 217/47), its supporting analysis (SWD(2013) 364 final) and are based on the Commission Services' Position Paper (CPP) for the use of the ESI Funds in 2014-2020.

The observations address issues based on the draft Latvian Operational Programme 'Growth and Employment' (OP), submitted to the European Commission on 8 July 2013. Where information is insufficient, the Commission services may come back with further observations once complete information has been provided.

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

The observations for the Partnership Agreement (PA) and the OP are complementary and should be considered in their entirety.

PART I

1. General observations

The OP is making broad linkages with the Europe 2020 Strategy and the 2013 country-specific recommendations (CSRs). The direct contribution of the OP to reach Europe2020 targets should however be better reflected. The Commission services also consider that several CSRs that are highly relevant for the OP seem to be addressed only partially. It is not clear if the ESI funds will contribute to the reform of social assistance as per CSR 4. CSR 5 has not been addressed with regard to reforms of higher education and in particular establishing a quality-rewarding financing model, reform of the accreditation system and consolidation of the institutions. In the area of energy, improving connectivity with EU energy networks as per CSR 6 does not appear in the OP proposal. Finally, CSR 7 should be better addressed in particular regarding a comprehensive human resources policy for judiciary and implementation of mediation laws and a streamlining the arbitration court system.

While the OP is well structured and includes all main elements, the logic of intervention needs to be thoroughly reviewed for better coherence between different elements, including definition of specific objectives (SOs) and selection of the most relevant indicators in order to ensure the result orientation.

Finally, merging the employment and social inclusion objectives under one priority axis cannot be justified given the contribution of the planned actions to Europe2020 targets, extent of the challenges in each area and the scope of the funding. Separate priority axis should thus be created.

2. Assessment of proposed priority axes

National research and innovation strategy for smart specialisation (RIS3) is crucial and should be embedded into the programme proposal. Rationalisation of the research base together with

improved governance is a pre-condition for any investment. The problem of governance, identified in the CPP as well as further consolidation of the research sector should be addressed with the support of ESI funds. The proposal should demonstrate strong concentration to achieve a critical mass. Human capital in the area of research, technological development and innovation (RTD&I) should be strengthened through appropriate actions in a more systemic way. The potential of opening up the national RTD&I system for co-operation both nationally and internationally should be explored. Strengthening of the private sector capacity for RTD&I should be made more explicit in the proposal. A link between innovation achievement and reduction of environment footprint should also be established.

The proposed ICT measures are lacking a clear reference to current bottlenecks and shortages so that ICT investments could be focused and targeted.

The proposed investments under the business support objective aim mostly at 'business as usual' measures. Investments should be directed to achieving a new level of competitiveness by developing such emerging areas as key enabling technologies and innovative knowledge-intensive services reflecting new societal demands, as indicated in the CPP. SMEs should develop technologies that are more sustainable and resource efficient and allow the development of eco-innovative products and services. Green, climate resistant business models and advisory services could also be considered.

Some of the proposed investments in the area of business support are not clearly justified and are not in line with the chosen investment priorities under ERDF support. For example, investments for the public infrastructure in coastal and Eastern border areas are not coherent with the selected investment priorities.

It should be noted that in the next programming period, given the Latvian context, tourism is not a priority for the Cohesion Policy resources. The Commission maintains its position that commercial tourism and sport facilities should be financed from private funds and financial engineering instruments.

The proposal on creative industries lacks justification and does not primarily target SMEs. The investments should be focused on a particular form of businesses that have a clear economic impact where the main beneficiaries are SMEs and not local governments. The proposal should be embedded in the RIS3 and other relevant strategic documents of national importance.

In the area of energy, the proposal only partly addresses the identified needs in line with the CPP, national Europe 2020 commitments and CSR 6. To reach the 40% national renewable energy target by 2020 the proposal should focus on renewable energy sources (RES) both at production (wind, bioenergy, solar) and consumption (biogas consumption, locally produced and consumed biomass from agricultural and forestry residues) level, as indicated in the CPP. To reduce the dependence on one single supplier and to enable Latvia to synchronise with EU electricity networks as per CSR 6, investments in low voltage and smart grids must be considered. Strengthening the internal energy transmission infrastructure will also enable uptake from RES.

The proposal in the area of environment is weak and fails to clearly identify the main objectives and the expected results in light of the applicable environmental acquis requirements. The most critical needs are in waste and water sectors in which the level of risk of existing and future non-compliance is serious. The proposal should stem from the outstanding acquis obligations (gap analysis) and the national strategy plans which already identify investment needs (national waste management plan, river basin management plans and prioritised action framework (PAF) for Natura 2000). In relation to PAF, the proposal should take into account the intended use of ESI Funds and only to the extent that the thematic concentration set out in the PA for specific funds enables their use and as long as eligibility and other rules relevant to the ESI Funds are respected.

Focus of the investments in the transport sector should demonstrate a clear shift towards green, sustainable and low carbon transport, including modal shift for passenger and freight transport and the importance of green public transport. Investments in roads of regional or local importance should generally be financed from national funding. Only investments in line with European Transport policy and TEN-T policy, notably the Core Network and its Core Network Corridors, can be funded. Likewise, integration of the East-West main lines in Russian gauge (1520mm) with the planned North Sea - Baltic Corridor in European gauge (1435mm) should be demonstrated. The importance of interconnection of main nodes - including Riga Port and Airport with railway should be recognised.

Concerning investments in major ports and airport, the Commission services take the position that (1) investments in ports operating in competitive markets cannot be supported and (2) investments in airports are limited only to environmental measures and mitigation of negative environmental impact.

The Commission services maintain their position that public works should be discontinued for funding from the ESF in Latvia. Detailed arguments of the position are recalled in Part II.

Investment in education is subject to effective implementation of reforms (as opposed to reform plans only), in particular in the higher education sector where reforms are stalling. The authorities are requested to provide a clear commitment to this end.

The proposal for sustainable urban development is not in line with the draft ERDF Regulation which requires an integrated approach to territorial development. The envisaged support should be based on sustainable urban strategies setting out 'integrated actions' to tackle economic, environmental, climate demographic and social challenges affecting urban areas. The importance of delivering sustainable urban development in an integrated manner and the focus on integrated approach is crucial.

Finally and foremost, the opportunities provided by co-operation across sectors and within the macro-region should be further promoted and mainstreamed into the programme proposal.

3. Financial allocation proposed by Latvia

The financial allocation for RTD&I, corresponding to 14% of the total ERDF allocation, is not adequate with regard to the challenges in the area. It should be increased substantially in

order to reach the national Europe 2020 target of 1.5% of GDP and to strengthen the competitiveness of the economy.

In the area of energy, the allocated 12% of the ERDF and 7% of the CF total amounts are not proportionate to the efforts necessary to reach the national Europe 2020 target of 40% of RES and to address the challenges in line with CSR 6.

In the area of environment, it is highly unlikely that 6% of ERDF and 10% of CF financing would be enough to adequately respond to the current gaps in reaching compliance with the EU acquis and to ensure the sustainable use of natural resources.

In the transport sector, 11% of the ERDF and 88% of the CF allocation for the investments seem to be too high. Such concentration in one single sector undermines the objective of reaching a balanced growth.

PART II – further observations

Executive Summary

The Operational Programme (OP) summary is well presented, outlining the key principles of the programme architecture as well as the essence of the priority axes.

In (10) there is an inconsistency in the statement: the term 'agglomeration' is not applicable for the Drinking Water Directive (DWD) and the population threshold of 2000 mentioned for agglomerations is only applicable to the Urban Waste Water Directive (UWWTD). Under the DWD, only water supplies serving fewer than 50 persons may be exempted from the provisions in the Directive. Such statement may leave water supplies in small settlements which have to comply with the DWD without any funding.

1.1 Strategy for the operational programme's contribution to the Union strategy for smart, sustainable and inclusive growth and to the achievement of economic, social and territorial cohesion

Chapter 1 should include a self-standing investment strategy of maximum 10 pages. Paragraphs (15-18) outline an introduction to the strategy which should be developed further, replacing (20-33) where references to the main policy documents and challenges identified are listed.

The role of ICT should be emphasised, especially in relation to depopulation and business development in rural areas.

The investment strategy would benefit from a stronger focus on sustainable growth, reflected in detail in a dedicated paragraph.

Higher attention should be given to the mainstreaming of cross-cutting areas, such as climate change and environment across all funding areas, notably RTD&I, ICT and competitiveness of SMEs to bring benefit to the Latvian economic and social development, and to confirm Latvia's commitment to converting into a green economy. The process of greening should be perceived in its entirety and should be properly incorporated into the appropriate priority axes.

T.1 A synthetic overview of the justification for the selection of thematic objectives and investment priorities

A consistent approach to all thematic objectives (TO) needs to be applied when formulating justifications. References to EU level documents should be included; references to supporting national strategies or studies should be used. The formulation needs to be specific to the Latvian situation. With regard to specific TOs:

- under TO3 some challenges (tourism and creative industries) do not appear in the NRP;
- under TO5 the justification should refer to the Latvian situation;
- under TO6 the justification for the investment priorities should make reference to EU level documents. In addition, the investment priority related to water should refer to water treatment plants in line with the CPP. The investment priority about 'urban environment regeneration' should refer to national documents if no EU level references are available;
- under TO10 the fact that the national Europe 2020 targets on Early School Leaving and Higher Education have been reached should be reflected.

1.2 Justification of the financial allocation

Overall, the justification of the financial allocation is not convincing. It should reflect, where possible, the distance from the national Europe 2020 targets, the need to ensure compliance with EU legislative requirements, the complementary investments from other resources. It is not clear whether the national Europe 2020 targets will be reached and what the impact of the allocation from other public and private funding sources towards the selected TOs will be. An in-depth analysis of needs should be undertaken for each TO to assess the efficiency of the financial allocation.

2.A A description of the priority axes other than technical assistance.

All the main elements of intervention logic need to be further improved and developed.

Majority of SOs should be redefined to reflect the specific change the proposed interventions are seeking to achieve. SOs should be a stepping stone in coherent intervention logic. By definition, they should be more specific than the investment priority about target groups, problem area or structure etc. they seek to change.

The main results sought under each SO should be specific, short, to the point. It should be clear what change is expected to be achieved.

Result indicators should be directly linked to SOs and should be able to measure progress towards achieving the SOs. As for the ERDF supported SOs, no more than one or two result indicators per SO are recommended.

All relevant common indicators should be used.

Targets of all indicators should be set for end 2022. Baselines should be established to reflect the situation at the start of the programming period. The Latvian authorities should provide

the methodology for establishing targets and information, including representative data from previous interventions or appropriate statistical data, which justifies the suggested values.

Descriptions of proposed actions should be short, avoid repetitions and overlaps.

Implementation experience of similar interventions during 2007-2013 should be added to the needs and state-of-play descriptions.

Specifically regarding ESF, (1) the last version of the OP template should be used for tables; (2) all ESF common (result and output) indicators should be reported for each investment priority; (3) the measurement units for indicators should be absolute numbers, not shares. The latter are allowed for result targets; (4) the table includes a column 'Common output indicator used as basis'. The column should thus, where possible, indicate the most relevant ESF common output indicator, as defined as in the Annexes I and II to the CPR.

The performance framework for each priority axis should be further elaborated and included in the OP. Until adequate intervention logic is in place, the Commission services will not be able to provide an assessment of the performance framework.

The description should make use of available European statistical indicators in particular those related to Europe 2020 targets. The statistical data must be correctly referenced: source, reference period, territorial reference.

More detailed comments on the intervention logic are included in the respective priority chapters.

PA1 PRIORITY AXIS 1

The planned investments in RTD&I have to be fully in line with RIS3 providing the main basis for defining the SOs and designing the corresponding implementation measures.

The OP proposal should clearly address the policy objectives set out in the PA and demonstrate that the corresponding SOs are defined and measures planned.

Rationalisation and consolidation of structures and activities, including opening up for international co-operation should be a central part of the proposal. Investments should demonstrate that fewer, larger entities more able to attain critical mass in specialised areas, in line with RIS3, will be achieved. Furthermore, the proposal should demonstrate that RTD&I human capital is planned to be strengthened in a more systemic way.

The Joint Programming Initiatives of the EU Baltic Sea Strategy (EUSBSR) and the European Strategy Forum on Research Infrastructures (ESFRI) should be pursued. This includes support for national research facilities and technology centres, with a clear emphasis on applied research, through reinforced cooperation with industry to leverage private RTD&I investments.

It should be made clear how the Memorandum of Understanding signed between the three Baltic States aiming at closer co-operation in the RTD&I area will link to the proposed measures.

Co-operation potential shall be analysed specifically, including as a tool to achieve optimal spending and increased value added at macro-regional level, using better the comparative advantages of each Member State and region, and multiple use of achievements.

The SO 2.1.1.1 contains too many sub-objectives and should be more focussed. The proposal should concentrate on consolidation, achievement of critical mass and qualitative change in the research sector. Indicators should be defined to this end.

The linkage between the SO and the investment priority should be justified by some meaningful analyses. Currently the proposal of objective 2.1.1.1 refers only to the CPP as a justification which is not sufficient.

It is necessary to demonstrate in more detail how RIS3 has been incorporated into the design of the proposal. The proposal could benefit from the inclusion of green growth, research in the area of resource-efficient and eco-efficient technologies, green products, climate change and related infrastructure.

The proposed indicators for the objectives 2.1.1.1 and 2.1.2.1 should be expressed in more specific terms. The relation between result and SO is not explained and should be further developed.

Three major projects in line with the Smart Specialisation Strategy are proposed. The information provided should be considerably improved. The proposal should include a proper assessment of the current situation/challenges, outline the main objectives and the expected results. In addition, it is necessary to provide an analysis of the 2007-2013 programme investments and their links with the proposal.

It is essential to coordinate RTD&I activities with the Rural Development Programme, the maritime research and innovations and their linkage with businesses.

PA2 PRIORITY AXIS 2

The financial scope of the proposal is high (9% of the ERDF envelope) and requires better defined, justified and clearly presented needs analyses in the PA and in the OP corresponding measures. The Commission services' understanding from the informal dialogue was that the investments in NGA in rural areas will be funded by EAFRD while the development of ICT related services and products will be funded by ERDF. The reason for diverging from this line should be explained.

According to the Digital Agenda scoreboard, e-Governance is not a major weakness in Latvia. The current proposal however includes extensive investments in e-Governance (EUR 172.5 million) which are not justified by the identified gaps. The proposal should respect the requirements of the regulatory framework. The choice of investment priorities (currently 2a and 2b) should be based on the analysis presented in the PA. The proposal though seems to address the investment priority 2c (at least according to the chosen intervention field in the table 7-12). If this is the case, the proposal should be backed up by a thorough analysis in PA.

Regarding the scope of investment priority 2b, it should focus on business ICT solutions and may include (1) support to firms that develop ICT products and services for private and public use, i.e. targeting ICT sector firms, and (2) the support for buying and using (new or existing)

e-business solutions, i.e. targeting support to firms in other sectors. These aspects may also be combined in an intervention. Public sector innovations can be funded under investment priority 1b. Aspects of public sector innovation like e-government and cloud computing or e-procurement could be financed under investment priority 2c.

The formulation of the objective 2.2.1.1 should be made more precise. In general, the analysis part is good and the link to the investment priority is clear. However, the proposal does not specify whether investment in the last mile level is foreseen. The specific outcome indicators seem to refer to the middle mile (referring to the NSP project) whereas the text refers to the last mile. The indicator should measure the penetration and the coverage of the last mile. Penetration is the ultimate result of the extended broadband network while coverage is an output, but both should be tracked. The term 'affordability' would therefore not be appropriate.

Analysis for 2.2.2.1 and 2.2.2.2 contains numerous not linked measures.

2.2.2.1 on 'developing business enhancing environment (...)' should be made more clear and precise. The proposal for expanding e-Governance services by developing re-usable building blocks and for digitalising more services is sound. Although the increased availability of e-services is defined as an expected result, the proposal is not clear about how the expansion of services is going to trigger the take up by end users, currently very low. The analysis is quite generic at the action level; it does not provide any information about what kind of e-services will be offered and how, as well as which areas will be affected by the digitisation of services. A more analytical and clearly formulated description should be provided.

The indicators should be reworked to reflect the results to be achieved and to aim at more ambitious targets; indicators could be about the savings generated in the public administration sector (reduction of the workforce) or the time/cost savings for citizens and businesses (administrative efficiency).

As for 2.2.2.2, the 'open data' strategy and the re-use of public information are important areas. The proposal should be specific on what exactly will be achieved. It is not clear how the result indicator 'average public sector information re-use index' is calculated, what 'centralised information system platforms' are and how they will be calculated. The indicator should rather aim at the actual use and re-use of PSI (Public Sector Information) rather than about the establishment of a number of platforms. It is important to be able to measure the uptake by the target group.

PA3 PRIORITY AXIS 3

The proposal should be re-considered in the light of the requirements of TO3 stipulated by the draft ERDF Regulation. Measures to support entrepreneurship should be designed with the objective of facilitating the economic exploitation of new ideas and fostering the creation of new firms. The OP proposal does not respect these provisions and includes investments in unspecified public infrastructure in coastal and eastern border areas and in tourism infrastructure.

The scope and balance of the priority axis need to focus on business support in line with the Smart Specialisation Strategy.

Investments in culture and tourism should only be considered for financing, if they are conceived from the outset as part of an integrated, place-based development effort adapted to specific local conditions with proven contribution to regional economy and with the ambition of achieving financial self-sustainability. The special report by the European Court of Auditors on Structural Funds' tourism investments raised considerable question marks about their cost-effectiveness, impact on jobs and growth, sustainability, incentive effects and targeted focus. So these investments will be subject to close scrutiny, in particular regarding their impact, incentive effect and cost-effectiveness in terms of sustainable regional development. Large-scale investments should not be supported.

2.3.1.1 is proposing to increase economic activity in eastern border and coastal areas only in very general terms. Although investments in public infrastructure are mentioned, the types of investments are not clearly described. Large scale infrastructure investments in health tourism and resort services are clearly beyond the scope of investment priority (3a). The indicative financial beneficiaries mentioned (114) are local governments and not SMEs. Business support under TO3 is aimed at small scale specific types of businesses: it could be resource-efficient and energy-efficient companies operating in a specific sector with a goal of preserving the coast while allowing for economic activities. Overall, the proposal should stem from the RIS3.

2.3.1.2: the Commission services are concerned that the need to provide access to finance for the disadvantaged groups (unemployed, low-skilled, Roma) as well as for people living in micro-regions in difficulties (e.g. based on the territorial development index) is not addressed. Both groups would need more favourable conditions, tailor-made training and advice.

2.3.1.3 aims at raising productivity in the manufacturing sector by providing an industrial infrastructure base for SMEs. It is necessary to formulate better how the objectives will be achieved, including adequate indicators. It should be demonstrated that the investments are in line with the RIS3.

2.3.2.1 aims at increasing tourism competitiveness. The proposed investments do not contribute towards the selected investment priority (3d). Instead, the proposal aims at large scale infrastructure investments to develop tourism in health, medical and business sectors. Such investments cannot be considered as primarily contributing towards development of endogenous potential for SME competitiveness as specified by the draft ERDF Regulation and therefore cannot be a part of the OP. See also comments above and in chapter 2.

2.3.2.2 investments should be in line with RIS3 and the Latvian analyses about cluster development. The definition of the SO is too broad and it will not be possible to trace what will be achieved. Amongst the final beneficiaries, local governments and port authorities are mentioned which is not in the spirit of TO3. In addition, support services to help the internationalisation process of companies could be considered. For example, support services could be developed for strategy development, identification and selection of partners, market research, supply of skilled personnel (by involving local universities), ICT. The measures should be sufficiently discussed with the relevant stakeholders so that the measures address their needs.

2.3.3.1 aims at the development of creative industries. In line with the selected investment priority (3c) the focus should go to business support and therefore it is not clear why the first beneficiary mentioned is Ministry of Culture and cultural institutions. Likewise, the SO 'to promote creative industries' is very general and should be specified. The generic statements regarding the role of creative industries should be explained in terms of economic growth, including how Latvia will create the necessary preconditions to promote creative industries. It is not clear what is meant by culture infrastructure (164) and how it will help to achieve the SO.

2.3.3.2 (169) support is not in line with the chosen investment priority (3c). This investment priority aims at reshaping the offering of services in support of business development to respond to the new needs of businesses operating in the knowledge economy. The possible actions could include the development of support services enabling the commercialisation of new products and services, the development of innovation potential of enterprises (including e-commerce and other ICT based services) and the support to new management methods.

2.3.4.1: Training of judges and other law enforcement institutions' employees will not necessarily lead to reduced length of court procedures as there exist other possible factors (understaffing, procedural constraints, equipment problems and other possible systemic failures) that should be justified by relevant strategic framework. An indicator that is more closely related to the ESF intervention should be selected, e.g. 'number of trained employees of law enforcement institutions gaining professional qualification in debt and loss recovery law and proceedings'. This indicator will be linked to the output indicator 'Number of trained officials and employees of the law enforcement institutions'.

2.3.4.2: Support to capacity building of the public administration is strongly linked with the implementation of ex-ante conditionalities as set in the Annex to the PA. As regards indicators, (1) The result indicator (GRICS) is an impact indicator and is not closely linked with the relevant SO. (2) The indicators listed in tables 4 - 5 (p.54-55) are programme specific indicators and not common ones (see above general comment 2). (3) The formulation of the SO should be in line with the defined results.

PA4 PRIORITY AXIS 4

The priority axis 4 on 'shift towards low carbon economy' measures in all sectors, concentrates its support primarily on energy efficiency measures in residential, public and industrial buildings as well as in centralised heat supplies. Renewable energy sources (RES) are not directly addressed. Although RES are mentioned in the titles of SOs, most of the actions are related to energy efficiency with no direct effect on RES. Latvia proposes to rely solely on energy efficiency measures and plans to increase the share of RES through the reduction of the total energy consumption. No actions are proposed in order to stimulate RES production and use. To address the country specific challenges in line with the CPP, the importance of RES both at production side (wind, bio-energy, solar) and at the consumption side (biogas consumption, locally produced and consumed biomass from agricultural and forestry residues) should be addressed.

Latvia experienced difficulty to reach the first interim RES target and there are indications that it will be challenging to reach the 40% RES target by 2020. To increase the RES share only through reduced overall energy consumption is not in line with the national Europe 2020 commitments. Latvia should integrate effective RES use (where feasible) under all selected investment priorities dealing with energy efficiency measures in enterprises, public infrastructures, public and residential buildings and in local heat supply. Latvia should seize the opportunities in the area of decentralised RES generating capacity by increasing the number of local and regional CHPs using renewables for electricity generation and centralised heat supply. Likewise opportunities of using the industrial waste heat for supplying the local agglomerations should also be explored.

As for the energy efficiency measures, the OP does not indicate any measure for Energy Performance Contracting, nor does it put forward measures to ensure the provision of individual meters to final customers.

Furthermore, no actions are foreseen to lower the dependence on imported fuel and to improve connectivity with EU energy networks.

In (195) the transport sector is mentioned regarding its contribution towards the low carbon objective. However to achieve this objective in the transport sector a whole variety of comprehensive measures is necessary to respond to the existing challenges in Latvia and these are not addressed under priority axis 4. Besides, in (195) it is declared that RES will be promoted by investing in electromobility but no specific action is mentioned. It is important to note that under the low-carbon objective investments in green public transport and mobility measures through an overall holistic approach is necessary to be included as a contribution to the achievement of low-carbon growth.

In (197) 2.4.1.1 it is suggested to replace wording of ‘manufacturing’ with ‘industry’.

The result of the SO 2.4.1.1 could include ‘industry buildings and processes’ given that the high energy intensity of the Latvian economy is also due to inefficient processes.

The argument (200) on high energy prices is an argument on energy security for enterprises and on energy as a production factor. In this context the high dependence on energy imports and limited progress on innovation in the energy sector should be recognised, therefore a link to TO1 and TO3 could be established.

In addition, activities promoting the use of RES in manufacturing sector should be addressed.

Under the objective 2.4.2.1, the exemplary role of public buildings in energy efficiency and use of renewable energy and the legal obligations in this regard stemming from the Buildings Directive and Renewable Energy Directive should be further underlined.

In (208) the formulation of the result of the SO could be complemented by ‘demand management’ as well. In that way awareness raising and other demand management techniques could also be addressed.

Under the objective 2.4.3.1 the role of smart metering and consumer empowerment, especially with regard to centralised heat supply in buildings, should be emphasised. In

addition, the indicative supported activities in (220) could be complemented by including demand management.

The indicator (in Tab 5) suggests that 107 MW of additional capacity of renewable energy production will be reached. However, installation of additional capacity for RES is not mentioned in the proposal. It is not clear whether the proposed installation will be sufficient for Latvia to fulfil its commitments towards 40% RES target.

Use of financial engineering instruments for energy efficiency measures in the housing sector should be considered and applied in areas where it would allow achieving better results in terms of sustainability and number of projects supported than grants. The experience of other Member States in the Baltic region may be useful for the analysis in this regard.

PA5 PRIORITY AXIS 5

There is still a substantial issue of non-compliance with EU environmental acquis. The most critical areas are the waste and waste water management sectors where non-compliance and risk for future non-compliance with a number of legally binding targets is very high. The CPP outlines several other challenges, including protection of biodiversity and the Natura 2000 network. Against this background, it is seriously questionable that the currently allocated funding of EUR 153 million will be sufficient to address these needs. Therefore, the proposal for this priority axis must be re-considered.

With regard to the description of the current situation, the (225-229) justifications should be specific, relevant and based on statistical data presented in comparison with the applicable EU targets and requirements. This description is also missing from the Partnership Agreement. The current text on envisaged results in relation to waste management and biodiversity appear to be unjustifiably optimistic in the absence of more precise indicators. The OP must elaborate on how these results will be achieved with regard to each of the applicable EU targets. This will also impact on the climate related benefits.

With regard to the objectives 2.5.1.1 and 2.5.1.2, flood risks and coastal erosion are recognized as one of the main challenges for Latvia to address climate change adaptation (227). However, it is not clear why they are presented under two separate objectives. Other possible influences (e.g. increased extreme weather events, risks of diseases, production and distribution of biomass, etc.) should be considered. 2.5.1.1 does not consider green infrastructure as the first option. Technical interventions and measures can only be justified if the same or similar effect cannot be achieved using retention measures without construction.

Nature based solutions are also relevant for addressing seashore erosion and floods and should be reflected under the indicative supported areas (235) and as criteria for indicators. The results on coastal erosion reduction must be specified (232).

Investments for non-climate related risks are foreseen (table 7-12, category 86). However, 2.5.1.1 does not specify any action in this regard.

The prioritisation of reconstruction and construction of new drainage systems is questionable. It is an economic investment and should not be considered a priori as bringing environmental benefit. These operations can have potentially negative impact on biodiversity, water quality

and quantity. They lead to hydro-morphological alterations which have been recognized, together with diffuse pollution, to have the gravest effect on reaching good ecological status of water bodies which is the aim of Water Framework Directive and River Basin Management Plans. It also disrupts small water cycle and accelerates the runoff from the country. By focussing solely on flood protection, the OP excludes the protection of organic rich soils in order to maintain terrestrial carbon stock. The additional fixation of carbon as a priority has not been reflected.

With regard to the objective 2.5.2.1, its formulation should be made more specific and clear, in particular, the expected results (247) and how these will bring Latvia in compliance with the applicable EU requirements and targets. The OP fails to respect the waste hierarchy, therefore, it must provide more precise details about the measures to promote quantitative waste prevention (reduce the amount of waste) and qualitative waste prevention (reduce the hazardousness of the waste). In (250) additional indicative activities could be added related to waste prevention goals in (248.1) and (248.2).

To achieve the 50% target of recycling of household waste by 2020, Latvia has to accelerate its annual rate of recycling by 4% in comparison to the current rate of 1.3% between 2006 - 2010. This annual rate of increase in recycling has historically not been achieved by any of the European countries during the given time period and therefore it is expected that the OP would put more emphasis on meeting these targets. On the contrary, there is a lot of uncertainty about the indicators on the baseline data and the estimated results. It is not clear how Latvia has calculated the baseline indicator of 24% of waste transferred for recycling and recovery (table 3) as the latest available data show the rate of 5.5%. It is also essential to know what the actual recycling and recovery rates will be (waste sent to recycling and recovery is not equal to waste actually recycled and recovered). The target of additional 370,000 t to be transferred for recycling and recovery (table 5) is also not clear.

To achieve the 35% target of reduced biodegradable municipal waste (BMW) by 2020 Latvia has an impressive challenge as the current levels are at around 85% despite the 75% target to be achieved by 2010. The OP fails to provide any indicators with regard to the baselines and the proposed results on all the applicable targets (e.g. CDW, rate of landfilling, rate of landfilling of BMW, including on the Directive 94/62/EC which becomes fully applicable in Latvia during this programming period). These are essential to verify the efficiency of use of funds.

The OP also does not clarify in (248) the objective to 'ensure the rational use of waste as a resource' as this might open the door to different types of investments ranging from reuse, recycling but also incineration with energy recovery or circular economy. As outlined by the CPP 'development of more efficient waste-to-energy systems' should be considered. All of these investments have different environmental impacts and therefore these should be described as well.

In order to achieve the 70% recycling and recovery target for construction and demolition waste (CDW) by 2020, Latvia must take the necessary measures, but the OP does not contain any reference to this target or how Latvia will achieve that.

With regard to the objective 2.5.3.1, the text uses the rather imprecise term 'ensure good environmental conditions'. It is suggested to clarify this, for example, 'to achieve/work towards Good Ecological Status under Directive 2000/60/EC for Latvian inland waters and seawater'. The result of this achievement should then also be reflected in (256), because the current drafting of (256) does not contain any corresponding result for the objective of achieving 'good environmental conditions'/'good ecological status' as provided for in (255). Any proposed major project having potential impact on water status, including hydro-morphological changes should be in line with the Water Framework Directive (WFD) especially with regard to meeting the requirements of Art 4.7. The OP fails to prioritise needs according to risk-based approach, namely, prioritising financing in agglomerations with p.e. 10000-100000 over p.e. 2000-10000 and the last below p.e. 2000. Investment spent on enlarging waste water collection network but failing to ensure that householders connect to these networks does not achieve the aims of the Directive. The CPP clearly states that the percentage of non-collection ranges from 10%-75%; therefore it must be ensured that investment in establishing collection systems result in actual connectivity and collection. Furthermore, the requirements in relation to treatment plants are not considered at all under 2.5.3.1. The OP mentions only removal of Phosphorus (P); however, LV territory is sensitive with regard to both to P and N (nitrogen), and facilities to remove N are more expensive than to remove P.

With regard to indicators, the target values of 35 000 for DWD and UWWTD are very low (table 5) to ensure compliance with the UWWTD/DWD and meet the indicative collection targets (table 5). The OP fails to provide indicators in relation to treatment plants and the planned reductions of leakages from networks despite significant problems in these areas. In (259) it is worth including demand management activities for households and industries.

It is suggested to consider environment and climate change related aspects when selecting and designing projects in water management infrastructure. In (240 and 254) 'energy efficiency' is mentioned. It should read 'resource efficiency'.

With regard to the objective 2.5.4.1, the OP fails to provide a clear explanation of the objectives and planned operations despite citing the high level of non-compliance with the EU environmental acquis. It is not clear how the planned operations will improve the status of habitats and species and the Natura 2000 network. The OP fails to provide qualitative indicators in relation to objectives (266) and (267).

The restoration target (15%) in (229) does not solely relate to Natura 2000 but to all ecosystems. In (264) it is suggested to add 'including marine ecosystems'. This would link to the coastal biotopes mentioned in (266(5)). Reference to restoration should be added as part of the planned activities (267 (4)). The OP should also identify creation of conditions for interconnecting water flows and removing barriers to ensure biological continuity, and their implementation in order to support biodiversity and ecosystem services. It is not clear what kind of anthropogenic loads will be decreased (267 (5)) and how nutrients discharges to water will be reduced. The OP also does not address erosion of the seashore. The term 'revitalization' is incorrect. Instead it should be restoration, and wetlands should be included as a target ecosystem, as it is foreseen for dunes, meadows, swamps, and forests.

With regard to the objective 2.5.4.2, the OP should mention the upgrade of the water monitoring network which should be brought into compliance with the WFD. The relevant financial resources for the maintenance and operation of the monitoring network should be made available in the national budget.

The biodiversity and Natura 2000 is not addressed in the priorities. Natural capital is one of the foundations for achieving sustainable European economies, as underscored in the Resource Efficiency Roadmap. In (273) the results could be complemented with 'quality', 'relevant' and 'targeted' information. In (276) it is suggested to reformulate the final sentence, broadening the scope of the provision: 'The programming period 2014-2020 anticipates support being available for specific target groups, including for measures aimed at educating the population on wider sustainability issues, including waste reduction and management.'

In addition, with regards to environmental monitoring it is recommended to establish close coordination with EAFRD.

Support for the cross-sectoral projects that can improve the efficiency of activities undertaken in other domains, such as Maritime Spatial Planning, Integrated surveillance and sharing marine knowledge should be addressed within the objective 2.5.4.2.

It should be noted that preserving and protecting environment is highly relevant in a cross-border context. In order to achieve efficiency of actions and demonstrate result orientation in a macro-regional context the priority axis should reflect the measures contributing to the EUSBSR and its Action Plan and the relevant co-operation with the neighbouring Member States.

PA6 PRIORITY AXIS 6

The range of transport intervention is wide and would require justification by a selective strategy on modal re-balance. Support should focus on green, sustainable, low carbon transport and a Comprehensive National Transport Plan should serve as a basis for the choice of investment priorities taking into account a broader perspective, including multi-modal considerations.

The proposed investments in transport infrastructure are mostly concentrating on increased transport capacities, enlarged and modernised transport networks, while the sustainability concept is hardly addressed. The proposed activities do not provide environmental safeguards and are not addressed in the Strategic Environmental Assessment. In order to respond to the current challenges in transport and environment sectors (e.g. to reduce carbon dioxide, noise), substantial consideration of environment and climate related impacts should be made.

The sustainable mobility in cities should not only be related to the electrification of road transport by creating electric vehicle charging infrastructure, but be based on a comprehensive concept, including also appropriate take up and incentive measures with regard to public transport. Activities relevant to the proposed hierarchical transport infrastructure improvement system (pedestrian – cyclist – public transport – private transport – freight transport) should be considered and other major cities outside the capital should be included. Investments should stem from the analysis of the urban environment and support comprehensive urban transport schemes designed to ensure viable alternative to private car use. Modernisation and

upgrading of the public transport system, combined with other complementary mobility investments, should lead to a considerable change in the use of public versus private transport. Currently the focus on improving mobility of persons through public transport (railroad/roads) regrettably is not present, as proven by the absence of any indicators to this end. This should be rectified in the revised OP.

More result indicators on actual flows and balance between modes are required to highlight the result-orientation. Synergies with CEF and consistency with TEN-T Policies (Baltic-North Sea Corridor, where pooling of resources is needed) have to be highlighted. Since the OP introduces a need for modernisation of transport infrastructure, including rail, it must be noted that application of relevant technical specifications for interoperability must be ensured.

Road safety is mentioned as one of the achievements in the development of transport infrastructure during 2007-2013 period. It would be necessary to make a more explicit reference to road safety also for the next programming period, notably in the description of the priority axis 2.6 'Sustainable transport system'. In (282-283) it should be explicitly mentioned that the concept of high quality road includes safe road infrastructures, in (316-320) it should be pointed out that enhanced road safety is one of the objectives and in (341-344) road infrastructure safety should be inserted as an essential basic feature of the improved national and regional network.

The proposal includes investments in major ports. The proposal does not present any compelling case demonstrating that the investments will contribute to the development of the region. The current National Transport Plan provides a limited description of the current state of play in relation to ports' activities. The use of Cohesion Policy resources to support investment in ports operating on competitive markets cannot be supported.

Comprehensive investments in Riga airport are planned, mainly to increase the airport capacity. The current outcomes of the negotiations on the CPR and fund specific regulations envisage that investments in airports should be limited to environment measures only. It has been agreed to exclude 'investment in airport infrastructure unless related to environmental protection or accompanied by investments necessary to mitigate or reduce its negative environmental impact' from the ERDF and CF support. Therefore, the use of Cohesion Policy resources to support investment in airports operating on competitive markets should be avoided.

As for the investment 2.6.1.3 to develop Riga and Pieriga transport infrastructure, a more precise description and justification of the planned investments to develop the node of Riga as crossroad between the North-South and East-West corridor would be necessary (please see also the comment on sustainable mobility in cities).

Concerning investments under 2.6.1.4 to reconstruct regional roads, a clear prioritisation must be ensured. The planned investments should be consistent with the National Transport Plan and in line with the TEN-T Guidelines which define the EU's transport infrastructure priorities. Core TEN-T network should be a priority of investments. The National Transport Plan should (1) include a rigorous assessment of transport demand (both for passengers and

freight), (2) identify missing links and (3) set out a realistic and mature pipeline for projects envisaged for support from ERDF and CF.

The objective 2.6.2.1 on railway investments refers only to rail freight but not to rail passengers while in (334) passenger transport is also discussed.

The deployment of European Rail Traffic Management System (ERTMS) must be ensured on all the new lines or in case of installing or upgrading any signalling and control system, in accordance with Commission Decision 2012/88/EU.

In addition, the impact on climate from electrification of the existing or new railway infrastructure should be addressed. Estimates of the necessary power generation capacity increase would allow the estimation of climate impact. The question of which primary energy resource is used for electricity generation should be addressed.

It is necessary to demonstrate that investments under 2.6.3.1 on enhanced regional mobility will lead to the connection of secondary and tertiary nodes to the TEN-T network, improved sustainable mobility and access to specific sites linked to other thematic objectives than TO7 (business parks, universities, schools, etc.). It should be noted that only ERDF can support the investment priority 7b.

As for the objective 2.6.4.1 on electric cars, the investment should be a part of a comprehensive strategy and not a stand-alone initiative. The proposal should include the objectives, the needs and the potential uptake. The coherence of this initiative with other activities and sources of funding together with national commitments should be evaluated. Clear guiding principles for the operation should be developed since electrification of road transport is seen as one of the key challenges for the development of sustainable transport in Latvia. Similarly, the question of which primary energy resource is used for the electricity generation should be addressed.

Where relevant, any planned cross border TEN-T transport infrastructure project could be integrated with measures addressing also other possible bottlenecks of border-crossing, e.g. customs issues on external borders.

In order to ensure a sustainable level of investments and to reduce a high reliance on ESI funds investments for the road infrastructure, Latvia must demonstrate that an adequate level of national funds will be earmarked to the roads reconstruction investments until at least 2020.

The proposal should explicitly address the maintenance issue (not eligible for support by the EU funds): a clear national commitment to ensure proper maintenance of both the new infrastructure and the existing one, in order to avoid further deterioration and to assure sustainability of the new/rehabilitated infrastructure. In (319) maintenance is only associated with reconstruction, which is not acceptable.

Latvia should demonstrate substantial improvements in the road construction quality assurance system, in line with 2011 JASPERS recommendations (design, construction, monitoring, guarantees, procurements, insurance of liability).

Regarding the links with Maritime Policy, clean shipping and transport inter-modality must be in line with the new IMO regulations: environmentally friendly infrastructure such as shore-side electricity, LNG capabilities and waste-water reception facilities in ports.

PA7 PRIORITY AXIS 7

The intervention logic of the priority axis needs to be thoroughly reviewed for better coherence between different elements, including definition of SOs and selection of indicators. Focus on results (the change achieved) is essential.

2.7.1.1: (1) Similarly to youth, 50+ need to be a target group at the OP level. Results achieved in this respect should be demonstrated - a dedicated indicator is needed. (2) Indicator p.94: we would recommend using absolute numbers instead of shares.

2.7.1.2: (1) The proposed actions are beyond the scope of the selected investment priority. (2) Efforts of the Latvian authorities to focus the given SO are noted. Consistency in this respect, however, needs to be observed in all planning documents, including the programme complement which lists an additional objective on fighting undeclared work, thus diluting focus on labour safety. (3) We suggest modifying the current result indicator (p.94) to 'Number of supported enterprises in hazardous sectors (to be determined) which have implemented OSH requirements (to be determined)'.

2.7.2.1: (1) The Commission services take note of the proposed measures to implement the youth guarantee. In order to ensure that it effectively reaches those young people who are not registered, we invite the Latvian authorities to reflect in the OP their approach and the envisaged data collection arrangements. (2) Using absolute numbers instead of shares as well as using the Youth Employment Initiative indicators is recommended.

2.7.3.1: (1) The Commission services maintain their position that public works should be discontinued for funding from the ESF in Latvia. This position is in line with the assessment of the current economic situation in Latvia as well as evaluation of effectiveness of similar measures in other countries (not linked to crisis situations). The position also takes into account evidence of a recent profiling of the unemployed done by the World Bank according to which the majority of people with persistent labour market difficulties in Latvia face barriers to employment that cannot be removed by public works, namely (i) pre-pension age, sick, lonely (need social and health services), (ii) uneducated young men (need education and training), (iii) stay at home mothers (need childcare), (iv) pre-pension age men working grey (need job search assistance, self-employment support). Finally, we are also aware of the existence of a parallel, overlapping public works programme run by municipalities. (2) Measures that aim at improving quality, effectiveness and coverage of the social work should be implemented through the investment priority 'Enhancing access to affordable, sustainable and high quality services, including health care and social services of general interest'. A dedicated result indicator capturing the envisaged change is needed in this regard. (3) Improving the social assistance system has not been addressed in the current proposal, as compared to the initial one presented during the informal dialogue. The Latvian authorities are requested to clarify. (4) We fail to see the result orientation in the measures supporting fight against discrimination. We would appreciate receiving clarification including description

of concrete planned activities, as well as demonstration of linkages of these activities to the national strategic policy framework. (5)(i) Coherence between the SO and the relevant result indicator regarding support for ex-prisoners' resocialisation programme should be ensured. (ii) Clarification on how the established support system for (ex) prisoners will be linked with the social services and the State Employment Agency should be provided. (iii) Methodology behind the output indicator (at the Programme Complement level) should be explained.

2.7.4.1: (1) The OP should clearly demonstrate that all investment in deinstitutionalisation will closely follow the Guidelines /Toolkit on the use of the EU funds for the transition from institutional to community-based care. (2) Result indicators should also capture change with regard to children. (3) An output indicator on number of closed institutions is suggested to be included. (4) Target values for output and result indicators should be coherent (4911 - 4000 is not equal to 2100).

2.7.2.1, 2.7.3.1, 2.7.4.1: Both output and result indicators for these SOs should focus on the same target group (e.g. people at risk of social exclusion involved in the measures are not equal to participants in the measure). We would recommend using absolute numbers instead of shares.

2.7.4.2: (1) The focus on better access to health care for those at risk of social exclusion, including the rural population, should be reflected in results and description of actions. The target groups should be defined in the OP based on the analysis. (2) The authorities are requested to share methodology used in defining the output indicator for regional specialists. Financial incentives for attracting specialists cannot be funded by ESIF, national funding is needed to ensure sustainability. ESIF can intervene with additional training and other support measures, strictly in line with ensuring better access to health care to those at risk of social exclusion. (3) Indicators: (i) p.95: impact not result indicator, see comments for 2.7.1.2. (ii) Output target of 5 886 000 is questionable given the total number of inhabitants in Latvia.

2.7.5.2 Investments in health infrastructure should be consistent with the strategic policy framework and be justified from the perspective of cost efficiency, sustainability and quality of service. Long-term mapping of 2007-2013 and 2014-2020 infrastructure investment is requested.

Table 4 (p.94-96): Output indicators are programme specific ones not common output indicators (see the annex to the draft ESF Regulation).

PA8 PRIORITY AXIS 8

The intervention logic of the priority axis needs to be thoroughly reviewed for better coherence between different elements as well as the Education Development Guidelines including definition of SOs and selection of indicators. Focus on results (the change achieved) is essential.

For any investment in educational infrastructure a strategic policy framework should be in place which, *inter alia*, explains how infrastructure needs have been appraised and how this has been translated into decisions mapping out the long-term infrastructure network, which will form the framework for co-financed investments. An integrated approach between ERDF and ESF investment is crucial in order to maximise effectiveness.

2.8.1.1: The programme complement focuses all higher education infrastructure investment on establishments providing Science, Technology, Engineering, and Mathematics (STEM) programmes (potentially achieving concentration). This concentration, however, is absent in the OP. The Latvian authorities are requested to clarify. 2.8.1.1 and 2.8.2.1: the proposed indicators should be reviewed to arrive at the most representative ones regarding improved quality, internationalisation and innovation, also in view of the focus of the main actions (targeting students or higher education establishments themselves).

2.8.1.2 and 2.8.3.1: (1) The result indicator should reflect the improved achievement in STEM in general education (essential for linkages with higher education). (2) Optimisation of small rural schools should be based on a sound strategic vision which is currently absent. The Latvian authorities should present an action plan detailing steps for the elaboration of the respective strategy which will serve as a basis for discussion on ESIF support for this measure. (3) Clarification on ensuring synergies with ESF supported teachers' training should be provided (in addition to synergies regarding improving curriculum).

2.8.2.1: (1) The proposal to strengthen higher education management is regrettably absent, as compared to the initial proposal of the Latvian authorities during the informal dialogue. Clarification as to what efforts will be undertaken to support consolidation (supposedly from national sources) is required. (2) Actions aiming at strengthening co-operation with employers in design and delivery of programmes and quality assurance, placements and internship, workplace learning, identified in the CPP, are not visible, despite indications in the Education Development Guidelines 2014-2020. (3) Clarification regarding innovation grants and scholarships for students in higher education including avoiding potential overlaps, their planned amount per person should be provided.

2.8.3.1: (1) Financial incentives for attracting new teachers cannot be funded by ESIF, national funding is needed to ensure sustainability. ESIF can intervene with additional training for future teachers, including induction training, and other support measures. (2) The focus of the SO on the teaching staff should be reflected in the result indicator - the indicator should be reformulated. Moreover, the fact that participants do not receive the EU aid directly should be taken into account. (3) Results to be achieved with regard to inclusive education should be included (e.g. increase in number of children with disabilities in mainstream education).

2.8.3.2: (1) The Commission services are pleased about the plans to develop a national career guidance system. The Commission services will follow this measure very closely in view of the 2013 CSR. To this end, the implementation of the preparatory pilot project is instrumental and should not be further delayed. (2) There appears to be a risk of overlap regarding some target groups with 2.8.3.1. The planned demarcation measures should be explained. (3) A more pronounced risk of overlap exists with 2.7.2.1. The described demarcation arrangements are not convincing. In view of the need for an integrated approach, the authorities should consider merging both objectives. (4) The overall approach in using ESIF to support child poverty reduction should be clarified in order to allow for any substantive Commission observations. (5) The role of youth centres in provision of education and training should be

clarified. (6) The target value for the output indicator 2.8.3.2 seems to be very high (612 898). The methodology for target setting is needed to justify it.

2.8.4.1: (1) In view of the relevant 2013 CSR, planned measures to improve the quality and accessibility of apprenticeships in VET should be explained. (2) Demonstration of results achieved to this end (both through traditional VET and the dual system) is instrumental at the OP level.

2.8.4.2 (1) Clarification on the planned implementation mechanism for delivering training in the context of life long learning and ensuring the best quality, value for money and flexibility (timely availability) should be provided. (2) Arrangements to ensure the very necessary targeting mentioned in chapter 506 and data collection arrangements in this respect should be described in the OP. (3) Absolute numbers should be used for result indicators instead of shares.

The Latvian authorities should clarify if the third-country nationals are targeted under priority axis 8.

PA9 PRIORITY AXIS 9

The draft OP does not respect the requirements of the draft ERDF Regulation regarding support to sustainable urban development through strategies setting out 'integrated actions' tackling the economic, environmental, climate, demographic and social challenges affecting urban areas. More specifically:

- The draft OP does not provide satisfactory analysis of territorial challenges and needs, and it is not clear about the strategic approach and focus on urban and territorial development or how the integrated approaches and coordination between the ESI Funds will be achieved;
- The proposal does not foresee measures on improving spatial planning, and measures to ensure land use efficiency in line with the Resource Efficiency roadmap. The OP does not explain how to avoid competitive development between independent communities, resulting in excessive development without corresponding demands;
- As Latvia has chosen a separate priority axis on urban development, this priority axis should be exclusively dedicated to sustainable urban development (i.e. it should not cover a territorial development in the wider sense) and should combine priorities from at least two thematic objectives.

As already suggested by the title of the priority axis by leaving out the word 'sustainable', urban development is considered mainly as investments in industrial areas and related infrastructure. Environment issues are not tackled in relation to this context except when clean public transport is mentioned.

Sustainable urban development investments are usually focusing on innovative ideas combining economic, environmental and social aspects. Regeneration of brownfield sites, development of green infrastructure represents some of important areas for improving quality of urban environments. The proposal fails to take into account any such ideas.

The objective 2.9.1.1 as it currently stands is not in line with the chosen investment priority (3a) and does not propose any integrated approach with other actions. Consequently it is not possible to tell whether integrated actions will be funded from the ESI fund programme and whether there will be support necessary from the national funds outside the programme. Principles of the selection of the cities are not described.

In paragraph (523) there is an attempt for Riga to link investment in industrial areas with investment in public transport, investment in the objects of national significance (concert halls, museum, stadium) and cultural events. The linkage is not clear and seems to be too remote from the proposed SO.

The objective 2.9.2.1 presents rather remote actions in relation to the chosen investment priority (6e). In other words, it is not clear how the SO (to invest in sports and cultural infrastructure) is derived from the investment priority TO6 (e) (to recover industrial areas and reduce air pollution). These types of investments does not appear to be a part of integrated actions and are rather stand-alone activities (large scale projects for sports' stadium, concert hall etc.). Their eligibility under this priority axis is questionable (please see previous comments on cultural and sports' infrastructure).

The objective 2.9.3.1 focuses on the investment in public transport only. There is an attempt to link the importance of tram network to the potentially regenerated industrial areas and territories (that would be a potential source of job creation and economic activity), but the link is not well explained. The proposal does not present an integrated approach.

An overview of the main challenges faced by Riga city in the area of transport and environment, namely, high share of private transport users (20.2%), noise, environment pollution, is presented. A reference to the sustainable development strategy of Riga is made stating that the transport policy measures should be in line with the principle of hierarchy: pedestrian - cyclist - public transport - private transport. However, when it comes to the proposed measures, the description is very scarce. A continued revitalisation programme of Riga outskirts is mentioned with no clear information on what it includes and how it contributes to the results though. From the indicators it can be derived that a modernisation of a tram line of 7 km and a construction of multi modal transport hub will be carried out. The text does not mention such investments, nor describes the connectivity to the public transport system and where it is to be built.

In order to respond to the listed challenges, a comprehensive set of measures should be implemented, including consideration of other means of transport with low-carbon emission potential (cycling, pedestrians). Moreover, the information on the main benefits and results sought to be achieved should be presented, for example, increased sustainable mobility, improved air quality, reduced noise, etc. In addition, a better indicator reflecting the main expected outcome, e.g. increased use of public transport should be included.

The concept of sustainable mobility in cities is addressed only in relation to public transport in Riga city. Nevertheless there are several other large cities in Latvia with developed public transport infrastructure that could be relevant with regard to the development of sustainable transport.

The investment in tram network will be supported through the Cohesion Fund, therefore it will not contribute to the 5% minimum share of the ERDF allocation on integrated actions for sustainable urban development with involvement of urban authorities.

The thematic objective currently selected is TO7 (c). It should be noted that according to current outcomes of the negotiations on the CPR and the fund specific regulations, urban mobility has been moved to TO4 and the focus has been extended to multi-modality.

Finally, there is a divergence between the PA and OP regarding the allocated funding for urban development which should be corrected.

2.A.5 Categories of intervention.

Table 11 as per the OP template should be included in this section.

2.B A description of the priority axes for technical assistance.

This section requires substantial revision in view of the requirements for programming technical assistance for the 2014-2020 period, in particular in terms of performance monitoring, target setting and indicators. Detailed guidance on this has been provided to the Latvian authorities.

The need to strengthen the evaluation capacity is not reflected in the proposal, no measures/indicators are proposed to this end.

T.17 A table specifying for each year, in accordance with Articles 53, 110 and 111 of the CPR, the amount of the total financial appropriation envisaged for the support from each of the Funds (EUR) (Article 87 (d) (i) CPR)

T.18A-C Financial plan of the operational programme

The Latvian authorities should provide justification on setting the co-financing rate for the education, skills and life long learning priority at 83%.

The Commission services are pleased that the Latvian authorities are considering applying a 100% co-financing rate for the NGOs and social partners, as stated in (629). This consideration should, however, be turned into a firm commitment, and reflected in the OP.

4 A description of the integrated approach to territorial development

4.4 Where appropriate, the mechanisms to ensure coordination with cooperation activities and macro-regional and sea-basin strategies

While the draft PA indicates the possibility for the ESI Funds to contribute to most of the EUSBSR objectives, this is not translated to the OP level. The general assumption, already made by Latvia in the current programming period, that in general, all EU funds' investments will contribute to the achievement of the EUSBSR goals (590) is obviously an over-estimation. There should be appropriate tracking of ERDF financial support to operations contributing to the EUSBSR. Latvia is invited to identify the indicators (they could be selected from the already existing ones in the programme) which will provide the information

on the contribution of the ESIF towards the implementation of the EUSBSR and its Action Plan.

The national coordination mechanisms of the EUSBSR and its linkages with the programming bodies, especially in the implementation phase should be described (for example, what are the methods for involving priority area coordinators, national contact points and focal points?).

In general, it is recommended to take territorial cooperation aspects better into account in all sector intervention areas (mainly transport, energy and environment for which the EUSBSR sets high priority). Direct links to the implementation of the EUSBSR should be identified and described.

The OP should consider (1) how EUSBSR projects will effectively be supported by ESIF mainstream operations; (2) how the management of the various types of co-operation corresponding to (i) convergent, (ii) complementary, (iii) co-ordinated or even (iv) joint actions will be organised; (3) how the co-ordination and co-operation process will be promoted, developed and supported.

Information should be given on the specific measures that will support at least convergent and complementary actions with other MS in the Baltic Sea Region, for example, (1) to reduce the concentration of pollutants in the Baltic Sea; (2) to accelerate the establishment of the TEN-T network; (3) to support cooperation initiatives improving innovation and competitiveness capacity of enterprises, by exploiting the potentialities identified in the Smart Specialisation Strategy.

The OP should also define, where relevant, more specific delivery tools. For example, to be able to support any kind of cooperation activities, in addition to purely individual actions, it is suggested to consider introduction of the following text into the OP: 'The management and implementation costs related to the support of cooperation projects and processes and incurred by a beneficiary of this programme are eligible under the same conditions and following the same selection, decision and management procedures that are valid for 'regular' projects (i.e. projects without cooperation component) pertaining to the programme.'

Implementation of relevant strands of the Blue growth initiative should be addressed.

5 The specific needs of geographical areas most affected by poverty or target groups at high risk of discrimination or social exclusion, with special regards to marginalised communities, and persons with disabilities

5.1 Geographical areas most affected by poverty/target groups at highest risk of discrimination

The identification and description of the geographical areas most affected by poverty must make use of harmonized spatial definitions (e.g. NUTS level 3 regions, LAU 1 or LAU 2 regions).

7 Authorities and bodies responsible for management, control and audit and the role of relevant parties

7.1 Identification of the relevant authorities and bodies

The Latvian managing authority (MA) and the audit authority (AA) are located in the same institution. For the current programming period the independence of the AA does not pose significant risks and the opinion provided by the AA can be relied upon. However, the structure proposed for a single OP covering ESF/CF/ERDF foresees further Intermediate Bodies (IB) centralization in a single IB (668). Centralization of all functions within a single institution (Ministry of Finance) or institutions directly supervised by it (such as Treasury (certifying authority)) could pose risk during the forthcoming period. Latvia should thus consider transferring the AA (including key personnel) to, preferably, the National Audit Office or another ministry.

8 Coordination between the Funds, the EAFRD, the EMFF and other Union and national funding instruments, and with the EIB

The Commission services' observations in this regard are presented in observations to the PA.

11 Horizontal principles

11.1 Sustainable development

The chapter should be further elaborated to provide a comprehensive description on how the specific actions related to sustainable development, as defined by Article 8 of the CPR, will be taken into account in the selection of operations. The aspect of 'adaptation to climate change' should be addressed.

11.2 Equal opportunities and non-discrimination

In (691) research should be added regarding gender mainstreaming.

11.3 Equality between men and women

The Latvian authorities should provide information on human and financial resources planned for gender mainstreaming in 2014-2020.

12 Separate elements – presented as annexes in printed document version

12.1 A list of major projects for which the implementation is planned during the programming period

The list of major projects should include titles of the projects.

12.3 List of relevant partners involved in the preparation of the operational programme

The list of partners does not seem to include all relevant partners. Involvement of partners in the field of adaptation to climate change, risk prevention and management as well as higher education needs to be reflected

Editorial comments:

The 2013 country-specific recommendations (CSRs) should be quoted in their entirety and the correct numbering of CSRs should be used in the OP.