

**1. DESCRIPTION OF THE APPLICATION OF THE SGEI DECISION AND THE SGEI FRAMEWORK AND THE AMOUNT GRANTED**
**1) Hospitals (Art. 2(1)(b))**

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>In Latvia, the leading national regulatory authority in the health sector is the Ministry of Health. The National Health Service (subordinate to the ministry) has signed agreements with institutions and service providers accountable to the Ministry of Health on the provision of health-care services funded from the State Budget (the service providers are local authority institutions, limited liability companies and self-employed persons).</p> <p>In 2012 and 2013, the National Health Service (hereinafter – the Service) signed agreements with hospitals in accordance with Cabinet Regulation No 850 of 1 November 2011 laying down the Statutes of the National Health Service and Cabinet Regulation No 1046 of 19 December 2006 laying down Procedures for the Organisation and Financing of Health-Care (as of 1 January 2014 - Cabinet Regulation No 1529 of 17 December 2013 laying down Procedures for the Organisation and Financing of Health-Care') for the following types of health-care services funded from State Budget:</p> <ol style="list-style-type: none"> <li>1. Emergency medical assistance;</li> <li>2. In-patient health-care;</li> <li>3. Primary health-care;</li> <li>4. Secondary out-patient health-care;</li> <li>5. Dentistry;</li> <li>6. Laboratory tests</li> <li>7. Medical rehabilitation;</li> <li>8. Health-care at home.</li> </ol> <p>The local authority ensures that the population has access to healthcare services (<i>provision of premises, information and appropriate technology and the establishment of the relevant infrastructure to enable the medical institution to provide the respective health-care services</i>) and social assistance (social care) at medical institutions.</p>

<p>Explanation of the (typical) <b>forms of entrustment</b>. If standardized templates for entrustments are used for a certain sector, please attach them.</p>	<p>According to Chapter VII “Contracting” of Cabinet Regulation No 1046 of 19 December 2006 “Procedures for the Organisation and Financing of Healthcare” (from 1 January 2014, Chapter VII of Cabinet Regulation No 1529 of 17 December 2013 “Procedures for the Organisation and Financing of Healthcare”), the Service signs <b>agreements</b> with hospitals on providing healthcare services funded from the state budget and their compensation. Each year the Service, in cooperation with the Ministry of Health and authorised representatives of the service providers, develop <b>standardized agreement templates for each type of healthcare service</b>. The agreement templates are approved by an internal decree of the Service and are available on the Service’s website at <a href="http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi">http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi</a>. Within one month after the promulgation of the law on the state budget for the current year, the Service specifies in an agreement the scope of the healthcare services to be provided by each hospital and the financing (budget) for the calendar year to be received from the state budget.</p> <p>Local authorities issue <b>binding regulations</b>, authorising the particular (local authority) companies to ensure the provision of services of public interest to the population. For example, the Annex to the Riga City Council binding regulation “Statutes of the Riga City Local Authority” (<a href="http://likumi.lv/doc.php?id=227996">http://likumi.lv/doc.php?id=227996</a>) specifies the capital companies that have been established for ensuring the execution of the functions of the Riga City Local Authority and also states the tasks to be performed by them. The binding regulations are supplemented by the <b>local authority decisions on establishing a capital company, decisions on delegating management functions and agreements on delegation of management functions</b>.</p>
<p>Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.</p>	<p>According to Paragraph 132 of Cabinet Regulation No 1046 of 19 December 2006 “Procedures for the Organisation and Financing of Healthcare” (from 1 January 2014, Paragraph 236 of Cabinet Regulation No 1529 of 17 December 2013 “Procedures for the Organisation and Financing of Healthcare”), the duration of the entrustment agreements signed by the Service <b>does not exceed ten years. The agreements with hospitals are usually signed for three years</b>, whereas the amount of the compensation to be received from the state budget and the respective scope of the healthcare services to be provided are set <b>for one calendar year</b>.</p> <p>The duration of the agreements signed by local authorities is within the range of <b>2 – 5 years</b>.</p>

<p>Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.</p>	<p><b>Special rights</b> are assigned to hospitals.</p>
<p>Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>	<p>The terms of payment for the healthcare services and the payment procedure for the providers of services are laid down in the agreements signed between the Service and the hospitals on providing state-funded healthcare services and their compensation. The Service pays the hospital for the provided healthcare services based on the invoices generated in the healthcare services payment system. The invoices are generated based on the information of medical records entered by the hospitals regarding the performed work at the hospital within the framework of the agreements and the tariffs for healthcare services set forth in Cabinet Regulation No 850 of 1 November 2011 “Statutes of the National Health Service” and Cabinet Regulation No 1046 of 19 December 2006 “Procedures for the Organisation and Financing of Healthcare” (from 1 January 2014, Cabinet Regulation No 1529 of 17 December 2013 “Procedures for the Organisation and Financing of Healthcare”). Such a procedure ensures that the payment for the state-funded healthcare services is made according to the work performed under the signed agreements. The documents supporting the payments are kept according to the Law on Accounting and the provisions of Cabinet Regulation No 585 of 21 October 2003 on Keeping Accounting Records and Organisation of Accounting.</p> <p>The <b>cost-allocation method</b> is used.</p> <p><b>Direct state subsidy</b> is the prevailing aid instrument in hospitals. However, the <b>direct subsidy can also be in a form of a local authority co-financing</b> (<i>15% of the eligible costs</i>) for the implementation of the ERAF project – development of in-patient healthcare services (<i>improving quality of healthcare services and cost efficiency</i>); the local authorities can also <b>waive their rights to dividends</b> (all the profit of the capital company is transferred for its development) or make a contribution to the company’s share capital.</p>
<p>Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b></p>	<p>To ensure true and accurate information on the payments made, the inventory of the payments is performed according to the provisions of Cabinet Regulation No 585 of 21 October 2003 on Keeping Accounting Records and Organisation of Accounting. After the end of the financial year, reconciliation acts are prepared regarding the execution of the agreements with each hospital providing the state-funded healthcare services. The reconciliation acts include information on the scope of the performed work and the amounts as provided by the agreement, settlements, claims and liabilities. If</p>

	<p>the payment reconciliation reveals that the advance payments to the hospitals for the healthcare services provided in December of the previous year exceed the scope of the services provided under the agreement, the hospital receives a letter to the effect of repaying the overcompensated amount. If the respective amount is not repaid to the state budget, the Service withholds the overpaid amount from the payments for the state-funded healthcare services provided during the current year. According to the provisions of the Law on Budget and Financial Management, the Service, being an authority implementing the budget, can only plan the use of the funds for payment for the healthcare services within the amount allocated from the budget.</p> <p>As the local authority co-financing is granted for implementing a project necessary for the development of a particular company based on the documentation of the supported project and the results of the public procurement procedure, the overcompensation is avoided. Moreover, the profit of the capital company is used for the implementation of a certain investment project (or its part) according to the budget approved by the shareholders’ meeting and the results of the public procurement procedure.</p>	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013
Total amount of aid granted	EUR 332 625 156 (incl. EUR 323 975 219 by the Service, EUR 8 649 937 by local authorities)	EUR 341 022 784 (incl. EUR 335 676 676 by the Service, EUR 5 346 108 by local authorities)
Other quantitative information		
Number of beneficiaries <i>[assuming that local authorities and the Service support the same hospitals]</i>	42	42
Average amount of aid <i>[estimates based on the assumed number of beneficiaries]</i>	EUR 7 919 647	EUR 8 119 590
Maximum amount of aid granted to a hospital	EUR 64 409 752	EUR 69 313 343
Minimum amount of aid granted to a hospital	EUR 262 534	EUR 270 590

## 2) Social services (Art. 2(1))

### a) health and long term care

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>In 2012 and 2013, the National Health Service (hereinafter – the Service) signed agreements with healthcare institutions for the following types of healthcare services funded from the state budget, according to Cabinet Regulation No 850 of 1 November 2011 “Statutes of the National Health Service” and Cabinet Regulation No 1046 of 19 December 2006 “Procedures for the Organisation and Financing of Healthcare” (from 1 January 2014, Cabinet Regulation No 1529 of 17 December 2013 “Procedures for the Organisation and Financing of Healthcare”):</p> <ol style="list-style-type: none"> <li>1. Emergency medical assistance;</li> <li>2. Primary healthcare;</li> <li>3. Secondary out-patient healthcare;</li> <li>4. Dentistry;</li> <li>5. Laboratory tests</li> <li>6. Medical rehabilitation;</li> <li>7. Healthcare at home.</li> </ol> <p>The local authority ensures access to healthcare services (<i>provision of premises, information and adequate technology and establishment of a certain infrastructure to enable the medical institution to provide the respective healthcare services</i>) and promotion of healthy lifestyles (<i>access to specialist advice, organisation and support of health-enhancing events according to the types of healthcare services provided by the medical institution</i>).</p> <p>The institutions subordinate to the Ministry of Health (4 institutions):</p> <ul style="list-style-type: none"> <li>• ensure physical health care of the population (including sportsmen and children with an increased level of physical activity) and coordinate the implementation of physical health care measures;</li> <li>• prepare blood and blood components for medical institutions as well as provide immunohematological compatibility tests;</li> </ul>

	<ul style="list-style-type: none"> <li>• organise and ensure the provision of emergency medical assistance to population;</li> <li>• carry out forensic medical examination and, where possible, provide the medical institutions with tissues for transplantation.</li> </ul>
<p>Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.</p>	<p>According to Chapter VII “Contracting” of Cabinet Regulation No 1046 of 19 December 2006 “Procedures for the Organisation and Financing of Healthcare” (from 1 January 2014, Chapter VII of Cabinet Regulation No 1529 of 17 December 2013 “Procedures for the Organisation and Financing of Healthcare”), the Service signs <b>agreements</b> with healthcare institutions on providing healthcare services funded from the state budget and their compensation. Each year the Service, in cooperation with the Ministry of Health and authorised representatives of the service providers, develop <b>standardized agreement templates for each type of healthcare service</b>. The agreement templates are approved by an internal decree of the Service and are available on the Service’s website at <a href="http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi">http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi</a>. Within one month after the promulgation of the law on the state budget for the current year, the Service specifies in an agreement the scope of the healthcare services to be provided by each healthcare institution and the financing (budget) for the calendar year to be received from the state budget.</p> <p>Local authorities issue <b>binding regulations</b> authorising the particular (local authority) companies to ensure the provision of services of public interest to the population. For example, the Annex to the Riga City Council binding regulation “Statutes of the Riga City Local Authority” (<a href="http://likumi.lv/doc.php?id=227996">http://likumi.lv/doc.php?id=227996</a>) specifies the capital companies that have been established for ensuring the execution of the functions of the Riga City Local authority as well as stated the tasks to be performed by them. The binding regulations are supplemented by the <b>local authority decisions on establishing a capital company, decisions on delegating management functions and agreements on delegation of management functions</b>.</p> <p>The institutions subordinate to the Ministry of Health (4 institutions) perform their functions in line with the regulations approved by the Cabinet:</p> <ul style="list-style-type: none"> <li>• Cabinet Regulation No 821 of 4 December 2012 “Statutes of the National Sports Medicine Centre” (previously Cabinet Regulation No 47 of 18 January 2005 “Statutes of the State Sports Medicine Agency”);</li> <li>• Cabinet Regulation No 138 of 22 February 2005 “Statutes of the State Blood Donor Centre”;</li> <li>• Cabinet Regulation No 92 of 27 January 2009 “Statutes of the State Emergency Medical Service of Latvia”;</li> </ul>

	<ul style="list-style-type: none"> <li>• Cabinet Regulation No 776 of 7 September 2004 “Statutes of the State Centre for Forensic Medical Examination”.</li> </ul>
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	<p>According to Paragraph 132 of Cabinet Regulation No 1046 of 19 December 2006 laying down Procedures for the Organisation and Financing of Health-care (as of 1 January 2014, Paragraph 236 of Cabinet Regulation No 1529 of 17 December 2013 laying down Procedures for the Organisation and Financing of Health-care), the duration of the agreements signed by the Service <b>does not exceed ten years. The agreements with health-care institutions are usually signed for three years</b>, whereas the amount of the compensation to be received from the State Budget and the respective scope of the healthcare services to be provided are set <b>for one calendar year</b>.</p> <p>Entrustments with the subordinate institutions (four institutions) are signed for an indefinite period of time.</p> <p>The duration of the agreements signed by local authorities could be <b>5 years</b> on average.</p>
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	<b>Special rights</b> are assigned to health-care institutions. <b>Exclusive rights</b> are assigned to institutions subordinate to the Ministry of Health (four institutions, each in its own special area).
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>The terms of payment for health-care services and the payment procedure for service providers are laid down in the agreements signed between the Service and health-care institutions for the provision of and payment for State-funded healthcare services. The Service pays the health-care institution for the health-care services provided, based on the invoices generated in the health-care services payment system. The invoices are generated on the basis of information gathered from medical records entered by the health-care institutions concerning the work performed at the health-care institution under the agreements, and the tariffs for health-care services laid down in Cabinet Regulation No 850 of 1 November 2011 laying down the Statutes of the National Health Service and Cabinet Regulation No 1046 of 19 December 2006 laying down Procedures for the Organisation and Financing of Health-care (as of 1 January 2014, Cabinet Regulation No 1529 of 17 December 2013 laying down Procedures for the Organisation and Financing of Health-care). The procedure ensures that payment for State-funded health-care services is consistent with the work performed under the concluded agreements. Documents relating to the payments are kept according to the Law on Accounting and Cabinet Regulation No 585 of 21 October 2003 on Bookkeeping Management and Organisation.</p> <p>Financing for the (four) institutions subordinate to the Ministry of Health is provided for in the Law on</p>

	<p>the State Budget for the current year. The subordinate institutions have to ensure the performance delegated to them within the framework of the assigned allocation. The financing is set in the amount that would be necessary for covering the operating costs of the subordinate institutions and it is assigned in a form of a subsidy from general revenue (in addition, the respective institution derives income from paid services and other own income).</p> <p>The <b>cost-allocation method</b> is used.</p> <p><b>Direct state subsidy is the prevailing</b> aid instrument. The direct <b>subsidy can also be in a form of a local authority co-financing</b> for the implementation of an ERAF project or <b>a contribution to the capital company's share capital</b>.</p>
<p>Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b></p>	<p>To ensure true and accurate information on the payments made, the inventory of the payments is performed according to the provisions of Cabinet Regulation No 585 of 21 October 2003 on Keeping Accounting Records and Organisation of Accounting. After the end of the financial year, reconciliation acts are prepared regarding the execution of the agreements with each healthcare institution providing the state-funded healthcare services. The reconciliation acts include information on the scope of the performed work and the amounts as provided by the agreement, settlements, claims and liabilities. If the payment reconciliation reveals that the advance payments to the healthcare institutions for the healthcare services provided in December of the previous year exceed the scope of the services provided under the agreement, the healthcare institution receives a letter to the effect of repaying the overcompensated amount. If the respective amount is not repaid to the state budget, the Service withholds the overpaid amount from the payments for the state-funded healthcare services provided during the current year. According to the provisions of the Law on Budget and Financial Management, the Service, being an authority implementing the budget, can only plan the use of the funds for payment for the healthcare services within the amount allocated from the budget.</p> <p>The overcompensation is avoided as either the local authority co-financing is granted for implementing a project necessary for the development of a particular company based on the documentation of the supported project and the results of the public procurement procedure or the profit of the capital company is used for the implementation of a certain investment project (or its part) according to the budget approved by the shareholders meeting and the results of the public procurement procedure, or in case of the contribution to the share capital which is used for a certain purpose (acquisition of medical equipment according to the results of the public procurement procedure) and the local authority obtains a number of shares corresponding to the contributed amount.</p>



	The institutions subordinate to the Ministry of Health submit a report on the use of funds to the Ministry of Health on a quarterly basis according to Cabinet Instruction No 8 of 23 August 2011 “Analysis of the Execution of the State Budget”.	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013
Total amount of aid granted	EUR 211 500 590 (of which EUR 137 355 003 were allocated to healthcare by the Service, and EUR 5 619 457 by local authorities, and EUR 68 526 130 were allocated to the four subordinate institutions	EUR 214 717 638 (of which EUR 144 119 755 were allocated to healthcare by the Service, and EUR 5 995 041 by local authorities, and EUR 64 602 842 were allocated to the four subordinate institutions
Other quantitative information		
Number of beneficiaries	2 148 (of which, the Service - 2 113, local authorities - 31, subordinate institutions - 4)	2210 (of which, the Service - 2 178, local authorities - 28, subordinate institutions - 4)
Average amount of aid	EUR 7 293 124 (for subordinate institutions – if treated separately – EUR 17 131 533, for other beneficiaries - EUR 5 718 978)	EUR 8 258 371 (for subordinate institutions – if treated separately – EUR 16 150 711, for other beneficiaries – EUR 6 823 400)
Maximum amount of aid granted to a healthcare institution	EUR 6 611 953	EUR 7 768 272
Minimum amount of aid granted to a healthcare institution	EUR 115	EUR 129
Maximum amount of aid granted to a subordinate institution	EUR 50 772 539	EUR 53 632 965
Minimum amount of aid granted to a subordinate institution	EUR 972 262	EUR 1 071 246

## b) Childcare

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>The local authority support is to be regarded as State aid within the meaning of the Treaty on the Functioning of the European Union, if the following concurrent four cumulative criteria are met: (1) the aid is provided by public funding (state, local authority or EU funding); (2) the beneficiary – the economic operator – obtains economic advantages unattainable under normal market conditions; (3) the implemented measure is selective per se; (4) the aid provided for commercial activities affects competition and trade between the EU Member States. In case the implemented measure is qualified as State aid meeting concurrently the four cumulative criteria, it should be further established which State-aid regulation makes it compatible with the EU internal market.</p> <p>Childcare, orphanages, social care centres, care homes, social homes for children (described in the sections below), etc. are to be assessed individually in each case; if any of the above mentioned criteria is not met, for example, the criterion regarding the potential impact on trade and competition, the respective measure would not be a State-aid measure and accordingly the State-aid provisions (for example, the SGEI Decision) are not to be applied.</p> <p>Based on the above mentioned, <u>the data disclosed below in this section are inaccurate and are mainly based on the local authority's assumptions as to whether the particular local authority support would or would not qualify as State aid. The data may also include cases when the support does not qualify as State aid and is not subject to the provisions of the SGEI Decision.</u></p>
<p>Explanation of the (typical) <b>forms of entrustment</b>. If standardized templates for entrustments are used for a certain sector, please attach them.</p> <p>.</p>	<p>Binding regulations of local authorities, local authority decisions, delegation agreements.</p>
<p>Explanation of the (typical) <b>duration</b></p>	<p>Information is not available</p>

of the entrustment and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.		
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	Assigning of special or exclusive rights depends on the size / population of the local authority	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	According to the Local authority Budget Law, the local authorities draw up, approve and execute their budgets independently in line with the Law on Budget and Financial Management, the Law on Local authorities, the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local authorities as well as with other laws and Cabinet regulations.  Direct subsidy from a local authority budget granted for performing the tasks.	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	Each authority is entitled to establish the particular control mechanisms itself. The budgets are planned in compliance with the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local authorities which ensures that the public funding is not squandered, including the avoidance of overcompensation.	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013
Total amount of aid granted	EUR 4 509 456	EUR 4 717 973
Other quantitative information		
Number of beneficiaries	15	14
Average amount of aid	EUR 300 630	EUR 336 998

**c) Access to and reintegration into the labour market**

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>Support provided by a local authority is to be regarded as State aid within the meaning of the Treaty on the Functioning of the European Union if the following four criteria are met concurrently: (1) the aid is provided from public funds (state, local authority or EU funding); (2) the beneficiary –economic operator – obtains economic advantages unattainable under normal market conditions; (3) the implemented measure is selective per se; (4) the aid provided for commercial activities affects competition and trade between the EU Member States. If the four criteria are fulfilled and the implemented measure is considered State aid, it should be further established which State-aid framework makes it compatible with the EU internal market.</p> <p>Childcare, access to and reintegration into the labour market, orphanages, social care centres for children, care homes, social homes for children (described in the sections below), etc. – is to be assessed individually in each case; if any of the above-mentioned criteria is not met (for example, the criterion regarding the potential impact on trade and competition) the respective measure would not be a State-aid measure and accordingly the State-aid provisions (for example, the SGEI Decision) would not have to be applied.</p> <p>In the light of the above, <u>the data provided in this section are inaccurate</u> and based mainly on the local authority's assumptions as to whether the support provided by the local authority would or would not qualify as State aid. <u>The data may also include cases where the support does not qualify as State aid and is not subject to the provisions of the SGEI Decision.</u></p>
<p>Explanation of the (typical) <b>forms of entrustment</b>. If standardized templates for entrustments are used for a certain sector, please attach them.</p>	<p>Binding local authority regulations, decisions and delegation agreements.</p>
<p>Explanation of the (typical) <b>duration of the entrustment</b> and the range of</p>	<p>No information available.</p>

durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.		
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	Assigning of special or exclusive rights depends on the size/population of the local government.	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>According to the Law on Local Authority Budgets, local authorities draw up, approve and execute their budgets independently in line with the Law on Budget and Financial Management, the Law on Local Authorities, the Law on Preventing the Squandering of State and Local Authority Financial Resources and Property and other laws and Cabinet Regulations.</p> <p>Usually a direct subsidy is granted for performing the tasks. In certain cases, it can be provided as co-financing from a local authority for the implementation of an ESF project.</p>	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	Each authority is entitled to establish the particular control mechanisms itself. The budgets are planned in accordance with the Law on Preventing the Squandering of State and Local Authority Financial Resources and Property, which ensures that the public funding is not squandered, and overcompensation is avoided.	
<b>Amount of aid granted</b>		
<b>Total amount of aid granted</b>	<b>In 2012</b>	<b>In 2013</b>
Total amount of aid granted	<b>EUR 428 899</b>	<b>EUR 451 443</b>
<b>Other quantitative information</b>		
Number of beneficiaries	3	3
Average amount of aid	EUR 142 966	EUR 150 481

## d) Social housing

Clear and comprehensive description of how the respective services are organized in your Member State	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.	In certain local authorities, construction, reconstruction, management of the housing stock as well as the development and renewal of social housing and rental housing (apartments for the needy) for the needs of the local authority. Ongoing management process of the privatised housing stock to ensure the maintenance of the functional value (quality) of the residential buildings while in use, thus meeting the obligation of local authorities as stipulated in the Law on Privatisation of the State and Local authority Residential Buildings (temporary function).
Explanation of the (typical) <b>forms of entrustment</b> . If standardized templates for entrustments are used for a certain sector, please attach them.	<p><b>Binding regulations of local authorities</b>, e.g. the Riga City Council Regulation “Statutes of the Riga City Local authority”, the Annex of which contains a list of the capital companies that have been established for ensuring the execution of the functions of the Riga City Local authority as well the tasks to be performed (services provided).</p> <p>There are also other types of entrustment: a <b>local authority/council decision</b> on establishing a capital company, <b>entrustment (service) agreements</b> on housing management, a local authority/council decision on the housing stock development programme and decisions on the implementation of particular projects the execution of which results in signing agreements with the local authority on acquiring the housing stock in its possession.</p>
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	A capital company is authorised to sign agreements as of its foundation date. The duration of the most recent housing stock development programme in Riga is 5 years. Service agreements are signed for a period of 1 to 5 years.
Explanation whether (typically) <b>exclusive or special rights</b> are	Local authority capital companies are granted <b>exclusive</b> rights to implement local authority housing stock development programmes in the territory of the local authority as provided by respective local

assigned to the undertakings.	authority/council decisions on the project implementation; accordingly, agreements on the management of the new buildings are signed. <b>Exclusive</b> rights are granted to ensure the fulfilment of the respective tasks in the territory of the local authority regarding the privatised residential buildings the management of which has not been taken over by the apartment owners.	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	Compensation can be granted as a contribution to the share capital, complete waiver of the right to dividends (all the profit of the capital company is transferred for its development), acquisition of the residential buildings constructed by the capital company according to the local authority/council decision.  For determining the amount of the compensation the <b>cost-allocation method</b> is used.	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	The value of the in-kind contribution to the share capital is appraised by an independent certified valuator and the local authority obtains a number of shares corresponding to the determined amount.  The profit of the capital company is used for the implementation of certain investment projects (or their parts) according to the budget approved by the shareholders’ meeting and the results of the public procurement procedure, when applicable.  The housing purchase costs do not exceed the related construction costs and interest payments for the funding attracted by the local authority.	
<b>Amount of aid granted</b>		
<b>Total amount of aid granted</b>	<b>In 2012</b>	<b>In 2013</b>
Total amount of aid granted	<b>EUR 21 028 249</b>	<b>EUR 19 115 431</b>
<b>Other quantitative information</b>		
Number of beneficiaries	12	11
Average amount of aid	EUR 1 752 354	EUR 1 737 766

**e) Care and social inclusion of vulnerable groups**

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>The local authority support is to be regarded as State aid within the meaning of the Treaty on the Functioning of the European Union, if the following concurrent four cumulative criteria are met: (1) the aid is provided by public funding (state, local authority or EU funding); (2) the beneficiary – the economic operator – obtains economic advantages unattainable under normal market conditions; (3) the implemented measure is selective per se; (4) the aid provided for commercial activities affects competition and trade between the EU Member States. In case the implemented measure is qualified as State aid meeting concurrently the four cumulative criteria, it should be further established which State-aid regulation makes it compatible with the EU internal market.</p> <p>Each case should be assessed individually; however, if any of the above mentioned criteria is not met, for example, the criterion regarding the potential impact on trade and competition, the care and social inclusion of vulnerable groups would not qualify as a State-aid measure and accordingly the State-aid provisions (e.g. the SGEI Decision) would not have to be applied.</p> <p>Based on the above mentioned, <u>the data disclosed below in this section are inaccurate</u> and are mainly based on the local authority's assumptions as to whether the particular local authority support would or would not qualify as State aid. <u>The data may also include cases when the support does not qualify as State aid and is not subject to the provisions of the SGEI Decision.</u></p>
<p>Explanation of the (typical) <b>forms of entrustment</b>. If standardized templates for entrustments are used for a certain sector, please attach them.</p>	<p>Binding regulations of local authorities, local authority decisions, delegation agreements.</p>
<p>Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments</p>	<p>Information is not available</p>



that are longer than 10 years.		
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	Assigning of special or exclusive rights depends on the size /population of the local authority.	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>According to the Local authority Budget Law, the local authorities draw up, approve and execute their budgets independently in line with the Law on Budget and Financial Management, the Law on Local authorities, the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local authorities as well as with other laws and Cabinet regulations.</p> <p>Usually a direct subsidy granted for performing the tasks. In certain cases, it can be provided as local authority co-financing for the implementation of an ESF project.</p>	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	Each authority is entitled to establish the particular control mechanisms itself. The budgets are planned in compliance with the Law on Prevention of Squandering of the Financial Resources and Property of the State and Local authorities which ensures that the public funding is not squandered, including the avoidance of overcompensation.	
<b>Amount of aid granted</b>		
<b>Total amount of aid granted</b>	<b>In 2012</b>	<b>In 2013</b>
Total amount of aid granted	<b>EUR 74 364 961</b>	<b>EUR 71 491 928</b>
<b>Other quantitative information</b>		
Number of beneficiaries	20	19
Average amount of aid	EUR 3 718 248	EUR 3 762 733

### 3) Air or maritime links to islands (Art. 2(1)(d))

In Latvia no undertakings have been entrusted with the operation of such SGEI. Not applicable.

### 4) Airports and ports (Art. 2(1)(e))

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>There are three operating airports in Latvia: Riga International Airport, Liepāja International Airport, and Ventspils Airport. Currently, nearly 99% of all air passenger and freight transportation in Latvia is through Riga International Airport. Riga International Airport is a state joint stock company of the Republic of Latvia. The sole shareholder is the Republic of Latvia represented by the Ministry of Transport. No responsibility for the operation of the SGEI has been entrusted to Riga International Airport.</p> <p>On 30 January 2012, two agreements on entrusting responsibility for providing services of general economic interest were signed: (1) on entrusting SIA Ventspils lidosta (the limited liability company Ventspils Airport) with responsibility for the operation of SGEI (the agreement signed between the Ministry of Transport, Ventspils City Council, and SIA Ventspils lidosta) and (2) on entrusting SIA Aviasabiedrība Liepāja (the limited liability company Liepāja Airline) with responsibility for the operation of SGEI (the agreement signed between the Ministry of Transport, Liepāja City Council, and SIA Aviasabiedrība Liepāja).</p> <p>The SGEI are defined in Section 27.<sup>2</sup> of the Law on Aviation as follows: “Responsibility for providing services of general economic interest are directly related to the core activity of an aerodrome and shall include:</p> <ol style="list-style-type: none"> <li>1) construction of infrastructure structures (runway, terminal, access road to runway, platform, traffic management tower), including purchase of the necessary land plot and ensuring with aerodrome equipment, including equipment necessary for the provision of direct assistance;</li> <li>2) operation of the infrastructure which includes management and maintenance of the aerodrome; and;</li> </ol>

	<p>3) provision of additional services of the aerodrome (use of the infrastructure of the aerodrome, fire-fighting, first aid, security and other additional services of the aerodrome.”</p> <p>In order to ensure the regularity of amounts and flights of regular carriages by air, the State or the local authority may impose a duty on airports to fulfil the commitments of providing services of general economic interest referred to in Section 27.<sup>2</sup>, Paragraph one of the Law on Aviation, and they are entitled to compensate the costs of an airport which occur to it when fulfilling the commitments of providing services of general economic interest. When determining the amount of the compensation, the income which a service provider has received for the service execution shall be taken into account.</p> <p>The Cabinet shall determine the procedures by which the commitments of providing services of general economic interest shall be imposed on an airport, and the procedures by which the compensation for costs which occur to an airport when fulfilling the commitments of providing services of general economic interest shall be determined and covered.</p>
Explanation of the (typical) <b>forms of entrustment</b> . If standardized templates for entrustments are used for a certain sector, please attach them.	<p>The form of SGEI entrustment and the information to be included in it is specified in Paragraphs 5 and 6 of Cabinet Regulation No 661 of 23 August 2011 on Responsibility for the Operation of Services of General Economic Interest to be Entrusted to Airports:</p> <p><i>“5. The responsibility for providing services shall be imposed on the airport by the Ministry of Transport (on behalf of the State) together with the council of the respective local authority (on behalf of the local authority) by signing a service agreement.</i></p> <p><i>6. The service agreement shall include the following key provisions:</i></p> <ul style="list-style-type: none"> <li><i>6.1. description of the services to be provided and the performance requirements;</i></li> <li><i>6.2. parameters and arrangements for calculating, controlling and reviewing the compensation;</i></li> <li><i>6.3. settlements procedure and provisions for allocation of funding;</i></li> <li><i>6.4. procedure for repayment of overpayments.”</i></li> </ul> <p>No standardised entrustments have been established.</p>
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	<p>Taking into consideration that there is a <b>three-year</b> budget planning in Latvia, the SGEI agreements are signed for three years with the option of extending the agreement.</p>
Explanation whether (typically)	<p>According to the SGEI agreements, SIA Aviasabiedrība Liepāja and SIA Ventspils lidosta have been</p>

<b>exclusive or special rights</b> are assigned to the undertakings.	entrusted with the responsibility specified in Section 27. <sup>2</sup> of the Law on Aviation. <b>Special</b> rights.	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>For the purpose of the agreements signed with SIA Aviasabiedrība Liepāja and SIA Ventspils lidosta, the public compensation means EU funding for the construction of infrastructure related to the operating activities of the aerodrome in line with the performance of the services of general economic interest specified in the Annex to the Agreement. The compensation will be disbursed to the airport under the procedure and in the amount laid down in the agreement on the implementation of the project signed between the Ministry of Transport as the responsible authority and the airport as the beneficiary of EU funding (hereinafter – the Project Implementation Agreement) as well as in compliance with Latvian legislation governing the EU funds management.</p> <p>The maximum amount of the public compensation for the construction of aerodrome’s infrastructure (funding granted from the Cohesion Fund for the implementation of the project) is specified in Paragraph 6 of Cabinet Regulation No 1476 of 15 December 2009 “Regulation on Activity 3.3.1.4. “Airport Infrastructure Development” of the Supplement to the Operational Programme “Infrastructure and Services””.</p>	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	<p>The SGEI agreements provide that all the costs which arise from the service performance but are not considered eligible expense shall be covered by the airports from their own funds. The public compensation payment procedure is laid down in the Project Implementation Agreement. For its part, the Ministry of Transport shall be obliged (a) to monitor and control the project implementation by assessing its compliance with the requirements of EU and Latvian legislation and the provisions of the agreement as well as to perform follow-up after the completion of the project, (b) to verify the compliance of the eligible costs with the project, the agreement and EU and Latvian legislation, to make decisions on approval or rejection of the eligible costs and payment of the amount of the aid in full or partially, (c) to pay the beneficiary the amount of the aid or its part according to the requirements and the procedure specified in Latvian legislation and the respective agreement, and (d) to require the recipient to repay the overpaid or unduly received amount of the aid as well as to agree with the beneficiary on the schedule of the repayment of the overpaid or unduly received amount of the aid.</p>	
<b>Amount of aid granted</b>		
<b>Total amount of aid granted</b>	<b>In 2012</b>	<b>In 2013</b>

Total amount of aid granted	<b>EUR 518 301</b>	<b>EUR 2 054 673</b>
<b>Other quantitative information</b>		
Number of beneficiaries	2	2
Average amount of aid	EUR 259 150	EUR 1 027 336
Maximum amount of aid granted to an airport	EUR 456 039	EUR 1 872 289
Minimum amount of aid granted to an airport	EUR 21 250	EUR 182 384

## 5) Other SGEI compensation not exceeding EUR 15 million (Art. 2(1)(a))

### a) Heating

Clear and comprehensive description of how the respective services are organized in your Member State	
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.</p>	<p>In Latvia, the general requirements for organising public utility services (water supply and sewage; heating; local authority waste management; collection, disposal, and treatment of waste water) are laid down in the Law on Local authorities. However, the Law on Local authorities does not specify the legal status of the provider of the services the ensuring of which is the local authority responsibility.</p> <p>The local authorities with small population may exceptionally provide public services themselves. This is, to a large extent, attributable to the fact that in the administrative territories of the small local authorities there prevails individual housing, including individual farmsteads, where the issues of water supply and heating are solved on an individual basis whereas centralised public services are only required in some villages.</p> <p>Accordingly, for cost-saving purposes local authority entities without their own legal personality and without their own permanent budget are established, namely, public utility enterprises operating on the basis of Statutes. The local authority entities ensure the provision of public utility services to the population and collect payments for the services provided to the extent equalling economically justifiable cost. Taking into consideration that under the model, described above, the public utility services are provided by the local authority rather than a capital company, there is no basis for any refund payment.</p> <p>In other local authorities, the public utility services are provided by capital companies according to the respective agreements. The agreement on providing public utility services signed between the particular local authority and the particular provider of public utility services – the economic operator (capital company) – all the components defined in the SGEI Decision are included.</p> <p>The delegated services are as follows: heat generation; uninterrupted heat supply to buildings and</p>

	constructions; heat sales in line with the established tariffs; maintenance, servicing, restoring, and reconstruction of heating networks, technical equipment, and infrastructure used in the provision of public services.
Explanation of the (typical) <b>forms of entrustment</b> . If standardized templates for entrustments are used for a certain sector, please attach them.	A delegation <b>agreement</b> or a <b>local authority decision</b> on delegation of the functions related to public services.
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	Typical duration of the entrustment is 3, 6, 7 or 10 years. The duration of the entrustment does not exceed 10 years.
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	The companies are usually granted <b>exclusive or special</b> rights to ensure heating in a particular territory (depending on the size of the territory, historical circumstances), and other aspects.
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>The prevailing compensation mechanism is <b>a contribution to the capital company's share capital</b> although there are also <b>local authority subsidies/grants</b>, for the implementation of including the CF project. Within the framework of Sub-activity 3.5.2.1.1 "Measures Regarding the Increase of Efficiency of Heating Systems" (hereinafter – Sub-activity 3.5.2.1.1) of the Supplement to the Operational Programme "Infrastructure and Services", <b>grants</b> from the Cohesion Fund are allocated.</p> <p>The SGEI Decision specifies that the compensation amount may not exceed the net operating costs incurred during the performance of the public service obligations, including reasonable profit. Within the framework of Sub-activity 3.5.2.1.1, the amount of reasonable profit of the beneficiary who provides services of general economic interest is defined as the rate of return on capital that does not exceed 10%. The return on capital is defined as a ratio of net profit of the previous reporting year against the invested capital. The beneficiary has to ensure that the threshold does not exceed the weighted average during a two-year period.</p>
Explanation of the (typical) <b>arrangements for avoiding and</b>	Each authority is entitled to determine the particular control mechanisms itself. The agreements signed between the local authority and the public service provider on providing the particular public services in the particular territory provide the option of receiving only particular refund payments.

repaying any overcompensation.	Some agreements include a provision that the capital company may not sign agreements with other organisations on receiving other public funding without a prior consent of the shareholders meeting. Most of the agreements also provide that the capital companies shall account for the actual costs related to the provision of water supply and sewage services separately by the kinds of services and territories. The above mentioned accounting is separated from the general accounting of the capital company. Some local authorities, for governing the provision of public services, have signed agreements with another company that ensures that expenditure and revenue are properly included in the pricing. Each authority is entitled to decide on the need for an auditors’ report.	
	Within the framework of the CF project (1) the Investment and Development Agency of Latvia (hereinafter – the IDAL) monitors the beneficiary’s rate of return on capital during five years after the project completion; (2) during the project implementation and 10 years after its completion the beneficiary is obliged to keep the respective documents for proving that the granted State aid is compatible with the requirements of the regulations; (3) the compensation for the provision of public services does not exceed on average EUR 15 000 000 during the entrustment period.	
	In order to ensure that the same costs related to the provision of public services are not compensated by several institutions, the local authorities see to it that the operations of the capital companies are monitored by a shareholder’s representative approved by the local authority and who reports to the local authority on an annual basis. The company’s annual reports give a fair view of the income sources and their utilisation.	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013
Total amount of aid granted <i>[there is a possibility of overlapping in data in cases when the local authority and the IDAL have reported the same amount; consequently, the actual amount could be smaller]</i>	EUR 10 036 954	EUR 11 452 128
Other quantitative information		
Number of beneficiaries	32	34
Average amount of aid	EUR 313 655	EUR 336 827



Maximum amount of aid granted to a public service provider	EUR 478 090 ( <i>EU CF funding to the IDAL for Sub-activity 3.5.2.1.1; in the case of local authorities, the amount may be greater; however, accurate data are not available if the contribution to the share capital is a lump sum for water supply, sewage and heating</i> )
Minimum amount of aid granted to a public service provider	EUR 26 912 ( <i>EU CF funding to the IDAL for Sub-activity 3.5.2.1.1; in the case of local authorities, the amount may be smaller; however, accurate data are not available if the contribution to the share capital is a lump sum for water supply, sewage and heating</i> )

### b) *Water supply and sewage*

Clear and comprehensive description of how the respective services are organized in your Member State <sup>1</sup>	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.	<p>According to the Law on Regulators of Public Services, the water management sector is defined as public services. As stipulated by the above mentioned law, the Cabinet has determined the kinds of public services the provision of which requires regulation.</p> <p>The water management sector provides the following public services: water collection, production (iron removal, treatment) and supply to the water pipeline networks, supply of drinking water from the water production (preparation) site to the consumer, collection of waste water from the consumer and disposal in the sewage network that carries it to the <i>treatment facilities</i>, biological treatment of waste water and discharge to <i>water</i> bodies.</p>
Explanation of the (typical) <b>forms of entrustment</b> . If standardized templates for entrustments are used for a certain sector, please attach them.	<p>The particular kinds of regulated public services in the water management sector have been determined by the Cabinet according to the law. The particular public service is provided according to the agreement signed between the local authority and the public service provider which contains all the requirements of the SGEI Decision. There are the following types of the entrustment: <b>regulations binding</b> to the local authorities or <b>Statutes of the local authorities</b> listing the capital companies established for ensuring the performance of the local authority functions and their obligations (services provided, including also water supply and sewage, collection, disposal and treatment of</p>

<sup>1</sup> Part of the information disclosed in the heating section also refers to other local authority services provided to the population, including water supply and sewage.

	waste water); <b>a local authority decision</b> on establishing a capital company; a local authority <b>decision on signing an agreement</b> on providing public services in the water management sector; <b>a decision</b> on providing public services in the water management sector.
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	<p>The duration of the public service agreements are within the range from 5 to 10 years.</p> <p>More than 95% of the signed agreements mature within 10 years. The rest are signed for a period of 5 to 8 years. No agreements signed for more than 10 years have been identified.</p>
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	The public service provider is granted <b>exclusive rights</b> if there is only one provider of the respective service in the administrative territory of the local authority. If two or more such service providers operate in the administrative territory of the local authority, <b>specific or special rights</b> are granted. The agreements signed with capital companies mainly grant <b>special rights</b> to provide water management services in the administrative territory of the local authority.
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>The refund payment amount that could be granted is determined according to: (a) EU and Latvian legislation laying down requirements for the water management services to be provided; (b) EU and Latvian legislation specifying requirements for mobilisation of EU Funds for investments in the water management infrastructure, for arrangements of the implementation of such projects as well as for the recovery and repayment of ineligible expenditure.</p> <p>A provision in the public service agreement specifies that the public service provider can only receive refund payments for the investments in the infrastructure required for the provision of public services to the extent that ensures that the provision of the public services meets certain quality criteria defined in legislation.</p> <p>For determining the amount of the refund payment the <b>cost-allocation method</b> is used.</p> <p>The typical aid instruments are as follows: refund payments classified as <b>subsidies</b>, as <b>contributions to the share capital</b> (local authority co-financing in the implementation of the CF project or an in-kind contribution, e.g. real estate – for the development of the capital company – for the development and maintenance of the infrastructure required for providing the services), or <b>complete waiver of the right to dividends</b> (all the profit of the capital company is transferred for its development).</p>

Explanation of the (typical) arrangements for avoiding and repaying any overcompensation.	<p>The public service agreement contains a paragraph on the obligation of repayment by the public service provider the portion of the received compensation by which the costs of providing the public service are exceeded.</p> <p>To avoid overcompensation, the requirements of EU and Latvian legislation both as regards the qualitative and quantitative criteria of the services to be provided and mobilising EU and public funds for investments in the water management infrastructure required for providing public services have been complied with since the very start - when estimating the amount necessary for financing the investments in the infrastructure of the public service provider. For example, the local authority cofinancing is granted for the development of a particular capital company to ensure the implementation of a necessary project based on the documentation of the supported project and the results of the public procurement procedure. The value of the in-kind contribution to the share capital is appraised by an independent certified valuator and the local authority obtains a number of shares corresponding to the determined amount. The profit of the capital company is used for the implementation of certain investment projects (or their parts) according to the budget approved by the shareholders meeting and/or the results of the public procurement procedure.</p>	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013
Total amount of aid granted	EUR 74 796 043	EUR 66 586 622
Other quantitative information		
Number of beneficiaries	194	192
Average amount of aid	EUR 385 547	EUR 346 805

**c) Local authority waste management – waste landfill**

Clear and comprehensive description of how the respective services are organized in your Member State <sup>2</sup>	
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the <b>contents of the services entrusted as SGEI</b> as clearly as possible.	<p>According to the Law on Regulators of Public Services, the waste management sector is defined as public services. As stipulated by the above mentioned law, the Cabinet has determined the kinds of public services the provision of which requires regulation.</p> <p>In the waste management sector, <b>waste landfill</b> (including disposal, treatment, recycling of waste, biogas production and generation of green electricity) is provided as a public service.</p>
Explanation of the (typical) <b>forms of entrustment</b> . If standardized templates for entrustments are used for a certain sector, please attach them.	The particular kinds of regulated public services in the waste management sector have been determined by the Cabinet according to the law. The particular public service is provided according to the agreement signed between the local authority and the public service provider which contains all the requirements of the SGEI Decision. The typical forms of entrustment are as follows: <b>local authority binding regulations</b> for waste management; <b>a local authority decision</b> on an agreement on a waste landfill or <b>a service agreement</b> . It should be noted that local authorities cooperate in this area, namely, several local authorities sign the same service/entrustment agreement with a company located in one of the local authorities.
Explanation of the (typical) <b>duration of the entrustment</b> and the range of durations of the entrustments. Please also specify the proportion of entrustments that are longer than 10 years.	<p>The duration of the public service agreements are within the range from 5 to 10 years.</p> <p>More than 95% of the signed agreements mature within 10 years. The rest are signed for a period of 5 to 8 years. No agreements signed for more than 10 years have been identified.</p>
Explanation whether (typically) <b>exclusive or special rights</b> are assigned to the undertakings.	The public service provider is granted <b>exclusive rights</b> if there is only one provider of the respective service in the administrative territory of the local authority. If two or more such service providers operate in the administrative territory of the local authority, <b>specific or special rights</b> are granted. The agreements signed with capital companies mainly grant <b>special rights</b> ; thus, in Riga a capital company has been granted exclusive rights to ensure the disposal of waste collected in the

<sup>2</sup> Part of the information disclosed in the heating section also refers to other local authority services provided to the population.

	administrative territory of the Riga city in the Getliņi landfill.	
Explanation of the (typical) <b>compensation mechanism</b> as regards the respective services, including the aid instrument (direct subsidy, guarantee, etc.) used and whether a methodology based on cost allocation or the net avoided cost methodology is used.	<p>The refund payment amount that could be granted is determined according to: (a) EU and Latvian legislation laying down requirements for the water management services to be provided; (b) EU and Latvian legislation specifying requirements for mobilisation of EU Funds for investments in the water management infrastructure, for arrangements of the implementation of such projects as well as for the recovery and repayment of ineligible expenditure.</p> <p>A provision in the public service agreement specifies that the public service provider can only receive refund payments for the investments in the infrastructure required for the provision of public services to the extent that ensures that the provision of the public services meets certain quality criteria defined in legislation.</p> <p>For determining the amount of the compensation the <b>cost-allocation method</b> is used.</p> <p>The typical aid instruments are as follows: refund payments, classified as subsidies, or complete waiver of the right to dividends (all the profit of the capital company is transferred for its development – ensuring the operation of the waste landfill and electricity generation from landfill gas).</p>	
Explanation of the (typical) <b>arrangements for avoiding and repaying any overcompensation.</b>	<p>The public service agreement contains a paragraph on the obligation of repayment by the public service provider the portion of the received compensation by which the costs of providing the public service are exceeded.</p> <p>To avoid overcompensation, the requirements of EU and Latvian legislation both as regards the qualitative and quantitative criteria of the services to be provided and mobilising EU and public funds for investments in the water management infrastructure required for providing public services have been complied with since the very start - when estimating the amount necessary for financing the investments in the infrastructure of the public service provider.</p> <p>The profit of the capital company is used for the implementation of certain investment projects (or their parts) and/or according to the results of the public procurement procedure in case of need.</p>	
Amount of aid granted		
Total amount of aid granted	In 2012	In 2013

Total amount of aid granted	<b>EUR 5 188 591</b> (including the total amount of EUR 1 110 678 granted to Riga)	<b>EUR 5 108 690</b> (including the total amount of EUR 2 193 068 granted to Riga)
<b>Other quantitative information</b>		
Number of beneficiaries	7	5
Average amount of aid	EUR 741 228	EUR 1 021 739

## 6) SGEI compensation under the Framework

**No SGEI compensation under the SGEI Framework is granted in Latvia.**

## 2. DIFFICULTIES WITH THE APPLICATION OF THE SGEI DECISION OR SGEI FRAMEWORK

In Latvia there are no cases where the State aid regulation should be applied under the SGEI Framework, nor does the Ministry of Finance possess information indicating any difficulties in the application of the State aid regulation within the context of the SGEI Decision application.

## 3. COMPLAINTS BY THIRD PARTIES

No complaints have been received.

## 4. MISCELLANEOUS

A. If your Member State has **not** granted State aid for the provision of SGEI in certain sectors, information regarding other instruments to ensure the provision of those services (direct aid to users, compensation complying with all four Altmark criteria, *de minimis* aid...) could be useful. Please feel free to provide a brief description of these instruments and the areas in which they are used.

In some local authorities the service providers do not receive any compensation as the respective services are fully paid by customers and patients (in the heating or water supply and sewage sectors). In such cases, the local authorities, when submitting information, have not stated that the respective service is provided as a service of general economic interest notwithstanding the existence of a formal entrustment of services, as in 2012 and 2013 no compensations/refund payments were paid.

Some local authorities, for example, do not provide heating services as historically each household ensures heating on an individual basis and it is not economically reasonable to make any changes to this model.

B. Please describe in what respect the SGEI Decision and the SGEI Framework are easier to apply or more appropriate than the 2005 SGEI Decision and 2005 SGEI Framework.

Currently, no complaints or commentaries have been received from the donors to the effect that the SGEI Decision is easier to apply than the previous regulation. If any questions about interpreting and applying the State aid regulation are received, the Ministry of Finance, as the national competent authority, provides answers, inter alia, on applying the SGEI Decision or the SGEI Framework.

C. If you have any other comments on the application of the SGEI Decision and the SGEI Framework on issues other than the ones covered in the previous questions please feel free to provide them within your report.

Several questions received from the donors reveal that there is a need to ensure training on the legal framework for granting State aid. At the beginning of the current year, two information seminars on the legal framework for State aid control, including the SGEI Framework, were held for the representatives of the local authorities. Training for stakeholders is planned in the future as well, possibly with the participation of the European Commission, to explain practical SGEI-related issues such as methodologies for calculation of eligible costs and the aspects of reasonable profit.