

Report
on aid granted for the provision of services of general economic interest in Latvia
in 2018 and 2019

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2. Introduction

To comply with the reporting obligation of the Member States of the European Union specified in Article 9 of the 2012 SGEI Decision¹, Latvia has prepared this report on aid granted for the provision of services of general economic interest in 2018 and 2019. Considering that to date there have been no cases in Latvia of an average annual compensation for the provision of a service of general economic interest exceeding EUR 15 million in sectors to which the respective limit applies, the SGEI Framework² is not applicable to Latvia.

This document was drawn up with the involvement of all authorities in Latvia (sectoral ministries and municipalities) that grant aid in line with the SGEI Decision. The information provided by these authorities is included in the summary form proposed by the European Commission. Information on the expenditure per aid sector is specified only in the corresponding columns of rows A, C, and TOTAL of the report; in view of the territorial division of the country, the columns for row B (paid by regional authorities) were not completed.

Taking into account that the information included in the report is in an aggregated form, and that none of the information providers has made any references to confidentiality, the present report contains no confidential information and may be published.

We would like to inform you that the Ministry of Finance, as the control body for commercial aid in Latvia, organises training activities and provides methodological support, if necessary, to aid providers, including using the clarifications provided by the European Commission in the SGEI Communication³ and on the Commission's website⁴, to ensure that aid providers comply with the conditions of the SGEI Decision in the context of the planned aid measures, and to be able to conclude whether the planned service can be identified as a service of general economic interest. Where there were doubts concerning a 'manifest error', Latvia has consulted the European Commission.

3. Expenditure overview

Total SGEI government expenditure by legal basis (millions EUR)		
	2018	2019
<i>Total compensation for Services of General Economic Interest (1+2)</i>	838.16	994.63
(1) Total compensation granted on the basis of the SGEI Decision	838.16	994.63
(2) Total compensation granted on the basis of the SGEI Framework	0	0

4. Description of the application of the 2012 SGEI Decision

4.1. Hospitals (Art. 2(1)(b))

¹ Commission Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, OJ L 7, 11.1.2012, p. 3.

² Communication from the Commission – European Union framework for State aid in the form of public service compensation (2011), OJ C 8, 11.1.2012, p. 15.

³ Communication from the Commission on the application of the European Union State aid rules to compensation granted for the provision of services of general economic interest, OJ C 8, 11.1.2012, p. 4.

⁴ See the Commission staff working document 'Guide on the application of the EU rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest' (available at http://ec.europa.eu/competition/state_aid/overview/public_services_en.html#package).

Clear and comprehensive description of how the respective services are organized in your Member State⁵

*Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted as SGEI as clearly as possible**.*

Compensation payments (national budget resources and financial resources of the European Union) for services of general economic interest (health services) are granted to bodies subordinate to the Ministry of Health and service providers with which the National Health Service (hereinafter ‘the Service’) has concluded agreements for the provision of health services paid from the State budget (these service providers can be bodies subordinate to municipal authorities, limited liability companies or self-employed persons).

The types of state-covered healthcare services regarding the provision of which the Service concluded agreements with inpatient healthcare facilities, i.e. hospitals, in 2018 and 2019 in accordance with Cabinet Regulation No 555 of 28 August 2018 on the organisation and financing of health care (until 31 August 2018 Cabinet Regulation No 1529 on the organisation and financing of health care) are as follows:

1. accident and emergency medicine;
2. inpatient health care;
3. primary health care;
4. secondary outpatient health care;
5. dentistry;
6. laboratory testing;
7. medical rehabilitation;
8. health care at home.

*Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.*

Cabinet Regulation No 555 lays down the criteria for the conclusion of agreements with service providers, and the conditions for the revision of agreements. It also specifies the conditions to be included in agreements between the Service and the healthcare provider.

Every year, the Service, in cooperation with the Ministry of Health and the representatives delegated by the service providers draw up standard agreement templates for each type of healthcare, setting out the settlement arrangements and the reports to be submitted by the service providers to the Service. The agreement templates are approved by an internal order of the Service and are made available on its website at <http://www.vmnvd.gov.lv/lv/ligumpartneriem/ligumu-dokumenti/ligumi-un-to-pielikumi>.

Following the publication of the state budget law for the ensuing year, the Service specifies in the agreements the amount of healthcare services to be provided by each hospital and the corresponding amount of state budget resources to be paid to the hospital for the calendar year.

Municipalities issue binding rules, entrusting particular (municipal) limited companies with the provision of services of general public interest. The binding rules are complemented with the

⁵ If in a certain sector only a small number of individual SGEIs exist in your Member State, we appreciate a detailed description of those services. **If a large number of services are entrusted in a specific sector in your Member State (for example because the competence lies with regional or local authorities), individual details of the entrustments would be disproportionate**, but a clear and concise general description of the way the sector is organised including the common features of the individual entrustments remains crucial.

municipality's decisions on establishing limited companies, decisions on delegating management tasks, and agreements on delegating management tasks.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Pursuant to Paragraph 10 of Cabinet Regulation No 555 of 17 December 2013, the Service concludes agreements with hospitals for periods not exceeding 10 years. Agreements are typically concluded for 3-5 years, but the amount of financial resources to be paid to hospitals from the state budget and, accordingly, the amount of healthcare services paid for from the budget are specified for one calendar year.

The duration of agreements concluded by municipalities varies, but does not exceed 10 years.

*Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.*

Hospitals are assigned special rights.

*Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?*

The Service pays hospitals for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by hospitals to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555.

In 2018 and 2019, European Regional Development Fund (ERDF) and European Social Fund (ESF) resources were paid out for EU funds projects launched within the 2014–2020 programming period in accordance with interim requests for payment of actual project expenses submitted by the project implementers. The funding for the implementation of activities under ERDF projects was allocated to hospitals in the form of direct subsidies. The funding for the implementation of activities under ESF projects was allocated to hospitals in the form of indirect subsidies.

The aid instrument in the case of hospitals is mainly a direct subsidy from the state budget. Other options used are co-financing of an ERDF project provided by a municipality as a contribution to the share capital, as well as, in the case of municipalities, dividend waivers (all profit of a limited company is redirected to its development) and guarantees.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

The terms of payment for healthcare services and the settlement procedure to be followed by service providers are set out in the agreements on provision of and payment for state-covered healthcare services, concluded between the Service and the hospitals. The Service pays hospitals for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by hospitals to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555. This procedure ensures that the payment for state-covered healthcare services is based on the work performed under the agreements concluded. The payment records must be maintained in compliance with the Law on Accounting and Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting.

The cost allocation methodology is used.

In the field of the ERDF project implementation, investments in the development of hospitals are planned with the aim of improving availability of healthcare services in four high-priority healthcare areas – cardiovascular, oncological, child care (starting from the perinatal and neonatal periods) and mental health care, while implementing the principles laid down in the reform plan for cooperation between inpatient medical institutions and ensuring concentration of more complex services in high-level medical institutions and availability of basic services closer to home. In the 2014–2020 EU funds programming period, the ERDF projects are implemented in accordance with Cabinet Regulation No 870 of 20 December 2016 on the first and second round of selecting project applications within specific aid objective 9.3.2 ‘Improving the availability of quality healthcare services, especially to residents exposed to the risks of social and territorial exclusion and poverty, by developing health care infrastructure’ of the Operational Programme for Growth and Employment, Cabinet Regulation No 56 of 23 January 2018 on the third round of selecting project applications within specific aid objective 9.3.2 ‘Improving the availability of quality healthcare services, especially to residents exposed to the risks of social and territorial exclusion and poverty, by developing health care infrastructure’ of the Operational Programme for Growth and Employment, and Cabinet Regulation No 13 of 4 January 2018 on the second round of selecting project applications for measure 4.2.1.2 ‘Improving energy efficiency in State-owned buildings’ under specific aid objective 4.2.1 ‘Improving energy efficiency in State-owned and residential buildings’ of the Operational Programme for Growth and Employment. The implementation of ESF projects under the 2014-2020 programming period of the European Union funds is carried out in accordance with Cabinet Regulation No 158 of 21 March 2017 on implementing specific aid objective 9.2.5 ‘Improving access to treatment and treatment support to persons providing services in priority health areas for citizens living outside Riga’ of the Operational Programme for Growth and Employment.

Typical arrangements for avoiding and repaying any overcompensation.

To ensure that the information on settled payments is true and accurate, settlement inventory is carried out in accordance with Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting; balance reconciliation statements on the implementation of agreements concluded with each of the hospitals providing state-covered healthcare services are prepared after the end of the economic year, with the statements including information specified by the Service and the hospitals on the amounts of work performed, agreements, settlements, claims and obligations. If as a result of the balance reconciliation it is found that the prepayment to hospitals made in December of the previous year for the healthcare services provided in December of the previous year is larger than the amount of services provided under the agreement, a letter to the hospital is prepared, requesting repayment of the overpaid amount. If the specified amount is not repaid to the state budget, the Service deducts this overpaid amount from the payments for the state-covered healthcare services provided in the current year. Pursuant to the Law on Budget and Financial Management, the Service as a budget executor can plan the use of funds for covering healthcare services only within the budget funds allocated.

Several control mechanisms have been established to avoid overcompensation of infrastructural development costs for hospitals under ERDF projects:

- aid for infrastructure must not exceed the costs of infrastructure development;
- all infrastructure development activities must be implemented based on public procurement agreements;
- it is also checked whether the aid for infrastructure development is granted in proportion to the use of the infrastructure in the provision of services of general economic interest;

- in the event of overcompensation, hospitals must repay a certain amount of the allocated funds.

As the co-funding from a municipality is granted for the implementation of a project essential to the development of a particular limited company based on the documentation of the project supported and on the results of a public procurement procedure, overcompensation is prevented. Moreover, the profit of the company must be used for the implementation of a particular investment project (or part of one) in accordance with the budget of the company approved by the general meeting of shareholders, and the results of public procurement procedure.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).*

As regards compensation to hospitals providing medical care, including emergency care where appropriate, the threshold of EUR 15 million is not applied.

At the same time, information on the fulfilment of hospitals' contractual obligations is available on the Service's website at <http://www.vmnvd.gov.lv/lv/ligumpartneriem/operativa-budzeta-informacija>.

Information on investments made in hospital infrastructure under ERDF projects is published on the website of the administrator of the financing instrument for EU funded projects in the 2014-2020 programming period <https://www.esfondi.lv/es-fondu-projektu-mekletajs>.

Amount of aid granted	
Total amount of aid granted (in millions EUR). ⁶ This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
522.98	625.41
A: Total amount of aid granted (in millions EUR) paid by national central authorities ⁷	
2018	2019
518.29	619.94
B: Total amount of aid granted (in millions EUR) paid by regional authorities ⁸	
2018	2019
-	-

⁶ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁷ If the aid amount cannot be split between central, regional and local authorities only the total amount of aid granted for all authorities should be reported.

⁸ See footnote 7.

C: Total amount of aid granted (in millions EUR) paid by local authorities⁹	
2018	2019
4.69	5.47
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
In 99.5% of cases the aid was in the form of direct subsidies, in 0.1% - investment in share capital, in 0.3% - dividend waivers and in 0.1% - guarantees.	In 98% of cases the aid was in the form of direct subsidies, in 1.5% - investment in share capital, and in 0.5% - dividend waivers.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁰	
2018	2019
Number of beneficiaries – 40	Number of beneficiaries – 40

4.2. Social services (Art. 2(1)(C)) – health and long term care¹¹

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 contents of the services entrusted as SGEI** as clearly as possible.*

The types of state-covered healthcare services regarding the provision of which the Service concluded agreements with healthcare establishments in 2018 and 2019 in accordance with Cabinet Regulation No 850 of 1 November on the Statute of the National Health Service and Cabinet Regulation No 555 of 28 August 2018 on the organisation and financing of health care (until 31 August 2018 Cabinet Regulation No 1529 of 17 December 2013 on the organisation and financing of health care) are as follows:

- 1 primary health care;
- 2 secondary outpatient health care;
- 3 dentistry;
- 4 laboratory testing;
- 5 medical rehabilitation;

⁹ See footnote 7.

¹⁰ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Framework, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of the undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

¹¹ In Latvia, services in areas such as childcare, access to the labour market and reintegration into the labour market, social housing, care for vulnerable groups and social inclusion, and other social services, are not defined as services of general economic interest, and these are of a purely social nature. Therefore only information on health and long-term care is presented in this section.

6 health care at home.

The municipality ensures the availability of health care (provision of facilities, human resources, information and appropriate technologies – building an infrastructure allowing a healthcare establishment to provide certain healthcare services) and promotion of healthy lifestyle in the population (ensuring availability of specialist advice, organising and supporting events to promote wellbeing, in accordance with the types of healthcare services provided by the healthcare establishment).

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

Cabinet Regulation No 555 lays down the criteria for the conclusion of agreements with service providers, and the conditions for the revision of agreements. It also specifies the conditions to be included in agreements between the Service and the healthcare provider. Every year, the Service, in cooperation with the Ministry of Health and the representatives delegated by the service providers draw up standard agreement templates for each type of healthcare, setting out the settlement arrangements and the reports to be submitted by the service providers to the Service.

The agreement templates are approved by an internal order of the Service and are made available on its website at <http://www.vmnvd.gov.lv/lv/ligumpartneriem/ligumu-dokumenti/ligumi-un-to-pielikumi>.

Following the publication of the state budget law for the ensuing year, the Service specifies in the agreements the amount of healthcare services to be provided by each healthcare establishment and the corresponding amount of state budget resources to be paid to it for the calendar year.

Municipalities issue binding rules, entrusting particular (municipal) limited companies with the provision of services of general public interest. The binding rules are complemented with the municipality's decisions on establishing limited companies, decisions on delegating management tasks, and agreements on delegating management tasks.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

Pursuant to Paragraph 10 of Cabinet Regulation No 555 of 17 December 2013, the Service concludes agreements with healthcare establishments for periods not exceeding 10 years. Agreements are typically concluded for three years, but the amount of financial resources to be paid to healthcare establishments from the state budget and, accordingly, the amount of healthcare services paid for from the budget are specified for one calendar year.

The duration of agreements concluded by municipalities varies, but does not exceed 10 years.

Explanation whether (typically) exclusive or special rights are assigned to the undertakings.

Healthcare establishments are assigned special rights.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

The Service pays healthcare establishments for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by healthcare establishments to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555.

In 2018 and 2019, ERDF resources were paid out for EU funds projects launched within the 2014–2020 programming period in accordance with interim requests for payment of actual project expenses submitted by the project implementers. The funding for the implementation of activities under ERDF projects was allocated to healthcare establishments in the form of direct subsidies.

The aid instrument in the case of healthcare establishments is mainly a direct subsidy from the State budget. There may also be co-financing by the municipality as an investment in the share capital, or as dividend waivers.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

The terms of payment for healthcare services and the settlement procedure to be followed by service providers are set out in the agreements on provision of and payment for state-covered healthcare services, concluded between the Service and the healthcare establishments. The Service pays healthcare establishments for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by healthcare establishments to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555. This procedure ensures that the payment for state-covered healthcare services is based on the work performed under the agreements concluded. The payment records must be maintained in compliance with the Law on Accounting and Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting.

The cost allocation methodology is used.

In the field of the ERDF project implementation, investments in the development of healthcare establishments are planned with the aim of improving availability of healthcare services in four high-priority healthcare areas – cardiovascular, oncological, child care (starting from the perinatal and neonatal periods) and mental health care, while implementing the principles laid down in the reform plan for cooperation between inpatient medical institutions and ensuring concentration of more complex services in high-level medical institutions and availability of basic services closer to home. In the 2014–2020 EU funds programming period, the ERDF projects are implemented in accordance with Cabinet Regulation No 56 of 23 January 2018 on the third round of selecting project applications within specific aid objective 9.3.2 ‘Improving the availability of quality healthcare services, especially to residents exposed to the risks of social and territorial exclusion and poverty, by developing health care infrastructure’ of the Operational Programme for Growth and Employment,

*Typical **arrangements for avoiding and repaying any overcompensation.***

To ensure that the information on settled payments is true and accurate, settlement inventory is carried out in accordance with Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting; balance reconciliation statements on the implementation of agreements concluded with each of the healthcare establishments providing state-covered healthcare services are prepared after the end of the economic year, with the statements including information specified by the Service and the healthcare establishments on the amounts of work performed, agreements, settlements, claims and obligations. If as a result of the balance reconciliation it is found that the prepayment to healthcare establishments made in December of the previous year for the healthcare services provided in December of the previous year is larger than the amount of services provided under the agreement, a letter to the healthcare establishment is prepared, requesting repayment of the overpaid amount. If the specified amount is not repaid to the state budget, the Service deducts this overpaid amount from the payments for the state-covered healthcare services provided in the current year. Pursuant to the

Law on Budget and Financial Management, the Service as a budget executor can plan the use of funds for covering healthcare services only within the budget funds allocated.

Several control mechanisms have been established to avoid overcompensation of infrastructural development costs for healthcare establishments under ERDF projects:

- aid for infrastructure must not exceed the costs of infrastructure development;
- all infrastructure development activities must be implemented based on public procurement agreements;
- it is also checked whether the aid for infrastructure development is granted in proportion to the use of the infrastructure in the provision of services of general economic interest;
- in the event of overcompensation, healthcare establishments must repay a certain amount of the allocated funds.

Co-funding from a municipality is granted for the implementation of a project essential to the development of a particular limited company based on the documentation of the project supported and on the results of a public procurement procedure, so overcompensation is prevented. Moreover, the profit of the company must be used for the implementation of a particular investment project (or part of one) in accordance with the budget of the company approved by the general meeting of shareholders, and the results of public procurement procedure.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).*

As regards compensation to healthcare establishments, the threshold of EUR 15 million is not applied.

At the same time, information on the performance of contractual obligations by healthcare establishments is available on the Service's website at <http://www.vmnvd.gov.lv/lv/ligumpartneriem/operativa-budzeta-informacija>.

Information regarding investments made in the infrastructure of healthcare establishments under ERDF projects is published on the website of the administrator of the financing instrument. For EU funded projects in the 2014-2020 programming period such information can be found at <https://www.esfondi.lv/es-fondu-projektu-mekletajs>.

Amount of aid granted	
Total amount of aid granted (in millions EUR)¹². This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
217.89	253.18
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019

¹² As stipulated in Article 9 b) of the 2012 SGEI Decision.

212.05	244.80
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
5.85	8.37
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
In 99.7% of cases the aid was in the form of direct subsidies, in 0.1% - investment in share capital and in 0.2% - dividend waivers.	In 98.8% of cases the aid was in the form of direct subsidies, in 0.6% - investments in share capital and in 0.6% - dividend waivers.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of beneficiaries ~ 1 924	Number of beneficiaries ~ 1 912

In Latvia's opinion, social services such as child care, access to and reintegration in the labour market, social housing, care and social inclusion of vulnerable groups are not of an economic nature and are the State's responsibility. Latvia concludes that a social service cannot always be considered a service of general economic interest; therefore, this kind of information is not included in the report.

- 4.3. Air or maritime links to islands with average annual traffic not exceeding the limit set in Art. 2(1)(d)

There are no such services of general economic interest in Latvia.

- 4.4. Airports and ports with average annual traffic not exceeding the limit set in Art. 2(1)(e)

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 contents of the services entrusted as SGEI** as clearly as possible.*

SGEI services are defined in Article 27(2) of the Aviation Law: 'Public interest service obligations are directly linked to the main activity of an aerodrome and include:

- 1) construction of infrastructure (runway, terminal, access road to runway, platform, air traffic control tower, etc.), including purchase of the necessary land plot and provision of aerodrome equipment, which also includes equipment necessary for the provision of direct assistance;
- 2) operation of infrastructure, including management and maintenance of the aerodrome;
- 3) provision of ancillary aerodrome services (operation of aerodrome infrastructure, fire-fighting, first aid, security and other ancillary aerodrome services).

To ensure a certain volume of scheduled air transport, as well as the regularity of the respective flights, or to ensure performance of functions of public interest, such as search and rescue, civil-military cooperation support, etc., the State or municipality may impose on national civil aviation aerodromes the obligation to provide services of public interest referred to in paragraph one of this Article and are entitled to compensate the aerodrome's expenses that occur when fulfilling these obligations. When determining the amount of this compensation, the income received by the provider for the implementation of the service shall be taken into account.

The procedures by which the obligation to provide services of public interest are imposed on an airport, and also the procedures for determining and providing compensation for the airport's expenses that occur when fulfilling these obligations, are established by the Cabinet of Ministers.

In accordance with Cabinet Regulation No 429 of 28 July 2015 on imposing obligations to provide services of public interest on a national civil aviation aerodrome, such public service obligations comprise support to functions of public interest such as search and rescue, civil-military cooperation, and others, including sea monitoring, air transport for medical purposes, aviation assistance to the population, elimination of the consequences of natural disasters (monitoring of regions affected by disasters, surveillance, evacuation of residents, delivery of food products, clothes, medical supplies, equipment, construction materials and other materials), joint training of state administration institutions (which also involves aircraft at their disposal), and vaccination of wild animals.

Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.

To ensure a certain volume of scheduled air services and the regularity of respective flights, the conclusion of an agreement is envisaged; The information to be contained therein is set out in paragraphs 5 and 6 of Cabinet Regulation No 661 of 23 August 2011 on imposing public service obligations on airports:

'5. The responsibility for providing services shall be imposed on the aerodrome by the Ministry of Transport (on behalf of the State) together with the council of the respective municipality (on behalf of the municipality) by signing a service agreement. The agreement period shall not exceed 10 years. Where the period of entrustment exceeds 10 years, this condition shall only apply to the extent that a significant investment is required from the service provider that needs to be amortised over a longer period in accordance with generally accepted accounting principles.

6. The public service entrustment agreement shall include the following essential elements:

- 6.1. a description of the service obligation and requirements for its fulfilment;*
- 6.2. the parameters and procedure for calculating, controlling and reviewing the compensation. The parameters for calculating compensation are reviewed at least once every three years during and at the end of the service entrustment agreement period, and updated if necessary;*
- 6.3. the mutual payment settlement arrangements and conditions for the allocation of financial resources;*

6.4. *the procedure for repayment of overcompensation;*

6.5. *a reference to Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.'*

Standardised templates for entrustment have not been adopted.

To ensure performance of functions of public interest such as search and rescue, civil-military cooperation support etc., the conclusion of an agreement is envisaged: the information to be contained therein is set out in paragraphs 5 and 6 of Cabinet Regulation No 429 of 28 July 2015 on the procedure for imposing public service obligations on national civil aviation aerodromes:

'5. The obligation to perform functions of public interest is imposed on an aerodrome owned by a capital company over which the municipality exercises a decisive influence by the ministries responsible for the performance of those functions and by the municipality through the joint conclusion of an agreement on the performance of functions of public interest ('the agreement'). If a service is required for provision of any function specified in paragraph 2 of this Regulation which is not required for performance of other functions specified in paragraph 2 of this Regulation, such service is specified in the joint agreement, or a separate agreement is concluded regarding the provision of that particular service.

6. The agreement shall include the following essential elements:

6.1. *a description of the service obligation and requirements for its fulfilment;*

6.2. *the aerodrome on which service obligations are imposed and, if necessary, the applicable territory;*

6.3. *information on the nature of the exclusive or special rights granted to the aerodrome;*

6.4. *the procedures and parameters for calculating, controlling and reviewing the maximum and actual amounts of compensation, which are reviewed at least once every three years during and at the end of the agreement;*

6.5. *the mutual payment settlement arrangements and conditions for the allocation of financial resources;*

6.6. *the procedure and deadlines for repayment of overcompensation amounts;*

6.7. *the duration of the agreement, which may not exceed 10 years. Where the agreement specifies an investment on the part of the aerodrome which needs to be amortised over a longer period in accordance with generally accepted accounting principles, the duration of the agreement duration may exceed 10 years;*

6.8. *a reference to Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest.'*

Standardised templates for entrustment have not been adopted.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

On 30 January 2012, the Ministry of Transport, Liepāja City Council and SIA

Aviasabiedrība Liepāja [Liepāja Air Company, private limited company] concluded an agreement imposing a public services obligation on SIA Aviasabiedrība Liepāja. On 30 January 2017, the agreement was extended until 30 January 2021 (Agreement 1). The duration of the agreement does not exceed 10 years.

On 24 November 2015, the Ministry of Defence, the Ministry of the Interior, the Ministry of Transport, Ventspils City Council and SIA Ventspils lidosta [Ventspils Airport, private limited company] concluded an agreement imposing the obligation of supporting the performance of public functions on SIA Ventspils lidosta. On 28 November 2018, the agreement was extended until 31 December 2021 (Agreement 2). The agreement period does not exceed 10 years.

*Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.*

Special rights are assigned in accordance with agreements.

*Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?*

The instrument used to ensure a certain volume of scheduled air services and the regularity of respective flights (construction of infrastructure) is a subsidy (a project co-financed by the EU Fund) (the project was completed in 2016, and the National Development Plan for the period 2021-2027 allocates funds for the development of infrastructure at Liepāja airport).

The instrument used to ensure the operation of airport infrastructure is also a subsidy (funds from the municipal budget).

The support instrument for the performance of critical public functions such as search and rescue, civil-military cooperation support and other functions is also subsidies (e.g. an allocation by the Ministry of Transport from the State budget to implement aviation security measures, or a grant by Ventspils City Council from the municipal budget).

It can therefore be concluded that in 100% of cases the aid instrument takes the form of a direct subsidy.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

Under the agreement of 30 January 2012 (Agreement 1), State compensation means financial support from the EU funds for the construction of infrastructure relating to the main activity of the aerodrome and for the purchase of equipment necessary for the operation of the aerodrome pursuant to the public-interest service obligations set out in Annex 3 to the Agreement, to be paid to the airport in the amount and in accordance with the procedure specified in the project implementation agreement concluded between the Transport Ministry as the responsible authority and the airport as the EU funding beneficiary, and also with legislation governing the management of European Union funds in Latvia. Municipal compensation, on the other hand, is understood as resources provided for in the municipality's budget for the operation of airport infrastructure and the provision of additional aerodrome services (Annex 5 to the Agreement).

Under the agreement of 24 November 2015 (Agreement 2), the State compensation supervised by the Ministry of Transport is, based on the delegation to the Cabinet stipulated in Article 27(5) of the Law on Aviation, the share of State budget resources intended for provision of aviation safety measures which is allocated to the airport for particular aviation safety measures, the use of which, as well as the compliance of the corresponding settlements, is managed and supervised pursuant to the Agreement

by the Ministry of Transport. State compensation takes the form of a grant from the budget of the Ministry of the Interior or the Ministry of Defence, in accordance with a decision of the Cabinet of Ministers, to the airport for the current year to ensure compliance with the obligations to support the performance of functions of public interest laid down in the agreement, the amount of which is specified in accordance with the procedure laid down in the agreement. Municipal compensation means the funding allocated in the municipal budget for the current year to ensure compliance with the obligations to support the performance of functions of public interest laid down in the agreement. The State and municipality compensate the airport for the costs incurred in the performance of its obligations in the amount and in accordance with the procedures laid down in the agreement.

The cost allocation methodology is used.

Typical arrangements for avoiding and repaying any overcompensation.

The agreement of 30 January 2012 (Agreement 1) stipulates that the airport must bear any costs arising from the performance of its obligations which cannot be considered as eligible for compensation. The agreement lays down the following arrangements for the payment of State compensation: the State compensation is paid in accordance with the project implementation agreement; the procedure for mutual settlements between the State and the airport to repay the state compensation in the event of an early termination of the agreement is specified in the project implementation agreement. The agreement specifies the following procedure for monitoring the compensation parameters: the State and the municipality, to comply with paragraph 6.2 of Cabinet Regulation No 661 on the imposition of public service obligations on airports, must check the compliance of compensation parameters at least twice during the agreement period, i.e. no later than by 30 January 2015 and 30 January 2017. Repeat parameter compliance control was performed in 2016, and no irregularities were found.

The agreement of 24 November 2015 (Agreement 2) sets out a series of mechanisms to prevent overcompensation, and specifies the mechanism for repayment of overcompensation:

At the end of the period, and also at the end of the agreement period, the State, municipality and the airport make the final settlement. The State, within one month of ascertaining the actual amount of State compensation, and the municipality, within five working days of ascertaining the actual amount of municipal compensation, must pay the airport the difference between the necessary amount of compensation and the amount paid in advance. If the compensation granted has not been used, the airport must repay the unused part of the compensation within five working days of the actual compensation amount being established, unless the parties have agreed to transfer the unused part of the compensation to the next period. When terminating an agreement before its term, the State and the airport must perform mutual settlements within fifteen working days of the signature of the termination agreement or the submission of notice of termination (if the airport has received the State compensation or part thereof as a prepayment, it must transfer the respective amount within five working days from receipt of the request to the State's settlement account specified in the agreement). The airport may carry forward a maximum of 10% of the unused (overpaid) compensation to the next period. The agreement lays down rules for control of the performance of the obligations and determination of the actual amount of compensation. The State and the municipality exercise control of the performance of the obligations in accordance with the procedure and scope set out in the agreement. The airport provides the State (each ministry individually in respect of the obligations imposed) and municipality with reports on the fulfilment of its obligations and its costs on a quarterly basis, and also an overall report on the fulfilment of its obligations at the end of the agreement period. The accounts of the airport must be accompanied by a description of the activities undertaken to meet the obligations, a financial report on the performance of the obligations in accordance with the cash

flow principle, and also information on the total amount of compensation granted by each ministry and municipality and used for the period. When completing the report, the airport must include in its revenue items only those revenues related to the fulfilment of the obligations, and must include in its cost items only those direct and indirect costs which are necessary for the fulfilment of the obligations and which are incurred in the performance of the agreement. If the airport carries out other economic activities in addition to fulfilling its obligations, it must keep separate accounts of the revenue and costs of the economic activities relating to the performance of the obligations and specify the cost distribution methodology in the accounting organisation documents as defined in the accounting regulations in place in the Republic of Latvia (the airport must ensure that the same activities and measures are not funded twice from different sources). In the light of the information on the fulfilment of obligations provided in the quarterly reports submitted by the airport, the possibility may be considered for the airport to adjust the amount of compensation for the following quarters within the limits of the compensation fixed for the period. The State and the municipality are entitled to monitor and supervise the performance of any type of agreement (including, in addition to the reports and information required under the agreement, to request from the airport at any time all forms of information relating to the performance of the obligations under the agreement, the use of the funding and its reasonableness). At the end of the period (calendar year), and also at the end of the agreement period, the State and the airport make the final settlement. The State, within one month of ascertaining the actual amount of State compensation, must pay the airport the difference between the necessary amount of State compensation and the amount paid in advance, taking into account the amount of financing granted by the Cabinet of Ministers for the year concerned. If the compensation granted has not been used, the airport must repay the unused part of the compensation within five working days of the actual compensation amount being established, unless the parties have agreed to transfer the unused part of the compensation to the next period. When terminating an agreement before its term, the State and the airport must perform mutual settlements within fifteen working days of the signature of the termination agreement or the submission of notice of termination. If the airport has received the State compensation or part thereof as a prepayment, it must transfer the respective amount within five working days from receipt of the request to the State's settlement account specified in the agreement. The airport is itself liable for its outstanding financial debts, if such exist or arise during the performance of the agreement, and is not entitled to cover such costs with compensation received from the State. If the amount of overcompensation exceeds 10% of the average annual compensation amount, the airport must return it to the State or municipality, as the case may be. Where the amount of overcompensation does not exceed 10% of the amount of the average annual compensation, the airport may propose that such overcompensation be carried forward to the next period and deducted from the amount of compensation payable in respect of that period. The airport reports on the fulfilment of the commitments on a quarterly basis. When completing the report, the airport must include in its revenue items only those revenues related to the fulfilment of the obligations, and must include in its cost items only those direct and indirect costs which are necessary for the fulfilment of the obligations and which are incurred in the performance of the agreement. If the airport carries out other economic activities in addition to fulfilling its obligations, it must keep separate accounts of the revenue and costs of the economic activities relating to the performance of the obligations and specify the cost distribution methodology in the accounting organisation documents as defined in the accounting regulations in place in the Republic of Latvia.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate*

whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The aid granted (compensation) in 2018 and 2019 did not exceed EUR 15 million per beneficiary.

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
1.21	1.33
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
1.16	1.28
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
0.05	0.05
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
100% of cases – direct subsidy	100% of cases – direct subsidy
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of beneficiaries – 2	Number of beneficiaries – 2

5. SGEI compensation not exceeding an annual amount of EUR 15 million (Art. 2(1)(a))¹³

5.1. Energy (heat supply)

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 contents of the services entrusted as SGEI** as clearly as possible.*

Under the Law on Public Service Regulators the energy sector is defined as constituting public services and, on the basis of the authority delegated by that law, the Cabinet has defined the types of public services whose provision must be regulated. In the energy sector, specifically the heating sector, it is necessary to regulate:

- the production of heat energy (including co-generation) in installations with a total installed heat capacity greater than one megawatt, where the amount of heat transferred to the district heating system exceeds 5 000 megawatt hours per year;
- the transmission and distribution of heat to final customers, where these include household customers and where the total amount of heat transmitted and distributed exceeds 5 000 megawatt hours per year;
- the sale of heat to energy users, where the heat sold is supplied through the heating networks of the operator of the regulated heating system.

In Latvia, the general requirement to organise public utilities (water supply and sewerage; heating supply; management of household waste; collection, disposal and treatment of waste water) is governed by the Law on Municipalities. The Law on Municipalities does not require any legal status for the provider of the services which the municipality is responsible for organising. In municipalities with a small population, public services are exceptionally provided by the municipality itself. Some municipalities in Latvia do not provide a heating service because it has historically become established that each household provides for its own needs. This is largely due to the fact that the administrative areas of small municipalities mostly contain separate individual buildings, including homesteads, where water supply and heating issues are dealt with on an individual basis, while the need for centralised public services is limited to just a few villages. As a result, in order to conserve municipal finances, municipal bodies are created without legal personality and without their own permanent budget – community amenities management bodies operating on the basis of statutes. Municipal bodies ensure the provision of utility services to the public by charging a fee for the service provided at an amount corresponding to an economically justifiable cost. Given that, in the context of this model, the public service is provided by the local municipality and not by a capital company, there is no precondition for the payment of compensation. In other municipalities, the provision of utilities is provided by capital companies on the basis of reciprocal agreements. The public service agreement concluded between a municipality and an economic operator (capital company) contains all the elements defined in the SGEI Decision. Delegated services: heat production; heating supply, ensuring the continuous provision of services for the heating of buildings and structures; the sale of heat energy in accordance with the established tariffs; maintenance, servicing, refurbishment and reconstruction of heating networks, technical equipment and infrastructure to be used for the provision of public services.

*Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.*

¹³ In Latvia, areas such as culture or financial services are not defined as services of general economic interest.

In the heating sector, the municipality takes a decision on the specific public service entrustment and concludes a service agreement with the entrusted public service provider. This agreement incorporates all the requirements of the SGEI Decision.

Standardised templates for service agreements have not been approved.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The duration of the public service agreement is set at between five and ten years.

In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.

More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. There are no agreements with a duration of more than ten years.

Explanation whether (typically) exclusive or special rights are assigned to the undertakings.

Exclusive rights are granted to public service providers in cases where the service provider is the only one in the administrative area of the municipality. On the other hand, if there are two or more such service providers in the municipality's administrative area, special rights are granted.

Service agreements in the heating sector mainly confer specific rights.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?

The aid instruments used are direct subsidies, investments in share capital, dividend waivers, guarantees and write-offs.

Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.

The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on heating services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in public heating supply infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.

The public service agreement includes a provision stipulating that a public service provider may receive compensation payments in the form of investments in public service infrastructure only to the extent that this ensures the provision of the public services in accordance with the quality required by legislation.

The amount of the compensation payments is determined using the cost allocation methodology.

Typical arrangements for avoiding and repaying any overcompensation.

The public service agreement includes a clause providing for the reimbursement of any part of the compensation paid to the public service operator which exceeds the cost of providing the public service. Compliance with this condition supervised by the authorising municipality.

In order to avoid overcompensation, the determination of the amount of resources needed for investments in the infrastructure of a public service provider from the outset complies with the requirements of EU and Latvian legislation relating to both the qualitative and quantitative

performance of the services to be provided and to the financial and economic indicators relating to attracting EU and public funds for investments in public heating supply infrastructure.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).*

The aid granted for projects in the field of heating supply in 2018 and 2019 did not exceed EUR 15 million per beneficiary.

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
10.81	21.80
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
1.74	4.61
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
9.07	17.19
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
In 44.4% of cases the aid was in the form of investments in share capital, in 20% - dividend waivers, in 19% - direct subsidies and in 16.6% - guarantees.	In 63.2% of cases the aid was in the form of guarantees, in 23.9% - direct subsidy waivers [sic], 5.6% - investments in share capital, 3.8% - dividend waivers and 3.5% - write-offs.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	

2018	2019
Number of beneficiaries ~ 28	Number of beneficiaries ~ 29

5.2. Waste collection (disposal of waste in landfills)

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 contents of the services entrusted as SGEI** as clearly as possible.*

Under the Law on Public Service Regulators the household waste management sector is defined as constituting public services and, on the basis of the authority delegated by that law, the Cabinet has defined the types of public services whose provision must be regulated. In the household waste management sector, it is necessary to regulate the disposal of waste in landfills.

*Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.*

In the household waste management sector, certain types of regulated public services have been defined by the Cabinet of Ministers as delegated by law. At the same time, the municipality takes a decision for the entrustment of the specific public service and concludes a service agreement with the entrusted public service provider. This agreement incorporates all the requirements of the SGEI Decision. Standardised templates for service agreements have not been approved.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The duration of the public service agreement is set at between five and ten years.

In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.

More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. In practice, there are no agreements with a duration of more than ten years.

*Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.*

Exclusive rights are granted to public service providers in cases where the service provider is the only one in the administrative area of the municipality. On the other hand, if there are two or more such service providers in the municipality's administrative area, special rights are granted.

Agreements for the disposal of household waste in landfills grant exclusive rights. In some cases, several municipalities come together to conclude an agreement with a single service provider.

*Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?*

The aid instruments used are direct subsidies, dividend waivers and investments in share capital.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on household waste management services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in household waste management infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.

The public service agreement includes a provision stipulating that a public service provider may receive compensation payments in the form of investments in public service infrastructure only to the extent that this ensures the provision of the public services in accordance with the quality required by legislation.

The amount of the compensation payments is determined using the cost allocation methodology.

Typical arrangements for avoiding and repaying any overcompensation.

The public service agreement includes a clause providing for the reimbursement of any part of the compensation paid to the public service operator which exceeds the cost of providing the public service. Compliance with this condition must be supervised by the authorising municipality.

In order to avoid overcompensation, the determination of the amount of resources needed for investments in the infrastructure of a public service provider from the outset complies with the requirements of EU and Latvian legislation relating to both the qualitative and quantitative performance of the services to be provided and to the financial and economic indicators relating to attracting EU and public funds for investments in household waste management infrastructure.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).*

The aid granted for projects in the field of the disposal of household waste in landfills in 2018 and 2019 did not exceed EUR 15 million per beneficiary.

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
2.72	8.34
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
0	7.03
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019

-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
2.72	1.31
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
In 44.4% of cases the aid was in the form of dividend waivers, and in 36.6% - investment in share capital.	In 91.2% of cases the aid was in the form of direct subsidies, in 7.4 % - dividend waivers and in 1.4 % - investment in share capital.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of beneficiaries – 6	Number of beneficiaries – 9

5.3. Water supply

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 contents of the services entrusted as SGEI** as clearly as possible.*

Under the Law on Public Service Regulators the water sector is defined as constituting public services and, on the basis of the authority delegated by that law, the Cabinet has defined the types of public services whose provision must be regulated. In the water sector it is necessary to regulate:

- water abstraction, storage and preparation for use up to delivery to the centralised pipeline network;
- the supply of water from the location of its entry into the centralised pipeline network up to the property boundary;
- the collection of waste water in centralised collecting systems from the property boundary and its transportation to waste water treatment plants;
- waste water treatment and discharge into the environment, including surface water bodies.

*Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.*

In the water sector, certain types of regulated public services have been defined by the Cabinet of Ministers as delegated by law. At the same time, the municipality takes a decision for the entrustment of the specific public service and concludes a service agreement with the entrusted public service

provider. This agreement incorporates all the requirements of the SGEI Decision. Standardised templates for service agreements have not been approved.

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

The duration of the public service agreement is set at between five and ten years.

In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.

More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. No agreements with a duration of more than 10 years have been encountered in the practice of the central authorities.

*Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.*

Exclusive rights are granted to public service providers in cases where the service provider is the only one in the administrative area of the municipality. On the other hand, if there are two or more such service providers in the municipality's administrative area, special rights are granted.

Service agreements in the water sector mainly confer special rights.

*Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?*

The aid instruments used are direct subsidies, guarantees, investments in share capital, loans and dividend waivers.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on water services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in water infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.

The public service agreement includes a provision stipulating that a public service provider may receive compensation payments in the form of investments in public service infrastructure only to the extent that this ensures the provision of the public services in accordance with the quality required by legislation.

The amount of the compensation payments is determined using the cost allocation methodology.

*Typical **arrangements for avoiding and repaying any overcompensation.***

The public service agreement includes a clause providing for the reimbursement of any part of the compensation paid to the public service operator which exceeds the cost of providing the public service. Compliance with this condition must be supervised by the authorising municipality.

In order to avoid overcompensation, the determination of the amount of resources needed for investments in the infrastructure of a public service provider from the outset complies with the requirements of EU and Latvian legislation relating to both the qualitative and quantitative performance of the services to be provided and to the financial and economic indicators relating to attracting EU and public funds for investments in water infrastructure.

A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The aid granted for projects in the water sector in 2018 and 2019 did not exceed EUR 15 million per beneficiary.

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
56.88	59.63
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
16.095	25.51
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
40.78	34.12
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
In 33.8% of cases the aid was in the form of direct subsidies, in 28.9% - guarantees, in 27,3% - investment in share capital, in 5.1% - a loan and in 4.9 % - dividend waivers.	In 51.7% of cases the aid was in the form of direct subsidies, in 31.8% - investment in share capital, in 10.1 % - dividend waivers and in 6.4% - guarantees.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019

Number of beneficiaries ~ 50	Number of beneficiaries ~ 59
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5.4. Public broadcasting (television and radio)

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 contents of the services entrusted as SGEI** as clearly as possible.*

Pursuant to Article 5(3) of the Law on electronic media (LEM), the main task of public electronic media providers is the production and distribution of public service broadcasting schedules. The public electronic media providers in Latvia are VSIA Latvijas Radio and VISA Latvijas Televīzija.

Article 70 LEM provides that the source of funding for public electronic media is a state budget subsidy for performing its public service remit, as well as other sources of finance provided for in legislation to ensure performance of the tasks set out in the LEM, the broadcasting of programmes throughout the national territory, as well as to target audiences beyond the national borders, the hiring of employees and the insurance of employees at particular risk, and the maintenance of infrastructure – the provision of any activity is aimed at performing the public service remit.

Pursuant to Article 71(2) LEM, part (up to 15%) of the performance of the public service remit may also be transferred to commercial electronic media providers.

The public service remit is the provision of a wide and diverse set of programmes, funded and supervised by the public. The public service remit tasks are, pursuant to Article 71(1) LEM:

- To promote a patriotic attitude towards an independent, democratic state system in Latvia;
- To promote the implementation of human rights and fundamental rights;
- To contribute to the consolidation of democratic and ethical principles, reflecting the diversity of public opinion;
- To ensure the production of objective, independent and thematically balanced news, analysis and commentary on developments in Latvia, the European Union and around the world;
- To educate citizens and promote their civic understanding of political, economic, cultural, legal, environmental, security and social issues, ensuring the systemic coverage of these;
- To promote the integration and cohesion of society on the basis of the Latvian language;
- To ensure the preservation, development and use of the Latvian language and its full functioning as the national language, in particular by promoting the use of the Latvian language as a common language for all Latvian citizens;
- To ensure the preservation, protection, development and use of the written Latgalian language as a historical variation of the Latvian language and the Livonian language as an indigenous language;
- To ensure the development of Latvian culture, in particular by encouraging the production of original broadcasts in the Latvian language;
- To promote respect for the Latvian language, and popularise Latvian history and cultural values;
- To increase the recognition of Latvian national identity in Latvia, Europe and worldwide, and the expression and development of regional and local identities in Latvia;

- To provide political parties and associations of political parties with the opportunity to express their views on a permanent basis in accordance with legislation, as well as the possibility to campaign and provide information before elections and referendums;
- To value, conserve and disseminate national and European cultural heritage;
- To promote understanding of Latvia's history and contemporary processes by documentary and artistic means and to create an idea of future development opportunities;
- To provide children and youth audiences with adequate information, educational, cultural and entertainment resources;
- To create an environment for free and diverse debate on issues of public concern;
- To develop modern and diverse genres and formats;
- To encourage the participation of representatives of various groups in society in the production of programmes and broadcast content;
- To provide programmes for minority groups and people with special needs;
- To make certain programmes accessible to people with visual and hearing impairments;
- To ensure direct coverage of significant events (political, social, cultural, sporting, etc.);
- To include in programmes and broadcast content information produced by regional electronic media which is consistent with the objectives and tasks of the public electronic media provider concerned;
- To ensure responsible and sustainable journalism that guarantees research and quality analysis and promotes the development of professional human resources;
- To make recordings that ensure the preservation of heritage;
- To make provision for the broadcasting of ecumenical religious services.

Given the wide range of public service tasks carried out under the public service remit, the performance of the public service remit should be considered as an SGEI. The National Radio and Television Council approves, in accordance with Article 62(1) LEM, a public service agreement drawn up in conjunction with the Public Advisory Council (Article 63 LEM).

The performance of the public service remit by commercial electronic media providers is carried out by means of a tendering procedure pursuant to Article 71 LEM and the specific tender regulations.

Information on the calls for tenders launched by the National Radio and Television Council can be found at: <https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialas-televizijas/konkursi-2.html> and at: <https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialie-radio/konkursi.html>.

*Explanation of the (typical) **forms of entrustment**. If standardized templates for entrustments are used for a certain sector, please attach them.*

The entrustment of VSIA Latvijas Radio and VSIA Latvijas Televīzija to perform the public service remit is laid down in Article 5(3) LEM, with more detail on the tasks of the public service remit package specified in Article 71 LEM.

The principles for forming the public service remit are set out in: The Statue on the principles for forming the public service remit (4 October 2012), available at:

<https://www.neplpadome.lv/lv/sakums/normativie-akti/nozari-regulejosie-neplp-lemumi.html>

The public service remit framework for public electronic media is also laid down in public service remit guidelines three-year periods and tasks for a given year, as well as in the public service remit plan for each year:

<https://www.neplpadome.lv/lv/sakums/sabiedriskie-mediji/latvijas-radio/sabiedriskais-pasutijums.html>

<https://www.neplpadome.lv/lv/sakums/sabiedriskie-mediji/latvijas-televizija/sabiedriskais-pasutijums.html>

The delegation to commercial electronic media providers to carry out the public service remit is contained in Article 71 LEM. In this case, the public service provider is determined by means of a competitive tendering procedure, followed by the conclusion of an agreement on the production of programmes for public broadcasting.

The procedure for forming the public service remit for commercial electronic media providers is laid down in the Statute on the procedure for the formation and evaluation principles of the part of the public service remit performed by commercial electronic media, available at:

<https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialas-televizijas/sabiedriskais-pasutijums.html>

Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?

In the early nineties, when the Republic of Latvia regained its status as an independent state, it was necessary to ensure respect for basic democratic principles in the field of public electronic media by setting up a public broadcasting system. Since 1992, when the Radio and Television Law was adopted, it has been established that resources from the State budget are allocated to the operation of the State-owned companies Latvijas Radio and Latvijas Televīzija. VSIA Latvijas Radio and VSIA Latvijas Televīzija have performed public electronic media functions since the restoration of independence, ensuring that the public service remit is carried out. The public electronic media providers were created by investing state property in their share capital, with the aim of ensuring the provision of diverse and balanced programmes for all groups of society.

*Explanation whether (typically) **exclusive or special rights** are assigned to the undertakings.*

Under the Law on Electronic media, the main task of the public electronic media providers VSIA Latvijas Radio and VSIA Latvijas Televīzija is the performance of a public service remit.

The implementation of the public service remit is made available to commercial electronic media providers by means of a competitive tendering procedure, usually within one budget year or for a shorter period.

*Which **aid instruments** have been used (direct subsidies, guarantees, etc.)?*

A State budget grant, i.e. direct subsidies.

*Typical **compensation mechanism** as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.*

The cost allocation method is used, taking into account all the costs necessary to provide the SGEI.

Pursuant to Article 62 LEM, the National Radio and Television Council draws up proposals for the annual draft Law on the State Budget concerning the funding necessary for the execution of the annual plan for public electronic media programming. The annual programming plan indicates a set of programmes produced by the public electronic media providers and the extent of the programming by genre. When drawing up annual public electronic media plans for the performance of the public service remit, public electronic media providers must include an achievable forecast of the results from the point of view of the public good, indicating the reasoning. The public good includes public

benefits in accordance with the public service remit tasks set out in Article 71 LEM, the objectives set out in the national strategy for the development of the electronic media sector, and the objectives defined by the public electronic media providers themselves.

The Statute on the principles for forming the public service remit is available at:

<https://www.neplpadome.lv/lv/sakums/normativie-akti/nozari-regulejosie-neplp-lemumi.html>

The National Radio and Television Council has drawn up a statute on the principles for the use of funding for the public service remit, which sets out the procedure for the Council to check the use of the funding (available here:

<https://www.neplpadome.lv/lv/sakums/normativie-akti/nozari-regulejosie-neplp-lemumi.html>

In order to determine the volume of the public service remit, in accordance with the provisions of the Law on the State Budget for the following year the public electronic media provider must prepare the volume of programming by genre and broadcasting hours for coordination and approval (in accordance with the sectoral strategy and priority measures), and also the funding required for its preparation in the form laid down by the National Radio and Television Council. Financing plans and payment schedules are drawn up in accordance with the allocated State budget resources and the Law on the preparation of the State budget. The State budget resources allocated must be kept in the accounts of the Treasury and may be used for the provision of the public service remit in line with the set conditions. The National Radio and Television Council regularly monitors the use of allocated funding and the performance indicators.

By 31 March of the year following the reporting year, the National Radio and Television Council reviews and approves the performance of the public service remit in accordance with the funding allocated, where the public electronic media provider provides a detailed explanation of the volume and quality of the performance of the public service remit, the amount of funding allocated and spent for this purpose on ongoing, implemented and unfinished projects, in-house programming productions and associated projects, and, if necessary, an explanation of the impact of any unused budget subsidies on the annual public service remit.

As regards the implementation of the public service remit by commercial electronic media providers, the National Radio and Television Council applies the Statute on the principles governing the use of the financing for that part of the public service remit performed by commercial electronic media, available at:

<https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialas-televizijas/sabiedriskais-pasutijums.html>.

On at least a quarterly basis, an assessment is made of the use of State budget subsidies for specific projects. In the event of the inappropriate use of the grant, a repayment is requested or the amount of the subsequent payment is reduced.

Typical arrangements for avoiding and repaying any overcompensation.

The State budget subsidy is approved in the annual Law on the State Budget. The National Radio and Television Council approves the planned amount of own revenue.

The Law on Budget and Financial Management provides that subsidies from the State budget which have not been used in a given financial year are to be returned to the State budget.

*A short explanation of how the **transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the*

SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The aid to VSIA Latvijas Radio does not exceed EUR 15 million.

Information on the funding allocated to VSIA Latvijas Radio and its use →

<https://www.neplpadome.lv/lv/sakums/sabiedriskie-mediji/latvijas-radio/sabiedriskais-pasutijums.html>

The annual accounts of VSIA Latvijas Radio are available at:

<http://www.latvijasradio.lsm.lv/lv/finanses/finansu-parskati/>.

The funding granted to VSIA Latvijas Televīzija in 2018 affected the overrun of the EUR 15 million figure in 2018 (but the figure of EUR 15 million in aid was not exceeded on average during the entrustment period) through the implementation of individual (one-off) measures. Information on the funding allocated to VSIA Latvijas Televīzija and its use → <https://www.neplpadome.lv/lv/sakums/sabiedriskie-mediji/latvijas-televizija/sabiedriskais-pasutijums.html>

The annual accounts of VSIA Latvijas Televīzija are available at: <https://ltv.lsm.lv/lv/par-ltv/gada-parskati/>

Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2018	2019
25.66	24.95
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2018	2019
25.66	24.95
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2018	2019
0	0
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2018	2019
0	0

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2018	2019
100% of cases – direct subsidy	100% of cases – direct subsidy
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2018	2019
Number of beneficiaries – 14	Number of beneficiaries – 15

6. Description of the application of the 2012 SGEI Framework

There have been no cases in Latvia of an average annual compensation for the provision of a service of general economic interest exceeding EUR 15 million in sectors to which the respective limit applies. The SGEI Framework is not applicable to Latvia.

7. Complaints by third parties

Please provide an overview of complaints by third parties, in particular litigation before national courts, regarding measures in scope of the 2012 SGEI Decision or 2012 SGEI Framework. Please be as specific as possible in your reply and include the sector for which you have received the complaints, the contents of the complaints and the possible follow-up by your authorities or the likely outcome of the court proceedings.

In 2018 and 2019, no third-party complaints were received in respect of the measures covered by the 2012 SGEI Decision.

8. Miscellaneous questions

a. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:

- *drawing up an entrustment act that complies with Article 4 of the SGEI Decision;*
- *specifying the amount of compensation in line with Article 5 of the SGEI Decision;*
- *determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;*
- *regularly checking overcompensation as required by Article 6 of the SGEI Decision.*

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

During this period, we have not encountered difficulties in applying the SGEI Decision.

b. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:

- *carrying out a public consultation in line with paragraph 14 of the SGEI Framework;*
- *complying with public procurement rules in line with para 19 of the SGEI Framework;*

- *determining the net avoided cost as required by paras 25-27 of the SGEI Framework;*
- *determining the reasonable profit level in line with paras 33-38 of the SGEI Framework.*

Please be as specific as possible in your reply, include relevant examples and, if applicable, the sector for which the difficulties are (most) relevant.

n/r

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 below.

The need to distinguish aid for SGEIs where the beneficiary does not provide only SGEI services requires a significant investment of administrative resources on the part of both the aid provider and the beneficiary, although in a number of cases non-SGEI activities represent an insignificant proportion of five per cent or less. It would be necessary to assess and determine the permissible share of non-SGEI activities and the conditions under which this can be applied so that it does not affect competition, thereby simplifying the management of the aid. The European Commission is invited to consider this aspect in the context of the review of the SGEI framework.

SGEI Decision in your <input type="checkbox"/> Member State		Total amount for whole Member State	
		2018.	2019.
Article 2(1)(b)	Hospitals providing medical care, including where applicable emergency services	€522 982 855.0	€625 410 563.0
Article 2(1)(c)	Health and long-term care	€217 894 521.00	€253 175 262.00
	Childcare		
	Access and reintegration into the labour market		
	Access and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports	€1 210 559.00	€1 331 341.00

Article 2(1)(a), less then EUR 15 million per year	Postal services		
	Energy	€10 810 386.00	€21 793 108.00
	Waste collection	€2 717 738.00	€8 338 413.00
	Water supply	€56 879 531.00	€59 630 170.00
	Culture		
	Financial services		
	Other sectors – Public electronic media	€25 662 316.00	€24 946 445.00

SGEI Framework in your Member State	Total amount for whole Member State	
	2018	2019
Postal services		
Energy		
Waste collection		
Water supply		
Air or maritime links		
Airports and ports		
Culture		
Financial services		
Other sectors		