

Overview of aid granted to services of general economic interest in 2014 and 2015

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Introduction

To fulfil the reporting obligation of the Member States of the European Union specified in Article 9 of the 2012 SGEI Decision¹ (hereinafter — "SGEI Decision"), Latvia has prepared this document — an overview of aid granted to services of general economic interest in 2014 and 2015.

According to Article 9 of the SGEI Decision, every two years each Member State must submit a review to the European Commission providing a detailed overview of the application of the SGEI Decision concerning various service categories mentioned in Article 2(1), including: a) a description of application of this decision to services included in the scope of the decision, including internal activities; b) the total aid amount allocated according to this decision broken down by economic sectors; c) an indication whether the application of this decision concerning a specific service type has caused difficulties or complaints from the third parties; d) any other information on the application of this decision requested by the Commission and to be timely indicated before the submission of the overview.

The European Commission guidelines on the overview format were taken into account when drafting this document thus ensuring that the overviews of the Member States are comparable with one another and so that the European Commission can carry out a further information analysis.

After the receipt of instructions from the European Commission in March 2016, the Ministry of Finance, acting as a national control authority of aid for commercial activity (Department for Control of Aid for Commercial Activity), sent an information request to the Latvian

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 services compensation granted to certain undertakings entrusted with the operation of services of general economic interest, OJ L 7, 11.1.2012, p. 3.

authorities including certain industry ministries and all local governments granting aid by applying the SGEI Decision.

The overview does not include confidential information, therefore it may be published.

Information on SGEI in Latvia

According to Article 2(2) of the Law on Regulators of Public Utilities², the regulatory functions of the state must be carried out in the following sectors: energy, electronic communications, mail, solid waste management and water management. Public services in the regulated sectors must be regulated by the Public Utilities Commission (Article 6 of the aforementioned law).

In Latvia, aid to services of general economic interest must be granted taking into account the definition of a genuine service of general economic interest as explained in the SGEI communication³, including concerning concepts "service of general economic interest" and "obvious mistake" and taking into account other explanations in the European Commission website⁴.

To determine whether the planned aid may be considered State aid within the meaning of the Treaty on the Functioning of the European Union, four criteria must be fulfilled simultaneously: (1) the aid must be granted from public resources (state, local government or EU funds); (2) the receiver of the aid — economic operator — must receive economic benefits which it would not be entitled to in normal conditions of commercial activity; (3) the implemented measure is selective by nature; (4) the aid for commercial activity must impact competition and trade between EU Member States. In the event that the measurement to be implemented is qualified as a measurement of State aid where four criteria are fulfilled simultaneously, it must be further evaluated to determine according to which State aid regulation it may be considered compatible with the internal EU market.

Energy sector. According to Article 5 of Energy Law, "(1) Energy supply merchants are regulated merchants, which ensure safe, continuous and stable supply of energy users with electricity, thermal energy and natural gas in economically justified quantity and quality. The operations of energy supply merchants shall be regulated by this Law, the Law on Regulators of Public Utilities and the Electricity Market Law."

Within the territory of the Republic of Latvia, electricity trading may be carried out by registered companies (Register of electricity merchants), but generally most of the users currently buy electricity from JSC "Latvenergo". Within the territory of the Republic of Latvia, electricity transmission is carried out by one transmission system operator — JSC "Augstsprieguma tīkls", but distribution of electricity — by 11 distribution system operators (licence list of distribution system operators), and JSC "Sadales tīkls" accounts for 99 % of power transmission to electricity users.⁵

² <http://likumi.lv/doc.php?id=12483>

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 The European 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" http://ec.europa.eu/competition/state_aid/overview/public_services_en.html#package

⁵ <https://www.sprk.gov.lv/lapas/elektroenerģija-komersantiem>

Natural gas supply sector includes storage, transmission, distribution and trading of natural gas (excluding trading of natural gas in compressor stations for car gas fuelling), whereas the supervision of industry merchants is carried out by a regulator. One merchant — JSC "Latvijas Gāze"⁶ — is currently operating in the territory of Latvia, and the opening/liberalisation of the gas market is expected in 2017.

The service tariffs are determined by the Public Utilities Commission. The costs of public resources are not compensated to the electricity and natural gas service providers, since the customers pay for the provided services in full. If a part of payments of certain groups of socially vulnerable persons is covered, the receiver of the aid must be a natural person and conditions of the aid for commercial activity must not apply. If it is planned to grant aid in the sectors of electricity or natural gas services, the respective European Commission documents for this sector⁷ must be taken into account. **Aid for commercial activity is granted to provision of heating service and information on it is included further in the overview.** The heating service is not provided in separate local governments, since it was historically established that each local government itself provides the service and due to economic considerations it is not meaningful to change this solution.

Electronic communications sector. In the electronic communications sector, the Regulator regulates the services provided by the electronic communications merchants — voice telephony, transfer of data and electronic messages, rented lines, Internet access, distribution of radio or television programmes in public electronic communications networks, access to networks and infrastructure and interconnections. Only a registered electronic communications merchant is entitled to provide electronic communications services. The Regulator gives the electronic communications merchant limited resources required for provision of electronic communications services — rights of use of radio spectrum and numeration. Competition exists in the sector of electronic communications services. Concerning the universal service pursuant to Article 62 of the Electronic Communications Law *"The Regulator shall determine and regularly review the list of services included in the universal service, the universal service volume, [...]"*. On December 4, 2013 the Regulator took the Decision No 1/32 *"Regulations on universal service in the electronic communications service"* specifying the list of services included in the universal service, the universal service volume, geographical territory, the range of end-users and the universal service obligations which the Public Utilities Commission determines for the electronic communications merchant.⁸ "Lattelecom" Ltd. is specified as a universal service provider in the electronic communications sector according to the Decision No 232 of the Regulator of December 4, 2013 *"On universal service obligations in the electronic communications sector"*⁹. According to Paragraph 14 of the Transitional Provisions of the Electronic Communications Law, *"The Cabinet shall establish the universal service fund or other financing and compensation mechanism by 1 January 2018. If by 1 January 2018 the Cabinet has not established the universal service fund or other financing and compensation mechanism, then until its establishment the losses caused by the implementation of the universal service obligations shall be compensated from the State budget."*

Mail sector. In the mail sector, the Regulator regulates the traditional mail services, courier mail services, express mail services and the delivery services of the subscribed press. The task of the Regulator is to supervise the provision of mail services, especially universal mail service, promote competition in the sector and defend the interests of customers. The mission

⁶ <https://www.sprk.gov.lv/lapas/dabasgaze-komersantiem>

⁷ Guidelines on State aid for environmental protection and energy 2014-2020 (2014/C 200/01)

⁸ <https://www.vestnesis.lv/ta/id/262702-noteikumi-par-universalo-pakalpojumu-elektronisko-sakaru-nozare>

⁹ <http://www.sprk.gov.lv/uploads/doc/LemumsN232D04122013.pdf>

of the mail sector is to ensure qualitative and effective provision of mail services simultaneously providing their economic accessibility. The service tariffs in the mail sector are determined by the mail merchant, but the tariffs of the universal mail service must be approved by the Regulator.

In Latvia, the universal mail (UM) service (consignments of correspondence and postal parcels) is provided by the State JSC "Latvijas Pasts". To ensure the continuity of the UM provision, the Postal Law¹⁰ provides a UM financing mechanism. The compensation fund (hereinafter — "fund") of the net costs of the UM obligations fulfilment was established where contributions are made by mail merchants providing services comparable to UM. If necessary, the losses will be compensated from the fund resources and State budget resources will be raised in case of insufficiency. After the establishment of the fund (2013), the UM provider was not paid the compensation, since according to the decisions of the Public Utilities Commission (hereinafter — "Regulator") the fulfilment of UM obligations did not result in losses neither in 2013 nor in 2014.

The delivery service of the subscribed press is a part of the UM but it does not have a specific relation to quality. Taking into account the social meaning of the service, a transitional regulation is included in the Postal Law until December 31, 2019 specifying that a part of delivery losses must be compensated from the State budget. The UM provider is obliged to provide the delivery service of the subscribed press in the entire state territory for a fixed price.

The compensation of the delivery services of the subscribed press are not considered State aid within the meaning of SGEI because, according to the Paragraphs 4 and 5 of the Decision preamble, the criteria specified in the judgement of the Court of Justice of the European Union in the *Altmark* case (Case No C-280/00, *Altmark Trans and Regierungspräsidium Magdeburg v Nahverkehrsgesellschaft Altmark*) have been fulfilled:

1. the obligation to provide public services is expressly specified — the delivery services of the subscribed press is a part of the universal mail service (hereinafter — UM) and the Postal Law specifies the obligation to provide them in the entire territory of Latvia;
2. parameters based on which the compensation is calculated were previously specified — the Postal Law specifies the requirement to use the methodology approved by the Regulator — the methodology of the UM tariff calculation (approved according to the Decision No 1/28 of 11.11.2013 of the Council of the Public Utilities Commission; and the methodology of the specification and calculation of net costs of UM obligations fulfilment (approved according to the Decision No 1/29 of 11.11.2013 of the Council of the Public Utilities Commission);
3. the compensation must not exceed the amount required to cover all the costs or a part of the costs when fulfilling the public duty — the Postal Law specifies that the losses due to the provision of the delivery services of subscribed press are the difference between the actual costs of the delivery services of the subscribed press and the Postal Law specification that the tariffs of the delivery services of the subscribed press must be determined by the Cabinet. The losses are compensated in full amount taking into account the condition that the income forgone due to the tariff discounts of the delivery services of the subscribed press are not compensated. The calculation of the amount of losses must be submitted to the Ministry of Transport together with the audited report;

¹⁰ <http://likumi.lv/doc.php?id=193574>

4. the provider of the universal mail service is selected through a tender according to Article 27² of the Postal Law.

At the same time, the Postal Law provides for a transitional period until December 31, 2019 during which based on the previously issued licence UM obligations are specified for the UM provider. In the Regulator's methodology, the calculation formulas of the net costs include the calculation of losses by comparing revenues and expenses arising from the provision of the particular service if the UM obligations are specified, as well as revenues and expenses arising from the provision of the particular service if no UM obligations are specified. In practice, as mentioned before, costs from the fund resources for UM provision are not applied.

Solid waste management sector In solid waste management sector, the Regulator regulates only the solid waste landfilling. To provide the solid waste landfilling service the public services provider must be registered in the register of solid waste landfilling service providers and have a solid waste landfilling tariff approved by the Regulator. **Aid for commercial activity is granted to waste landfilling and information on it is included further in the overview.**

Other activities concerning organisation and supervision of solid waste management services are within the competence of local governments. Solid waste management is provided by the market participants, and citizens cover the expenses according to the tariff.

Water management sector The Regulator's duties in the water management sector include the regulation of the water supply services (water abstraction and preparation; water supply) provided by the merchants and the regulation of sewerage services (collection and discharge of waste water; waste water treatment) if the amount of the public water management services provided by the merchant exceeds 100 000 m³ per year in at least one type of the four aforementioned public services. The merchants of the water management sector whose amount of provided public water management services do not exceed 100 000 m³ per year are not regulated. To provide water management services the public services provider must be registered in the register of water management services providers and have a water management services tariff approved by the Regulator. **Aid for commercial activity is granted to provision of water supply and sewerage services and information on it is included further in the overview.**

The instructions of the European Commission stipulate that the information on the services of general economic interest must be submitted separately for each sector specified in the SGEI Decision:

- 1) hospitals providing medical care including emergency medicine where appropriate (Article 2(1)(b) of the SGEI Decision);
- 2) social services (Article 2(1)(c) of the SGEI Decision) including a) health and long-term care, b) child care, c) access and reintegration in labour market, d) social housing, e) care for vulnerable groups and social integration;
- 3) air or maritime links to islands with average annual traffic below the limit specified in Article 2(1)(d) of the SGEI Decision;
- 4) airports and ports with average annual traffic below the limit specified in Article 2(1)(e) of the SGEI Decision;
- 5) SGEI compensation not exceeding 15 million EUR (Article 2(1)(a) of the SGEI Decision) including i. mail services, ii. energy, iii. waste collection, iv. water supply, v. culture, vi. financial services, vii. other sectors (please specify).

The overview further includes information on the aid granted to hospitals, as well as health, long-term care, water supply, sewerage, heating and waste management sectors and aid to airports.

In Latvia, aid from public resources is not granted neither for air or maritime links to islands with average annual traffic below the limit specified in Article 2(1)(d) of the SGEI Decision nor ports with average annual traffic below the limit specified in Article 2(1)(e) of the SGEI Decision. In Latvia, no services of general economic interest are defined in these sectors.

According to Latvia's opinion, such social services as child care, access and reintegration in labour market, care for vulnerable groups and social integration are not of an economic nature — they are the state's obligation.

The Social Services and Social Assistance Law¹¹ (Article 3) specifies that the right to receive social services and social assistance is granted to persons living in the Republic of Latvia; at the same time the right to receive the social services specified in this law is also granted to persons not mentioned in Part 1 of this Article who have the right to enter and remain in the Republic of Latvia if these persons request the specified services directly to the respective service provider and pay for them in full.

The persons residing in the Republic of Latvia are: Latvian citizens and non-citizens, foreigners who have received a permanent residence permit or EU permanent resident status in the Republic of Latvia, citizens of EU Member States, countries of the European Economic Area and the Swiss Confederation who have obtained the right of permanent residence or are entitled to remain in the Republic of Latvia and have been residing in the Republic of Latvia for at least three months or at least six months if the purpose of residence was to establish an employment relationship in the Republic of Latvia and there is evidence that they continue searching for a job which is confirmed by their registration in the State Employment Agency. The family members of the aforementioned persons are also considered persons residing in the Republic of Latvia. Children who have obtained an alternative status are entitled to receive social care services and the social rehabilitation services specified in Part 1 of Article 13 of this law. A victim of human trafficking is entitled to receive social rehabilitation. If necessary, a minor accompanied by a victim of human trafficking has the right to reside in a social rehabilitation institution together with the victim. If shelter or night shelter services are not applicable to a person with an alternative status due to the person's functional limitations or lack of social skills, the social service of the local government are entitled to use other types of social services suitable to the identified problem. Children who have been acknowledged asylum seekers with special reception needs by the institutions involved in the shelter procedure have the right to receive social rehabilitation as children who have suffered from violence. The right to receive the aforementioned service is also granted to children not belonging to the groups listed in this Article if the responsible authorities have acknowledged the necessity for social rehabilitation service.

According to Article 21 of the aforementioned law, *“(1) The following persons referred to in Article 3 of this Law, whose integration into society is burdened, shall have the right to social rehabilitation: 1) disabled persons and persons with functional disorders; 2) persons after the serving of a sentence of deprivation of liberty; 3) persons who have become addicted to alcohol, narcotic or psychotropic substances; 4) persons who have suffered from violence; 5) children who have for a long time (more than one year) been under extra-familial care. (2) Where necessary, local governments shall develop rehabilitation programmes also for groups of persons whose integration into social life is burdened due to other reasons.”*

¹¹ <http://likumi.lv/doc.php?id=68488>

According to Article 4 of the aforementioned law, *"social services shall be provided only on the basis of an evaluation of the individual needs and resources of a person carried out by a social work specialist"* and *"social services shall be provided at the place of residence of a client or as close thereto as possible and only if the scope of such services is not sufficient, shall social care and social rehabilitation at a long-term care and social rehabilitation institution be provided."* Latvia concludes that in this case the fourth State aid criterion is not fulfilled, i.e. there is no impact on competition and trade between EU Member States.

Article 8 of the aforementioned law also states that "a client or his or her provider has a duty to pay for the received social care and social rehabilitation services if it is not specified otherwise in this Law" and "if a client or his or her provider is unable to pay for a social care or social rehabilitation service, the costs of the service shall be covered from the local government budget in accordance with the procedures specified by the Cabinet." In Latvia's opinion, this reflects a clear link to a payment to a particular natural person rather than an institution providing the service. Therefore in such cases the aid of local government does not qualify as aid for commercial activity which requires application of any commercial aid regulation. Even if the local government made a payment without providing a link to a particular natural person, the aforementioned provision is still valid — the measurement has no impact on competition and trade between EU Member States due to the nature of the social services whose target audience is residents of Latvia.

In Latvia, economic activity does not qualify as social care and social rehabilitation services: 1) at the place of residence of a person, ensuring home care, rehabilitation at the place of residence, day care and social rehabilitation institutions, group apartments (group houses), service apartments, night shelters or shelters or elsewhere; 2) at long-term social care and social rehabilitation institutions. Article 22 of the aforementioned law.

Concerning social housing it should be noted that the situation in local governments is different, mainly due to the number of inhabitants, therefore from the point of view of control of aid for commercial activity each case must be evaluated separately; however, taking into account that the market is not able to provide housing for groups of socially disadvantaged persons, Latvia does not consider social housing services separately provided by local governments to be of economic nature, but rather as having a social function in a particular territory of Latvia.

One of the autonomous functions of local governments, as prescribed by the Law on Local Governments¹², is to provide assistance to residents in resolving issues regarding housing (Paragraph 9) of Article 15). Separate local governments implement housing fund development and restoration (construction, reconstruction and management of social residential houses and rental residential houses (housing for disadvantaged persons)). Social housing, e.g. in Riga is the assistance of the local government to disadvantaged pensioners living separately and persons with Group I or Group II disability, families with disabled children if the child is not provided a separate room and people who require service apartments since they are forced to move in a wheelchair, as well as tenants of apartments in denationalised houses who have reached retirement age and persons with Group I or Group II disability who have been living in the respective house already before its denationalisation. A social apartment is only intended for the fulfilment of this local government function and cannot be acquired by a resident.

Latvia concludes that not always a social service can be considered a service with general economic interest, therefore this kind of information is not included in the overview.

¹² <http://likumi.lv/doc.php?id=57255>

Therefore the information on the aid granted to services of general economic interest in 2014 and 2015 — description of the application of the 2012 SGEI Decision and overview of expenses — is divided into the following sectors:

- 1) hospitals;**
- 2) social services — healthcare and long-term care;**
- 3) water supply and sewerage;**
- 4) heating;**
- 5) waste management — solid waste landfilling;**
- 6) airports.**

Taking into account that to date there have been no cases when average annual compensation in Latvia exceeded 15 million EUR for provision of a service of general economic interest in sectors where such a limit is applicable, there have been no cases in Latvia when aid was granted according to the SGEI framework¹³; respectively, the reporting obligation specified in Paragraph 62 of the SGEI framework is not applicable.

No complaints from third parties (especially concerning proceedings in state courts) concerning services of general economic interest have been received in 2014 and 2015.

No significant difficulties regarding the application of the SGEI Decision have been experienced. However, difficulties in the application of the SGEI Decision concerning particular sectors are indicated further in the text for each particular sector. If Latvia has questions during the application of the regulatory framework, the representatives of the European Commission are always open to explain the meaning of the control of the aid for commercial activity including concerning the application of the SGEI Decision. The Latvian national institution for issues regarding the control of the aid for commercial activity also provides regular consultations and methodological instructions for the application of the framework of the aid for commercial activity, including concerning services of general economic interest. The institutions' understanding of the application of the framework of aid for commercial activity according to the Treaty on the Functioning of the European Union is still increasing, therefore the intensity of provision of methodological instructions also increases thus increasing the workload of the national institution for the control of aid for commercial activity but also giving assurance that aid granted in Latvia complies with the terms of the EU internal market. In Latvia, the national institution for the aid for commercial activity (Department for Control of Aid for Commercial Activity of the Ministry of Finance) also provides training on relevant issues regarding the control of aid for commercial activity including organisation and giving of seminars for particular local governments which expressed such a desire, and the seminars paid special attention to the framework of aid to services of general economic interest.

¹³ 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.

1. Hospitals

This section includes information on the compensation payments (allocated state budget and EU fund financial resources) to the institutions and service providers under the Ministry of Health with which the National Health Service has concluded agreements on the provision of health services (service providers are institutions under local governments, public limited companies and self-employed persons) paid from the state budget made for the provided social (healthcare) services.

Please provide a clear and comprehensive description of how the respective services are organized in your Member State¹⁴

Please explain what types of services in the respective sector have been defined as SGEI in your Member State. Please list **the contents of the services entrusted for provision as services of general economic interest** as clearly as possible.

Types of healthcare services paid for by the state on the provision of which the National Health Service (hereinafter — "Service") concluded agreements with residential health facilities or hospitals in 2014 and 2015 pursuant to the Cabinet Regulation No 850 of November 1, 2011 "National Health Service Regulation" and the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure":

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

The local government provides the accessibility of healthcare (*provision of rooms, human resources, information and respective technology, development of a specific infrastructure so that the medical institution was able to provide the respective healthcare services*).

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

Pursuant to Part XI of the Cabinet Regulation No 1529 "Healthcare organisation and financing procedure", the Service concludes agreements with hospitals on provision and payment of healthcare services paid for by the state. Every year, the Service coordinates with the Ministry of Health and representatives delegated by service providers to draft standard agreement samples for each type of healthcare. The agreement samples are approved by the internal order of the Service and are available on the Service website

¹⁴ 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 provided in a specific sector in your Member State (e.g. because the competence lies with regional or local authorities), detailed information on the entrustments would be disproportionate, but a clear and concise general description of the organisatory structure of the sector including the common features of the individual entrustments remains crucial.

<p>http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi. The Service specifies the amount of healthcare services to be provided and the amount of financial resources (budget) to be paid from the state budget for a calendar year in the agreements of every hospital within a month after announcing the law on state budget for the current year.</p> <p>Local governments issue binding rules entrusting certain (local government) capital companies to ensure provision of services of public interest to residents. The binding rules must be complemented by decisions on foundation of a capital company, decisions on delegation of management tasks and agreements on delegation of management tasks.</p>
<p>Please specify the average duration of the entrustment (in years) and the share of entrustments that are longer than 10 years (%) per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain how this duration is justified.</p>
<p>The Service concludes agreements with hospitals pursuant to Paragraph 236 of the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure" for a period not exceeding 10 years. Agreements are usually concluded for three years, but the amount of financial resources to be paid from the state budget and respectively the amount of healthcare services to be paid from the state budget are specified for hospitals for one calendar year.</p> <p>The period of the agreements concluded by the local governments is 2-5 years.</p>
<p>Please specify whether (typically) exclusive or special rights are assigned to undertakings.</p>
<p>Special rights are assigned to hospitals.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>The Service pays hospitals for the provided healthcare services based on the invoices prepared in the system for settlement of healthcare services which the system prepares based on the information of medical accounting documents entered by hospitals on the work in hospitals performed under agreements and the healthcare service tariffs specified in the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure".</p> <p>The funding for implementation of European Regional Development Fund (hereinafter — "ERDF") projects is allocated to hospitals in the form of direct subsidies.</p>
<p>Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>The payment terms of healthcare services and settlement procedure for service providers is included in the agreements on the provision and payment of healthcare services paid for by the state concluded between the Service and hospitals. The Service pays hospitals for the provided healthcare services based on the invoices prepared in the system for settlement of healthcare services which the system prepares based on the information of medical accounting documents entered by hospitals on the work performed in hospitals under agreements and the healthcare service tariffs specified in the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure". This procedure must ensure that the payment of health care services takes place according to the work</p>

performed under the concluded agreements. The documents on settled payments must be maintained pursuant to the Law on Accounting and the requirements of the Cabinet Regulation No 585 of October 21, 2003 "Regulation Regarding the Conduct and Organisation of Accounting".

Cost allocation methodology is used, since it is impossible to apply the net avoided cost methodology due to the fact that the complicated and correspondingly expensive healthcare services are provided only as services paid by the state, therefore it is impossible to compare the costs.

In the field of ERDF project implementation, investments for hospital development were specified based on the following criteria:

- aid must be primarily directed to the infrastructural development of provision of residential oncology healthcare services and the infrastructural development of provision of children's hospital healthcare services;
- proportionate to the number of beds in a residential health facility depending on the type of the residential health facility;
- additional aid for establishment of residential health facilities association.

ERDF projects in the sector of residential healthcare development are implemented pursuant to the Cabinet Regulation No 44 of January 13, 2009 "Regulation on the additional subactivity No 3.1.5.3.1. "Development of residential healthcare" of the activity programme "Infrastructure and services".

The aid instrument for hospitals is mainly a direct **subsidy from the state budget**. However, there can also be a **local government co-funding** (*15 % of eligible costs*) for implementation of an ERDF project **as an investment in fixed assets**, and in the case of local governments there may also be a **renunciation of dividends** (all the profit of the capital company is directed to its development).

Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.

To ensure true and accurate information on settled payments, settlement inventory must be carried out pursuant to the requirements of the Cabinet Regulation No 585 of October 21, 2003 "Regulation Regarding the Conduct and Organisation of Accounting", balance reconciliation statements on implementation of agreements concluded with each hospital providing healthcare services paid for by the state must be prepared after the end of the economic year, including the information of the Service and hospitals on the amounts of the performed work, agreement, settlements, requests and obligations. If after the balance reconciliation it is found out 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 requesting repayment of the overpaid amount must be prepared for the hospital. If the specified amount is not repaid to the state budget, the Service deducts this overpaid amount of financial resources from the payments for the healthcare services paid for by the state which were provided in the current year. According to the requirements of the Law on Budget and Financial Management, the Service as a budget executor can plan the use of funds for settlement of healthcare services only within the funds allocated in the budget.

Within the implemented ERDF projects, several mechanisms for control of overcompensation are specified for the costs of infrastructural development of hospitals:

- aid for infrastructure must not exceed the costs of infrastructural development;
- all activities of infrastructural development must be performed based on public procurement agreements;
- it must be additionally controlled that aid to infrastructural development is granted proportionate to the use of infrastructure within provision of services of general economic interest;
- in the event of overcompensation, hospitals must repay a certain amount of the allocated resources.

Since the co-funding of the local government is allocated for the implementation of a project essential to the development of a certain capital company based on the documentation of the supported project and the results of the public procurement procedure, overcompensation is prevented. The profit of a capital company must be used for the implementation of a certain investment project (its part) in accordance with the budget of the capital company approved in the meeting of participants and the results of public procurement procedure.

Please provide a brief explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euros 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. links to websites or other references), indicate whether your country has a central website on which this information for all aid measures concerned in your Member State (and if so please provide the link to this website) is published, or explain if and how the publication takes place at the level of granting the aid (e.g. central, regional or local level).

Information on the performance of contractual obligations of hospitals is available on the Service homepage: <http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/operativa-budzeta-informacija>.

Information regarding the investments made in infrastructural development of hospitals within the implementation of ERDF projects is published on the homepage of the administrator of the finance instrument: <http://www.esfondi.lv/aktivitates>.

Amount of aid granted

Total amount of aid granted (in million EUR)¹⁵. This amount must include all aid granted in the territory of your country, including aid granted by regional and local authorities. (A+B+C)

2014	2015
355.21 million euros	361.73 million euros
A — total amount of aid granted (in million EUR) paid by national central authorities¹⁶	
2014	2015

¹⁵ As stipulated in Article 9 b) of the 2012 SGEI Decision.

¹⁶ 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.

355.21 million euros	361.73 million euros
B — total amount of aid granted (in million EUR) paid by regional authorities¹⁷	
2014	2015
C — total amount of aid granted (in million EUR) paid by local authorities¹⁸	
2014	2015
0 ¹⁹	0 ²⁰
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2014	2015
<p>100 % subsidy, including:</p> <p>state budget funding for provision of healthcare services (<u>subsidy</u>) — 330.74 million EUR;</p> <p>funding for the implementation of ERDF projects (<u>subsidy</u>) — 24.07 million EUR;</p> <p><u>unpaid dividends</u> of capital companies in which the Ministry of Health holds state capital shares from state budget profit in 2013 which, according to the Cabinet orders, were channelled for the coverage of losses accrued by capital companies in the previous years regarding provision of healthcare services (paid for by the state) to patients and for the fulfilment of the obligations of the State-guaranteed loan — 0.401 million EUR.</p>	<p>100 % subsidy, including:</p> <p>state budget funding for provision of healthcare services (<u>subsidy</u>) — 350.84 million EUR;</p> <p>funding for the implementation of ERDF projects (<u>subsidy</u>) — 10.49 million EUR;</p> <p><u>unpaid dividends</u> of capital companies in which the Ministry of Health holds state capital shares from state budget profit in 2014 which, pursuant to the Cabinet orders, were channelled for the coverage of losses accrued by capital companies in the previous years regarding provision of healthcare services (paid for by the state) to patients and for the fulfilment of the obligations of the State-guaranteed loan — 0.40 million EUR.</p>
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ²¹	
2014	2015
<p>Number of aid beneficiaries: 39</p> <p>Average amount of aid: 9.11 million euros</p>	<p>Number of aid beneficiaries: 42</p> <p>Average amount of aid: 8.61 million euros</p>

¹⁷ See footnote 16.

¹⁸ See footnote 16.

¹⁹ The aid granted by the local governments in 2014 is indicated in Article 2 — Social services — healthcare and long-term care

²⁰ The aid granted by the local governments in 2015 is indicated in Article 2 — Social services — healthcare and long-term care

²¹ The Commission would welcome any data you might have on aid granted under the 2012 SGEI Decision, for example the number of beneficiaries per sector, average amount of aid, amount per aid instrument, size of undertakings, etc. Should such other quantitative information not be readily available in your Member State, it can be presented in an aggregate and/or estimated form. In that case please indicate that estimations have been used as well as the type of aggregation made.

2. Social services — healthcare and long-term care

This section includes information on the compensation payments (allocated state budget and EU fund financial resources) to the institutions and service providers under the Ministry of Health with which the National Health Service has concluded agreements on the provision of health services (service providers are institutions under local governments, public limited companies and self-employed persons) paid from the state budget made for the provided social (healthcare) services.

Please provide a clear and comprehensive description of how the respective services are organized in your Member State²²

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 for provision as services of general economic interest** as clearly as possible.

Types of healthcare services paid for by the state on the provision of which the National Health Service (hereinafter — "Service") concluded agreements with healthcare institutions in 2014 and 2015 pursuant to the Cabinet Regulation No 850 of November 1, 2011 "National Health Service Regulation" and the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure":

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

Subordinate institutions:

- provide the physical healthcare of residents (including sportsmen and children with increased physical strain) and coordinate implementation of physical healthcare measures;
- prepare blood and blood components for medical institutions and provide immunohematologic compatibility testing;
- organise and ensure provision of emergency medicine to residents;
- carry out forensic medical expertise and, whenever possible, provide medical institutions with tissue transplants.

The local government provides the accessibility of healthcare (*provision of rooms, human resources, information and respective technology — development of a certain infrastructure so that the medical institution was able to provide the respective healthcare*

²² 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.

<i>services) and promotion of healthy lifestyle of residents (accessibility of expert consultations, organisation of events promoting health and support according to the types of healthcare services provided by the medical institution).</i>
Please list the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
<p>Pursuant to Part XI of the Cabinet Regulation No 1529 "Healthcare organisation and financing procedure", the Service concludes agreements with healthcare institutions on provision and payment of healthcare services paid for by the state. Every year, the Service coordinates with the Ministry of Health and representatives delegated by service providers to draft standard agreement samples for each type of healthcare. The agreement samples are approved by the internal order of the Service and are available on the Service website http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/ligumu-paraugi. The Service specifies the amount of healthcare services to be provided and the amount of financial resources (budget) to be paid from the state budget for a calendar year in the agreements of each healthcare institution within a month after announcing the law on state budget for the current year.</p> <p>Subordinate institutions must perform their functions pursuant to the regulations approved by the Cabinet: Cabinet Regulation No 821 of December 4, 2012 "Regulation of the Sports Medicine State Agency"; Cabinet Regulation No 138 of February 22, 2005 "Regulation of State Blood Donor Centre"; Cabinet Regulation No 1480 of December 15, 2009 "Regulation of State Emergency Medical Service"; Cabinet Regulation No 776 of September 7, 2004 "Regulation of State Centre for Forensic Medical Examination".</p> <p>Local governments issue binding rules entrusting certain (local government) capital companies to ensure provision of services of public interest to residents. The binding rules must be complemented by decisions on foundation of a capital company, decisions on delegation of management tasks and agreements on delegation of management tasks.</p>
Please specify the average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (%) per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain how this duration is justified.
<p>The Service concludes agreements with healthcare institutions pursuant to Paragraph 236 of the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure" for a period not exceeding 10 years. Agreements are usually concluded for three years but the amount of financial resources to be paid from the state budget and respectively the amount of healthcare services to be paid from the state budget must be specified for healthcare institutions for one calendar year.</p> <p>Subordinate institutions must have an indefinite entrustment.</p> <p>On average, the period of the agreements concluded by the local governments is 3 to 5 years.</p>
Please specify whether (typically) exclusive or special rights are assigned to undertakings.
Healthcare institutions are assigned special rights. Subordinate institutions are assigned exclusive rights.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?
<p>The Service pays healthcare institutions for the provided healthcare services based on the invoices prepared in the system for settlement of healthcare services which the system prepares based on the information of medical accounting documents entered by healthcare institutions on the work in healthcare institutions performed under agreements and the healthcare service tariffs specified in the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure".</p> <p>For subordinate institutions — grant from general revenues and revenues from paid services and other own revenues.</p> <p>Funding for implementation of European Regional Development Fund is allocated to healthcare institutions and subordinate institutions in the form of direct subsidies.</p> <p>The aid instrument is mainly direct subsidy from the state budget. There can also be a local government co-funding for implementation of an ERDF project as an investment in fixed assets.</p>
Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>The payment terms of healthcare services and settlement procedure for service providers are included in the agreements on the provision and payment of healthcare services paid for by the state concluded between the Service and healthcare institutions. The Service pays healthcare institutions for the provided healthcare services based on the invoices prepared in the system for settlement of healthcare services which the system prepares based on the information of medical accounting documents entered by healthcare institutions on the work in healthcare institutions performed under agreements and the healthcare service tariffs specified in the Cabinet Regulation No 1529 of December 17, 2013 "Healthcare organisation and financing procedure". This procedure ensures that the payment of healthcare services takes place according to the work performed under the concluded agreements. The documents on settled payments must be maintained pursuant to the Law on Accounting and the requirements of the Cabinet Regulation No 585 of October 21, 2003 "Regulation Regarding the Conduct and Organisation of Accounting".</p> <p>Cost allocation methodology is used, since it is impossible to apply the net avoided cost methodology due to the fact that the complicated and correspondingly expensive healthcare services are provided only as services paid by the state, therefore it is impossible to compare the costs.</p> <p>In the sector of implementation of ERDF projects, investments in the development of a general practitioner network were determined based on the following criteria: basic aid for general practitioner practice and additional aid for concentration of general practitioner practices in one address of healthcare services provision.</p> <p>ERDF projects in the sector of general practitioner network development are implemented pursuant to Cabinet Regulation No 726 of August 3, 2010 "Regulation on the additional subactivity No 3.1.5.1.1. "Development of general practitioner network" of the activity programme "Infrastructure and services".</p> <p>Funding for subordinate institutions must be approved in the Law on the state budget for the current year, within which the institutions ensure the performance of functions</p>

delegated to them. Funding is specified in an amount that covers subordinate institution operational costs and it is allocated as a grant from general revenues, revenues from paid services and other own revenues.

ERDF projects in the sector of emergency medicine development are implemented pursuant to the Cabinet Regulation No 642 of August 4, 2008 "Regulation on the additional activity No 3.1.5.1.2. "Development of emergency medicine" of the activity programme "Infrastructure and services".

Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.

To ensure true and accurate information on settled payments, settlement inventory is carried out pursuant to the requirements of the Cabinet Regulation No 585 of October 21, 2003 "Regulation Regarding the Conduct and Organisation of Accounting". Balance reconciliation statements on execution of agreements concluded with each healthcare institution providing healthcare services paid for by the state are prepared after the end of the economic year, including the information of the Service and healthcare institutions on the amounts of the performed work, agreement, settlements, requests and obligations. If after the balance reconciliation it is found out that the prepayment to healthcare institutions 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 requesting repayment of the overpaid amount must be prepared for the healthcare institution. If the specified amount is not repaid to the state budget, the Service deducts this overpaid amount of financial resources from the payments for the healthcare services paid for by the state which were provided in the current year. According to the requirements of the Law on Budget and Financial Management, the Service as a budget executor can plan the use of funds for settlement of healthcare services only within the funds allocated in the budget.

Within the implemented ERDF projects, several mechanisms for control of overcompensation are specified for the costs of infrastructural development of healthcare institutions:

- aid for infrastructure must not exceed the costs of infrastructural development;
- all activities of infrastructural development must be performed based on public procurement agreements;
- it must be additionally controlled that aid to infrastructural development is granted proportionate to the use of infrastructure within provision of services of general economic interest;
- in the case of overcompensation medical institutions must repay a certain amount of the allocated financial resources.

Pursuant to the Cabinet Instruction No 8 of August 3, 2011 "Instruction on analysis of state budget execution", subordinate institutions submit a report to the Ministry of Health on the use of funding once a quarter.

Within the implemented ERDF projects, several mechanisms for control of overcompensation are specified for the costs of infrastructural development of subordinate institutions:

- aid for infrastructure must not exceed the costs of infrastructural development;

- all activities of infrastructural development must be performed based on public procurement agreements.

Please provide a brief explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euros 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).

Information on the performance of contractual obligations of hospitals is available on the Service homepage: <http://www.vmnvd.gov.lv/lv/503-ligumpartneriem/operativa-budzeta-informacija>.

Information on the state budget funding allocated for provision of the basic functions of subordinate institutions of the Ministry of Health in the healthcare sector is published on the Treasury's homepage: <http://www.kase.gov.lv/l/operativie-parskati/7554>.

Information regarding the investments made in infrastructural development of healthcare institutions within the implementation of ERDF projects is published on the homepage of the administrator of the finance instrument: <http://www.esfondi.lv/aktivitates> and on the Treasury's homepage: <http://www.kase.gov.lv/l/operativie-parskati/7554>.

Amount of aid granted

Total amount of aid granted (in million EUR)²³. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2014	2015
234.60 million euros	228.35 million euros

A — total amount of aid granted (in million EUR) paid by national central authorities²⁴

2014	2015
229.26 million euros	223.39 million euros

B — total amount of aid granted (in million EUR) paid by regional authorities²⁵

2014	2015

C — total amount of aid granted (in million EUR) paid by local authorities²⁶

²³ As stipulated in Article 9 b) of the 2012 SGEI Decision.

²⁴ 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.

²⁵ See footnote 16.

2014	2015
5.34 million euros	4.96 million euros
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2014	2015
State budget funding for provision of healthcare services consists of subsidies (100 %), whereas local government funding for provision of healthcare services is granted as investments in fixed assets of institutions (65 %) and subsidies (35 %).	State budget funding for provision of healthcare services consists of subsidies (100 %), whereas local government funding for provision of healthcare services is granted as investments in fixed assets of institutions (35%) and subsidies (64%).
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ²⁷	
2014	2015
Number of aid beneficiaries: 2110, including: 4 subordinate institutions Average amount of aid: 0.10 million euros	Number of aid beneficiaries: 2049, including: 4 subordinate institutions Average amount of aid: 0.10 million euros

In the sector of hospitals, healthcare and long-term care, taking into account the limited state budget funding of the health sector, the tariffs defined for certain positions in the Cabinet Regulation No 1529 of December 17, 2013 "Procedure of healthcare organisation and financing" do not cover the prime cost of service provision, therefore the compensation is granted in a smaller amount than in fact necessary (determination of the compensation amount pursuant to Article 5 of the SGEI Decision). Taking into account the limited state budget funding for the sector, a reasonable profit amount inclusion in the compensation amounts for medical institutions is also not possible (determination of a reasonable profit level according to Paragraphs 5-8 of Article 5 of the SGEI Decision).

To provide true and accurate information on settled payments, balance reconciliation statements on execution of agreements concluded with each medical institution providing healthcare services paid for by the state are prepared after the end of the economic year, including the information of the Service and medical institution on the amounts of the performed work, agreement, settlements, requests and obligations. If after the balance reconciliation it is found out that the prepayment to medical institutions 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 requesting repayment of the overpaid amount is prepared for the medical institution. If the specified amount is not repaid to the state budget, the Service deducts this overpaid amount of financial

²⁶ See footnote 16.

²⁷ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, 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.

resources from the payments for the healthcare services paid for by the state which were provided in the current year. Within the implemented ERDF projects, several overcompensation control mechanisms are defined for the costs of infrastructural development of hospitals: aid to infrastructure must not exceed the costs of infrastructural development; all activities regarding infrastructural development must be performed based on public procurement agreements; it must additionally be controlled that aid to infrastructural development is granted proportionate to the use of infrastructure in provision of services of general economic interest; in the event of overcompensations medical institutions must repay a certain amount of the allocated resources. (Regularly control of potential overcompensation as required by Article 6 of the SGEI Decision)

Latvia points out that the necessity to separate aid to SGEI when the aid beneficiary provides not only SGEI services requires significant investments of administrative resources both from the aid provider and the aid beneficiary, although in several cases activities not related to SGEI constitute an insignificant amount — five percent or less. It is essential to evaluate and determine the permissible percentage of activities not related to SGEI and conditions when it can be applied so that it does not impact competition, therefore simplifying the management of aid provision.

3. Water supply and sewerage

Please provide a clear and comprehensive description of how the respective services are organized in your Member State²⁸
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 for provision as services of general economic interest as clearly as possible.
The Cabinet has defined the types of public services whose provision must be regulated: in water management sector: water abstraction, collection and preparation for use to feed in water supply network; water supply from the feed location in the water supply network to service user; waste water collection and drainage to waste water treatment facilities; waste water treatment and drainage in surface water bodies.
Please list the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
In the water management sector, specific types of public services to be regulated pursuant to the delegation of law are specified by the Cabinet of Ministers. A service agreement on provision of a certain public service must be concluded between the local government and the public service provider including all the requirements of the SGEI Decision. No standard samples of the service agreement are approved.
Please specify the average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (%) per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain how this duration is justified.
<p>The period of the public services agreement is 5 to 10 years.</p> <p>To qualify for compensation payments, the public services agreement must be with a period of at least 5 years and not exceeding 10 years. This requirement is related to the conditions for receipt of EU fund resources.</p> <p>More than 95 % of the concluded agreements are concluded for a period up to 10 years. The rest are concluded for a period of 5 to 8 years. No agreements are concluded for a period of more than 10 years.</p>
Please specify whether (typically) exclusive or special rights are assigned to undertakings.
<p>Providers of public services are granted exclusive rights when such service provider is the only one in the administrative territory of the local government. If two or more service providers are present in the administrative territory of the local government, special rights are granted.</p> <p>Agreements concluded in the water management sector are mostly granted special rights.</p>

²⁸ 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.

Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct subsidies are granted as an aid instrument.
Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>The amount of compensation payments to be granted is determined according to:</p> <ul style="list-style-type: none"> - EU and Latvian legislation specifying requirements for the water management services to be provided; - EU and Latvian legislation specifying requirements for raising EU funds for contributions to the infrastructure of water management services, implementation procedure of such projects, as well as recovery and repayment of ineligible expenses. <p>The agreement on provision of public services includes a paragraph specifying that a provider of public services may receive compensation payments which are investments in the infrastructure of public services provision only in the amount ensuring provision of public services pursuant to the quality specified in the legislation.</p> <p>Application of distribution methods to aid providers differs.</p>
Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.
<p>The agreement on provision of public services includes a paragraph stipulating that the provider of public services is obligated to repay the parts exceeding the costs of public service provision.</p> <p>To prevent overcompensation, the requirements of EU and Latvian legislation applicable to both qualitative and quantitative indicators of services to be provided and contributions to the infrastructure of water management services for the raising of EU and public financial resources must be complied with already initially — when specifying the amount of resources required for investments in the infrastructure of public services provider.</p>
Please provide a brief explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euros 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).

Aid granted to projects implemented in the water management sector in 2014 and 2015 did not exceed 15 million EUR per funding beneficiary.

Information regarding implementation of projects of EU funds is published on the homepage: <http://www.esfondi.lv/aktivitates>

Amount of aid granted

Total amount of aid granted (in million EUR)²⁹. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2014	2015
94.30 million euros	70.33 million euros

A — total amount of aid granted (in million EUR) paid by national central authorities³⁰

2014	2015
67.40 million euros	43.80 million euros

B — total amount of aid granted (in million EUR) paid by regional authorities³¹

2014	2015

C — total amount of aid granted (in million EUR) paid by local authorities³²

2014	2015
26.90 million euros	26.53 million euros

Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)

2014	2015
State budget funding for provision of healthcare services consists of subsidies (100 %), whereas local government funding for provision of healthcare services is granted as investments in fixed assets of institutions (73%) and subsidies (27%).	State budget funding for provision of healthcare services consists of subsidies (100 %), whereas local government funding for provision of healthcare services is granted as investments in fixed assets of institutions (56%) and subsidies (44%).

²⁹ As stipulated in Article 9 b) of the 2012 SGEI Decision.

³⁰ 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.

³¹ See footnote 16.

³² See footnote 16.

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ³³	
2014	2015
Number of aid beneficiaries: 156 Average amount of aid: 0.45 million euros	Number of aid beneficiaries: 117 Average amount of aid: 0.40 million euros

³³ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, 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.

4. Heating supply

Please provide a clear and comprehensive description of how the respective services are organized in your Member State³⁴

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 for provision as services of general economic interest** as clearly as possible.

In Latvia, the general requirement to organise utilities for residents (water supply and sewerage; heating; solid waste management; collection, drainage and treatment of waste water) is stipulated in the Law on Local Governments.

The Law on Local Governments does not specify what must be the legal status of the provider of the services whose organisation is the obligation of the local government. In local governments with a small number of residents, public services are exceptionally provided by the local government itself. It is largely related to the fact that individual construction (including country estates) mostly takes place in the administrative territories of small local governments where water supply and heating issues are discussed individually, whereas the need for centralised public services is present just in some villages. Therefore, with the purpose of economy of financial resources of local governments, structural units of local governments without legal person rights and without permanent budget of their own — public utilities services working on the basis of regulations — are established. Structural units of local governments must provide provision of utilities to residents charging fees for the provided service in an amount corresponding to economically justifiable costs. Taking into account that the public utilities within this model are provided by the local government, not a capital company, there is no prerequisite for the compensation payment materialisation. In the rest of the local governments, provision of utilities is ensured by capital companies based on mutually concluded agreements. The agreement on provision of utilities concluded between a certain local government and a certain provider of public services — economic operator (capital company) includes all elements defined in the SGEI Decision. Delegated services: thermal energy production; thermal energy supply providing continuous service provision for the heating of buildings and structures; thermal energy provision according to the specified tariffs; maintenance, servicing, renovation and reconstruction of heating networks, technical equipment and infrastructure to be used for provision of public services.

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

Delegation agreement or local government agreement on the delegation of functions of public services.

Please specify the **average duration of the entrustment (in years)** and the proportion of entrustments **that are longer than 10 years (%)** per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain

³⁴ 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.

how this duration is justified.
The typical entrustment periods are 3, 6, 7 and 10 years. The entrustment period must not exceed 10 years.
Please specify whether (typically) exclusive or special rights are assigned to undertakings.
Companies are typically granted exclusive and special rights to provide heating in a certain territory (depending on the territory area, historical situation and other aspects).
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The most frequent instruments are the local government contribution to the fixed assets of a capital company but local government subsidies/grants or guarantees including EU fund for project implementation are also present.
Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>Within the additional subactivity 3.5.2.1.1. "Measurements for the increase of centralised heating system efficiency" (hereinafter — "subactivity 3.5.2.1.1.") of the activity programme "Infrastructure and services", grants of EU funds are allocated. Pursuant to the SGEI Decision, the amount of compensation must not exceed what is necessary to cover the net costs incurred in performance of public service obligations, including a reasonable profit. Within the subactivity 3.5.2.1.1., a reasonable profit amount of the funding beneficiary providing services of general economic interest is equal to the return on capital which does not exceed 10 %. The indicator of return on capital is the ratio of the net profit of the previous capital company reference year to the fixed assets. The funding beneficiary has an obligation to ensure that the limit value does not exceed the average weighted indicator in a two-year period.</p> <p>Various approaches to the determination of the cost compensation method are possible in local governments but the most frequently used method is the aforementioned cost distribution method.</p>
Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.
Each institution has the right to determine the certain control mechanisms to be used. Agreements concluded between a local government and a provider of public services on provision of certain public services in a certain territory stipulate possibilities to receive only certain compensation payments. There are agreements including a condition that a capital company has no right to conclude agreements with other institutions on the receipt other public financial resources without the permission of the participants' meeting. In the majority of the concluded agreements, capital companies have an obligation to account for the actual costs and revenues related to provision of the public heating services separately per service types and territories. The aforementioned accounting is separated from the common accounting for commercial activity. There are also local governments which have concluded an agreement on the regulation of public services with another commercial company which controls whether expenses and

revenues are accurately included in the charges. Each institution has the right to decide whether it requires an audit report.

Within the projects of EU funds, (1) Investment and Development Agency of Latvia (hereinafter — "IDAL") monitors the indicator amount of the funding beneficiary's return on capital five years after project implementation; (2) the funding beneficiary is obligated to maintain the documents proving that the granted State aid complies with the requirements specified in these regulations during the project implementation and 10 years after it; (3) average annual compensation for provision of a public service must not exceed 15 million EUR during the entrustment period. To ensure that the aid for the same costs regarding provision of public services is not granted by various institutions, the activity of capital companies is monitored in local governments by a shareholder representative who submits annual reports to the local government and is approved by the local government. Annual reports of companies must provide a clear idea of revenue sources and their use.

Please provide a brief explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million EUR 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).

Aid granted to projects implemented in the heating sector in 2014 and 2015 did not exceed 15 million EUR per funding beneficiary.

Information regarding implementation of projects of EU funds is published on the homepage: <http://www.esfondi.lv/aktivitates>

Amount of aid granted

Total amount of aid granted (in million EUR)³⁵. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2014	2015
14.27 million euros	8.52 million euros
A — total amount of aid granted (in million EUR) paid by national central authorities ³⁶	
2014	2015
5.89 million euros	0
B — total amount of aid granted (in million EUR) paid by regional authorities ³⁷	

³⁵ As stipulated in Article 9 b) of the 2012 SGEI Decision.

³⁶ 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.

2014	2015
C — total amount of aid granted (in million EUR) paid by local authorities³⁸	
2014	2015
8.38 million euros	8.52 million euros
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2014	2015
The state budget funding for provision of heating services consists of subsidies — 100 %, whereas local government funding for heating provision is granted as a subsidy — 52 % and 48 % as an investment in fixed assets.	Local government funding for heating provision is granted as a subsidy — 84 % and 16 % — as an investment in fixed assets.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ³⁹	
2014	2015
26	25

³⁷ See footnote 16.

³⁸ See footnote 16.

³⁹ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, 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.

5. Waste management — solid waste landfilling

Please provide a clear and comprehensive description of how the respective services are organized in your Member State⁴⁰
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 for provision as services of general economic interest as clearly as possible.
The Cabinet has defined types of public services whose provision must be regulated. In solid waste management sector, solid waste landfilling must be regulated.
Please list the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
In the solid waste management sector, specific types of public services to be regulated pursuant to the delegation of law are specified by the Cabinet. A service agreement on provision of a certain public service must be concluded between the local government and the public service provider including all the requirements of the SGEI Decision. No standard samples of the service agreement are approved.
Please specify the average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (%) per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain how this duration is justified.
<p>The period of the public services agreement is 5 to 10 years.</p> <p>To qualify for compensation payments, the public services agreement must be with a period of at least 5 years and not exceeding 10 years. This requirement is also related to the conditions for receipt of European Union (EU) fund resources.</p> <p>More than 95 % of the concluded agreements are concluded for a period up to 10 years. The rest are concluded for a period of 5 to 8 years. No agreements are concluded for a period of more than 10 years.</p>
Please specify whether (typically) exclusive or special rights are assigned to undertakings.
Exclusive rights are granted in the agreements concluded on solid waste landfilling.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
Direct subsidies are granted as an aid instrument.
Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.

⁴⁰ 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.

The amount of compensation payments to be granted is determined according to:

- EU and Latvian legislation specifying requirements for the solid waste landfilling services to be provided;
- EU and Latvian legislation specifying requirements for raising EU funds for contributions to the infrastructure of solid waste landfilling services, implementation procedure of such projects, as well as recovery and repayment of ineligible expenses.

The agreement on provision of public services includes a paragraph specifying that a provider of public services may receive compensation payments which are investments in the infrastructure of public services provision only in the amount ensuring provision of public services pursuant to the quality specified in the legislation.

Cost distribution methodology or net avoided cost methodology must not be used for the determination of the amount of compensation payments, since the compensation payments are intended only for investments in infrastructure.

Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.

The agreement on provision of public services includes a paragraph stipulating that the provider of public services is obligated to repay the parts exceeding the costs of public service provision.

To prevent overcompensation, the requirements of EU and Latvian legislation applicable to both qualitative and quantitative indicators of services to be provided and contributions to the infrastructure of solid waste landfilling services for the raising of EU and public financial resources must be complied with already initially — when specifying the amount of resources required for investments in the infrastructure of public services provider.

Please provide a brief explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euros 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).

Aid granted to projects implemented in the solid waste landfilling sector in 2014 and 2015 did not exceed 15 million EUR per funding beneficiary.

Information regarding implementation of projects of EU funds is published on the homepage: <http://www.esfondi.lv/aktivitates>

Amount of aid granted

Total amount of aid granted (in million EUR)⁴¹. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2014	2015
3.87 million euros	4.85 million euros
A — total amount of aid granted (in million EUR) paid by national central authorities⁴²	
2014	2015
2.00 million euros	3.50 million euros
B — total amount of aid granted (in million EUR) paid by regional authorities⁴³	
2014	2015
C — total amount of aid granted (in million EUR) paid by local authorities⁴⁴	
2014	2015
1.87 million euros	1.35 million euros
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2014	2015
State budget and local government funding for provision of waste landfilling service consists of subsidies — 100 %.	The state budget funding for provision of waste landfilling consists of subsidies — 100 %, whereas local government funding of 93 % is granted as a subsidy and 7 % as investments in fixed assets of undertakings.

⁴¹ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁴² 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.

⁴³ See footnote 16.

⁴⁴ See footnote 16.

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ⁴⁵	
2014	2015
Number of aid beneficiaries: 4 Average amount of aid: 0.50 million euros	Number of aid beneficiaries: 4 Average amount of aid: 0.88 million euros

⁴⁵ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, 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.

6. Airports

Please provide a clear and comprehensive description of how the respective services are organized in your Member State⁴⁶

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 for provision as services of general economic interest** as clearly as possible.

SGEI services are defined in Article 27² of the Law on Aviation — "Commitments of provision of services of public significance are directly related to main activity of an aerodrome and shall include:

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

To provide a certain amount of regular air transport and regularity of flights or provide the performance of such functions of public interest as search and rescue, provision of aid for civil-military cooperation and performance of other functions, the state or the local government can impose an obligation on national civil aviation aerodromes to fulfil the obligations of provision of public services defined in Part 1 of this Article and they are entitled to compensate costs to a national civil aviation aerodrome incurred by the imposed fulfilment of public service obligations. When determining the amount of compensation, the income obtained by the service provider for performing the service shall be taken into account."

The procedure for imposing public service obligations on the airport and the procedure for determining and covering compensation for expenses incurred by the airport in the course of fulfilling the public service obligations imposed on it is laid down by the Cabinet. According to the Cabinet Regulation No 429 of July 28, 2015 "Procedure of imposing of public service obligations on national civil aviation aerodrome", public service obligations are aid to functions of public interest, such as search and rescue, aid to civil-military cooperation and other functions of public interest, including sea monitoring, air transport for medical purposes, aviation aid to residents, elimination of consequences of natural disasters (catastrophes) (monitoring of regions affected by disasters, surveillance, evacuation of residents, delivery of food products, clothes, medications, equipment, construction materials and other materials), joint training of state administration institutions which also involve aircrafts at their disposal and vaccination of wild animals.

Please list the (typical) forms of entrustment. If standardized templates for entrustments

⁴⁶ 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.

are used for a certain sector, please attach them.

- To ensure a certain amount of regular air transport and flight regularity, the information to be included is specified in Paragraphs 5 and 6 of the Cabinet Regulation No 661 of August 23, 2011 "Regulation on public service obligations to be imposed on airport":

"5. Obligations of service provision shall be imposed on a national civil aviation aerodrome by the Ministry of Transport (by the state) together with the council of the respective local government (by the local government) by concluding a service obligation agreement. The agreement period shall not exceed 10 years. Where the period of entrustment exceeds 10 years, this condition only applies 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. Public service obligation agreement shall include the following conditional components:

6.1. description and fulfilment requirements of public service obligations;

6.2. the parameters and procedure for calculating, controlling and reviewing the compensation. The parameters for calculating the compensation shall be reviewed at least every three years during the service obligation agreement period and renewed if necessary;

6.3. procedure for mutual payment settlement and conditions for allocation of financial resources;

6.4. overcompensation repayment procedure;

6.5. reference to the Commission Decision No 2012/21/EU of December 20, 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."

No standard entrustment samples are specified.

- To ensure the performance of functions of public interest, such as search and rescue, provision of aid for civil-military cooperation and performance of other functions, and the information to be included is specified in Paragraphs 5 and 6 of the Cabinet Regulation No 429 of July 28, 2015 "Procedure for imposing of public service obligations on national civil aviation aerodrome":

"5. Aid obligations of performance of functions of public interest shall be imposed on an aerodrome owned by a capital company where the local government has a crucial role by ministries responsible for provision of the respective functions, and by the local government by concluding an obligation agreement on performance of functions of public interest (hereinafter — "agreement"). If a service not required for performance of other functions specified in Paragraph 2 of this regulation is required for provision of any function specified in Paragraph 2 of this regulation, it shall be specified in the jointly concluded agreement or a separate agreement for provision of the certain service shall be provided.

6. The agreement shall include the following components:

6.1. description and fulfilment requirements of public service obligations;

6.2. aerodrome on which service obligations shall be imposed and the applicable territory if necessary;

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

6.4. the procedure and parameters of maximum and actual compensation amount

<p><i>calculation, control and review of compensation amount which are reviewed at least once in three years during the agreement periods and renewed and specified if necessary;</i></p> <p><i>6.5. procedure for mutual payment settlement and conditions for allocation of financial resources;</i></p> <p><i>6.6. procedure and periods for repayment of overcompensation amounts;</i></p> <p><i>agreement period not exceeding 10 years. If the agreement specifies an aerodrome investment which shall be amortised over a longer period according to the generally accepted accounting principles, the agreement period may exceed 10 years;</i></p> <p><i>6.8. reference to the Commission Decision No 2012/21/EU of December 20, 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."</i></p> <p>No standard entrustment samples are specified.</p>
<p>Please specify the average duration of the entrustment (in years) and the share of entrustments that are longer than 10 years (%) per sector. Please specify in which sectors provision of SGEI was entrusted with a duration exceeding 10 years and explain how this duration is justified.</p>
<p>Taking into account that the state plans the budget for three years, SGEI agreements must be concluded for 3 years and they must provide for the possibility to extend the agreements.</p>
<p>Please specify whether (typically) exclusive or special rights are assigned to undertakings.</p>
<p>Special rights.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>SGEI to ensure:</p> <ul style="list-style-type: none"> - certain regular air transport amount and flight regularity (construction of infrastructure) — the aid instrument is subsidy (project co-funded by EU funds); - performance of functions of public interest, such as search and rescue, provision of aid to civil-military cooperation and performance of other functions — the aid instrument is subsidy (state budget grant to the Ministry of Transport for implementation of aviation safety measures.
<p>Please explain the typical compensation mechanism regarding the respective services and specify whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>Within the agreement concluded on January 30, 2012, a state compensation is EU fund resources for construction of infrastructural buildings related to the key activity of the aerodrome and purchase of equipment essential to the aerodrome activity pursuant to the performance of public service obligations specified in Annex 3 of the Agreement which will be paid to the Airport according to the procedure and amount specified by the agreement between the Ministry of Transport as the responsible authority and the Airport as a European Union fund financing beneficiary on project implementation (hereinafter — "Agreement on Project Implementation") and according to the legislation regulating EU</p>

fund management in Latvia.

Within the meaning of the agreement concluded on November 24, 2015, the state compensation monitored by the Ministry of Transport, **based on delegation to the Cabinet provided in Article 27, Part 5 of the Law on Aviation**, is the **part allocated from state budget resources intended for provision of aviation safety measurements to the Airport for certain aviation safety measurements whose use and settlement compliance is administrated and monitored under the Agreement by the Ministry of Transport.**

Typical arrangements for avoiding overcompensation and ensuring repayment of overcompensation.

The SGEI Agreement of January 30, 2012 stipulates that the Airport must cover costs incurred from the obligation fulfilment which are not considered eligible costs for compensation receipt.

The Agreement must specify the following state compensation payment procedure: The procedure for state compensation payment takes place in accordance with the Agreement on Project Implementation; when terminating the Agreement before its period the mutual settlements between the State and the Airport must be specified in the Agreement on Project Implementation.

The Agreement specifies the following procedure for compensation parameter monitoring: the State and the Local Government, fulfilling the specifications of Subparagraph 6.2. of the Cabinet Regulation No 661 "Regulation on public service obligations imposed on airport", must provide parameter compliance control at least two times within the Agreement period, i.e. no later than until January 30, 2015 and January 30, 2017.

The parameter compliance control was performed in 2015; no derogations were found.

The SGEI Decision of November 24, 2015 specifies that:

- at the end of the period (calendar year) and the Agreement period the State and the Airport must make the final settlement. After specifying the actual state compensation amount, within one month the state must pay the Airport the difference incurred between the actual essential state compensation amount and state compensation amount paid as a prepayment taking into account the funding amount for the respective year allocated by the Cabinet. If the granted state compensation is not used, the Airport must repay the unused compensation part within five (5) working days after the specification of actual state compensation amount if only the Contractors have not agreed on application of the unused compensation part of the previous period to the next period.
- When terminating the Agreement before its term, the State and the Airport carry out mutual settlements within fifteen (15) working days starting from the day of signature of agreement on Agreement termination or the day of submission or the notice on Agreement termination. If the Airport has received a state compensation or its part as a prepayment, the Airport must transfer the state compensation received as a prepayment or its part within five (5) working days after receipt of the request to the State checking account specified in the Agreement.
- The airport itself is responsible for its outstanding financial indebtedness if it is present or incurs during the Agreement period and it is not entitled to cover the following expenses from the compensation received from the State:
- The Airport, pursuant to Commission Decision of December 20, 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, Article 6(2), may transfer not more than 10 % of the average annual unused (overpaid) compensation to the next period.

- Any amount exceeding the aforementioned amount must be transferred by the Airport to the account specified by the State.
- The Airport must give an overview of obligation fulfilment on a quarterly basis.
- When filling the overview, the Airport must only include in revenue items the revenues related to fulfilment of the Obligations and only those direct and indirect costs required for fulfilment of the Obligations incurred by executing the Agreement.
- If apart from the Obligation fulfilment the Airport carries out other economic activity, it must provide separate accounting of revenues and expenses of economic activity related to the Obligation fulfilment and indicate the cost distribution methodology in accounting organisation documents specified by the legislation on accounting in the Republic of Latvia.

Please provide a brief explanation of how **the transparency requirements** (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euros 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).

Aid granted in 2014 and 2015 did not exceed 15 million EUR per funding beneficiary.

Information regarding implementation of EU fund projects is published on the homepage: <http://www.esfondi.lv/aktivitates>

Amount of aid granted

Total amount of aid granted (in million EUR)⁴⁷. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2014	2015
0.20 million euros	5.87 million euros

A — total amount of aid granted (in million EUR) paid by national central authorities⁴⁸

2014	2015
0.07 million euros	3.81 million euros

B — total amount of aid granted (in million EUR) paid by regional authorities⁴⁹

⁴⁷ As stipulated in Article 9 b) of the 2012 SGEI Decision.

⁴⁸ 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.

2014	2015
C — total amount of aid granted (in million EUR) paid by local authorities⁵⁰	
2014	2015
0.13 million euros	2.06 million euros
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2014	2015
The funding granted by the state is in the form of 100 % subsidy, whereas the funding granted by the local government constitutes a contribution to the fixed assets (70 %) and a subsidy of 30 %.	The funding granted by the state is in the form of 100 % subsidy, whereas the funding from the local government is granted as a guarantee (92 %) and a subsidy of 8%.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of undertakings) ⁵¹	
2014	2015
2	2

⁴⁹ See footnote 16.

⁵⁰ See footnote 16.

⁵¹ The Commission would welcome any data that you might have on aid granted under the 2012 SGEI Decision, 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.

Summarised information on the aid granted to SGEI

SGEI expenses (million EUR)		
	2014	2015
<i>Compensation for services of general economic interest granted on the basis of the SGEI Decision, including:</i>	702.45	679.65
1) Hospitals	355.21	361.73
2) Social services — healthcare and long-term care	234.60	228.35
3) Water supply and sewerage	94.30	70.33
4) Heating	14.27	8.52
5) Waste management — solid waste landfilling	3.87	4.85
6) Airports	0.20	5.87