

Report on aid granted for the provision of services of general economic interest in 2020 and 2021

TABLE OF CONTENTS

TABLE OF CONTENTS	1
1. INTRODUCTION	2
2. EXPENDITURE OVERVIEW	2
3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION	4
3.1. HOSPITALS (ART. 2(1)(B))	4
3.2. SOCIAL SERVICES (ART. 2(1)(C)) – HEALTH AND LONG TERM CARE	9
3.3. AIR OR MARITIME LINKS TO ISLANDS WITH AVERAGE ANNUAL TRAFFIC NOT EXCEEDING THE LIMIT SET IN ART. 2(1)(D)	13
3.4. AIRPORTS AND PORTS WITH AVERAGE ANNUAL TRAFFIC NOT EXCEEDING THE LIMIT SET IN ART. 2(1)(E)	13
4. SGEI COMPENSATION NOT EXCEEDING AN ANNUAL AMOUNT EUR 15 MILLION (ART. 2(1)(A))	18
4.1. ENERGY (HEAT SUPPLY)	18
4.2. WASTE COLLECTION (DISPOSAL OF WASTE IN LANDFILLS)	21
4.3. WATER SUPPLY	24
4.4. PUBLIC BROADCASTING (TELEVISION AND RADIO)	28
5. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK	31
6. COMPLAINTS BY THIRD PARTIES	31
7. MISCELLANEOUS ISSUES	32

1. INTRODUCTION

To comply with the reporting obligation of the Member States of the European Union specified in Article 9 of the 2012 SGEI Decision¹, Latvia has prepared this report on aid granted for the provision of services of general economic interest in 2020 and 2021.

Considering that to date there have been no cases in Latvia of an average annual compensation for the provision of a service of general economic interest exceeding EUR 15 million in sectors to which the respective limit applies, the SGEI Framework² has not been applied in Latvia.

This document was drawn up with the involvement of all authorities in Latvia (sectoral ministries and local authorities) that grant aid in line with the SGEI Decision. The information provided by these authorities is summarised in the report form proposed by the European Commission. Information on the expenditure per aid sector is specified only in the corresponding columns of rows A, C, and TOTAL of the report; in view of the territorial organisation of the country, the columns for row B (paid by regional authorities) were not completed. Taking into account that the information included in the report is in an aggregated form, and that none of the information providers have made any indication regarding confidentiality, the present report contains no confidential information and may be published.

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

2. EXPENDITURE OVERVIEW

Total SGEI government expenditure by legal basis (millions EUR)		
	2020	2021
<i>Total compensation for Services of General Economic Interest (1+2)</i>	<i>1 128.931</i>	<i>1 764.008</i>
(1) Total compensation granted on the basis of the SGEI Decision	1 128.931	1 764.008
(2) Total compensation granted on the basis of the SGEI Framework	0	0

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

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

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

⁴ See the Commission staff working document 'Guide on the application of the EU rules on state aid, public procurement and the internal market to services of general economic interest, and in particular to social services of general interest' (see: https://ec.europa.eu/competition-policy/state-aid/legislation/sgei_en)

3. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI DECISION

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

Clear and comprehensive description of how the respective services are organized in your Member State⁵
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>Compensation payments (national budget resources and financial resources of the European Union) for services of general economic interest (health services) are granted to bodies subordinate to the Ministry of Health and service providers with which the National Health Service (hereinafter ‘the Service’) has concluded agreements for the provision of health services paid from the State budget (these service providers can be bodies subordinate to local government bodies, limited liability companies or self-employed persons).</p> <p>The types of state-covered healthcare services for the provision of which the Service concluded agreements with inpatient healthcare facilities (i.e. hospitals) in 2020 and 2021 in accordance with Cabinet Regulation No 850 of 1 November 2011 on the Statute of the National Health Service and Cabinet Regulation No 555 of 28 August 2018 on the organisation and financing of health care (until 31 August 2018 – Cabinet Regulation No 1529 on the organisation and financing of health care) are as follows:</p> <ol style="list-style-type: none">1. accident and emergency medicine;2. inpatient health care;3. primary health care;4. secondary outpatient health care;5. dentistry;6. laboratory testing;7. medical rehabilitation;8. health care at home.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
<p>Cabinet Regulation No 555 lays down the criteria for the conclusion of agreements with service providers, and the conditions for the revision of agreements. It also specifies the conditions to be included in agreements between the Service and the healthcare provider. Every year, the Service, in cooperation with the Ministry of Health and the representatives delegated by the service providers, draw up standard agreement templates for each type of healthcare, setting out the settlement arrangements and the reports to be submitted by the service providers to the Service. The agreement templates are approved by an internal order of the Service and are made available on its website at https://www.vmnvd.gov.lv/lv/ligumu-dokumenti.</p>

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

<p>Following the publication of the state budget law for the ensuing year, the Service specifies in the agreements the amount of healthcare services to be provided by each hospital and the corresponding amount of state budget resources to be paid to the hospital for the calendar year.</p> <p>Local authorities issue binding rules or adopt a decision, entrusting particular (municipal) limited companies with the provision of services of general economic interest. In addition, in practice local authorities may adopt decisions on, for example, establishing limited companies, decisions on delegating management tasks, and agreements on delegating management tasks.</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?</p>
<p>Pursuant to Paragraph 10 of Cabinet Regulation No 555, the Service concludes agreements with hospitals for periods of at least three years and no more than 10 years. Agreements are typically concluded for 3-5 years, but the amount of financial resources to be paid to hospitals from the state budget and, accordingly, the amount of healthcare services paid for from the budget are stipulated for one calendar year.</p> <p>The duration of agreements concluded by local authorities varies, but does not exceed 10 years.</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>Hospitals are assigned special rights.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>The Service pays hospitals for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by hospitals to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555.</p> <p>In 2020 and 2021, European Regional Development Fund (ERDF) and European Social Fund (ESF) resources were paid out for EU fund projects launched within the 2014–2020 programming period in accordance with interim requests for payment of actual project expenses submitted by the project implementers. The funding for the implementation of activities under ERDF projects was allocated to hospitals in the form of direct subsidies. The funding for the implementation of activities under ESF projects was allocated to hospitals in the form of indirect subsidies.</p> <p>The aid instrument in the case of hospitals is mainly a direct subsidy from the state budget. Other options used are co-financing of an ERDF project provided by a local authority as a contribution to the share capital, as well as, in the case of local authorities, dividend waivers (all profit of a limited company is redirected to its development) and guarantees.</p>
<p>Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>The terms of payment for healthcare services and the settlement procedure to be followed by service providers are set out in the agreements on provision of and payment for state-covered healthcare services, concluded between the Service and the hospitals. The Service pays hospitals for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by hospitals to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555. This procedure ensures that the payment for state-funded healthcare services is based on the work performed under the agreements concluded. The payment records must be maintained in</p>

compliance with the Law on Accounting and the requirements of Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting.

A methodology based on cost allocation is used, as it is not possible to use the net avoided cost methodology because complex (and thus expensive) health care services are provided only as state-funded services, which renders any cost comparison impossible.

Where ERDF projects are implemented, investments in the development of hospitals are planned with the aim of improving availability of healthcare services in four high-priority healthcare areas – cardiovascular, oncological, paediatric (starting from the perinatal and neonatal periods) and mental health care, while implementing the principles laid down in the reform plan for cooperation between inpatient healthcare establishments and ensuring concentration of more complex services in high-level healthcare establishments and availability of basic services closer to home. In the 2014–2020 EU fund programming period, ERDF projects were implemented in accordance with Cabinet Regulation No 870 of 20 December 2016 on the first and second round of selecting project applications within specific aid objective 9.3.2 ‘Improving the availability of quality healthcare services, especially to residents exposed to the risks of social and territorial exclusion and poverty, by developing health care infrastructure’ and specific aid objective 13.1.5 ‘Recovery measures in the health sector’ of the Operational Programme for Growth and Employment and Cabinet Regulation No 56 of 23 January 2018 on the third round of selecting project applications within specific aid objective 9.3.2 ‘Improving the availability of quality healthcare services, especially to residents exposed to the risks of social and territorial exclusion and poverty, by developing health care infrastructure’ of the Operational Programme for Growth and Employment. The implementation of ESF projects under the 2014-2020 programming period of the European Union funds was carried out in accordance with Cabinet Regulation No 158 of 21 March 2017 on implementing specific aid objective 9.2.5 ‘Improving access to treatment and treatment support to persons providing services in priority health areas for citizens living outside Riga’ of the Operational Programme for Growth and Employment and Cabinet Regulation No 802 of 17 December 2020 on implementing specific aid objective 9.2.7 ‘Support for medical practitioners who ensure patient care to address a public health crisis’ and specific aid objective 14.1.3 ‘Recovery measures in the health sector’ of the Operational Programme for Growth and Employment.

Typical arrangements for avoiding and repaying any overcompensation.

The agreements concluded by the Service with healthcare establishments regarding the provision of state-funded healthcare services lay down that payments must comply with Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. The Service drew up the form ‘Use of state aid resources in a healthcare establishment’, which healthcare establishments submit to the Service once a year, in line with the provisions of the agreement concluded, detailing the results of the previous reference year and setting out the information in accordance with the general procedure for reporting income and expenses. The Service verifies the data in the report and ensures that the compensation granted to the healthcare establishment for the provision of a service of general economic interest meets the requirements of Commission Decision 2012/21/EU and that the amount of the compensation does not exceed what is necessary to cover the net cost incurred in discharging the public service obligations, including a reasonable profit, or verifies that overcompensation has not taken place. If it is found that overcompensation has occurred over the past three years, the Service ensures that the healthcare establishment in question repays the overcompensation and that the parameters for further calculation of the compensation are reviewed. Where the amount of overcompensation does not exceed 10% of the average annual compensation, such overcompensation may be carried forward to the next period and deducted from the amount of compensation payable in respect of that period. Where

overcompensation has occurred over the period of the past three years and exceeds 10% of the average annual compensation, the Service draws up a decision on the recovery of the overcompensation and issues an invoice for its recovery in its accounting system. Upon receipt of the Service's decision and invoice, the beneficiary must pay back the sum by the set deadline. To gain assurance of the reliability of the data, officials of the Service have the right to request that the healthcare establishment submit its approved accounting procedure for SGEI income and expenses, and that, upon request, the beneficiary submit their accounting register data. Several control mechanisms have been established to avoid overcompensation of infrastructure development costs for hospitals under ERDF projects:

- aid for infrastructure must not exceed the costs of infrastructure development;
- all infrastructure development activities must be implemented on the basis of public procurement contracts;
- checks are also conducted on whether the aid for infrastructure development is granted in proportion to the use of the infrastructure in the provision of services of general economic interest;
- in the event of overcompensation, hospitals must repay a certain amount of the allocated funds.

Funding from local authorities is allocated for services provided by a particular limited company and its use is monitored in accordance with the reports submitted, thus avoiding overcompensation. An increase in share capital is attributed for specific purposes pursuant to the decision adopted by the general meeting of shareholders, the tasks set in the mid-term operational strategy and the results of the public procurement procedure.

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

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

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

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

Amount of aid granted	
Total amount of aid granted (in millions EUR)⁶. This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
714.134	1 142.420
A: Total amount of aid granted (in millions EUR) paid by national central authorities⁷	
2020	2021
710.404	1 132.905
B: Total amount of aid granted (in millions EUR) paid by regional authorities⁸	
2020	2021
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities⁹	
2020	2021
3.730	9.515
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
In 94.76% of cases the aid was in the form of direct subsidies, in 4.77% - investment in share capital and in 0.33% - dividend waivers.	In 80.20% of cases the aid was in the form of direct subsidies, in 19.20% - investment in share capital and in 0.47% - dividend waivers.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings) ¹⁰	
2020	2021
Number of beneficiaries – 40	Number of beneficiaries – 39

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

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

⁸ See footnote 7.

⁹ See footnote 7.

¹⁰ 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

3.2. Social services (Art. 2(1)(c)) – health and long term care¹¹

Clear and comprehensive description of how the respective services are organized in your Member State
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.</p> <p>The types of state-covered healthcare services regarding the provision of which the Service concluded agreements with healthcare establishments in 2020 and 2021 in accordance with Cabinet Regulation No 850 of 1 November 2011 on the Statute of the National Health Service and Cabinet Regulation No 555 (until 31 August 2018 Cabinet Regulation No 1529 of 17 December 2013 on the organisation and financing of health care) are as follows:</p> <ol style="list-style-type: none"> 1. primary health care; 2. secondary outpatient health care; 3. dentistry; 4. laboratory testing; 5. medical rehabilitation; 6. health care at home. <p>The local authority ensures the availability of health care (provision of facilities, human resources, information and appropriate technologies – building an infrastructure allowing a healthcare establishment to provide certain healthcare services) and promotion of healthy lifestyle in the population (ensuring availability of specialist advice, organising and supporting events to promote wellbeing, in accordance with the types of healthcare services provided by the healthcare establishment).</p>
<p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p> <p>Cabinet Regulation No 555 lays down the criteria for the conclusion of agreements with service providers, and the conditions for the review of agreements. It also specifies the conditions to be included in agreements between the Service and the healthcare provider. Every year, the Service, in cooperation with the Ministry of Health and the representatives delegated by the service providers, draw up standard agreement templates for each type of healthcare, setting out the settlement arrangements and the reports to be submitted by the service providers to the Service. The agreement templates are approved by an internal order of the Service and are made available on its website at https://www.vmnvd.gov.lv/lv/ligumu-dokumenti.</p> <p>Following the publication of the state budget law for the ensuing year, the Service specifies in the agreements the amount of healthcare services to be provided by each healthcare establishment and the corresponding amount of state budget resources to be paid to it for the calendar year.</p>

undertakings, etc. Should such other quantitative information data not be readily available in your Member State, they can of course be presented in a more aggregated and/or estimated way. In that case please indicate that estimations have been used as well as the type of aggregation made.

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

Local authorities issue binding rules, entrusting particular (municipal) limited companies with the provision of services of general public interest. The binding rules are complemented with the local authority's decisions on establishing limited companies, decisions on delegating management tasks, and agreements on delegating management tasks.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?
<p>Pursuant to Paragraph 10 of Cabinet Regulation No 555, the Service concludes agreements with healthcare establishments for periods of at least three years and no more than 10 years. Agreements are typically concluded for three years, but the amount of financial resources to be paid to healthcare establishments from the state budget and, accordingly, the amount of healthcare services paid for from the budget are specified for one calendar year.</p> <p>The duration of agreements concluded by local authorities varies, but does not exceed 10 years.</p>
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Healthcare establishments are assigned special rights.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
<p>The Service pays healthcare establishments for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by healthcare establishments to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555.</p> <p>In 2020 and 2021, European Regional Development Fund (ERDF) resources were paid out for EU funds projects launched within the 2014–2020 programming period in accordance with interim requests for payment of actual project expenses submitted by the project implementers. The funding for the implementation of activities under ERDF projects was allocated to healthcare establishments in the form of direct subsidies.</p> <p>The aid instrument in the case of healthcare establishments is mainly a direct subsidy from the State or local authority budget. There may also be co-financing by the local authority as an investment in the share capital, or as dividend waivers.</p>
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
The terms of payment for healthcare services and the settlement procedure to be followed by service providers are set out in the agreements on provision of and payment for state-funded healthcare services, concluded between the Service and the healthcare establishments. The Service pays healthcare establishments for the provided healthcare services on the basis of invoices, which are created in the settlement system for healthcare services based on the medical record data entered by healthcare establishments to keep account of the work they perform under the agreements, and the healthcare service tariffs specified in Cabinet Regulation No 555. This procedure ensures that the payment for state-funded healthcare services is based on the work performed under the agreements concluded. The payment records must be maintained in compliance with the Law on Accounting and the requirements of Cabinet Regulation No 585 of 21 October 2003 on the conduct and organisation of accounting.

A methodology based on cost allocation is used, as it is not possible to use the net avoided cost methodology because complex (and thus expensive) health care services are provided only as state-funded services, which renders any cost comparison impossible.

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

Typical arrangements for avoiding and repaying any overcompensation.

The agreements concluded by the Service with healthcare establishments regarding the provision of state-funded healthcare services lay down that payments must comply with Commission Decision 2012/21/EU of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. The Service drew up the form ‘Use of state aid resources in a healthcare establishment’, which healthcare establishments submit to the Service once a year, in line with the provisions of the agreement concluded, detailing the results of the previous reference year and setting out the information in accordance with the general procedure for reporting income and expenses. The Service verifies the data of the report and ensures that the compensation granted to the healthcare establishment for the provision of a service of general economic interest complies with the requirements of Commission Decision 2012/21/EU and that the amount of the compensation does not exceed what is necessary to cover the net cost incurred in discharging the public service obligations, including a reasonable profit, or verifies that overcompensation has not taken place. If it is found that overcompensation occurs over the period of the past three years, the Service ensures that the healthcare establishment in question repays the overcompensation and that the parameters for further calculation of the compensation are reviewed. Where the amount of overcompensation does not exceed 10% of the amount of the average annual compensation, such overcompensation may be carried forward to the next period and deducted from the amount of compensation payable in respect of that period. Where overcompensation has occurred over the period of the past three years and it exceeds 10% of the average annual compensation, the Service draws up a decision on the recovery of the overcompensation and issues an invoice for the recovery in its accounting system. Upon receipt of the Service’s decision and invoice, the beneficiary must pay back the sum by the set deadline. To gain assurance of the reliability of the data, officials of the Service have the right to request that the healthcare establishment submit its approved accounting procedure for SGEI income and expenses, and that, upon request, the beneficiary submit their accounting register data.

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

- aid for infrastructure must not exceed the costs of infrastructure development;
- all infrastructure development activities must be implemented based on public procurement contracts;

- checks are also conducted on whether the aid for infrastructure development is granted in proportion to the use of the infrastructure in the provision of services of general economic interest;
- in the event of overcompensation, healthcare establishments must repay a certain amount of the allocated funds.

Local authority funding is allocated for services provided by a particular limited company and its use is monitored in accordance with the reports submitted, thus avoiding overcompensation. An increase in share capital is attributed for specific purposes pursuant to the decision adopted by the general meeting of shareholders, the tasks set in the mid-term operational strategy and the results of the public procurement procedure.

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

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

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

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

Amount of aid granted

Total amount of aid granted (in millions EUR)¹². This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)

2020	2021
310.290	529.070
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
303.000	522.300
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021

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

-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
7.290	6.770
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
In 99.26% of cases the aid was in the form of direct subsidies, in 0.12% - investment in share capital and in 0.62% - dividend waivers.	In 99.59% of cases the aid was in the form of direct subsidies, in 0.19% - investment in share capital and in 0.22% - dividend waivers.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries – 1 879	Number of beneficiaries – 1 978

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

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

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

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

Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>SGEI services are defined in Article 27² of the Law on Aviation: 'Public interest service obligations are directly linked to the main activity of an aerodrome and include:</p> <ol style="list-style-type: none"> 1) construction of infrastructure (runway, terminal, access road to runway, platform, air traffic control tower, etc.), including purchase of the necessary land plot and provision of aerodrome equipment, which also includes equipment necessary for the provision of direct assistance; 2) operation of infrastructure, including management and maintenance of the aerodrome;

3) provision of ancillary aerodrome services (operation of aerodrome infrastructure, fire-fighting, first aid, security and other ancillary aerodrome services).

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

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

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

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

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

Standardised templates for entrustment have not been adopted.

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

Standardised templates for entrustment have not been adopted.

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

On 30 January 2012, the Ministry of Transport, Liepāja City Council and SIA Aviasabiedrība Liepāja [Liepāja Air Company, private limited company] concluded an agreement imposing an obligation to provide a service of public interest on SIA Aviasabiedrība Liepāja. The agreement has been extended, but the total agreement period does not exceed 10 years (hereinafter – ‘Agreement 1’).

On 24 November 2015, the Ministry of Defence, the Ministry of the Interior, the Ministry of Transport and Communications, Ventspils City Council and SIA Ventspils lidosta [Ventspils Airport, private limited company] concluded an agreement imposing the obligation of supporting the performance of public functions on SIA Ventspils lidosta. On 28 November 2018, the agreement

was extended until 31 December 2021. ('Agreement 2'). The agreement period does not exceed 10 years.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Special rights are assigned in accordance with agreements.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The aid was in the form of direct subsidies, including for the purposes of ensuring the operation of airport infrastructure (funds from the local authority budget) and such functions of public interest as search and rescue, civil-military cooperation, and others.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>Under the agreement of 30 January 2012 (Agreement 1), State compensation means financial support from the EU funds for the construction of infrastructure relating to the main activity of the aerodrome and for the purchase of equipment necessary for the operation of the aerodrome and resources provided for in the local authority's budget for the operation of airport infrastructure and the provision of additional aerodrome services.</p> <p>Under the agreement of 24 November 2015 (Agreement 2), the State compensation supervised by the Ministry of Transport and Communications is, based on the delegation to the Cabinet stipulated in Article 27(5) of the Law on Aviation, the share of State budget resources intended for provision of aviation safety measures which is allocated to the airport for particular aviation safety measures, the use of which, as well as the compliance of the corresponding settlements, is managed and supervised pursuant to the Agreement by the Ministry of Transport and Communications. State compensation takes the form of a grant from the budget of the Ministry of the Interior or the Ministry of Defence, in accordance with a decision of the Cabinet of Ministers, to the airport for the current year to ensure compliance with the obligations to support the performance of functions of public interest laid down in the agreement, the amount of which is specified in accordance with the procedure laid down in the agreement.</p> <p>Compensation from the local authority means the funding allocated in the local authority budget for the current year to ensure compliance with the obligations to support the performance of functions of public interest laid down in the agreement. The State and local authority compensate the airport for the costs incurred in the performance of its obligations in the amount and in accordance with the procedures laid down in the agreement. The total amount of compensation from the State and local authority for the operation of airport infrastructure is calculated by deducting the revenue from the economic activities (for which the airport keeps separate accounts) from the airport's economic costs and fixed costs (where funding has been granted for this purpose to the State (or local authority) budget in addition to what is laid down in the Law on the State budget). The maximum amount of compensation from the State and local authority for each period is defined in the annual agreement concluded between the airport and the local authority and the State, but as of the first full year of the agreement it is set to the following amounts: from the Ministry of Defence, in accordance with a decision of the Cabinet of Ministers but not exceeding EUR 20 000; from the Ministry of the Interior, in accordance with a decision of the Cabinet of Ministers but not exceeding EUR 10 000; from the Ministry of Transport and Communications; and from the local authority in accordance with its own decision. Each year no later than by 1 May, with the exception of the year of concluding the agreement, the airport, taking into account the specifications detailed by the State and the local authority in the service obligation (if any), must submit a detailed request in writing, based on estimates, concerning the amount of the compensation needed from the State budget for the next</p>

financial year and medium-term, calculated on the basis of the airport's accounts and the performance of the obligations set out in the agreement in accordance with the cash flow principle. A compensation from the State and local authority budget is included in the airport's budget for the current year and in the medium-term. The local authority grants compensation in the amount provided for this purpose in its budget for the current year on the basis of its development priorities and budget possibilities, each year concluding an agreement, annexed to the contract, on the compensation to be granted for the relevant period. Each year, the airport must, in a timely manner, submit a request to the local authority concerning the amount of the compensation needed from the local authority budget for the next financial year and medium-term. A compensation from the State and local authority budget is included in the airport's budget for the current year and in the medium-term budget. The State and the local authority pay the compensation to the airport in instalments, four times a year (the duration of the period is one financial year in accordance with the Law on Budget and Financial Management. The first period lasts from the entry into force of the contract until the beginning of the next full period) or as agreed. The State and the local authority advance the compensation to the airport for the first period (from the entry into force of the contract until 31 December 2015) as a prepayment following the conclusion of the contract no later than by 29 December 2015 if the Cabinet has granted funds for this purpose by a separate decision. The State and the local authority transfer the compensation to the airport for the first quarter of the first full period of performance of the obligations as a prepayment to the amount requested by the airport in accordance with a mutually agreed timetable. In 2016 – no later than by 15 February, and in the following years – no later than within 15 days of an agreement on the amount of the compensation for the relevant period entering into force. For the following quarters of the full period of performance of the obligations, the State and the local authority pay the compensation based on the agreement. The airport and the State, when signing an agreement on the amount of the State compensation for the next period, may agree to transfer the unused part of the previous period's compensation to the next period by reducing the amount of the next State compensation accordingly. The airport and the local authority, when signing an agreement on the amount of the municipal compensation for a new period, may agree to transfer the unused part of the previous period's compensation to the next period by reducing the amount of the next municipal compensation accordingly, if on the day of the signing information is available on the estimated amount of the unused compensation in the previous period.

The cost allocation methodology is used.

Typical arrangements for avoiding and repaying any overcompensation.

The agreement of 30 January 2012 (Agreement 1) stipulates that the airport must bear any costs arising from the performance of its obligations which cannot be considered as eligible for compensation. The agreement lays down the following arrangements for the payment of State compensation: the State compensation is paid in accordance with the project implementation agreement; the procedure for mutual settlements between the State and the airport to repay the state compensation in the event of an early termination of the agreement is specified in the project implementation agreement. The agreement specifies the following procedure for monitoring the compensation parameters: the State and the local authority, to comply with paragraph 6.2 of Cabinet Regulation No 661 of 23 August 2011 on the imposition of public service obligations on airports, must check the compliance of compensation parameters at least twice during the agreement period.

The agreement of 24 November 2015 (Agreement 2) sets out a series of mechanisms to prevent overcompensation, and specifies the mechanism for repayment of overcompensation: At the end of the period, and also at the end of the agreement period, the State, local authority and the airport make the final settlement. The State, within one month of ascertaining the actual amount of compensation from the State, and the local authority, within five working days of ascertaining the actual amount of compensation from the local authority, must pay the airport the difference between the necessary

amount of compensation and the amount paid in advance. If the compensation granted by the State and the local authority has not been used, the airport must repay the unused part of the compensation within five working days of the actual compensation amount being established, unless the parties have agreed to transfer the unused part of the compensation to the next period. When terminating an agreement before its term, the State, the local authority and the airport must perform mutual settlements within fifteen working days of the signature of the termination agreement or the submission of notice of termination (if the airport has received the State and local authority compensation or part thereof as a prepayment, it must transfer the respective amount within five working days from receipt of the request to the account specified in the agreement). In accordance with Article 6(2) of the SGEI decision, the airport may carry forward a maximum of 10% of the unused (overpaid) compensation to the next period. The agreement lays down rules for control of the performance of the obligations and determination of the actual amount of compensation. The State and the local authority exercise control of the performance of the obligations in accordance with the procedure and scope set out in the agreement. The airport provides the State (each ministry individually in respect of the obligations imposed) and local authority with reports on the fulfilment of its obligations and its costs on a quarterly basis, and also an overall report on the fulfilment of its obligations at the end of the agreement period. The accounts of the airport must be accompanied by a description of the activities undertaken to meet the obligations, a financial report on the performance of the obligations in accordance with the cash flow principle, and also information on the total amount of compensation granted by each ministry and local authority and used for the period. When completing the report, the airport must include in its revenue items only those revenues related to the fulfilment of the obligations, and must include in its cost items only those direct and indirect costs which are necessary for the fulfilment of the obligations and which are incurred in the performance of the agreement. If the airport carries out other economic activities in addition to fulfilling its obligations, it must keep separate accounts of the revenue and costs of the economic activities relating to the performance of the obligations and specify the cost distribution methodology in the accounting organisation documents as defined in the accounting regulations in force in the Republic of Latvia (the airport must ensure that the same activities and measures are not funded twice from different sources). In the light of the information on the fulfilment of obligations provided in the quarterly reports submitted by the airport, the possibility may be considered for the airport to adjust the amount of compensation for the following quarters within the limits of the compensation fixed for the period. The State and the local authority are entitled to monitor and supervise the performance of any type of agreement (including, in addition to the reports and information required under the agreement, to request from the airport at any time all forms of information relating to the performance of the obligations under the agreement, the use of the funding and its reasonableness).

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

The aid granted (compensation) in 2020 and 2021 did not exceed EUR 15 million per beneficiary.	
Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
1.289	1.080
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
0	0
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
1,289	1,080
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
100% of cases – direct subsidy	100% of cases – direct subsidy
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries – 2	Number of beneficiaries – 2

4. SGEI COMPENSATION NOT EXCEEDING AN ANNUAL AMOUNT EUR 15 MILLION (ART. 2(1)(A))¹³

4.1. Energy (heat supply)

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

<p>Clear and comprehensive description of how the respective services are organized in your Member State</p>
<p>Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.</p>
<p>In Latvia, the general requirement to organise public utilities (water supply and sewerage; heating supply; management of household waste; collection, disposal and treatment of waste water) is governed by the Law on Local Authorities. The Law on Local Authorities does not define what legal status should the provider of the services have. In local authorities with a small population, public services are exceptionally provided by the local authority itself. Local authority bodies ensure the provision of utility services to the public by charging a fee for the service provided at an amount corresponding to an economically justifiable cost. In other local authorities, the provision of utilities is provided by capital companies on the basis of reciprocal (or delegation) agreements. The public service agreement concluded between a local authority and an economic operator (capital company) contains all the elements defined in the SGEI Decision.</p> <p>Under the Law on Public Service Regulators, the following public services in the energy sector are defined as services whose provision must be regulated:</p> <ul style="list-style-type: none"> – the production of heat energy (including co-generation) in installations with a total installed heat capacity greater than one megawatt, where the amount of heat transferred to the district heating system exceeds 5 000 megawatt hours per year; – the transmission and distribution of heat to final customers, where these include household customers and where the total amount of heat transmitted and distributed exceeds 5 000 megawatt hours per year; – the sale of heat to energy users, where the heat sold is supplied through the heating networks of the operator of the regulated heating system. <p>Delegated services are, for example, the production of heat energy, heating supply, ensuring continuous provision of services for the heating of buildings and structures, the sale of heat energy in accordance with the established tariffs, maintenance, servicing, refurbishment and reconstruction of heating networks, technical equipment and infrastructure to be used for the provision of public services.</p>
<p>Explanation of the (typical) forms of entrustment. If standardized templates for entrustments are used for a certain sector, please attach them.</p>
<p>In the heating sector, the local authority takes a decision on the specific public service entrustment and concludes a service agreement with the entrusted public service provider. This agreement incorporates all the requirements of the SGEI Decision.</p> <p>Standardised templates for service agreements have not been approved.</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?</p>
<p>The duration of the public service agreement is set at between five and ten years. In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.</p>

More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. There are no agreements with a duration of more than ten years.
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Service agreements in the heating sector mainly confer special rights.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The aid instruments used are direct subsidies, investments in share capital, dividend waivers and guarantees.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
<p>The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on heating services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in public heating supply infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.</p> <p>The public service agreement includes a provision stipulating that a public service provider may receive compensation payments in the form of investments in public service infrastructure only to the extent that this ensures the provision of the public services in accordance with the quality required by legislation.</p> <p>The amount of the compensation payments is determined using the cost allocation methodology or the net avoided cost methodology where the compensation payments are reserved only for investments in the infrastructure.</p>
Typical arrangements for avoiding and repaying any overcompensation .
<p>The public service agreement includes a clause providing for the reimbursement of any part of the compensation paid to the public service operator which exceeds the cost of providing the public service. Compliance with this condition supervised by the authorising local authority.</p> <p>In order to avoid overcompensation, the determination of the amount of resources needed for investments in the infrastructure of a public service provider from the outset complies with the requirements of EU and Latvian legislation relating to both the qualitative and quantitative performance of the services to be provided and to the financial and economic indicators relating to attracting EU and public funds for investments in public heating supply infrastructure.</p>
A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).

The aid granted for projects in the field of heating supply in 2020 and 2021 did not exceed EUR 15 million per beneficiary.	
Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
14.989	13.475
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
4.891	2.768
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
10.098	10.707
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
In 15.91% of cases the aid was in the form of investments in share capital, in 2.42% - dividend waivers, in 36.30% - direct subsidies and in 45.37% - guarantees.	In 46.84% of cases the aid was in the form of guarantees, in 21.55% - direct subsidy waivers [sic], 16.23% - investments in share capital and 15.37% - dividend waivers.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries – 25	Number of beneficiaries – 24

4.2. Waste collection (disposal of waste in landfills)

Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
Under the Law on Public Service Regulators, the household waste management sector is defined as constituting public services and, on the basis of the authority delegated by that law, the Cabinet has defined the types of public services whose provision must be regulated. In the household waste management sector, it is necessary to regulate the disposal of waste in landfills.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.
In the household waste management sector, the Cabinet of Ministers, as delegated by law, has defined certain types of public services that must be regulated. At the same time, the local authority takes a decision on the entrustment of the specific public service and concludes a service agreement with the entrusted public service provider. This agreement incorporates all the requirements of the SGEI Decision. Standardised templates for service agreements have not been approved.
Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?
<p>The duration of the public service agreement is set at between five and ten years. In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.</p> <p>More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. In practice, there are no agreements with a duration of more than ten years.</p>
Explanation whether (typically) exclusive or special rights are assigned to the undertakings.
Agreements for the disposal of household waste in landfills grant exclusive rights. In some cases, several local authorities come together to conclude an agreement with a single service provider.
Which aid instruments have been used (direct subsidies, guarantees, etc.)?
The aid instruments used are direct subsidies, dividend waivers, investments in share capital and guarantees.
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.
The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on the household waste management services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in household waste management infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.

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

The amount of the compensation payments is determined using the cost allocation methodology or the net avoided cost methodology where the compensation payments are reserved only for investments in the infrastructure.

Typical arrangements for avoiding and repaying any overcompensation.

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

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

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

The aid granted in 2020 and 2021 did not exceed EUR 15 million per beneficiary. In 2020, one beneficiary in the field of the disposal of household waste in landfills received EUR 18.8 million for development of recycling facilities for biodegradable waste; however, in line with Article 2(1)(a) of the SGEI decision, the average annual amount over the duration of the entrustment was EUR 3.9 million.

Amount of aid granted

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

2020	2021
22.356	4.449

A: Total amount of aid granted (in millions EUR) paid by national central authorities

2020	2021
18.876	1.509

B: Total amount of aid granted (in millions EUR) paid by regional authorities

2020	2021
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
3.480	2.940
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
In 91.19% of cases the aid was in the form of direct subsidies, in 6.2% - dividend waivers, in 0.23% - investment in share capital and in 2.38% - guarantees.	In 69.51% of cases the aid was in the form of direct subsidies, in 23.43% - dividend waivers and in 7.6% - guarantees.
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries – 6	Number of beneficiaries – 6

4.3. Water supply

Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>Under the Law on Public Service Regulators the water sector is defined as constituting a public service and, on the basis of the authority delegated by that law, the Cabinet has defined the types of public services whose provision must be regulated. The provision of types of public services in the water sector must be regulated if the volume of at least one type of public service in the water sector provided by an operator exceeds 100 000 m³ per year:</p> <ul style="list-style-type: none"> - water abstraction, storage and preparation for use up to delivery to the centralised pipeline network; - the supply of water from the location of its entry into the centralised pipeline network up to the property boundary; - the collection of waste water in centralised collecting systems from the property boundary and its transportation to waste water treatment plants; - waste water treatment and discharge into the environment, including surface water bodies.
Explanation of the (typical) forms of entrustment . If standardized templates for entrustments are used for a certain sector, please attach them.

<p>In the water sector, the Cabinet of Ministers, as delegated by law, has defined certain types of public services that must be regulated. At the same time, the local authority takes a decision for the entrustment of the specific public service and concludes a service agreement with the entrusted public service provider. This agreement incorporates all the requirements of the SGEI Decision. Standardised templates for service agreements have not been approved.</p>
<p>Average duration of the entrustment (in years) and the proportion of entrustments that are longer than 10 years (in %) per sector. Specify in which sectors SGEI were entrusted with a duration exceeding 10 years and explain how this duration is justified?</p>
<p>The duration of the public service agreement is set at between five and ten years.</p> <p>In order to be eligible for payment of compensation, the public service agreement must have a duration of not less than five years and not more than ten years. The same requirement also relates to the conditions for receiving EU funds.</p> <p>More than 95% of agreements concluded have a duration of up to ten years. The others have a duration of five to eight years. No agreements with a duration of more than 10 years have been encountered in the practice of the central authorities.</p>
<p>Explanation whether (typically) exclusive or special rights are assigned to the undertakings.</p>
<p>Service agreements in the water sector mainly confer special rights.</p>
<p>Which aid instruments have been used (direct subsidies, guarantees, etc.)?</p>
<p>The aid instruments used are direct subsidies, guarantees, investments in share capital and dividend waivers.</p>
<p>Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.</p>
<p>The amount of compensation payments that may be granted is determined in accordance with EU and Latvian legislation laying down requirements on water services to be provided, and EU and Latvian legislation laying down requirements for attracting EU funds for investments in water infrastructure, the implementing procedures for such projects, and the recovery and repayment of unduly incurred costs.</p> <p>The public service agreement includes a provision stipulating that a public service provider may receive compensation payments in the form of investments in public service infrastructure only to the extent that this ensures the provision of the public services at the level of quality required by legislation.</p> <p>The amount of the compensation payments is determined using the cost allocation methodology or the net avoided cost methodology where the compensation payments are reserved only for investments in the infrastructure.</p>
<p>Typical arrangements for avoiding and repaying any overcompensation.</p>
<p>The public service agreement includes a clause providing for the reimbursement of any part of the compensation paid to the public service operator which exceeds the cost of providing the public service. Compliance with this condition must be supervised by the authorising local authority.</p> <p>In order to avoid overcompensation, the determination of the amount of resources needed for investments in the infrastructure of a public service provider from the outset complies with the</p>

requirements of EU and Latvian legislation relating to both the qualitative and quantitative performance of the services to be provided and to the financial and economic indicators relating to attracting EU and public funds for investments in water infrastructure.	
A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).	
The aid granted for projects in the water sector in 2020 and 2021 did not exceed EUR 15 million per beneficiary.	
Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
62.649	71.031
A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
19.335	31.352
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021
-	-
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
43.314	39.679
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
In 33.7% of cases the aid was in the form of direct subsidies, in 26.4% - guarantees, in 26,1% - investment in share capital and in 13.8% - dividend waivers.	In 48.1% of cases the aid was in the form of direct subsidies, in 19% - investment in share capital, in 11.9% - dividend waivers and in 21% - guarantees.

Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries ~ 50	Number of beneficiaries ~ 45

4.4. Public broadcasting (television and radio)

Clear and comprehensive description of how the respective services are organized in your Member State
Explanation of what kind of services in the respective sector have been defined as SGEI in your Member State. Please list the contents of the services entrusted as SGEI as clearly as possible.
<p>Pursuant to Article 5(3) of the Law on electronic media (EPLL) (the wording in force until 31 December 2020 and applicable until 4 August 2021 when the Public Electronic Mass Media Council ('SEPLP') in its full composition was established), the main task of public electronic media providers is the production and distribution of public service broadcasting schedules. The public electronic media providers in Latvia are VSIA Latvijas Radio and VSIA Latvijas Televīzija. Article 70 EPLL provides that the source of funding for public electronic media is a State budget subsidy for performing its public service remit, as well as other sources of finance provided for in legislation to ensure performance of the tasks set out in the EPLL, the broadcasting of programmes throughout the national territory, as well as to target audiences beyond the national borders, the hiring of employees and the insurance of employees at particular risk, and the maintenance of infrastructure – the provision of any activity is aimed at performing the public service remit. (Following the establishment of the SEPLP in its full composition, public media and the public service remit are now subject to the provision of the Law on public electronic mass media and their management ('SEPLPL'), and the SEPLP is the authority responsible for supervising the performance of the public service remit.) No further information on the aid to public media is provided in this report as, in accordance with the confirmation provided by the European Commission, it constitutes existing aid that is being implemented in accordance with the Guidelines on broadcasting.</p> <p>Pursuant to Article 71(2) EPLL, part (up to 15%) of the performance of the public service remit may also be transferred to commercial electronic media providers. The public service remit is the provision of a wide and diverse set of programmes, funded and supervised by the public. The public service remit tasks are set out in Article 71(1) EPLL. Given the wide range of public service tasks carried out under the public service remit, the performance of the public service remit should be considered as an SGEI. The National Radio and Television Council approved, in accordance with Article 62(1) EPLL, a public service agreement drawn up in conjunction with the Public Advisory Council (Article 63 EPLL). The performance of the public service remit by commercial electronic media providers was realised by means of a tendering procedure pursuant to Article 71(2) EPLL and the specific tender regulations. Information on the calls for tenders launched by the National Radio and Television Council ('NEPLP') can be found at: https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialas-televizijas/konkursi-2.html and at: https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialie-radio/konkursi.html.</p> <p>The NEPLP also grants State aid for the provision of a free terrestrial platform. The European Commission was consulted with regard to granting this aid, and it is enshrined in the Law on electronic media. In accordance with Article 60(1)(14¹) EPLL, the NEPLP 'shall approve the list of the television programmes to be disseminated to end-users via digital terrestrial broadcasting free of charge. The criteria for the inclusion of electronic media programmes in the list of television programmes to be distributed to end-users via digital terrestrial broadcasting free of charge shall be defined in the national strategy for the development of the electronic media sector'. Pursuant to Article 60(1)(14²) EPLL, the NEPLP 'shall arrange for the terrestrial broadcasting of the programmes included in the list of television programmes to be digitally disseminated to end users via terrestrial transmitters free of charge'. In accordance with Article 13(7) EPLL, 'when concluding an agreement with the State limited company Latvijas Valsts radio un televīzijas centrs, the National Radio and Television Council shall ensure that payments are made from the funds provided in the State budget for the provision of television programmes to be digitally disseminated to end users via</p>

terrestrial transmitters free of charge, in line with the provisions for monitoring aid for commercial activity. [...]’ Thus, payments made by the NEPLP to the State limited company Latvijas Valsts radio un televīzijas centrs constitute State aid to electronic media broadcasting on the free terrestrial platform. Public television broadcaster VSIA Latvijas Televīzija broadcasts on the free terrestrial platform, as do commercial electronic media providers which obtain the rights to broadcasting on the free terrestrial platform by means of a tendering procedure for a period not exceeding five years. After the closure of the tendering procedure, these electronic media providers must conclude a licensing agreement with the NEPLP and ensure that their programmes comply with the requirements of Article 61(2) EPLL: ‘[...] In the tendering procedure priority must be given to electronic media programmes which ensure that at least 20% of the weekly broadcasting time is used for European audiovisual works originally produced in Latvian. *The National Radio and Television Council may include other criteria in the tender specifications that meet the democratic, social and cultural needs of society.* [...]’

To ensure the implementation of the licensing agreements, the commercial electronic media providers must submit a quarterly report to the NEPLP on the performance of the licensing agreement, and once a year the NEPLP, in cooperation with the Public Advisory Council and with the involvement of experts, carries out a more in-depth evaluation of the programmes broadcast by the commercial electronic media providers on the free terrestrial platform.

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

The entrustment to perform a public service remit is laid down in Article 5(3) EPLL, with more detail on the tasks of the public service remit package specified in Article 71 EPLL (this article was applicable until 4 August 2021, when the Public Electronic Mass Media Council (‘SEPLP’) in its full composition was established). The delegation to commercial electronic media providers to carry out the public service remit is contained in Article 71(2) LEM. In this case, the public service provider was determined by means of a competitive tendering procedure, followed by the conclusion of an agreement on the production of programmes for public broadcasting. The procedure for forming the public service remit for commercial electronic media providers was laid down in the Statute on the procedure for the formation and evaluation principles of the part of the public service remit performed by commercial electronic media, available at:

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

Commercial electronic media providers obtain the rights to broadcasting on the free terrestrial platform by means of a tendering procedure, following which licensing agreements are concluded.

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

Up until 2021, the implementation of the public service remit was made available to commercial electronic media providers by means of a tendering procedure, usually for one budget year or a shorter period.

In accordance with the provisions of the EPLL, commercial electronic media providers obtain the rights to broadcasting on the free terrestrial platform by means of a tendering procedure for a period not exceeding five years, following which the NEPLP concludes agreements setting out the conditions that the programmes must comply with when broadcasting on the free terrestrial platform.

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

Commercial electronic media providers are assigned special rights.	
Which aid instruments have been used (direct subsidies, guarantees, etc.)?	
A State budget grant, i.e. direct subsidies.	
Typical compensation mechanism as regards the respective services and whether a methodology based on cost allocation or the net avoided cost methodology is used.	
<p>The cost allocation method is used, taking into account all the costs necessary to provide the SGEI.</p> <p>As regards the implementation of the public service remit by commercial electronic media providers, the National Radio and Television Council applied the Statute on the principles governing the use of the financing for that part of the public service remit performed by commercial electronic media, available at: https://www.neplpadome.lv/lv/sakums/komercialie-mediji/komercialas-televizijas/sabiedriskais-pasutijums.html. An assessment was made of the use of State budget subsidies for specific projects on at least a quarterly basis. In the event of the inappropriate use of the subsidy, a repayment was requested or the amount of the subsequent payment was reduced.</p> <p>The costs of the free terrestrial platform are fixed depending on the number of programmes broadcast. The amount of funding needed is determined when drawing up State budget funding and the its implementation depends on the broadcasting that actually takes place (e.g. no power failures or intermittent broadcasting). Once a month, the State limited company Latvijas Valsts radio un televīzijas centrs harmonises the reports on the uptake of the actual funding with the NEPLP and electronic media providers that broadcast on the free terrestrial platform. Unused funds are returned to the State budget.</p>	
Typical arrangements for avoiding and repaying any overcompensation.	
<p>The State budget subsidy is approved in the annual Law on the State Budget. The National Radio and Television Council approves the planned amount of own revenue.</p> <p>The Law on Budget and Financial Management provides that subsidies from the State budget which have not been used in a given financial year are to be returned to the State budget.</p>	
A short explanation of how the transparency requirements (see Article 7 of the 2012 SGEI Decision) for the aid above 15 million euro to undertakings that also have activities outside the scope of the SGEI are being complied with. In your answer please also include some relevant examples of information published for this purpose (e.g. some links to websites or other references), indicate whether you have a central website on which you publish this information for all aid measures concerned in your Member State (and if so provide the link to this website), or alternatively explain if and how the publication takes place at the level granting the aid (e.g. central, regional or local level).	
The aid granted did not exceed the threshold referred to in the SGEI decision.	
Amount of aid granted	
Total amount of aid granted (in millions EUR). This includes all aid granted in your territory, including aid granted by regional and local authorities. (A+B+C)	
2020	2021
3.224	2.483

A: Total amount of aid granted (in millions EUR) paid by national central authorities	
2020	2021
3.224	2.483
B: Total amount of aid granted (in millions EUR) paid by regional authorities	
2020	2021
0	0
C: Total amount of aid granted (in millions EUR) paid by local authorities	
2020	2021
0	0
Share of expenditure per aid instrument (direct subsidy, guarantees etc.) (if available)	
2020	2021
100% of cases – direct subsidy	100% of cases – direct subsidy
Additional quantitative information (e.g. number of beneficiaries per sector, average aid amount, size of the undertakings)	
2020	2021
Number of beneficiaries – 23	Number of beneficiaries – 12

5. DESCRIPTION OF THE APPLICATION OF THE 2012 SGEI FRAMEWORK

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

6. COMPLAINTS BY THIRD PARTIES

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

No complaints from third parties have been received with regard to measures covered by the SGEI decision.

7. MISCELLANEOUS ISSUES

- a. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Decision and ask you to in particular consider the following issues:
- drawing up an entrustment act that complies with Article 4 of the SGEI Decision;
 - specifying the amount of compensation in line with Article 5 of the SGEI Decision;
 - determining the reasonable profit level in line with Article 5(5)-(8) of the SGEI Decision;
 - regularly checking overcompensation as required by Article 6 of the SGEI Decision;

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

During this period, we have not encountered difficulties in applying the SGEI Decision. At the same time, we have consulted with the European Commission on various questions relating to defining a service as an SGEI and the application of the SGEI decision.

We have not encountered difficulties in applying Article 4 of the SGEI Decision in relation to healthcare. However, specifying the amount of compensation in line with Article 5 of the SGEI Decision poses a problem, i.e. given the limited State budget funding for the health sector, the tariffs specified under certain headings of Cabinet Regulation No 555 of 28 August 2018 on the organisation and financing of health care do not cover the costs of providing the services, so the compensation granted is smaller than is actually necessary. Moreover, in view of the limited State budget funding for the health sector, it is not possible to include a reasonable profit level in the amounts of compensation for healthcare establishments, which results in problems determining a reasonable profit level in line with Article 5(5)-(8) of the SGEI decision. By contrast, there have been no difficulties related to regularly checking overcompensation as required by Article 6 of the SGEI Decision as, due to the limited State budget funding for the health sector, overcompensation has not been possible.

- b. We kindly invite you to indicate whether your authorities have experienced difficulties in applying the 2012 SGEI Framework and ask you to in particular consider the following issues:
- carrying out a public consultation in line with paragraph 14 of the SGEI Framework;
 - complying with public procurement rules in line with para 19 of the SGEI Framework;
 - determining the net avoided cost as required by paras 25-27 of the SGEI Framework;
 - determining the reasonable profit level in line with paras 33-38 of the SGEI Framework;

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

n/a

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

An aid provider in the healthcare sector has identified that the requirement to distinguish aid for SGEIs where the beneficiary provides more than SGEI services alone entails a significant investment of administrative resources on the part of both the aid provider and the beneficiary, even though, in a number of cases, non-SGEI activities represent an insignificant proportion of five per cent or less. It would therefore be necessary to assess and determine the permissible share of non-SGEI activities

and the conditions under which the above requirement could be waived so as not to affect competition and simplify the management of the aid.

SGEI Decision in your Member State		Total amount for whole Member State	
		2020	2021
Article 2(1)(b)	Hospitals providing medical care, including where applicable emergency services	€ 714.133.976,00	€ 1.142.419.702,00
Article 2(1)(c)	Health and long-term care	€ 310.290.415,00	€ 529.069.884,00
	Childcare		
	Access and reintegration into the labour market		
	Access and reintegration into the labour market		
	Social housing		
	Care and social inclusion of vulnerable groups		
	Other social services		
Article 2(1)(d)	Air or maritime links		
Article 2(1)(e)	Airports and ports	€ 1.288.727,00	€ 1.079.816,00
Article 2(1)(a), less then EUR 15 million per year	Postal		
	Energy	€ 14.989.100,00	€ 13.475.395,00
	Waste collection	€ 22.356.239,00	€ 4.448.574,00
	Water supply	€ 62.648.562,00	€ 71.031.267,00
	Culture		
	Financial services		
	Other	€ 3.224.411,00	€ 2.483.281,00

SGEI Framework in your Member State	Total amount for whole Member State	
	2020	2021
Postal		
Energy		
Waste collection		
Water supply		
Air or maritime links		
Airports and ports		
Culture		
Financial services		
Other		