

**Explanatory document on the Annual Implementation Report 2020 (AIR) for the operational programme “Growth and Employment” in line with comments from the European Commission<sup>1</sup>**

Subject: Observations related to the Annual Implementation Report 2020, Article 50(7) of Regulation (EU) No 1303/2013  
CCI 2014LV16MAOP001, Operational Programme "Growth and Employment"

No	EC's comment	Explanations by the Managing Authority (MA)	Corrected AIR section/subsection
1.	The Commission is concerned with the pace of implementation in the following priority axes:		
1.1.	- the priority axis 2 (ICT availability, e-government and services) with the ERDF: while a project selection is at the level of 91,9%, the expenditure is only at 36,6%;	Most of the information and communication technology (ICT) projects in priority axis (PA) 2 have a 36-month life cycle with bigger payments in the middle and end stages of the projects. Due to multiple stages of coordination about content of the projects (before submitting projects to the Financial and Contracting Agency (CFCA), they should be approved by the Ministry of Environmental Protection and Regional Development), a lot of ICT projects have been launched only in 2018, therefore all payments have not yet been carried out. Moreover, for instance, also reallocation of funding between ICT projects to mitigate Covid-19 crisis has caused certain delays in implementation and consequently also progress in payments. Nevertheless, payments till 31.07.2021. have reached 54,8% (~10% increase in 2021).	n/a
1.2.	- the priority axis 4 (transition to a low-carbon economy in all sectors) for the Cohesion Fund, the project selection is at the level of 56,4% and expenditure at the level of 35,1% and a project selection for ERDF is 105,4% but expenditure is only 35,1%.	Implementation of Cohesion Fund (CF) within PA4 has been greatly affected by progress of the major project “ <i>Purchase of electric trains for the provision of the necessary urban and suburban passenger transport services by rail in Riga and Pieriga</i> ” which has a 30% share of CF funding for whole PA4. After preparation of the project application, including necessity for involvement of JASPERS experts, it was submitted to the CFCA in February 2021. The project application was submitted for evaluation to JASPERS IQR on 2 <sup>nd</sup> of July 2021. It is planned that contract on project implementation will be signed in 2022 and payments to the Financial Beneficiary respectively - in 2022 and 2023. It should be noted that on 30 <sup>th</sup> of July 2019, JSC “Pasažieru vilciens” signed agreement with ŠKODA VAGONKA AS for purchase of new electric trains, the project implementation is in the process. In Q3 2019, JSC “Pasažieru vilciens” has paid first advance payment to ŠKODA VAGONKA AS, a payment request in the amount of 17,1 mEUR will be submitted to the CFCA after approval of the major project and signing of the project agreement.  As regards progress within the PA4 of ERDF the amount of payments made as to July 2021 exceeds 59% at national level, which is the same achievement statistically in the operational program	n/a

<sup>1</sup> EC letter Nr. Ares(2021)4170229 of 26.06.2021.

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		<p>"Growth and Employment" (OP) on average. However regarding the expenditure declared to the EC there are still some payments withheld in the SO 4.2.1.1 energy efficiency of PA4 ERDF for gaining full assurance about improvements and appropriate project management. Once the absence of risks is ensured, the project expenditure will be submitted to the EC in the next payment applications.</p>	
2.	<p>Section 2. Overview of the implementation:</p> <p>The overview of implementation states that two output indicators more than last year (16/30) have been reached (or reached the 65% threshold) whereas last year's AIR states that 15/30 indicators have reached their target in 2019. This would imply that it is by one indicator more than a year ago, instead of two. Please provide an explanation for this difference or correct.</p>	<p>The data for AIR2019 stem from the target values set in the OP in force for the reporting period. For the output indicator i.9.1.1.ak (CO01; unemployed, including long term unemployed) the target value for 2023 was 25 000 while the achieved value was 21 708, that is 87% of the OP target. By OP amendments No 6 (approved by the EC on 20<sup>th</sup> of July 2020), the target value was increased to 46 393 persons and therefore with the achieved value of 23 551 persons the overall achieved percentage dropped to 51% which is the reason for indicator i.9.1.1.ak being among those indicators below 65% threshold for the year 2020.</p>	n/a
3.	<p>Section 3.1. Implementation of the Priority Axis:</p> <p>Further explanations are needed regarding the overall implementation of PA9 on social inclusion and poverty reduction, in particular against the background of the CSRs and the European Pillar of Social Rights Action Plan, in line with the Porto Declaration. This is the lowest performing component with respect to average output indicators achievement, reaching 43% of 2023 targets. Even though</p>	<p>As regards achievement of output indicators the overall implementation of PA9 should be viewed in the light of each sector supported. Due to substantial increase in the target value of indicator i.9.1.1.ak (unemployed, including long term unemployed) in mid-2020 by the OP amendments, the previously reported value dropped from 87% in AIR2019 to 51% in AIR2020 (for more detailed information see explanation in point 2). Some pending indicators (i.e. due to impact of Covid-19) in such specific objectives (SO) as 9.1.1.1., 9.1.1.3., 9.1.3., 9.2.2.2. for ESF investment and 9.3.1., 9.3.2. for ERDF investment is the reason for a comparatively low average performance as of the data input cut-off date (8<sup>th</sup> of March 2021) of the values reported in the AIR2020.</p> <p>Moreover, the progress in 2021 is substantial, i.e. the achieved values for indicators such as i.9.2.2.f (funding mechanisms for community-based social services developed); i.9.2.2.g (mechanism for assistant service developed) and i.9.1.1.b (social enterprises supported) have increased from zero reported in the AIR2020 up to 50%, 100% and 88% of the target 2023 value.</p> <p>In response to health crisis and respective decrease in demand for subsidized employment in SO 9.1.1.1. (subsidized working places for disadvantaged unemployed) and in order to maintain the most efficient investment of financial resources by amendments in OP No 7 it was proposed to</p>	n/a

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	<p>Latvia justifies lower numbers by the decreased demand for subsidized employment and the need for a more efficient use of resources, more detailed justification is needed. Specifically, the AIR 2020 states that the Ministry of Welfare is looking into ways of more efficient use of resources. Please provide more detail on the potential solutions that the Ministry is considering.</p>	<p>reallocate 7 mEUR (ESF funding 5,9 mEUR) from SO 9.1.1.1. to SOs within which support measures must be intensified. The OP amendments foresee:</p> <ul style="list-style-type: none"> <li>• reallocation of 4,5 mEUR (ESF funding 3,8 mEUR) to SO 7.1.1., to raise the qualification of the unemployed and improve their skills according to the demands of the labour market, by increasing the number of available training programs and intensifying the involvement of the target group in the according measures;</li> <li>• additional 2,5 mEUR (ESF funding 2,1 mEUR) support is aimed at development of social enterprises within SO 9.1.1.3., which will help to boost employment of such target groups as persons at risk of social exclusion, including disabled persons, people with mental disorders, disadvantaged and long-term unemployed, older people out of work, and maintain the system of already created social enterprises. Early in 2021 under health crisis a considerable growth in number of social enterprises registered (consequently applying for financial support) was observed. In line with the reallocation of financing the target value of the output indicator for i.9.1.1.ak (unemployed, including long term unemployed) has been decreased by 11 610 persons and increased by 35 for i.9.1.1.b (supported enterprises).</li> </ul> <p>Justification for the aforementioned solutions have been provided to the EC in supporting documentation for OP amendments which were approved by the EC on 30<sup>th</sup> of June 2021 (after approval by the Monitoring Committee and the Cabinet of Ministers on 8<sup>th</sup> of June 2021 (<u>Minutes of meeting of the Cabinet of Ministers on 08.06.2021. (mk.gov.lv) No. 46 32. § (in Latvian); <a href="https://www.vestnesis.lv/op/2021/113.5">https://www.vestnesis.lv/op/2021/113.5</a>).</u></p> <p>In addition, please see information by the Ministry of Welfare: Introduction of the following support measures are under way: the target group of SO 9.1.1.1. under health crisis is addressed by developing more flexible measures for paid temporary community work and extension of the period for support (starting from 1<sup>st</sup> of May 2021 the support for temporary public employment has been extended from three to six months; monthly remuneration was increased from 200 EUR to 250 EUR). Training system is adapted to the new realities and new e-training measures are planned to be introduced. Wage subsidy schemes are re-designed to support companies in retaining employment and creating new jobs. It is also planned to expand the measures available to people with disabilities under SO 9.1.1.1., to foster cooperation with employers to create more subsidized workplaces and expand the target group for training measures (including people facing the risk of unemployment).</p>	

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4.	<p>Section 3.2. (Common and programme specific indicators):</p> <p>There remain multiple cases where cumulative specific result indicator values remain zero (e.g. r834a, r835a and r836a). It is not clear why, for example, r834a on the “number of general education institutions that have introduced an individual approach to the development of learners’ competences” remains at zero, if already 527 general education institutions have received ESF funding at this stage of the Operational Programme. Please provide justification for this and similar cases where specific result indicators remain zero</p>	<p>Frequency of reporting values is the end of project implementation for specific result indicators r.8.3.4.a, r.8.3.5.a and r.8.3.6.a as stipulated in the OP (please see details in OP tables No.2.8.12. (4), No.2.8.13. (4), No.2.8.14. (4) - ESF specific result indicators, link: <a href="https://www.esfondi.lv/upload/EK%20programmas/dp-30.06.2021.pdf">https://www.esfondi.lv/upload/EK%20programmas/dp-30.06.2021.pdf</a>) and similarly in the methodology descriptions of indicators for SOs. The projects implemented in SO 8.3.4., SO 8.3.5. and SO 8.3.6. have not been completed as yet. As the completion of the aforementioned projects is planned until the end of 2022 and 2023, the cumulative values for the specific result indicators will be reported in the forthcoming AIRs.</p> <p>According to the OP and methodology descriptions similar reporting frequency of specific result indicators for ESF is also in SO 8.2.1.(r.8.2.1.d) for the new study programmes accredited by the EQAR Agency as well as in SO 8.2.3. (r.8.2.3. a) and SO 8.2.4. (r.8.2.4.a) for higher education institutions.</p>	n/a
5.	<p>Section 3.3. (Performance framework) and Section 3.4. (Financial data):</p> <p>5.1. In table 5, the ESF financial indicator cumulative value for PA8 in 2020 is 57,633,055.63 EUR, which is 19.4% of the 2023 target value and is lower than in the 2019 AIR (65,135,667.51 EUR or 23.8% of the 2023 target value). Please provide explanations on why has the cumulative value decreased from last year.</p> <p>5.2. In table 6, the amount of ESF total declared expenditure for PA8 in</p>	<p>Thank you for noting – this is technical data input error. Please see in the new version of the AIR in the table 5 (in SFC2014) the properly corrected and verified 2020 Total data regarding financial indicator PA8 ERDF and PA8 ESF, respectively - 236 023 608,55 EUR and 115 981 949,36 EUR.</p> <p>Similarly, after re-verifying the data, values for PA4 ERDF, PA4 CF and PA9 ERDF are corrected in Table 5 (in SFC2014) to be, respectively, 133 350 135,82 EUR, 120 115 344,49 EUR and 57 633 055,63 EUR.</p>	Table 5

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	2020 is 122,116,018.35 EUR, corresponding to 41.08%. Please provide explanations on the large gap between this figure and the financial indicator value for PA8 in table 5 and whether the financial figures for PA8 in table 5 have been wrongly encoded to reflect annual and not cumulative values		
5.3.	PA9: the financial indicator value in table 5 exceeds that in table 6. Please explain the reason.	<p>The data is correct. Financial indicator in Table 5 contains payments to Final Beneficiaries included in the payment applications submitted to the EC until 31.12.2020. To mitigate eligibility risks and ensure sound financial management, some payments to Final Beneficiaries are excluded from the accounts at the end of an accounting year after being previously included in a payment application to the EC. When and if the payment is deemed eligible, it is once more included in the next payment application to the EC. Thus a situation occurs where the same payment is included in more than one payment application to the EC, increasing the financial indicator as the accounts and corrections included in the accounts are not used for calculating financial indicators*.</p> <p>However, in Table 6 "Total expenditure declared to the managing authority" each payment to Final Beneficiaries is accounted for only once – when approved by the CFCA as the cooperation authority.</p> <p>*EGESIF_18-0021-01; 19.06.2018 "Guidance for Member States on Performance framework, review and reserve": For all ESI Funds except the EAFRD, the financial indicator relates to the total amount of eligible expenditure entered into the accounting system of the certifying authority and certified by the authority in line with Article 126(a) CPR. (CPR 126 a): " The certifying authority of an operational programme shall be responsible in particular for: (a) drawing up and submitting payment applications to the Commission, and certifying that they result from reliable accounting systems, are based on verifiable supporting documents and have been subject to verifications by the managing authority;"</p>	n/a
<b>Additional EC's questions (EC's e-mail of 28.06.2021. sent from Joanna Olechnowicz to Diāna Rancāne)</b>			
6.	Covid indicators: Latvia do not report on covid indicators in the AIR 2020. We think that it is the case because there is no data available yet to report. Is our understanding correct? Or are there other reasons? May I kindly	<p>The values for Covid-19 indicators were not available on the cut-off date (8<sup>th</sup> of March 2021) for the AIR2020.</p> <p>Please be informed as to the progress for Covid-19 indicators (information provided by the final beneficiary - Ministry of Health):</p> <p>1) Regarding indicator i.9.3.2.c (CV12) there is a comment provided in table 3A of the AIR2020: The value for the indicator will be reached in 2022;</p>	n/a

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	ask to share information with us so we can inform colleagues dealing with monitoring, please?	<p>2) Regarding indicators i.9.2.7.a (CVHC) and r.9.2.7.a (CVR1), on 20.03.2021 project “<i>Support for medical staff in Riga</i>” was contracted indicating the first planned values. The First achieved values will be recorded indicatively in September 2021;</p> <p>3) Regarding indicators in PA1, after the OP amendment No 7, these indicators were removed from the OP.</p>	
7.	Implementation of the broadband: regarding additional households with broadband access of at least 30 Mbps colleagues note that the first achieved indicator values are planned for 2022 although the operations have been selected in 2016. They wish to understand why only in 2022? May I kindly ask what we could tell them, please?	<p>Values for indicator I.2.1.1.ak (CO10<sup>2</sup>; number of households with internet access with a download speed of at least 30 Mb/sec.) within the project “<i>Improvement of accessibility of electronic communications infrastructure in rural areas</i>” are to be reported only after the implementation of the project . Within e-mail exchange between MA and EC (EC`s response of 11<sup>th</sup> of May 2021 to the MA`s letter of 27<sup>th</sup> of April 2021 with questions regarding the reporting and measurement of this indicator) the EC clarified that: “<i>The indicator should measure the actual number of additional households with an actual improved internet access possibility. In other words, connectable households should represent only those that have as result of the support capacity to access by having a commercial offer by service provider in their territory</i>”. Regarding this question at the Annual review meeting 2021 we will propose potential OP amendments to ensure that corrected values are reported in the following AIRs.</p> <p>At the end of 2020 the implementation progress within the project was: 1688 km optic fiber built, and 159 internet access points created.</p>	n/a

<sup>2</sup> Number of households with internet access with a download speed of at least 30 Mb/sec and who before only had more limited access or did not have access at all. The capacity to access must be a direct consequence of the support. The indicator measures households with the possibility to access, not whether the people living in the households actually choose to be connected or not.