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Mr Andžs Ūbelis
Deputy State Secretary
Ministry of Finance
Smilšu ielā 1
LV-1919, Rīgā
Latvia

VIA SFC 2007

Subject: Observations on the Annual Implementation Report (AIR), article 67§4 of EC Regulation 1083/2006

Ref.: Operational Programme 2007LV161PO002 'Infrastructure and Services' Annual Implementation Report 2008

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Dear Mr Ūbelis,

On 16.06.2009 the Commission received the Annual Implementation Report 2008 for the Operational Programme (OP) Infrastructure and Services, which has been approved by the Monitoring Committee on 28.5.2009.

On 26.06.2009 the Commission declared the Annual Implementation Report admissible.

In line with article 67§4 of EC Regulation 1083/2006, the Commission services have now finalised the qualitative assessment of the report.

The overall conclusion is that in 2008, the implementation of the programme on the ground has been slow, a very limited number of projects have actually been started across priorities. On the other hand some fields describe very high achievement of targets already at this stage, in particular in the health sector and technical assistance.

As in the report on the OP "Infrastructure and Services" a very clear picture is given on the bottleneck created by the need to have decisions on selection criteria adopted by the Cabinet of Ministers. While the progress for decisions by the PMC is good, it turns out that the Cabinet of Ministers has only approved half the decisions taken by the PMC. We need to remind that the monitoring Committee has to adopt the final version of the selection criteria.

It is also worrying that a great number of projects are reported as being approved, but far less have been able to be contracted, partly because private companies fail to obtain credits to co-finance their part in the budget, according to information relating to the year 2009. It is suggested to evaluate this situation for the report 2009.

In order to avoid difficulties in later stages of implementation and in view of the economic and budgetary crisis, I encourage the Managing Authority and the Latvian government to take all the necessary measures to speed-up the approval of the decisions and the start and the implementation of the projects.

Following our assessment of the report for the year 2007 we made a number of suggestions, of which some have not completely been satisfied. I would therefore like to recall the elements, which should be provided before the Annual Implementation Report is deemed satisfactory or which should be covered in the next report for the year 2009.

Information to be provided before end of September 2009

We would like to be better informed on the role of the Managing Authority in particular when developing and monitoring guidance on equal opportunities and sustainability but also for the other 4 horizontal priorities.

In general the co-ordination between ministries seems to merit efforts of improvement. Would you please outline what steps will be taken in order to strengthen the role of the Managing Authority as co-ordinator of the various ministries? This should in particular be the case for increasing synergies between and timing of activities.

For chapter 2.3 we had suggested a risk assessment. The report identifies the issue of ownership and describes the steps taken to limit the risk. We believe that, considering the economic situation, the delay in implementation and the budgetary difficulties and other important risks have been identified by the Managing Authority before the end of 2008 and we would like that they would be reported with the remedial actions taken in order to reduce the negative impact. Of interest in the context for Directorate General for Regional Policy are the efforts by the Managing Authority to secure national budgetary provisions for the programme implementation.

We suggest including a statement by the Managing Authority that the relevant provisions of European Union law have been respected when implanting the programme.

In chapter 2.6 the complementarities with other instruments is described, however the contribution of the European Investment Bank should also be mentioned here, as it has been described in 2.3. In general the chapter should be widened and give more information on the co-ordination of European Regional Development Fund and Cohesion Fund interventions with support from other European Union funds (including in particular TEN and Natura 2000 and EU programmes in the field of education and youth) and international support to Latvia.

As far as they are still available also the national instruments which are active in the same fields as the ERDF should be briefly described, in particular in how far the ERDF complement or substitute these national instruments.

While the description in chapter 2.4 is correct on what has been submitted as a programme modification proposal, the final outcome of this modification is still open.

In chapter 2.6 the complementarities with other instruments is described, however the contribution of the EIB should also be mentioned here, as it has been described in 2.3.

Chapter 2.7 covers the management and control systems. Please would Latvia clarify if indeed all projects are subject to three on the spot controls, as claimed in chapter 2.7.3.2? Please would Latvia also include verification of the publicity requirements in the described check lists? The chapter on progress in priorities contains table 8, where we would ask you to verify the calculation method for the objectives reached, as the proportion of achieved indicator in % is unclear.

The programme contains activities in favour of renewable energy. Would it be possible to give supplementary information on what has been undertaken for these, or if no projects have been created, the reasons for this.

The Commission is worried about the lack of progress on the development of the Riga Mobility Plan, which is a precondition for some major projects. We are aware of the financing for this plan being allocated from a different programme, given the importance of the plan for some projects the report should analyse why there has been no progress made and the impact of this.

It is necessary that the Commission is informed on the content of problems detected in verifications. This is of high relevance with regard to procurement issues. Could you please inform us on the concrete shortcomings in this field? It is mentioned that one activity, 3.2.2.1.2 (Development of IT in educational establishments) has been subject to a prohibition by the public procurement bureau due to violations of rules. More information and reporting of this case as an irregularity are required.

Chapter 4 updates the list of major projects to be financed under the programme. Would you please supplement the report with a justification why the majority of envisaged projects with water services (in Riga, Jelgava and Ventspils) are cancelled? We also had to note, that none of the Major Projects envisaged for submission in 2008 has been handed over to the Commission in 2008. Suggestions how to reduce the delay in major project submission is necessary as major projects are the bulk of expenditure for the Cohesion Fund and need to be submitted as early as possible. The annex describing the support by JASPERS is indicating that some projects were assessed with JASPERS assistance already in 2007 and should have been ready for submission soon afterwards. No information is provided why these projects have not been submitted yet.

At the very end of our comments on last years report we recommended that the future Annual Implementation Reports conclude with a number of conclusions/recommendations to be adopted by the Monitoring Committee and that could automatically serve as the starting point for the agenda of the Annual Examinations of programmes. Among these recommendations, proposals for commissioning evaluations should be provided, as it is the duty of Monitoring Committee to decide on these. As this years report did not include such a chapter, we maintain our request. We also would like

to see suggestions from the side of the Managing Authority for the implementation of the programme. Here the co-operation between line ministries would merit some more thoughts.

The Commission would expect to have the requested additional information available before the Annual Examination.

Information to be provided in the next Annual Implementation Report

We are pleased with the reporting on the management verifications systems set up, but we look forward to see in the Annual Implementation report 2009 how these systems work and the results of the verifications and their analysis when more projects are implemented.

In Chapter 2.1, we expect for next year that the report on the Lisbon Policy links of the programme and horizontal priorities will use not planned, but real expenditures under the OP.

For chapter 2.3 we would like to see more developed risk management approach and corrective and preventive measures.

Furthermore there is a new element which needs to be covered in the next reporting: the contribution of the programme to the implementation of the Baltic Sea Strategy. I would ask you to consider options for reporting on the Operational Programmes role in bringing forward the Baltic Sea Strategy.

Yours sincerely, *and best regards,*


P.O. Charfina Vitcheva

Copies: Ms Zencova (Ministry of Finance)
Mr Kintzele (Employment, Social Affairs and Equal Opportunities Directorate-General, Unit B2)
Mr Kissmeyer-Nielsen (Agriculture and Rural Development Directorate-General, Unit F2)
Mr Spagnolli (Maritime Affairs and Fisheries Directorate-General, Unit E3)
Mr Lopez Lledo (Regional Policy Directorate-General, Unit A3)
Mr Grant (Regional Policy Directorate-General, Unit B3)
Mr Lange (Regional Policy Directorate-General, Unit D1)
Mr Pinto (Regional Policy Directorate-General, Unit J4)