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Subject: COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Latvia

COUNCIL IMPLEMENTING DECISION

of ...

on the approval of the assessment of the recovery and resilience plan for Latvia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹, and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 57, 18.2.2021, p. 17.

Whereas:

- (1) The COVID-19 outbreak has had a disruptive impact on the economy of Latvia. In 2019, the gross domestic product (GDP) per capita of Latvia was 51,0 % of the Union average. According to the Commission's spring 2021 forecast, the real GDP of Latvia declined by 3,6 % in 2020 and is expected to decline by 0,3 % cumulatively in 2020 and 2021. Long-standing aspects with an impact on medium-term economic performance include in particular the tax compliance, skills shortages, poor health outcomes and weak innovation performance.

- (2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Latvia in the context of the European Semester. In particular, the Council recommended Latvia to reduce taxation for low-income earners by shifting it to other sources, particularly capital and property, and by improving tax compliance and to continue progress on the anti-money-laundering framework. It also recommended Latvia to strengthen the social safety net and address social exclusion in particular by improving the adequacy of minimum income benefits, minimum old-age pensions and income support for people with disabilities, to increase the quality and efficiency of education and training, in particular of low-skilled workers and jobseekers, including by strengthening the participation in vocational education and training and adult learning, and to strengthen the resilience, accessibility, quality and cost-effectiveness of the health system, including by providing additional human and financial resources. It recommended Latvia to focus investment on the green and digital transition, in particular on research and innovation, clean and efficient production and use of energy, sustainable transport and digital infrastructures. With regard to combating the impact of the crisis, it recommended Latvia to provide adequate income support to the groups most affected by the crisis and to mitigate its employment impact, including through flexible working arrangements, active labour market measures and skills.

Finally, it recommended Latvia to strengthen the accountability and efficiency of the public sector, in particular with regard to local authorities and State-owned and municipal enterprises and improving the conflict of interest regime. Having assessed progress in the implementation of those country-specific recommendations at the time of submission of the recovery and resilience plan ('RRP'), the Commission finds that substantial progress has been achieved with regard to the recommendations on fiscal policy, anti-money-laundering, income support and on liquidity support to combat the impact of the crisis.

- (3) The Council Recommendation on the economic policy of the euro area recommended euro-area Member States to take action, including through their RRP, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council Recommendation also recommended euro-area Member States to strengthen national institutional frameworks, to ensure macro-financial stability, to complete the economic and monetary union and to strengthen the international role of the euro.

- (4) On 30 April 2021, Latvia submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. National ownership of the RRP underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.
- (5) The RRP should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094¹ in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.
- (6) The implementation of the Member States' RRP will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

¹ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433 I, 22.12.2020, p. 23).

Balanced response contributing to the six pillars

- (7) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.
- (8) The Latvia's RRP includes a balanced set of reforms and investments aimed at addressing the country's key challenges, stimulating recovery from COVID-19 crisis and laying the foundation for its long-term growth. The RRP includes 85 measures addressing Latvia's main challenges and the policy areas of European relevance, thus covering all six pillars. The RRP includes six components: green transition, digital transition, inequality reduction, health, productivity, and the rule of law. The components' objectives are complementary and the reforms leverage the impact of associated investments, in particular by bringing structural change and increasing the participation and financing from the private sector.
- (9) The RRP focuses on Latvia's main challenges that are the green and digital transitions, social exclusion, healthcare, regional disparities, digital skills and adult learning, and higher education, convergence and productivity growth, including research and innovation and support for business investments, and administrative capacity, including tax administration, public procurement and the judicial system.

Addressing all or a significant subset of challenges identified in country-specific recommendations

- (10) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Latvia, including fiscal aspects thereof, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (11) The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Latvia's RRP, notwithstanding the fact that Latvia has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact. Moreover, the recommendation to achieve the medium-term budgetary objective in 2020 is no longer relevant, due to both the lapsing of the corresponding budgetary period and the activation in March 2020 of the general escape clause of the Stability and Growth Pact in the context of the COVID-19 crisis.

- (12) The RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Latvia by the Council in the European Semester in 2019 and in 2020, in particular those in the areas of healthcare, such as the resilience, accessibility, quality and cost-effectiveness of the healthcare sector; education and skills, such as the quality and efficiency of the education system and digital skills; social inclusion, such as the minimum income benefits; research and innovation; investments, such as the green and digital transition, and affordable housing; public administration; and business climate.

- (13) Continued convergence remains Latvia's key challenge in terms of improving its population's living standards. The reforms and investments in skills, education and training, healthcare and social inclusion should contribute to improving Latvia's productivity and long-term inclusive growth. Significant investments are envisaged for upskilling and reskilling measures aimed to equip the workforce with the required skills and new affordable housing to improve regional labour mobility. Reforms and investments to enhance the resilience and accessibility of the health system, support the provision of integrated care services and raise the capacity of health institutions to adapt to crisis situations are included in the RRP. The RRP contributes to addressing the social challenges by further improving the minimum income support system, through an annual indexation mechanism and linking it to the development of the median income. Other investments in the accessibility and rehabilitation infrastructure for persons with reduced mobility and disabilities, as well as long-term care investments for elderly should also contribute to achieving progress in addressing current challenges.

- (14) The RRP significantly reinforces the investments in research and innovation and supports various public administration reforms. It also alleviates the socio-economic costs of the green and digital transitions, while taking into account regional disparities. The RRP aims to make a significant change in the fragmented innovation system governance and create sustainable innovation ecosystems, thereby fostering higher overall investment. Significant investments are planned for the green and digital transitions, including investments in energy efficiency, electricity grid modernisation, public sector IT systems, basic and advanced digital skills, both in the public and private sector. Measures improving intermodal transport infrastructure within and around Riga aim to facilitate labour mobility and help curb growing energy consumption and greenhouse gas emissions from passenger cars. To tackle regional disparities, the RRP builds on the administrative territorial reform and includes significant investments in industrial parks, municipal transport, road renovation, schools and affordable housing. Public administration accountability and efficiency should be strengthened through reforms and investments to fight the shadow economy and economic crime, improve the procurement system and innovation in the public sector. The RRP is expected to continue work on the implementation of the anti-money-laundering strategy by reforming the cooperation, information exchange and training systems between law enforcement agencies involved in the identification, investigation and trial of economic crimes, while strengthening their technical capacity.

Contribution to growth potential, job creation and economic, social and institutional resilience

- (15) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Latvia, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and young people, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.
- (16) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Latvia by 2 % by year 2026, not including the possible positive impact of structural reforms, which can be substantial. Latvia's Stability Programme for 2021 points to a clear additionality effect of the RRP as the public investment level is expected to be significantly above the pre-pandemic level that is 5,9 % of GDP on average over 2021 to 2024 compared with 5,1 % of GDP on average over 2017-2019.

- (17) Investments and reforms in green and digital infrastructure, regional development, research and innovation as well as extensive support schemes for business investment will bolster Latvia's growth potential over the medium to long term. Investments and accompanying reforms to the Riga transport system will boost the city's competitiveness and ability to attract investments and talent. Measures to foster private investments in wind energy will contribute to reaching renewable energy targets and becoming a competitive low-carbon economy. Business investment support schemes will accelerate Latvia's pursuit of higher export capacity and productivity growth, building on the fundamentals of industry, namely innovation, competition and a strong and well-functioning single market. Latvia's RRP envisages investments and reforms aimed at boosting the population's skills. Investments in housing and infrastructure for peripheral regions will strengthen Latvia's lagging regions' growth opportunities. Altogether, these measures address long-standing challenges of Latvia's economy: low innovation spending, a low uptake of modern technologies as well as significant regional disparities.

- (18) Investments and reforms with the view to improving social inclusion and healthcare are expected to strengthen social cohesion and social protection. The introduction of indexation of minimum income benefits should ensure that the benefits are annually adjusted to the wage growth, contributing to their adequacy. Combined with the increase of the minimum income threshold of not less than 20 % of the median income, these measures are expected to reduce income inequality and improve the effectiveness of social transfers, which have been identified as being among Latvia's most important social challenges. Furthermore, investments in the health infrastructure, combined with a reform aimed at attracting additional human resources to the health sector, are expected to improve the accessibility of healthcare, the lack of which has predominantly affected low-income earners and people living in peripheral areas.

Do no significant harm

- (19) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council¹ (the principle of 'do no significant harm').

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

(20) The assessment regarding the compliance with the principle of 'do no significant harm' provided by Latvia in its RRP has been carried out in accordance with technical guidance provided in the Commission Notice entitled 'Technical guidance on the application of "do no significant harm" under the Recovery and Resilience Facility Regulation'¹. It covers the six environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852, namely climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The environmental impact is assessed at measure level, that is to say one individual assessment per reform or investment. Where needed, Latvia has proposed the implementation of mitigating measures to avoid significant harm. This is particularly the case for flood protection measures, where the compliance with the principle of 'do no significant harm' has been ensured by including a specific milestone. Accordingly, investments in flood protection have to ensure strict compliance with Union environmental law and ensure the absence of harm to the status of water bodies. The renovation of roads is accompanied by an investment in decarbonised transport to prevent harm to the objective of climate change mitigation.

¹ OJ C 58, 18.2.2021, p. 1.

Contribution to the green transition, including biodiversity

- (21) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 37,6 % of the RRP's total allocation, calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in the National Energy and Climate Plan 2021-2030.

- (22) Latvia's RRP focuses particularly on sustainable mobility. The overhaul of the Riga Metropolitan area and the associated investment programme in greening urban public transport and infrastructure should contribute strongly to decarbonising the Latvian transport sector. The RRP also includes measures with a focus on the improvement of energy efficiency in multi-apartment and public buildings and businesses and the upgrade of the electricity grid. This should contribute to improving energy efficiency and reducing greenhouse gas emissions in the building sector. The RRP also focuses on climate change adaptation thanks to investment in flood prevention and fire prevention, which should directly contribute to the objective of adapting to the consequences of climate change. The RRP contains no measures having biodiversity as their objective. However, some of the measures for climate mitigation may also be beneficial to the preservation of biodiversity, as climate change is one of the main threats to biodiversity.

Contribution to the digital transition

- (23) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 21 % of the RRP's total allocation, calculated in accordance with the methodology set out in Annex VII to Regulation (EU) 2021/241.

- (24) The digital measures included in the RRP cover various aspects of the digital transformation encompassing public and private sector, skills and connectivity – with a focus on improving the competitiveness of the Latvian economy in the medium and long term. Poor basic digital skills, low uptake of digital solutions by businesses as well as a shortage of information and communication technology specialists are Latvia's key digital challenges, impacting on workforce availability, competitiveness, resilience, use of government e-services and innovation alike. In response, Latvia's RRP includes sizeable investments in basic and advanced digital skills. Latvia's RRP also includes measures for the digital modernisation of public administration and the digital transformation of public services, including centralised public solutions. The RRP addresses the challenges related to the digital transition also by supporting the digital transformation of businesses and creating a better environment for research and innovation with measures to improve the digitalisation of small and medium-sized enterprises as well as by creating the framework necessary for Latvia's participation in the network of European Digital Innovation Hubs. The RRP includes measures to deploy very-high-speed broadband, which should help further improve the digital infrastructure.

Lasting impact

- (25) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Latvia to a large extent (Rating A).

- (26) The implementation of envisaged reforms and investments is expected to bring structural improvements in the economy. The reform of the governance of the higher education institutions in particular should have a long-lasting impact on the quality of education and research in Latvia. Other measures include reforms aimed at fostering digitalisation and the support of digital skills, the reorganisation of municipalities, reform of the tax administration to reduce the shadow economy, and the centralisation and professionalisation strategy with regard to procurement. Structural improvements are also to be expected from the implementation of investments aimed at ensuring higher energy efficiency of buildings through renovation, investments in digitalisation, in support of the administrative territorial reform, in the health infrastructure of university and regional hospitals, in infrastructure for secondary outpatient service providers, and in infrastructure for industrial parks.
- (27) The lasting impact of the RRP can also be enhanced through synergies between the RRP and other programmes, including those financed by the cohesion policy funds, in particular by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

- (28) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.
- (29) The Latvian RRP presents an administrative organisation for the implementation process in Latvia, which should be ensured in the context of the existing national framework for the implementation of shared management funds. The RRP provides an overview of the monitoring and reporting processes envisaged and clearly identifies actors and their roles and responsibilities for the performance of the internal control tasks. The Ministry of Finance will be tasked with coordinating the implementation of the RRP, whereas the State Chancellery, line ministries and the Central Finance and Contracting Agency should be tasked with ensuring and monitoring the implementation. The milestones and targets are realistic and the proposed indicators are relevant and robust. The measures in the RRP are to some extent fragmented, resulting in a high number of milestones and targets. They tend to be back loaded towards 2026, especially in the cases of infrastructure investment and horizontal schemes for business investment.

- (30) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council¹ to assist Member States in the implementation of their RRP.

Costing

- (31) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

¹ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

(32) Latvia has provided individual cost estimates for all investments included in the RRP. The cost breakdown is generally detailed and well-substantiated. The estimates are based on comparisons with past investments of similar nature and on market and price analysis. The assessment of the cost estimates and inherent supporting documents show that most of the costs are well justified and reasonable. The amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent. Although the costs of most measures are deemed highly plausible (meaning the estimated cost is in the low to medium range compared to costs of similar reforms or investments), there are a limited set of measures for which the costing is deemed to be plausible to a low extent. Finally, the estimated total costs of the RRP are in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact.

Protection of the financial interests of the Union

- (33) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council¹.
- (34) The control system and arrangements proposed in the RRP are based on robust processes and structures used in the existing national framework for the implementation of structural funds. The RRP clearly identifies actors (bodies/entities) and their roles and responsibilities for the performance of the internal control tasks. The relevant functions are appropriately segregated. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate.

¹ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

- (35) The overall arrangements have been agreed by the Latvian Cabinet of Ministers on 18 August 2020. The adoption of further implementing acts is expected before the implementation of the RRP has started. This did not hinder the assessment of the described process and structures. The Latvian authorities should provide an update on the adoption of those acts and relevant obligations should be set out in the agreement to be concluded in accordance with Article 23(1) of Regulation (EU) 2021/241 (the 'financing agreement').
- (36) Latvia has indicated that existing IT tools might require amendment or new development, such as the RRF module in the Cohesion Policy Funds Management Information System (KPVIS), and the use of transitional IT tools in order to meet specific management and reporting requirements described in the RRP. In accordance with Article 20(5), point (e), of Regulation (EU) 2021/241, Latvia should implement this amendment of the existing IT tools in order to comply with Article 22 of that Regulation, by confirming the status of its implementation with the first payment request. Where such payment request is not fully based on the functionalities of the amended IT tools as described in the RRP, a dedicated audit report on the system should be undertaken. The report should analyse any related weaknesses found and corrective actions taken or planned.

Coherence of the RRP

- (37) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

- (38) Latvia's RRP is coherent, with consistent, mutually reinforcing reforms and investments, and synergies between the different components. The RRP contains measures for the implementation of reforms and public investment projects that represent coherent actions. The six components structure the investments and reforms and show their thematic relation and interlinkages well. Coherence is ensured within the components, with investments accompanying relevant reforms, as well as between the different components in the RRP. The components included in the RRP form a single framework for reforms and investments, the core task of which is to promote productivity, reduce inequalities, as well as promote the green transition and digital transformation. The six components are mutually reinforcing and coherent in their aims.

Equality

- (39) With regard to gender equality and equal opportunities for all, the RRP describes challenges in terms of gender equality and needs of persons with disabilities. The RRP also explains which investments are expected to contribute to overcoming the challenges identified. Latvia's RRP envisages the implementation of various measures to promote gender equality and equal opportunities. To address the specific needs of persons with disabilities, the RRP includes a measure to ensure accessibility of public and private buildings. In addition, all new public transport vehicles should be equipped with easy access for persons with reduced mobility. The situation of vulnerable groups is generally addressed, in particular in the area of health. The RRP also includes measures to improve educational opportunities for all school children. As regards gender equality, the RRP includes measures aimed specifically at female engagement in information and communication technology career opportunities, with a view to improving the gender balance of information and communication technology specialists. The labour market situation for female jobseekers is expected to be improved by targeted measures aimed at promoting the reconciliation of work and family life through the creation of remote and part-time work opportunities for households with children. The management and implementation of projects should ensure equal pay for work of equal value as well as diversity in management. In addition, the selection process of projects should be subject to the principle of non-exclusion and the obligation to combat any discrimination based not only on sex, but also on grounds of race or ethnic origin, religion or belief, disability, age or sexual orientation.

Security self-assessment

- (40) The RRP includes a general security self-assessment for each component and lists the measures that have a security dimension. While the Latvian security self-assessment is general, the RRP addresses cybersecurity and other digital security aspects. The self-assessment concludes that with the envisaged investments the security of the measures concerned would be strengthened.

Cross-border and multi-country projects

- (41) The RRP is contributing to various multi-country projects (MCPs) and planned important projects of common European interest (IPCEIs): the Via Baltica 5G corridor, the European Network of Digital Innovation Hubs, the European Common Data Infrastructure and Service (through the set-up of a potential IPCEI on Next Generation Cloud), Connected Public Administration, Genome Europe, Baltic States' X-ray image exchange system (Baxe), and microprocessor and semiconductor technologies. These projects are also funded by other programmes, such as the Digital Europe Programme and the Connecting Europe Facility, as well as by structural funds.

Consultation process

- (42) A series of thematic public consultations open to civil society organisations, social partners, local authorities and other stakeholders were organised between December 2020 and March 2021. Representatives from social partners, business organisations, local governments and other stakeholders took part in the discussion on the RRP between the Commission and the Latvian authorities. Partners' suggestions for the RRP are publicly available and have been published along with the RRP.
- (43) Stakeholders' engagement in the implementation is planned to be established through the management and control system used for the implementation of the cohesion policy support, where stakeholders' representatives form an integral part of the EU funds monitoring committee. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the RRP.

Positive assessment

- (44) Following the positive assessment of the Commission concerning Latvia's RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial support.

Financial contribution

- (45) The estimated total cost of the RRP of Latvia is EUR 1 826 000 000. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the RRP is lower than the maximum financial contribution available for Latvia, the financial contribution allocated for Latvia's RRP should be equal to the amount of the estimated total costs of the RRP without prejudice to an update of the RRP taking into account the maximum financial contribution in accordance with Article 18(2) of that Regulation.

- (46) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Latvia is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Latvia not exceeding the maximum financial contribution referred to in Article 11(1), point (a), of that Regulation should be made available for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.
- (47) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053¹. The support should be paid in instalments once Latvia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.
- (48) Latvia has requested pre-financing of 13 % of the financial contribution. That amount should be made available to Latvia subject to the entry into force of, and in accordance with, the financing agreement.

¹ Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

- (49) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1

Approval of the assessment of the RRP

The assessment of the RRP of Latvia on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2

Financial contribution

1. The Union shall make available to Latvia a financial contribution in the form of non-repayable support amounting to EUR 1 826 000 000.¹ An amount of EUR 1 640 779 642 shall be available to be legally committed by 31 December 2022. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Latvia that is equal to or more than EUR 1 826 000 000, a further amount of EUR 185 220 358 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Latvia that is less than EUR 1 826 000 000, the difference between the updated maximum financial contribution and the amount of EUR 1 640 779 642 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.

¹ This amount corresponds to the final allocation after deduction of Latvia's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

2. The Union financial contribution shall be made available by the Commission to Latvia in instalments in accordance with the Annex to this Decision. An amount of EUR 237 380 000 shall be made available as a pre-financing payment, equal to 13 % of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.
3. The pre-financing shall be released subject to the entry into force of, and in accordance with, the financing agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.
4. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Latvia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Latvia shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Addressee

This Decision is addressed to the Republic of Latvia.

Done at ...,

For the Council
The President
