

Implementation of the Recovery Fund Plan subject to assessment

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On Monday, 20 June, management representatives of the Ministry of Finance met the Executive Vice-President of the European Commission (EC) Valdis Dombrovskis in order to discuss the process of implementation of the Latvian Recovery Fund (RF) Plan and the first RF payment claim by Latvia to the European Commission for an amount of EUR 201 million (with deduction of prepayment or advance payment).

🗎 *The funds of the Recovery Fund will provide a substantial contribution to addressing challenges which are currently of particular relevance such as increasing energy efficiency and ensuring energy independence by synchronising the energy supply system with mainland Europe, as well as modernisation of the public transport system in order to ensure more convenient, faster and environmentally friendly public transport which meets the needs of the population," says the Minister of Finance Jānis Reirs.*

The MoF submitted the first RF payment claim to the EC in accordance with the established schedule on 17 June this year, with the first nine indicators specified in the RF Plan in the fields of rule of law, reduction of inequality and digital transformation being fulfilled. It is expected that the EC will examine the payment claim within two months by evaluating how Latvia has met the milestones and targets necessary for this payment.

Among the indicators met by Latvia in the field of reduction of inequality is the entry into force of the law on balancing the rights of tenants and landlords, which has been included as an indicator in the measure which is under the responsibility of the Ministry of Economics regarding the establishment of a Financing Fund for the construction of low-rent housing. An indicator within the scope of the measure under the responsibility of the Ministry of Education and Science has been met by defining the qualitative and quantitative criteria as regards the minimum number of learners and the availability of infrastructure with the aim of arranging the network of general secondary education establishments. The point which is under the responsibility of the Ministry of Welfare regarding the Social Services Improvement and Development Plan 2021-2024 has also been met.

In the field of the rule of law, including increasing the capacity of investigation of economic crimes, one should mention the adoption of criteria for determining risky market sectors, clients and purchases with the aim of improving the quality of procurement and reduce the risks of insufficient competition and preparation of low-quality documentation, which are under the responsibility of the MoF. Amendments to laws and regulations governing the public procurement to facilitate the competition have also been adopted. Furthermore, an indicator which is under the responsibility of the Ministry of the Interior, which provides for the entry into force of amendments to the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing, has been met.

Whereas, in the field of digital transformation, the adoption of a uniform model for "last mile" development, which is under the responsibility of the Ministry of Transport, should be noted. Considering the process of digital transformation in society, as well as the growing need, as a result of the pandemic, to carry out various processes (including in the field of education) remotely, the development of the last-mile infrastructure has a very significant impact on the general public, as it is envisaged to ensure internet access services with a considerably improved data transmission speed for a very large amount of data. Technical requirements for connected and automated driving have also been adopted. Apart from that, draft Cabinet Regulations regarding the procedure for organising and implementing the remote learning process have been approved thereby meeting the milestone of the measure "Reduction of the digital gap among socially vulnerable learners and in education establishments" established in the RF Plan.

In accordance with EU requirements, each member state is to submit payment claims to the EC within the established deadlines. The claimed payment is transferred to the state budget on the condition that certain targets and indicators specified in the RF Plan both in the form of reforms and investments have been met. Whereas, in order to receive the entire RF financing of

EUR 1.82 billion, Latvia has to achieve 214 targets and indicators in total by the end of August 2026, which are divided into six annual payments from the EC. Latvia plans to submit the largest payment claim in financial terms to the EC in 2023 for an amount of EUR 503 million, with 49 indicators being achieved.

For Latvia, 13% is deducted from each payment claim, thereby discharging the RF advance payment or pre-payment of EUR 237.4 million paid by the EC to Latvia in September 2021. Accordingly, although the first payment claim is for an amount of EUR 231 million, it is envisaged to pay EUR 201 million into the budget revenue of Latvia.

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