

LATVIA - RUSSIA
CROSS - BORDER COOPERATION PROGRAMME
2014-2020

Co-financed by the European Union and the Russian Federation

Contents

SECTION 1. INTRODUCTION	4
1.1. Regulatory framework	4
1.2. Programme preparation steps.....	4
SECTION 2. DESCRIPTION OF THE PROGRAMME AREA	7
2.1. Programme Territory	7
2.1.1. Core area	8
2.1.2. Adjoining area.....	8
2.1.3. Major social, economic or cultural centres	9
2.2. Population and demography	11
2.3. Regional economy	11
2.4. Business development.....	12
2.5. Tourism	13
2.6. Environment.....	15
2.6.1. Natural resources and their management.....	15
2.6.2. Waste management	17
2.7. Border crossing facilities	18
SECTION 3. PROGRAMME STRATEGY	21
3.1. The context of the Programme.....	21
3.2. Description and justification of the Programme strategy	23
3.3. Coherence with other Union-financed programmes and Latvian and Russian national and regional strategies	30
3.4. Lessons learnt from past cross-border cooperation programmes	32
3.5. Risk analyses and mitigation measures	34
3.6. Description of the chosen priorities and objectively verifiable indicators.....	37
„Business and SME development” (TO 1)	37
Priority 1.1. „Promotion of and support to entrepreneurship”	37
Priority 1.2. „Development and promotion of new products and services based on local resources”	38
„Environmental protection, climate change mitigation and adaptation” (TO6)	41
Priority 2.1. „Efficient management of nature objects”	41
Priority 2.2. „Joint actions in environmental management”	43
Priority 2.3. „Support to sustainable waste and waste water management systems”	45
Promotion of border management and border security, mobility and migration management (TO10).....	48
Priority 3.1. „Improvement of border crossing efficiency and security”	48
SECTION 4. CROSS-CUTTING ISSUES.....	54

4.1. Environmental sustainability	54
4.2. Gender equality, HIV/AIDS and democracy and human rights	55
SECTION 5. STRUCTURES AND APPOINTMENT OF THE COMPETENT AUTHORITIES AND MANAGEMENT BODIES	56
5.1. The relevant authorities and bodies	56
5.1.1. The Joint Monitoring Committee.....	58
5.1.2. The Managing Authority.....	59
5.1.3. National Authorities.....	62
5.1.4. The Joint Technical Secretariat.....	63
5.1.5. The Audit Authority.....	66
5.1.6. The control contact points.....	66
5.1.7. Overview of the Staff Resources Dedicated to Programme Management.....	67
SECTION 6. PROGRAMME IMPLEMENTATION	68
6.1. A summary description of the management and control arrangements.....	68
6.2. Timeframe for Programme implementation	71
6.3. Basic principles in relation to the projects and beneficiaries.....	71
6.3.1. Nature of support	71
6.3.2. Beneficiaries	73
6.3.3. Conditions for financing	73
6.3.4. Rules on eligibility of expenditure	74
6.3.5. Description of project assessment and selection procedure.....	76
6.4. A description of the Monitoring and Evaluation system	80
6.5. The communication strategy.....	81
6.6. Environmental assessment.....	82
6.7. A description of computerised Programme management system.....	84
6.8. The apportionment of liabilities among the participating countries	84
6.9. Description of planned use of TA and applicable contract award procedures	85
6.10. The rules for the transfer, use and monitoring of co-financing	87
6.11. Financial flows.....	88
6.11.1. Indicative financial plan.....	88
6.12. Use of the Euro	91
6.13. Use of languages.....	91
6.14. State aid rules.....	91
7. LIST OF ABBREVIATIONS AND COMMON TECHNICAL TERMS.....	92
Annexes:	94

SECTION 1. Introduction

1.1. Regulatory framework

Latvia – Russia Cross-border Cooperation Programme 2014-2020 (hereinafter – the Programme) is co-financed by the European Union (hereinafter – the EU) under the European Neighbourhood Instrument (hereinafter – the ENI), the European Regional Development Fund (hereinafter – the ERDF) and by the Russian Federation (hereinafter – Russia) and the Republic of Latvia.

Legal acts of both EU and Russia have been taken into account preparing the Programme. EU legal acts, the Programme has been prepared in accordance with, are as follows: the Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action; Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (hereinafter – Regulation (EU) No 232/2014); Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 laying down specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument (hereinafter – Regulation (EU) No 897/2014); the Programming document for European Union support to ENI cross-border cooperation for the period 2014-2020 (hereinafter – the ENI Programming document), that provides the strategic framework for EU support for cross-border cooperation on the external borders of the EU, under the ENI, for the period 2014-2020 including partnership with Russia. Moreover Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002; Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union were taken into consideration.

The legal acts of Russia, the Programme has been drawn up within are: the Concept for the Foreign Policy of the Russian Federation adopted by the President of the Russian Federation on 12 February 2013; the Strategy of the Social and Economic Development of the North-West Region of the Russian Federation till 2020 approved with the Government Executive Order of the Russian Federation № 2074-p of 18 November 2011; Federal law on procurement № 44-ФЗ of 5 April 2013; Codes of the Russian Federation; applicable decrees of the President of the Russian Federation and the government of Russia.

The programme will also be implemented in compliance with the financing agreement between EU and Russia, and co-signed by Latvia.

1.2. Programme preparation steps

The Programme has been prepared jointly by Latvia and Russia. Preparation process started in early 2012 when both countries prepared joint non-paper as a basis for

preparation of new cross – border cooperation programme between Latvia and Russia and submitted to EC.

Following the principle of partnership the Ministry of Environmental Protection and Regional Development of the Republic of Latvia (hereinafter - the MEPRD) and the Ministry of Regional Development of Russian Federation after the first meeting of national responsible authorities (hereinafter – the NA) scheduled a preliminary time-plan and necessary steps of the programming process and established a Joint Programming Committee (hereinafter – the JPC) for this exercise. The JPC for preparing the Programme consisted of the representatives of national and regional level and included also representatives from the EC and Interact ENPI in advisory capacity. The programming process was led by the MEPRD. At the 3rd meeting of JPC on 4 February 2013 it was agreed that Latvia will host the Managing Authority (hereinafter – MA) and Audit Authority (hereinafter – AA).

Starting from 8 September 2014 Programme preparation functions of NA in Russia have been taken over by the Ministry of Economic Development.

The NAs in Latvia and Russia consider of high importance to consult the wider partnership during the programming process. Extensive dialogue was held with institutional and socio-economic partners in a combination of seminars and consultations.

On 21 August 2013 seminar with the aim to analyse the needs of the Programme area and to identify the specific thematic objectives and priorities which are most relevant to local circumstances were organised in Latvia with 57 national and regional participants involved. In Russia seminar with the same aim took place on 5 November 2013 with 38 participants from St. Petersburg, Leningrad and Pskov regions. On 21 January 2014 joint Latvia-Russia seminar was organised in St. Petersburg with 48 participants, including 12 people from Latvia. The interest towards these seminars was very high and participants represented different ministries, sectorial organisations, regional and local governments, civil society organisations and experts, including partners from projects funded by the Estonia-Latvia-Russia cross-border cooperation programme 2007-2013 (hereinafter – the trilateral Estonia-Latvia-Russia Programme 2007-2013) within the European Neighbourhood and Partnership Instrument (hereinafter – the ENPI) and organisations new to this cooperation. During these events stakeholders discussed the needs and challenges of the Programme area and proposed the topics relevant for cross-border cooperation as well as identified possible cooperation project ideas. During these events participants were asked to prioritize 11 thematic objectives in written format and conclusions were taken as a basis for JPC discussions and decision-making process.

A top down and bottom up approaches have been integrated in Programme preparation. In order to ensure strategic compliance to national and regional development strategies and priorities and in the meantime to guarantee meeting local needs and interests in cooperation three thematic seminars with participation of local, regional and national level stakeholders of both countries have been held.

In addition both countries organized internal discussions and consultations so that relevant partners were consulted between the JPC meetings. In the process of the Programme preparation the Ministry of Regional Development of Russian Federation and the Ministry of Economic Development had organized a number of conciliatory meetings with representatives of the Russian regions included in the Programme area,

and relevant federal executive authorities of Russia, in order to develop the Russian position on the priority areas of the Programme and proposals for Large Infrastructure Projects.

To guarantee the inclusion of wider partnership in the programming process of the Programme, Latvia formed the Consultative Task Force group, which includes a wide partnership of national and regional authorities and line ministries who have interest in the preparation of the programmes within European Territorial Cooperation goal and ENI programmes. This was a main forum for consultancy, co-ordination and information exchange regarding the programming process on the Latvian side.

The Strategic Environmental Assessment (hereinafter the – SEA) under the Directive 2001/42/EC of the European Parliament and the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA Directive) has been concluded simultaneously with the drafting of the programme.¹. The Environment Report is included as an annex to the Programme.

After the draft Programme had been prepared, a further public consultation exercise was undertaken for the Programme document in Latvia (from 6 March to 6 April 2015) and in Russia (from 25 February to 11 March 2015) according to national legislation. In Latvia the draft Programme was made publicly available through announcement in Latvia's official newspaper "Latvijas Vēstnesis" on 6 March 2015 and in the homepage of the MEPRD as well as through official letters sent to the Administrations of the Planning Regions. The final date for the comments and suggestions to draft Programme was 6 April. Altogether 10 institutions participated in the Public consultations by submitting written comments to the draft Programme – 5 municipalities (City and Regional Councils), 1 Planning Region, 1 line Ministry, 2 national institutions dealing with environmental issues and 1 private company. Moreover 4 institutions participated in the meeting held within the public consultations on 23 March 2015. In Russia the public consultations of the draft Programme were implemented by the Ministry of Economic Development of the Russian Federation. As part of the public consultation process the announcement and the draft Programme were placed on the web-site of the Ministry of Economic Development as well as web-sites of the St.Petersburg Administration and the Administration of Pskov region.

The results of the above public hearings were analysed at the 7th JPC meeting for preparing the Programme in May 2015.

In order to ensure Programme document preparation 7 JPC meetings have been held during which counterparts discussed and approved the priorities and implementation rules as well as management structure and financial aspects of the Programme. The discussions and decisions by the JPC have been based on the findings of the regional analysis and input from stakeholders. As these cover a wide range of issues the most relevant topics for co-operation have been identified. All the agreements were reached through comprehensive discussions and took into account viewpoints of different parties thus ensuring that the final version of the Programme meets the expectations of both partner countries and receives the approval on national level by the governments of Latvia and Russia.

¹ For more detailed information on the SEA procedures please refer to Section 6.6. of this Programme

SECTION 2. Description of the Programme area

Four major statistical sources were used for writing the descriptive and analytical part of this section². In Latvia the main statistical data source was Statistics Database of the State Central Statistical Bureau - the main performer and coordinator of the official statistical work in Latvia (www.csb.gov.lv). In Russia the main statistical data source was the Federal State Statistics Service (Rosstat) (www.gks.ru) and its regional departments in St. Petersburg and Leningrad region – Petrostat (www.petrostat.gks.ru) and Pskov region (www.pskovstat.gks.ru).

2.1. Programme Territory

Latvia – Russia cross border cooperation programme area is situated in the northern part of Europe, on the east of the Baltic Sea and covers the territory of 193 614 km², out of which 108 519 km² or 56% are the adjoining areas.

The Programme area includes northern and eastern parts of Latvia (50 966 km²) and western part of Russia (142 648 km²)³. The area is divided by the 276 km long border between Latvia and Russia.

² For those data which was not taken from the mentioned major sources additional information on sources was added as a footnote in the text.

³ St. Petersburg area: Source: Official website of the Administration of St. Petersburg: <http://gov.spb.ru/helper/day/>
 Leningrad region area: Source: Official website of the Administration of Leningrad region: <http://www.lenobl.ru/about>
 Pskov region area: Source: Official website of the Administration of Pskov region: <http://www.pskov.ru/region/territoriya>



Figure 1: **Programme area**

2.1.1. Core area

The Programme core area includes Vidzeme and Latgale regions in Latvia (according to the European Union Nomenclature of Territorial Units for Statistics by regional level classification (NUTS 3)) and Pskov region in Russia.

2.1.2. Adjoining area

In order to ensure the continuation of existing cooperation schemes and in other justified cases, and with a view to contributing to the Programme's objectives, territorial units adjoining to the core regions may be allowed to participate in cross-border cooperation.

Adjoining area of the Programme includes Pieriga and Zemgale regions in Latvia and Leningrad region in Russia.

Participation of adjoining regions in the Programme would bring substantial added value for the core eligible area and it is essential for achieving cross-border cooperation impact in the core eligible area. The JPC has agreed that the adjoining regions will participate in the Programme activities under the same conditions as the core regions.

The adjoining regions Pieriga and Leningrad region will continue their cooperation with the regions of the Programme area, which was initiated within the previous programming period of 2007-2013, when Leningrad region was a core area and Pieriga adjoining area of the trilateral Estonia-Latvia-Russia Programme 2007-2013. The cooperation of these regions proved to be active and effective in terms of successful joint initiatives implemented. Thus it is important to provide the opportunity for mentioned new adjoining regions to proceed with already initiated contacts and initiatives also cooperating with the core area of the Programme.

The Pieriga municipalities have direct contacts with Russian partners. Collaboration between Pieriga region and Pskov and Leningrad regions been active for example in establishing entrepreneurial contacts, developing tourism and recreation opportunities also enhancing the amount of the tourists visiting areas; as well as exchange of experiences between specialists in different fields, especially such as education and research. The Leningrad region has well established system of small and medium enterprises (hereinafter – SME) support in the rural areas, which was strongly strengthened in the past 3 years due to the reform of the system of local self-governance on municipal level. No doubts it can be of interest for the use in the Programme core area. Additional effect of these measures had realized in more effective use of local resources for development of new products and services.

The participation of Pieriga and Leningrad regions in the Programme would be beneficial in fields like education, culture, energy systems, environment etc. For example Leningrad region has some results in promoting energy saving technology and use of renewable sources of energy. Cooperation within certain mentioned fields already exists; therefore the implementation of the Programme would be less effective without these two adjoining regions participating.

Inclusion of adjoining new region - Zemgale - to the Programme will supplement and benefit the core Programme regions with positive input by creating new opportunities in broader cooperation in the various fields of competence. The comparable advantages of the Zemgale region can be used within the priorities for the benefit of the Programme area. Zemgale region has various industries with comparative advantages in agriculture, well-developed infrastructure, flexible labour market, as well as the access to the educational institutions, scientific institutions and entrepreneurship support institutions for the development of region's potential, also well developed support systems in all region promoting traditional skills as more than a half of inhabitants are located in rural territories. Zemgale is widely recognized for tourism objects and cultural heritage complexes of international importance in the field of cultural, nature and rural tourism. Although Zemgale region has no direct border with Russia, there are unifying common links like history, railway lines and road networks, also Zemgale region has existing economical links with Russia in the biggest logistic centres of Zemgale - Jelgava and Jekabpils in the field of mechanical engineering, metalworking, food processing and wood production, etc.

2.1.3. Major social, economic or cultural centres

In duly justified cases, major social, economic or cultural centres in Latvia and Russia that do not adjoin eligible territorial units may be included on condition that such participation contributes to the objectives laid down in the programming document.

Riga and St.Petersburg taking into account the share of the produced national gross domestic product and amount of population living there are considered as economic centres of the Programme area. Considering the experience and knowledge of Riga and St.Petersburg, inclusion of those territories in Programme area will bring value added to the development of border regions, would strongly contribute to the achievement of the cross-border cooperation impact in the core eligible border area, and is essential to achieving the Programme's objectives in a sustainable way. Cities of Riga and St.Petersburg may be involved to address Programme priorities No 1.1. "Promotion and support to entrepreneurship", No 1.2. "Development and promotion

of new products and services based on local resources”, No 2.1. “Efficient management of nature objects”, No 2.2. “Joint actions in environmental management and No 2.3. “Support to sustainable waste and waste water management systems”

Different national authorities as well as majority of the scientific institutions, universities and research institutes are located in cities of Riga and St.Petersburg therefore involvement of both centres would enable the border regions to receive the expertise that is not available in the border regions. The expertise could be needed for the projects of the Programme’s priorities defined under the selected TO1 “Business and SME development” as well as TO6 “Environmental Protection, climate change mitigation and adaptation”.

St.Petersburg hosts the representatives of the federal ministries and departments in the North-West Federal District. St.Petersburg Scientific Centre of the Russian Academy of Sciences unities more than 40 research institutions of different branches. Some of them can be very helpful in supporting the Programme’s projects implementation, namely: St.Petersburg Scientific Research Centre for Environmental Safety; Institute of Limnology; St.Petersburg Branch Institute of Geoecology; Institute of the Regional Economy. In addition more than 300 state owned organizations are involved in R&D activities including 12 scientific centres; according to 2013 statistics they had created more than 220 innovative technologies.

Riga is the educational and scientific centre of Latvia, hosting scientific institutions, higher education establishments, commercial companies as well as other institutions having scientific activity. The scientific and research work is mainly organised in Riga (also in Pieriga region). The scientific potential in Latvia is developed on the basis of existing scientific traditions. Such traditions exist in organic chemistry, medical chemistry, genetic engineering, physics, materials science and information technologies as well as in several social and humanitarian sciences. The most important centres of education and research Latvian Academy of Sciences, University of Latvia, Riga Technical University, Riga Stradins University are situated in the capital. Some of them already had a valuable impact in several projects in the previous programming periods of cross-border cooperation programmes with Russia. Several State institutions located in Riga such as for example Investment and Development Agency, State Regional Development Agency, Latvian Institute of Aquatic Ecology, Nature Conservation Agency can also be relevant cooperation partners with respective knowledge and expertise in the fields supported by the Programme.

The participation of Riga in programme activities under priority No 3.1 „Improvement of border crossing efficiency and security” is limited to the State Joint Stock Company „State Real Estate.” This organisation holds monopoly for investments and an exclusive competence for development and daily management of the border crossing points’ facilities. It is the only possible partner to conduct activities aimed at increasing border efficiency and security in Latvia therefore its participation is necessary to achieve the Programme's objectives.

The Programme doesn’t intend to allow activities in regions of countries not participating in the Programme.

2.2. Population and demography

The total population of the Programme area was 9.12 million inhabitants in 2012, of which 1.77 million inhabitants live in Latvia (37% are inhabitants of Riga) and 7.55 million inhabitants in Russia (67% are inhabitants of St.Petersburg). Excluding two biggest cities Riga and St.Petersburg, the average density of population in the rest of the Programme area is sparse (21 inhabitants per km²). Other larger urban territories in Latvia are Valmiera, Jekabpils, Jelgava, Rezekne, and Daugavpils and in Russia Pskov, Gatchina and Velikie Luki.

In Latvia the tendency of gradual decrease of population due to economic, demographic and migration changes has remained since 2000. From 2000 to 2014 relatively high decrease of population was observed in Latgale region - a quarter of population (-25.8%). Decrease of approximately one fifth of the population was in Vidzeme (-21.2%) region. Decrease in Zemgale region (-16.5%) and Riga (-16.1) was close to Latvian average and only Pieriga region showed a slight (2.5%) increase in population. Analyzing the difference between the long-term emigrants and immigrants in regions, only Pieriga's balance was positive – by migration the population grew by nearly 20 thousand or 5%. In Latgale and Vidzeme regions the loss was 14-15%, in Riga – 11%.

In Russia the demographic changes have been far more positive, with a significant influx of 100 thousand people to St.Petersburg in 2013. Leningrad and Pskov regions have also seen a positive tendency of respectively 27.2 thousand people and 238 people. According to the official data, migration in St. Petersburg and Leningrad region is mainly internal (external migration represents less than 10% in St.Petersburg and is even negative in the beginning of 2014 in Leningrad region). In Russia there's a general trend of the population's internal migration to the west – "western drift". In Pskov region migration saldo was positive in 2011-2012 due to external migration.

All in all migration trends are towards the urban areas, mostly the large cities. During the last years increasing migration from Latvian parts of the Programme area, especially Latgale region, towards the old EU Member States is highly observed.

2.3. Regional economy

The Programme area consists of two major economic centres: Riga and St.Petersburg, urban territories (regional and local importance) and rural areas. The situation in the Programme area is characterised by concentration of capital and labour in urban territories, where the majority of the gross domestic product (hereinafter – GDP) is produced. GDP per capita in Latvia and Russia has been in almost equal amounts for both countries (2010). Riga and Pieriga region are the driving forces of Latvian economy – the share of GDP generated in the country is 67%, other Latvian Programme area regions are lagging from national average figure. In Russian Programme area gross regional product (hereafter – GRP) per capita in St.Petersburg by 32% exceeds national average figure. While Leningrad region slightly exceeds national average figure by 9%, gross regional product per capita in Pskov region noticeably is lagging from national average figure by 51%.

Biggest share of gross value added of Riga and Pieriga region are generated in various service sectors like trading, transport and logistics, telecommunications, banking and

financial sector, real estate activities. In Latgale region the largest share of produced gross value added is services. The development of the Latgale region focuses on transportation and storage activity mainly due to the region's advantageous geographic position and trade activity. Vidzeme and Zemgale regions are characterized by generated biggest share of gross value added in agriculture (cattle-breeding and plant and grain growing) amongst other regions. In manufacturing leading industries are chemical industry, metal working, machinery, electronics, food and beverage processing, wood working (including furniture production), textiles and clothing industry, as well as printing industry, etc. in Latvian Programme area.

The service sector produces the largest share of the GRP in St.Petersburg and Pskov region. The most important activities in services sector are trade, followed by communications and transport. Agriculture provides a minor share of the gross regional product in Pskov and Leningrad regions, where leading agricultural branches are cattle-breeding and plant-growing. In manufacturing the most important sectors are timber and wood processing, food and beverages processing, chemical industry, production of equipment for chemical and textile industries, peat extraction machinery, electronics. In addition, there are important industrial enterprises of mechanical engineering and metal working, electric power industry in Russian territory of Programme area (Pskov region is Russia's largest producer of low-power electric motors). St.Petersburg and Leningrad region are characterized by diversified economy - ship building, machinery, metallurgy, chemical industry, fuel production, pulp and paper processing and printing industry, etc.

Despite a relatively large share of services in GRP/gross value added of the Programme area, the attainability of services remains unevenly distributed throughout the Programme area, being concentrated in major centres and biggest urban territories. All Programme area has potential to promote economic activities in order to reach higher produced value added in all economic sectors.

2.4. Business development

Entrepreneurship is one of the key drivers of growth in the economy. Rising numbers of economically active enterprises per 1 000 population indicate improving business climate and entrepreneurial capabilities.

The number of economically active enterprises has risen in Latvia from 20 enterprises per 1 000 population in 2004 to 43 in 2013. Although the average number in Latvia is relatively high, the number of economically active enterprises per 1 000 population differs greatly between regions of the Latvian Programme area - from 77 enterprises in Riga to 17 enterprises in Latgale region. Half of economically active enterprises are concentrated in Riga and Pieriga region; others are relatively equally distributed among the Latvian Programme area. Likewise the situation substantially differs among the regions of the Russian Programme area. St.Petersburg rates first among all Russian regions in the number of small enterprises per 100 thousand people. As to the beginning of 2013 there are currently more than 368 thousand SMEs in the city, including 247 thousand micro, 18 thousands small, 535 medium-sized enterprises and 103 thousands individual entrepreneurs, which is approximately 72 SMEs per 1000

people.⁴ The situation is significantly different in Leningrad and Pskov regions. According to 2012 data, the number of SMEs in Leningrad and Pskov regions is 62.9 thousand and 25 thousand respectively.⁵ The density of SMEs per 1000 people in these two regions is 36 and 38.

Business support network is one of the determinants of entrepreneurship. There are number of business support institutions/establishments of different kind in all parts of the Programme area. These are public, national, regional, local bodies, business associations and NGOs.

Main problems, which face enterprises, especially micro, small and medium sized, are lack of financial resources, administrative burdens, lack of initiative or ambition for further development and growth due to insufficient knowledge and skills, insufficient knowledge about business management, strategic planning and cooperation across the border. In order to encourage entrepreneurs to develop their activities abroad, it is necessary to support start-ups that need to be introduced to the idea of cross-border cooperation as well as successfully operating enterprises that are advanced in international cooperation and are planning to expand their activities.

In order to inspire entrepreneurs and provide to them technical expertise and direct business development support in the Programme area varied business support infrastructure (business incubators, innovation incubators, business parks, industrial parks, technology centres etc.) has been established, less advanced in Pskov region on the Russian side because of the lack of finance. It is expected to strengthen the capacity of the already established business development infrastructure and instruments for further development of entrepreneurship in the Programme area, both through cross-border experience exchange and best practices cascading from St.Petersburg and Riga more advanced in this subject area.

2.5. Tourism

Tourism is one of the most important and fastest growing industries in the Program area, and it is considered as significant economic development and employment facilitator. Tourism affects the social, cultural, educational and economic sphere of every society."

The Programme area has diverse and widely available tourism resources. These include nature, historical and cultural heritage etc. Rich nature resources for tourism

⁴ Report by the Chairman of the Committee for entrepreneurship and consumer market development of St. Petersburg Elgiz Kachaev on the results of the implementation of the Programme of SME development in St. Petersburg in 2013. Date: 29.04.2014

⁵ State Programme of Leningrad region: "Fostering economic activity of Leningrad region", Subprogramme "Small and medium scale entrepreneurship and consumer market development": http://www.lenobl.ru/about/programms/CP/GP_14_16/GP_7

State Programme of Pskov region: "Fostering economic development, investments and foreign economic activity for 2014 – 2020", Subprogramme "Small and medium-scale entrepreneurship development and support": <http://economics.pskov.ru/gosudarstvennaya-programma-pskovskoi-oblasti-%C2%ABsodeistvie-ekonomicheskomu-razvitiyu-investitsionnoi-i>

include protected areas/specially protected areas, water resources, forests, caves and rocks with potential to develop eco-tourism, rural tourism, hunting, fishing and boating tourism as well as many other forms of tourism.

In both countries of the Programme area there are unique cultural heritage sites, which are included in the world heritage site list of United Nations Educational, Scientific and Cultural Organization.

The Russian part of the Programme territory - *St. Petersburg* – is the largest centre of Russian culture, famous for its magnificent architectural complexes, palaces, museums and theatres such as the State Hermitage, State Russian Museum, Mariinsky Theatre, as well as palaces and parks of Peterhof, Pushkin and Pavlovsk. The *Leningrad region* possesses one of the most advanced recreation, tourism and sport systems in Russia: the Gulf of Finland, Lake Ladoga and the lake-river system Vuoksa represent the greatest value as well as high potential for tourism development in Ivangorod, Vyborg, Gatchina, Priozersk, Vsevolozhsk, Volkhov, Podporozhye and Luga districts. There are at present more than 4000 objects of cultural heritage in the region - monuments of history, architecture, culture and archaeology, including Staraya Ladoga, an ancient capital of Northern Russia. The *Pskov region* is rich in tourist and recreational resources with favourable geographical location and most important tourist centers: Pskov, Pechory, Pushkinskiye Gory, Izborsk, Velikiye Luki, Gdov, Sebezh and Porkhov. This part of the Programme area demonstrates high attractiveness with 6.2 mln tourists for St.Petersburg,⁶ 1.9 mln tourists for Leningrad region⁷ and over 320 thousand tourists for Pskov region⁸ in 2013. At the same time potential for tourism development especially in Pskov region is underexploited, the major reasons being: weak tourism development infrastructure, insufficient efforts for region's promotion as attractive tourism destination, in some cases mismatch requirements for standards of tourist accommodation. In the view of the forecasted growth of domestic tourism flows these problems should be paid special attention.

And in the Latvian Programme territory – the historic centre of Riga, which comprises a relatively well preserved medieval and later times city structure, including Art Nouveau architecture and 19th century wooden architecture. The Programme area is characterized by architectural complexes and monuments, palaces, cathedrals and churches, museums and theatres, art centres, galleries and exhibition halls offering visitors wide range of historical and cultural activities. Nevertheless, analyses and trends in the tourism sector clearly show that Latgale and Vidzeme still have significant underdeveloped potential for different types of tourism that would make the regions more attractive for tourists and businesses.

⁶ The official website of the Administration of St. Petersburg: http://gov.spb.ru/gov/otrasl/c_tourism/news/45261/

⁷ State programme of Leningrad region “Fostering economic activity of Leningrad region”: http://www.lenobl.ru/about/programms/CP/GP_14_16/GP_7

⁸ State programme of Pskov region “Culture, preservation of cultural heritage and tourism development in the region for 2014-2020”: <http://docs.cntd.ru/document/462704329>

Taking into account the potential of internal resources and existing tourism development indicators besides historical and cultural tourism in the Programme area there is potential for development of such tourism trends as, for example, business and events tourism, recreational tourism, water tourism and health tourism.

2.6. Environment

2.6.1. Natural resources and their management

The Programme area is characterized by rich natural environment with high biodiversity. The area is rich in a variety of natural resources, namely, forests and water. One of the most precious natural resources in the Programme area is forests. The Programme area of both countries has considerable variety of mineral resources like limestone, sand and dolomite, gypsum, peat, sapropel, clay, underground mineral waters and many others.

The Programme area is also rich with surface and ground water resources - thus drought or water shortage do not constitute a problem. The Programme area is also rich in lakes and rivers - the biggest being Lake Ladoga (area of 17 700 km²) and Lake Peipsi/Chudskoe-Pskovskoe (area of 3 521 km²) in Russia. Both countries share Baltic Sea coastal waters in Gulf of Riga and the Gulf of Finland.

Latvia has over 12 thousand rivers, 2 256 lakes (Latgale region has the highest concentration of lakes in Latvia) as well as significant deposits of underground drinking water. The Programme area of Latvia from the water management point of view is sub - divided into the catchment areas of three large rivers, creating the Daugava, Gauja and Lielupe river basin districts. Latvian-Russian cross-border river basin district is the Daugava river basin district, which also includes cross-border Velikaja catchment. According to EU standards the condition of Latvian internal waters is estimated as relatively good. 51% of the surface inland water objects are evaluated having good or high ecological quality.⁹

In Programme area of Russia the ecological condition of rivers differs region by region, yet, overall the internal water is estimated as moderately to highly polluted. The River Neva and Neva Bay are evaluated unsatisfactory due to pollution from industrial waste and petroleum products that are transported by the river. The Volkhov and the Luga as well as the Neva river basin are the most polluted rivers of the region. Unsatisfactory water quality is associated with high development pressure on the environment, particularly with dumping of contaminated or inadequately treated sewage into surface water in the region. Large-scale reconstruction of water sewage systems in frames of regional programmes and international projects, including Northern Dimension Environmental Partnership projects helped tackle the problem and ensured that the ecological conditions in the region have been greatly improved.

The Programme area is rich in wetlands of international importance (Ramsar sites). In Latvia these are Kaņiera Lake, Engure Lake, Teiču and Pelečāres swamp, Lubānas wetland complex and Northern swamps, in Russia - Beryozovye Islands (Берёзовые острова), Kurgalsky Peninsula (Кургальский полуостров), Mshinskaya wetland

⁹ Environmental policy strategy 2014-2020, Latvia, 2014

system (Мшинское болото), Pskovsko-Chudskaya lowland, Gulf of Finland (Финский залив) in the southern part, Svir (Свирь) river delta.

In both countries, in order to preserve and protect natural biodiversity, many territories have protection status at the national level. These territories are significant for recreational and educational purposes.

The natural reserve fund of St. Petersburg comprises 14 protected areas of regional importance representing 4.15% of the city area.¹⁰ Leningrad region has 46 protected areas in amount of 6.8% of the total area, including 2 federal protected areas - state natural reserves: "Nizhne-Svirsky" and "Mshinskoye boloto", 40 protected areas of regional importance (for example, the natural park "Vepssky forest"), 24 state nature reserves and 15 natural monuments, as well as 4 protected areas of local importance.¹¹ Pskov region has 42 protected areas - wetland of international importance "Peipus lakeside lowland", 3 federal protected areas: national park "Sebezhsy", state natural reserve "Polistovsky" and state natural zoological reserve "Remdovsky", 11 state natural wildlife reserves and 15 nature monuments of regional importance, two resorts of regional importance - sanatorium "Cherekha" and "Golubye ozera" and 10 protected areas of local importance.¹²

In Latvia specially protected territories constitute ~30% of Vidzeme region territory, 12% of Latgale region, 10% of Riga region and 10% of Zemgale region territory¹³. The Programme area includes 3 national parks: Kemeru National Park in Pieriga region, Gaujas National Park in Vidzeme region and Raznas National Park in Latgale region. Moreover there are Krustkalni and Teici nature reserves in Latgale region with unaffected or only a little changed nature areas where the development of natural processes are ensured in smooth manner to protect and explore rare or typical ecosystems and their components. North-Vidzeme biosphere reserve area in Vidzeme includes internationally important landscapes and ecosystems. In Programme area of Latvia there are also 33 nature parks, 9 protected landscape areas, many nature reserves and nature monuments as, for example, protected trees, dendrological plantings and others¹⁴.

The Programme area also has coastal area around the Gulf of Riga (including 4 marine protected areas) and Gulf of Finland. The quality of Baltic Sea coastal waters is of great significance for the development of tourism and fisheries. It is influenced by the quality of river waters that flow into the sea.

For the biggest nature protection areas of Programme area in Latvia (for Kemeru, Raznas and Gaujas national parks and North-Vidzeme biosphere reserve area) with assistance of the Programme 2007-2013 there have been created 5 nature education

¹⁰ Official website of the State institution "Directorate of Protected Areas of St. Petersburg" http://oopt.spb.ru/protected_areas

¹¹ Official website of the Committee for natural resources of Leningrad region: <http://nature.lenobl.ru/programm/oopt>
<http://oopt.aari.ru/>

¹² Official website of the Committee for natural resources management and environment protection of Pskov region: <http://www.priroda.pskov.ru/oopt-pskovskoi-oblasti>

¹³ Information source – respective regional planning document

¹⁴ Official website of the Nature Conservation Agency of Latvia, www.daba.gov.lv

centres, where it is possible to receive general information on nature protection and conservation as well as specific information about nature protection area, near which the concrete nature education centre has been established.

Economic activities are creating environmental problems such as pollution and the risk of environmental and human health. The most important tools for reducing risk are a variety of technological improvements, adequate available resources for management and operational action and appropriate qualification of specialists. Cross-border cooperation can help to improve time of response to incidents and extreme situations, as well as improve the organization of fire and flood protection measures. Due to the lack of efficient flood risk management system there is also evidence of increasing flood risks (including rainwater caused) and losses related to the economy and the private sector.

Having so generous natural resources, the Programme area is still not making full use of their potential due to remote location, lack of information, services and infrastructure for visitors. Balancing the conserving and developing aspects of natural resources in creating sustainable tourist attractions is important in order to improve the quality of visiting environment.

One more obstacle that delays full use of natural resources is lack of sustainable and joint management solutions (including dealing with pollution, where appropriate) like management plans for rivers, lakes, forests, protected areas.

In order to explore efficiently natural resources, significant attention has to be directed to improvement of knowledge and education among the general population with regard to environmental protection.

2.6.2. Waste management

11 municipal waste deposit areas are operating in Latvia; separated waste collection is not available to the residents outside regional centres. With assistance of the EU funds 30 municipal waste deposit areas (territory of ~51 hectares) have been recovered. Waste recycling is managed by waste management commercial entities. Taking into account the amount of generated waste, significant attention must be paid to the management of municipal and hazardous waste flow according to the requirements of the EU directives, for whose organization local authorities are responsible. Currently, municipal waste recycling and recovery are proceeding slowly. It is justified with the fact that in Latvia in 2010 91% of collected municipal waste has been landfilled in waste deposit areas.¹⁵

In Russia industrial companies, which form the basis of the economy in St.Petersburg and the Leningrad Region, produce a great amount of various industrial wastes that needs to be managed. Additionally, according to the authorities of the Leningrad Region, 1.7 million tons of solid domestic waste is accumulated every year in the region. The latest statistics indicates that 500 of the approximately 9000 enterprises in the region reported annual production of 3.7 million tons of industrial waste, which often include hazardous substances. More than 200 thousand tons of waste are annually located at the authorized places of solid waste management in Pskov region. However, about 30 % of the population are not covered by the solid waste disposal

¹⁵ Environmental policy strategy 2014-2020, Latvia, 2014

system.¹⁶ Municipal waste recycling and recovery are proceeding slowly. 10 – 15 % of all waste and only 4-5% of solid municipal waste are recycled. Waste is generally stored at landfills, their total number on the whole territory of Russia is more than 10 thousand.¹⁷ The main issue of solid waste management is shortage of landfills equipped for solid waste storage and the existence of a huge amount of illegal dumps. Landfill disposal problems could be solved by developing a network of waste transfer stations or waste sorting facilities. As a whole system of solid waste treatment and recycling facilities on the Russian territory are in unsatisfactory condition and there is a need for cooperation in the coming Programme.

In the Programme area of both countries there is also observed overall low awareness about waste management and its environmental impact that causes careless attitude and waste of resources in daily behaviour.

2.7. Border crossing facilities

Good conditions for mobility of persons and goods are an important factor for efficient social and economic cooperation among cross border partners. The flow of persons and goods between Latvia and Russia is affected by existing visa and border crossing regimes as the common border is external border of Schengen area. One of the main problems on Latvian-Russian border is the low throughput of the border crossing checkpoints where visa, customs and veterinary controls take place, resulting in long waiting time on the border for all types of transport vehicles and persons.

Due to lack of cross-border and near-border public transport connections, private cars serve as the main transport mode to cross the border. Although there is a progress achieved in reference to the quality of roads leading to the cross border checkpoints in Latvia but there is still a need for reconstruction of some roads and provision of bridges leading to border crossing checkpoints with specific focus to cross border checkpoint "Vientuli" in Russia.

The inadequate quantitative capacity of the border crossings and the low standard of infrastructure of the border crossing checkpoints affect regional development as it leaves an impact on the accessibility of jobs/employment places for local inhabitants and their economic activity. Access to materials and facilities can take longer and be more costly and employee mobility is another factor that can be adversely affected by transport and border crossing infrastructure limitations.

There are considerable improvements achieved in reference to controlling equipment of the border crossing checkpoints but there is still much to do to make the controls more efficient.

The main problems are the inadequacy of border crossing infrastructure to the existing flows of transport vehicles and persons, poor quality of roads leading to border crossing points, the existence of bottlenecks of transport infrastructure between and before border crossing checkpoints impeding the transport flow and creating safety risks, outdated basic infrastructure of border crossing checkpoints to ensure efficient

¹⁶ Regional long-term targeted programme "Industrial and municipal waste treatment in Pskov region for 2011-2015": <http://docs.cntd.ru/document/924024251>

¹⁷ The official website of the Federal Service for Supervision of Natural Resources: <http://rpn.gov.ru/>

and comfortable border crossing for citizens, local entrepreneurs, tourists and truck drivers.

In accordance to the bilateral agreements between Latvia and Russia as well as respective national documents, there are the following border crossing check points on the border of Russia and Latvia:

Table 1

Name and location (Latvia)	Name and location (Russia)
<i>Road border crossing checkpoints</i>	
Vientuli (Vilaka county) ¹⁸	Ludonka (Pitalovo district of Pskov oblast)
Grebneva (Karsava county)	Ubilinka (Pitalovo district of Pskov oblast)
Terehova (Zilupe county)	Burachki (Sebezh district of Pskov oblast)
Pededze (Aluksne county) ¹⁹	Brunishevo (Pechori district of Pskov oblast)
<i>Railway border crossing checkpoints</i>	
Karsava (Karsava county)	Skangali (Pitalovo district of Pskov oblast)
Zilupe (Zilupe county)	Posin (Sebezh district of Pskov oblast)

¹⁸ Due to technical condition, open for vehicles with weight below 3.5 t.

¹⁹ Due to technical condition, presently open only for residents of Latvia and Russia

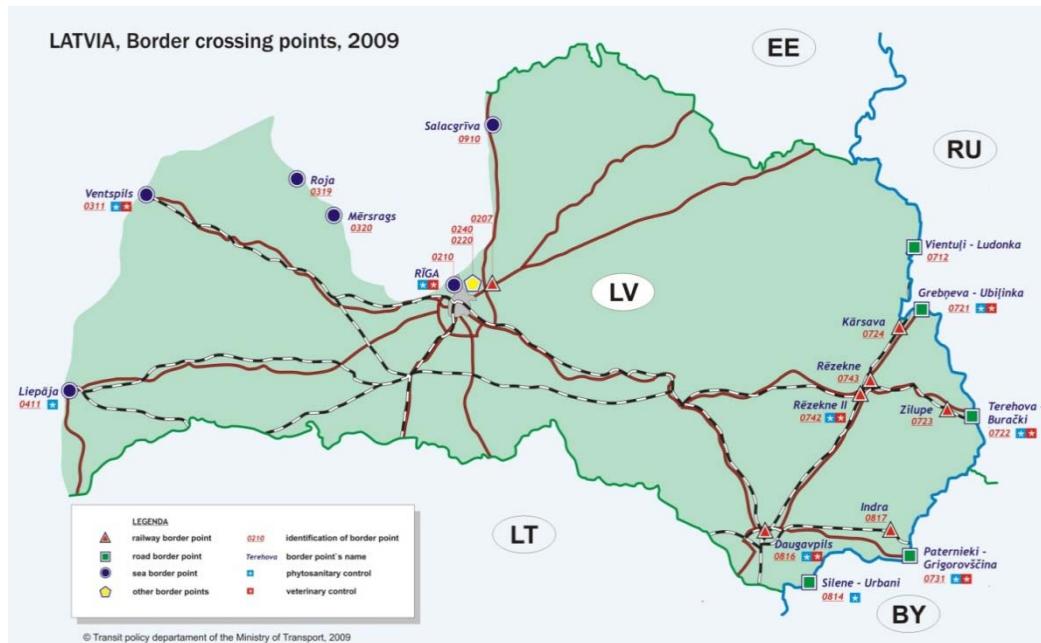


Figure 2 **Border crossing points in Latvia**

The overview of the functioning and the main challenges of the road border crossing checkpoints:

- **Terehova (LV) – Burachki (RU)** is the busiest border crossing point operating round the clock, serving the largest number of trucks, as located on highway Riga-Terehova-Moscow. This border crossing point traditionally excels with longer queues than others. There are improvements of controlling equipment taken and still planned to take in Terehova in 2014 and 2015. The repair works of Burachki are undertaken since 2011. The main bottleneck is the road section between Terehova – Burachki having only 1/1 lanes resulting in queuing trucks and cars. The existing infrastructure of Terehova– Burachki does not allow to ensure the lane for a common Latvian - Russian green line passage for cars and passengers having no goods to declare on both sides (on Latvian and Russian sides no goods to declare), and does not allow to ensure the lane for authorized economic operators (AEO), simplified procedures and for persons and trucks with privileges to cross the border outside the queue. The outdated infrastructure of Terehova (since 1997) does not allow for efficient controlling functions, proper work environment for controlling personnel and modern premises for persons who are forced to wait to cross the border.
- **Grebneva (LV) - Ubilinka (RU)** is the second busiest border crossing point operating round the clock located on highway Riga-Grebneva-St.Petersburg. The modernization works of basic control infrastructure to manage inbound traffic and incoming flow of persons (the import flow) (e.g. reconstruction of the main administrative building, the control pavilions, the customs inspection hangar, the building for X-ray inspection of cargo vehicles, the building for hand luggage X-ray inspection, etc.) in Grebneva has been completed in 2011. The infrastructure to manage the export flow (outbound traffic and outgoing flow of persons) in Grebneva is still to be modernized in accordance to the updated technical design project. The designed capacity for

Ubilinka three times exceeds the designed capacity of Grebneva. There is a common project of Latvian and Russian Customs authorities under implementation since 2013 to erect a common Latvian - Russian green corridor that is believed to shorten the waiting time for passengers travelling by cars having no goods to declare on both sides (on Latvian and Russian sides no goods to declare). The main bottleneck is the road section between Grebneva - Ubilinka having only 2 lanes in both directions and resulting in queuing trucks and cars. The existing infrastructure of Grebneva - Ubilinka does not allow to ensure the lane for a common green line passage for cars and individuals, AEO and simplified procedures.

- **Pededze (LV) - Brunishevo (RU)** is the border crossing checkpoint presently open for the residents of both countries only, open in daytime (from 9.00-19.00). The modernisation of Pededze was completed in 2007 designed for 150-200 cars daily. The modernization of Brunishevo is undertaken within the large scale project of EST-LAT-RUS programme „Reconstruction of border crossing point "Vientuli" (Latvia) and arrangement of border crossing point "Brunishevo" (Russia)” (in 2014). After completion of the reconstruction the infrastructure of both sides will be sufficient to operate as a multilateral passenger checkpoint.
- **Vientuli (LV) – Ludonka (RU)** is the border crossing checkpoint open for vehicles with total weight below 3.5 t. The modernization of Vientuli (I and II stage) is undertaken within the large scale project of EST-LAT-RUS project „Reconstruction of border crossing point "Vientuli" (Latvia) and arrangement of border crossing point "Brunishevo" (Russia)” (in 2014). The modernisation works of Vientuli (III and IV stage) will have to be completed by 31st December 2015 in compliance with the decision of the Cabinet of Ministers of Latvia. After modernization the technical condition of Vientuli will allow for functioning as a full scale multilateral cargo and passenger checkpoint. Ludonka has been reconstructed however there are limitations for weight due to technical condition of several road sections and bridges in Russia which are to be improved.

Although there have been already a lot of investments directed to the modernization of border crossing checkpoints to synchronize the development on both sides, there are large investments done and still planned to improve the road quality and make the controls more efficient by use of special equipment, the potential of the existing road border crossing checkpoints is still not to be exploited to the full and there are bottlenecks that have to be eliminated.

SECTION 3. Programme strategy

3.1. The context of the Programme

The Programme is of bilateral character between Latvia and Russia. The EU renders financial support within the ENI, established for supporting the European Neighbourhood Policy (hereinafter - the ENP) and ERDF. Russia is co-financing the Programme.

The ENP was developed in 2004 and revised in 2011, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and our neighbours and instead strengthening the prosperity, stability and security of all partners, including EU citizens all. It is based on the values of democracy, rule of law and respect of human rights.

The ENP provides a variety of instruments, as well as different bilateral, regional and multilateral cooperation initiatives. The ENP offers partner countries participation in various EU activities with the aim of increasing cooperation on political, security, economic and cultural matters.

The main financial instrument, aimed at supporting the ENP through concrete assistance actions, was the ENPI. It was established in 2007, replacing the co-operation programmes TACIS (for the Eastern European countries) and MEDA (for the Mediterranean countries). The goal of the ENPI was to create an area of shared values, stability and prosperity, enhanced co-operation and deeper economic and regional integration by covering a wide range of co-operation areas. It enhanced bilateral, regional and sectorial cooperation.

From 2014, the ENPI is replaced by the ENI. It is an increasingly policy-driven instrument, which is aimed at providing increased differentiation, more flexibility, stricter conditionality and incentives for best performers. Part of ENI funds is reserved for cross-border co-operation under which the ENI finances joint programmes, bringing together regions of Member States and partner countries that share a common border.

The ENI Cross Border Cooperation Programming document establishes the overarching strategic objectives for ENI financing of cross-border cooperation:

- promote economic and social development in regions on both sides of common borders (Strategic objective A);
- address common challenges in environment, public health, safety and security (Strategic objective B);
- promote better conditions and modalities for ensuring the mobility of persons, goods and capital (Strategic objective C).

The task of each cross-border cooperation programme is to contribute to at least one of these formulated strategic objectives.

Cross-border cooperation financed by ENI involves regions on both sides of the EU's border into joint projects, in which the partners share one single budget, common management structures, a common legal framework and implementation rules, giving the programmes a fully balanced partnership between the participating countries.

The main objective of the ENI financing of cross-border cooperation programmes is to contribute to the development of a special relationship with neighbouring countries, with the aim of establishing an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation as it is stated in Article 8 of the Treaty on EU.

The overarching goal of financing the programme for Russia is determined by the Concept of Cross-Border Cooperation of the Russian Federation and it is to strengthen cooperation between Russia and neighbouring countries in promoting sustainable development of the border regions of Russia and neighbouring countries.

Russia shall implement the Programme within the framework established by the Concept of Cross-Border Cooperation of the Russian Federation. This Concept stipulates following guidelines for actions: a) cooperation in cross-border trade; b) cooperation in investment projects; c) cooperation in transport and logistics and communication; d) cooperation in sustainable exploitation of natural resources and environmental protection; e) cooperation in law-enforcement; f) cooperation in regulating migration and labour market; g) cooperation in science and research and people-to-people contacts.

Since the programming period 2007-2013 Russia co-finances the cross-border cooperation programmes with EU Member States in which it participates.

3.2. Description and justification of the Programme strategy

On the basis of the objectives of the ENI the Programme shall contribute to strengthening relations between Latvia and Russia and promote enhanced political cooperation and progressive economic integration.

The strategic goal is to support joint efforts for addressing cross-border development challenges and promote sustainable use of existing potential of the area across border between Latvia and Russia.

The vision of the Programme is to reach the positive changes in entrepreneurship, environmental and cross-border mobility sectors.

In order to contribute to the achievement of the strategic goal the Programme participating countries has chosen **three thematic objectives** (hereinafter – TO):

- „Business and SME development” – TO1 (Strategic objective A);
- „Environmental protection, climate change mitigation and adaptation” – TO6 (Strategic objective B).
- „Promotion of border management and border security, mobility and migration management” – TO10 (Strategic objective C).

The TOs have been translated into the Programme priorities:

- Priority 1.1. „Promotion of and support to entrepreneurship” (corresponds to TO1),
- Priority 1.2. „Development and promotion of new products and services based on local resources” (corresponds to TO1),
- Priority 2.1. „Efficient management of nature objects” (corresponds to TO6),
- Priority 2.2. „Joint actions in environmental management” (corresponds to TO6),
- Priority 2.3. „Support to sustainable waste and waste water management systems” (corresponds to TO6).
- Priority 3.1. „Improvement of border crossing efficiency and security” (corresponds to TO10).

The promotion of local people-to-people actions will be an important modality to be deployed in support of any of the priorities. This could include support for enhanced cooperation among local and regional authorities, NGOs and other civil society groups, universities and schools, chambers of commerce etc.

The selection of the TOs and corresponding Priorities was based on the Programme area characteristics and the identified development needs and challenges that may potentially be solved via cross-border cooperation in the way that would be mutually benefiting. The Programme will contribute to all three overarching strategic objectives formulated in the ENI Programming document, which align with Latvian and Russian strategic documents.

TOs and corresponding Priorities were identified as a result of a multi-level analysis. To support the selection of the TOs a socio-economic analysis of the Programme area, a review of the national and regional strategic documents, an analysis of the previous experience, public consultations with local, regional and national authorities and experts were employed. Synthetic overview of the justification of the selection of the thematic objectives and corresponding priorities is presented below.

The Programme area includes the regions with long-term unemployment and relatively passive business activity, which serves as a basis for *TO1 „Business and SME development”* to be chosen by the Programme. Although in the Programme area there is existing business support environment, business activities need to be fostered especially outside the major economic centres of the Programme area by improving business infrastructure and building the capacity of entrepreneurs. Afore mentioned business support is essential in order to reach higher productivity and to promote the development of innovative enterprises. There is a need to support and encourage entrepreneurial thinking and activities in order to ensure a long-term impact on business growth. Profit-bearing SMEs are one of the key factors of overall economic development of regions. Analysis of socio-economic situation indicates that overall the number of SMEs per 1000 inhabitants is rather low in the Programme area (except St.Petersburg), therefore, due attention should be paid to foster establishment of new SMEs and support of their further development and growth.

Upon evaluation of previous experience in fostering of socio-economic development and encouraging business and entrepreneurship in the Programme 2007-2013 it is obvious that approved projects mostly involved “soft” activities for promotion of co-operation of entrepreneurs of cross-border area, e.g., organization of business fairs, trainings, seminars, contact events and similar events. Great part of activities were devoted to raising competitiveness of entrepreneurship by fostering attraction of investments, improving level of education of employees and other. In general most interest was shown in development of instruments for support of entrepreneurship and improvement of environment of entrepreneurship.

For ensuring the continuation of the previously gained experiences, the new Programme aims to address the following issues related to entrepreneurship: starting entrepreneurship, fostering joint activities and cooperation, and capacity building. The establishment of new SMEs will be encouraged via business incubators, technology parks, and other entrepreneurship development institutions that will provide physical space for offices and for launching operation as well as necessary technological expertise and assistance. The programme will also include various consultations (mentoring, trainings, exchanging experience, etc.) about business related issues. By supporting these activities it is expected that more favourable environment for new entrepreneurship will be created.

It is also envisioned that promoting business opportunities and fostering cooperation between enterprises as well as business support institutions will result in joint initiatives for promotion of goods and services. Especially the Programme focuses on the support to promotion of new products and services based on local resources.

In addition to give input to further development of entrepreneurship it is planned that activities related to capacity building (e.g. promotion of cross-border cooperation, involvement of research and educational institutions a.o.) will be supported within the programme.

The Programme aims to achieve sustainable growth of its area ensuring balance between economic and environmental interests. Cross-border cooperation has a potential for improving visiting and living environment of the Programme area.

The implementation of the TO1 “Business and SME development” is in line with the Priority “Growth for Regions” of the National Development Plan of Latvia for 2014-2020. The support planned within the framework of the TO1 facilitates the achievement of the Strategy „Europe 2020” and objectives set by the Latvian National Reforms Programme for Implementation of „EU 2020” Strategy in the improvement of competitiveness of SMEs, establishing synergy and solving set problems that are mentioned in Chapter 1.3 of the Partnership Agreement for implementation of EU funds for programming period of 2014-2020. The implementation of the TO1 facilitates the fulfilment of targets set in Regional Development Guidelines for 2013–2019. Moreover it is in line with the Latvian Tourism Development Guidelines for Years 2014 – 2020 aiming to increase the competitiveness of Latvian tourism supply. The implementation of the Programme’s TO1 “Business and SME development” contributes reaching goals of the “Concept of a long-term social and economic development of the Russian Federation until 2020”, the “Strategy of social and economic development of the Northwestern Federal district of the Russian Federation till 2020” and the “Strategy of a long-term innovative development of the Russian Federation until 2020”.

By choosing the TO6 „Environmental protection, climate change mitigation and adaptation” the Programme aims to protect and develop the regions’ unique, joint natural and cultural heritage, promote sustainable use of natural resources as well as encourage the development of cross-border initiatives for sustainable waste and waste water management systems. The potential of cooperation activities within the Programme in the field of tourism development is foreseen as continuation of the established cooperation to ensure synergy and development of tourism products.

Results of the analysis of the socio-economic and environmental situation of the programme territory confirm that the programme territory has a very high potential for such types of tourism as nature, eco and culture tourism. Moreover since 2009 the number of tourists visiting the programme territory has a trend to increase. Actions related to tourism development in the cross-border regions were popular and showed good results also in previous cross-border cooperation programmes. They have potential for further development. In accordance with the growing demand for different tourism products and services the regions have to be able to provide a variety of options, especially those based on unique local resources.

Currently there is a lack of well-managed waste and recycling systems as well as a need exists to support modern solutions for efficient use of resources, moreover there is a need to raise public awareness of environmentally friendly behaviour and advantages of sustainable lifestyle.

Further to the results of analysis of the socio-economic and environmental situation large areas of the Programme territory are characterized as pristine or having a slightly changed landscape; they feature great bio-diversity. To allow visitors enjoy the beauty of the territory and at the same time sustain the natural resources the Programme aims to support the development of infrastructure objects for sustaining natural resources. As a result the Programme area will economically benefit from potential increase of number of tourists by offering various objects of nature, yet, manage to preserve its natural resources intact. Moreover the Programme foresees to tackle the identified environmental problems and risks such as pollution and insufficient waste and waste water treatment, paying attention also to raising the public awareness about environmental protection, energy efficiency and also about the causes and consequences of climate change.

There were two measures devoted to environment related issues within the trilateral Estonia-Latvia-Russia Programme 2007-2013: joint actions aimed at protection of environment and natural resources and improvement of energy efficiency and promotion of renewable energy sources. Majority of activities of implemented projects involved management of natural and artificial water resources by improving relevant infrastructure as well as carrying out activities for exchange of experience and improvement of management. In addition, there were activities devoted to promotion of nature education, treatment of medical waste and sustainable management of green areas of the bigger cities. Substantial resources were devoted to energy efficiency and especially use of renewable energy resources. Organization of various events for raising awareness concerning environmental protection and energy issues was also of great importance.

Tourism related actions were of high demand within the calls for proposals of the trilateral Estonia-Latvia-Russia Programme 2007-2013. Activities of the projects included investments of different scale in infrastructure; substantial resources were also devoted to “soft” activities for diversification of tourism sector, visibility and marketing of the tourism products.

The implementation of the TO6 „Environmental protection, climate change mitigation and adaptation” will provide an input in reaching the goals for the strategic objective “Sustainable Management of Natural and Cultural Capital” of the Priority “Growth for Regions” of the National Development Plan of Latvia for 2014-2020. The use of the natural capital of Latvia is associated with sustainable uses of land, forests, waters and natural resources and increased volume of ecosystem services. The implementation of the TO6 would promote the solving of problems identified in the sub-objectives „Climate change adaptation, risk prevention and management” under objective “Increase Prosperity” and „Rich and healthy wildlife” under objective “Save the Sea” of the EU Strategy for the Baltic Sea Region (hereinafter – EUSBSR)”. The planned activities are foreseen in accordance with the Priority action framework of Natura 2000 territories. Moreover the activities that concern the environmental tourism within the TO6 are in line with the Latvian Tourism Development Guidelines for Years 2014 – 2020. The implementation of the Programme’s TO6 “Environmental

protection, climate change mitigation and adaptation” will help Russia reach some targets in the area of environment which are stated in the “Ecological Doctrine of the Russian Federation” such as rational use of natural resources, reduction of the environmental pollution and saving of resources by supporting ecologically efficient production including the use of renewable energy sources and secondary raw materials. Promotion of nature protection and conservation of the marine environment and land areas, and preserving biodiversity which is one of the activities within the scope of TO6 will contribute Russia to reach one of the main priorities of the “Strategy of social and economic development of the Northwestern Federal district of the Russian Federation till 2020” which is keeping a natural legacy of the district alive. The realisation of the projects within this priority will contribute to reaching the goal of the Strategy of the development of maritime activities of the Russian Federation until 2030, namely protection of maritime environment against pollution from the ships, protection of maritime environment in the areas within Russian jurisdiction.

The TO10 „Promotion of border management and border security, mobility and migration management” aims to provide support to border efficiency and security, improve the border-crossing infrastructure and equipment at the border crossing points as well as border management operations, customs and visas procedures.

The quality of border crossing infrastructure affects regional development as it has an impact on the mobility of people and goods. Even though there have been substantial investments in border crossing checkpoints on the border of Latvia and Russia, low quality border crossing infrastructure and bottlenecks between Latvian and Russian border crossing checkpoints are still seen as characteristic features of border crossing checkpoints. There is not only lack of proper infrastructure (e.g. sufficient number of lanes, bottlenecks, parking places, client-oriented premises, up-to-date equipped office rooms for personnel, etc.) but also insufficient equipment and ineffective border crossing procedures.

The overall goal of the priority (under the TO10) is to improve connectivity and foster integration of the region by addressing the existing barriers to efficient border crossing. The Programme aims at improvement of border crossing efficiency by supporting actions that not only involve investments in infrastructure but are also targeted towards capacity building of border management personnel, reduction border crossing time and improvement of border crossing procedures. Its implementation will provide an input to Strategic Objective “Availability of Services for Creating More Equal Work Opportunities and Living Conditions” of priority “Growth for Regions” of the National Development Plan of Latvia for 2014-2020.

EU Internal Security Strategy stresses that, like the fight against illegal immigration, integrated border management plays an important role in maintaining security and these mechanisms need to be strengthened. Latvia has duty, need and possibility to strengthen its national borders and promote the EU's internal security by means of integrated border management. The State Border Integrated Management Concept of the Republic of Latvia for 2013 to 2018 justifies and supports the investments in infrastructure of the border crossing points, and is in line with the Programme TO10 "Promotion of border management and border security, mobility and migration management".

Realization of the Programme's TO10 helps Russia resolve some issues which are mentioned in the "Federal law on customs regulation of the Russian Federation" such as ensuring of economic security of the country within foreign trade and improvement of state administration in customs sphere.

Table 2

Overview of the Programme strategy

Thematic Objective	Priorities	Result indicators corresponding to the Priority
1. Business and SME development (TO1)	1.1. Promotion of and support to entrepreneurship	Increase in number of operating small business
	1.2. Development and promotion of new products and services based on local resources	New cross-border products and services based on local resources Development of local services and products for attraction of tourists in the region
2. Environmental protection, climate change mitigation and adaptation (TO6)	2.1. Efficient management of nature objects	Increase of number of visitors to improved or newly developed objects of natural resources Sustainability of natural resources for improved attractiveness of Programme territory
	2.2. Joint actions in environmental management	Capacity of relevant stakeholders and general public for sustainable use of natural resources
	2.3. Support to sustainable waste and waste water management systems	Capacity of relevant stakeholders for sustainable use of waste and waste water management systems
3. Promotion of border management and border security, mobility and migration management (TO10)	3.1. Improvement of border crossing efficiency and security	Improved competence level and skills of land border crossing personnel
Technical assistance	NA	

3.3. Coherence with other Union-financed programmes and Latvian and Russian national and regional strategies

The programme will contribute on the EU side to three strategic objectives formulated in the ENI Programming document and will focus on two thematic objectives which are consistent with those of the European Territorial Cooperation goal of the European Regional Development Fund, and on the Russian side to the Russian Strategic documents.

The EUSBSR is the first macro-regional strategy in European Union which was approved by the European Council in 2009. The Strategy unites 8 EU Member States of the Baltic Sea Region – Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland. Common regional challenges are reflected in the jointly agreed Action Plan for the EUSBSR. This Action Plan comprises 13 policy areas and 4 horizontal actions intending to fulfill three objectives, i.e. saving the sea, connecting the region and increasing prosperity. The EUSBSR helps to mobilize all relevant EU funding and fosters integrated and coordinated governance between the EU Member States, pan-Baltic organizations, financing institutions and non-governmental bodies to promote more balanced development of the Baltic Sea Region. The EUSBSR does not impose any action to non-EU countries but rather indicates areas where cooperation is desirable and proposes platforms for cooperation. Therefore, in order to address common challenges, cooperation with non-EU countries – Norway, Russia and Belarus also takes place. Where appropriate, activities with relevance for the Strategy shall be coordinated via National Authorities (Latvian National Authority is also involved in National Coordination Group managed by the Ministry of Foreign Affairs). In this respect, the LV-RU CBC programme can contribute to fulfilling the EUSBSR objectives "Increase prosperity" and "Save the sea" through actions implemented under Thematic Objectives 1 (Business and SME development) and 6 (Environmental protection, climate change mitigation and adaptation).

The Programme aims to contribute to achieving the goal of the Europe 2020 strategy for “smart”, “sustainable” and “inclusive” growth. Priorities 1.1 and 1.2 support the Europe 2020 objective of “smart growth”. It has been agreed that innovative businesses (SMEs) are targeted as the main target group to contribute knowledge-intensive economy of the Programme area. Priorities 2.1, 2.2 and 2.3 contribute to the Europe 2020 “smart growth” and “sustainable growth” objectives.

The Programme will also ensure complementarity to actions implemented in Latvia as the EU member state under “Investments for Growth and Jobs” goal of Cohesion Policy 2014-2020. During the programming period 2014-2020 Latvia will implement the operational programme “Growth and Employment” that will be financed from the Structural and Investment Funds. The priorities of the mentioned operational programme partially overlap with the cooperation priorities of the Programme; however the activities will take place within the territory of a single country and are aimed at fulfilment of national objectives. Meanwhile the Programme will support only the activities with clear cross-border impact, utilising the added value of cross-border cooperation in the selected priorities.

The regions of Latvia comprising the core and adjoining territory of the Programme will participate in several cross-border cooperation programmes within European Territorial Cooperation goal during the programming period 2014-2020. As well as several ENI cross-border cooperation programmes 2014-2020, where either Latvia or Russia will participate, will be running in parallel to this Programme, covering partly

the territory of this Programme and having similar topics of co-operation. Latvia and Russia will participate also in the transnational Interreg Baltic Sea Region Programme where Latvia is eligible with entire territory and Russia's eligible territory include all the eligible regions of this Programme and where both countries may co-operate with each other under several topics which are partly similar to the topics financed from this Programme. Latvia's and Russia's participation in the above programme is possible, however, only as part of a wider partnership. Also, the operations funded from the above programme are focusing on a different and much wider geographical context, thus providing sufficient safeguards to avoid duplication with this Programme.

The coordination will be provided between all the available development instruments, which would allow effectively using the provided financial resources and ensuring more significant impact of each concrete programme and to maximise synergies across the programmes. In order to ensure that EU funding is used and channelled in an optimum way to promote sustainable development coordination mechanisms with all relevant programmes will be set up to exchange information and enhance complementarities and synergies, and to prevent overlapping of activities and double-financing of operations supported from different EU programmes implemented in the region. In Latvia the main mechanisms for coordination between this Programme and other operational programmes is the National Subcommittee - a collegiate institution that provides advisory role to the NA for the implementation and monitoring of the European territorial cooperation programmes. National Subcommittee is composed of the representatives of the ministries and subordinated institutions, planning regions and representatives of non-governmental organizations. Its responsibilities include, among others, the obligation to provide advice on compliance of the project applications submitted by the potential Latvian beneficiaries of the Programme with the national and regional planning documents and priorities as well as to advise on the possible risks of overlapping of the foreseen activities with other national or international Programmes. Based on this information the National Subcommittee has the right to propose to NA either to approve the submitted project application for funding, or to reject it. It may also propose additional conditions for project applications. Moreover the key role in this process will be with the National Authorities, who will be represented in all JMCs of these programmes. Mentioned coordination mechanisms will guarantee that the activities financed from this Programme and the activities financed from other EU programmes complement and not duplicate each other.

The Programme has been prepared taking into account national strategies of Latvia – National Development Plan of Latvia for 2014-2020, Latvia's sustainable development strategy until 2030 and regional strategies. The National Development Plan of Latvia for 2014 to 2020 is the main medium-term development planning document. This is the Action Plan of the Latvia's Sustainable Development Strategy until 2030, which should serve as the country's development road map for the medium term. The goal of the National Development Plan of Latvia for 2014 to 2020 is to ensure the increase of well-being of Latvia's inhabitants and sustainable development of the country until 2020, achieving the primary target - country's economic breakthrough. In frames of one of its priority "Regions for Growth" the National Development Plan of Latvia for 2014 to 2020 sets the aim to strengthen the international competitiveness of Latvia's regions; to increase Riga's role as a

Northern metropolis and the international role of other larger cities in Latvia; to create access to services for improving living and working conditions of all people.

The Programme has been prepared according to Russian national and regional strategies: “The strategy of innovative development of the Russian Federation for the period up to 2020”; “The final report on the results of expert work on urgent problems of the socio-economic strategy of Russia until 2020 "Strategy 2020: New Growth Model - a new social policy"”; “The Strategy of the Social and Economic Development of the North-West Region of the Russian Federation till 2020”; “The Strategy for economic and social development of St. Petersburg until 2030”; “The concept of socio-economic development of the Leningrad region for the period up to 2025”; “Strategy for Socio-Economic Development of the Pskov region until 2020”. Moreover the selected TOs of the Programme are consistent with national and regional level strategies and are financially supported by state programmes.

The “Concept of a long-term social and economic development of the Russian Federation till 2020” aims at establishing the ways and methods to ensure constantly improving well-being of the Russian population, dynamic development of the economy, stronger Russian position in a world society. The “Strategy of a long-term innovative development of the Russian Federation until 2020” aims at helping Russia meet the challenges and threats in the sphere of innovative development. The strategy determines targets, priorities and instruments of governmental innovation policy. This Strategy also creates long-term guidelines for the development of the innovations and the financing framework for fundamental and applied science and the support of commercialization of products. The “Ecological Doctrine of the Russian Federation” determines goals, directions, tasks and principles of the policy in the area of environmental protection in the long term. The “Transport strategy of the Russian Federation till 2020” aims at establishing conditions for social and economic development by improving the quality of transport services, reduction of society aggregation costs, which depend on transport, increasing the competitiveness of Russian transport system, strengthening innovative, social and ecological orientation of transport sector’s development. The “Strategy of tourism development in the Russian Federation till 2020” aims at developing Russian tourism and attracting foreign tourists. The “Concept of the cooperation development in culture between cross-border areas of the Russian Federation and neighboring countries till 2020” is the basis for constructive cooperation between public authorities of the Russian Federation and its regions, organizations and business community, public associations and creative circles. It aims at providing a complex problem-solving in the sphere of cultural development of cross-border areas of the Russian Federation. The main aims, tasks, expected results, principles, key directions, stages and development priorities of the cross-border cooperation of Russia in culture are stipulated in the Concept. It also determines necessary conditions, the system of risk-management and control mechanisms for the Concept implementation.

Moreover the selected TOs of the Programme are consistent with national and regional level strategies and are financially supported by state programmes.

3.4. Lessons learnt from past cross-border cooperation programmes

Cross-border cooperation is becoming almost a daily reality in the Programme area with the increasing number of local and regional authorities with established

cooperation relationships across the national border. Although financial resources are sometimes scarce, jointly finding solutions to similar problems has gradually become an appreciated practice in the border regions of Latvia and Russia. However, cross-border cooperation has not always been as common as today, especially because it has been dependent on the available financial support.

Estonia-Latvia-Russia INTERREG IIIA Priority ("North") within the Baltic Sea Region INTERREG IIIB Neighbourhood Programme, which was implemented during 2004-2006, was the first financial instrument to provide broad possibilities for close co-operation between the immediate border areas of the countries. The implementation of the Estonia-Latvia-Russia INTERREG IIIA Priority intensified the cooperation between the partners, who had been tied with earlier joint actions, but more importantly widened the area of intensive cross-border cooperation also to the regions which are not situated on the border or in its closest proximity. The priority resulted in a number of concrete results and laid ground for new project ideas to be implemented in the 2007-2013 programming period, as many projects focused their activities on planning, both on general and detailed level. In addition to "soft" cooperation, several projects included remarkable infrastructure component. Such investments were mostly targeted at improving the living quality of the people living in the border areas. In addition, several objects with tourism potential were reconstructed. Implementation of the priority taught local actors an important lesson of cooperation on the EU external border, which helped to form a strong basis of local know-how and active partnerships for the next programming period.

The trilateral Estonia-Latvia-Russia Programme 2007-2013 allowed for funding of joint projects across the border from one financial source and with one administrative procedure. In addition to EU co-financing, comprising 47 million euro, the trilateral Estonia-Latvia-Russia Programme 2007-2013 was co-financed also by Russia - additional financing made available from Russian federal budget was more than 15 million euro. The management of the programme was based on equality and partnership between the participating countries. Besides development projects a remarkable amount was allocated to large scale investment projects related directly to border crossing point capacity improvement.

When defining the strategy for the current Programme a critical look was casted to the experience of the trilateral Estonia-Latvia-Russia Programme 2007-2013, in order to build it on the basis which already exists. The results achieved during the trilateral Estonia-Latvia-Russia Programme 2007-2013 implementation provided substantive inputs for the design of the current Programme. A number of lessons learned from the cross-border cooperation in recent years have been taken into account in the preparation of the Programme. Successful cooperation and working for mutual benefit can be built on in the Programme by capitalising prior experience, best practices, and achievements. The partners have become accustomed to working together. A large number of both Latvian and Russian partners have become more familiar with the new way of working on the programme management as well as the project implementation levels.

The implementation of the Programme was successful and the opportunities provided for the beneficiaries were effectively used. Total budget of the trilateral Estonia-Latvia-Russia Programme 2007-2013 was 65 319 629 euro. 50 projects were selected

for funding, among them 5 large scale infrastructure projects (selected through special application procedure). The experience gained during the implementation of the trilateral Estonia-Latvia-Russia Programme 2007-2013 must be used at its maximum for the success of the coming Programme in 2014-2020. Major results and best practices have been capitalized by means of capacity building events and trainings for the project beneficiaries and potential applicants, therefore the experience will remain within the Programme territory and be taken over in the period 2014-2020.

As stated in the Final Report of the EC “Mid-Term Evaluation of Cross Border Cooperation Programmes under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013” (hereinafter – “Mid-Term Evaluation Report”) the ENPI CBC programme priorities were fully in line with the ENPI CBC objectives 1 “Promote economic and social development in regions on both sides of common borders”, 2 “Address common challenges, in fields such as environment, public health and the prevention of and fight against organised crime” and 4 “Promote local cross-border “people-to-people” actions”. ENPI CBC programme priorities were also in line with the needs of the programme areas with the greatest alignment being with Objective 1 and followed by Objectives 2 and 4. There is a lesser alignment with Objective 3 “Ensure efficient and secure borders”. Common interests of all three participating countries of the Programme 2007-2013 in terms of fields of the implemented joint projects, as well as particular bilateral Latvia-Russia projects have been analysed. The main cooperation fields were support to encouraging business development, development of tourism, preserving cultural heritage for trilateral projects with participation of Estonia; and in the cooperation between Latvia and Russia the leader was cooperation among people followed by such fields as support to transport and logistics and environmental protection. This have been taken into account when developing the new Programme also attempting to ensure greater consistency with strategy objectives and ensuring relevance to the needs of the programme area by making greater use of the appropriate definition of themes as it has been recommended in the Mid-Term Evaluation Report.

As concerns implementation of the trilateral Estonia-Latvia-Russia Programme 2007-2013 the main conclusions about project selection (which was organised in two steps – open calls for proposals with submission of the concept notes and restricted calls for proposals for pre-selected projects for submission of full application forms) were that the assessment of the applications by the Selection Committee, comprising the JMC members was time consuming and slow, but nevertheless it was more friendly for the applicants. The use of concept notes had many benefits for applicants and made the trilateral Estonia-Latvia-Russia Programme 2007-2013 more accessible for a wider range of the targeted organisations. Following the recommendation of the Mid-Term Evaluation Report further examination with the aim to increase the efficiency of the implementation process will be done so that selection and contracting of projects could proceed as fast as possible to allow the sufficient time for implementation also staying as friendly for the applicants.

3.5. Risk analyses and mitigation measures

Table 3

Programme’s Risk Assessment

Description of risk	Likelihood ²⁰	Impact ²¹	Risk assessment	Mitigation measures
Delays with start of Programme implementation Delays with timely signed financing agreement between three parties could hamper Programme implementation.	Possible	High	High risk	NAs of the Programme and MA should work in close cooperation with involved institutions and timely agree on provisions of financing agreement specific to the Programme during Programme preparation/Programme approval process by the EC and the governments of both countries.
Legislative changes in country hosting MA or in Partner country Legislative decisions affecting operation of MA are adopted in a way that they endanger implementation of Programme.	Unlikely	Medium	Low risk	Monitoring of legislation changes affecting Programme will be ensured by MA, in assistance with the Joint Secretariat. If institutional changes of MA will be performed, all commitments will be secured, by transferring the functions to counterparts in accordance with competencies.
Low participation of target groups Managing Authority's/joint technical secretariat's insufficient communication with potential target groups will hamper the submission of good quality applications and	Unlikely	Medium	Low risk	Programme promotional events/consultations and meetings with participation of target groups will be organized periodically/upon

²⁰ Each risk should be described as to whether it poses a risk: likely (67 – 99% likelihood); possible (34 – 66%); unlikely (1 – 33%)

²¹ Assessment of impact of the risk: low, medium, high

the smooth implementation of projects.				<p>necessity during Programme implementation in order to ensure delivery of added value for all interested parties.</p> <p>The applicants/ partners will have a possibility to ask their questions/ clarifications of requirements to project managers.</p> <p>Projects are controlled through on the spot visits, evaluation of their reports, other programme audits.</p>
<p>Non-fulfillment of Programme result and output indicators</p> <p>Programme result and output indicators could not be fulfilled if project applicants would not be able to achieve results set in project contract or there will not be sufficient number of project applications under each priority.</p>	Unlikely	Medium	Low risk	<p>MA/ joint technical secretariat will ensure project monitoring and will monitor progress of fulfillment of the indicators. Additionally the projects evaluation criteria will be elaborated to ensure fulfillment of the Programme result and output indicators.</p>
<p>Insufficient financial flow</p> <p>Interim payments from EC and transfers of the Russia's financial contribution to the Programme are not ensured as planned. Lack of financial resources will endanger that implementation of Programme and projects are not implemented in planned time frame.</p>	Unlikely	Medium	Low risk	<p>Monitoring for timely submission of projects reports will be ensured.</p> <p>Demand for necessary financial resources to be planned within state budget will be ensured in timely manner. Absorption of Programme financing will be ensured.</p>

3.6. Description of the chosen priorities and objectively verifiable indicators

„Business and SME development” (TO 1)

Priority 1.1. „Promotion of and support to entrepreneurship”

Expected results

It is intended that activities of the priority will result in overall raise of entrepreneurship spirit in the local communities, improved access to resources for starting and developing entrepreneurship, increased number of SMEs per 1000 inhabitants in programme area, and joint cross-border initiatives for promotion of business.

Programme result indicators²²

Expected overall results: *improvement of operation and opportunities of existing entrepreneurship and increase of newly established enterprises.*

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	Source of data
Increase in number of operating small business	Increase in number	40 894*	2012	42939 (increase by 2045 (5%))	Official statistical data

*Economically active micro and small enterprises in the core regions of the programme

Actions to be supported under the priority

Actions under this priority will focus on development and provision of support mechanisms for starting and fostering entrepreneurship, joint promotion of business opportunities, joint products, and capacity building for promotion of entrepreneurship.

Indicative list of actions to be supported:

- Development of business support infrastructure;
- Strengthening capacities of business support structures;
- Actions for raising entrepreneurship skills and spirit for different target groups;
- Promotion of business opportunities

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Number of business development organisations receiving support	Organisations	7	Project reports

²² Additional result indicators may also be used which measure the results of the projects in the best way.

(ENI/CBC 1)			
Number of enterprises substantially and actively involved in projects (ENI/CBC 2)	Enterprises	100	Project reports

Examples of potential beneficiaries

- Educational institutions;
- Business development organisations (incl. NGOs, business incubators, chambers of commerce, regional and local development agencies a.o.) operating with the aim of development of local business;
- National, regional, local level institutions dealing with support for entrepreneurship

Priority 1.2. „Development and promotion of new products and services based on local resources”

Expected results

It is expected that by supporting development of joint tourism products and services the programme will contribute to increase of number of tourists using tourism products and services based on local resources. Investments in infrastructure for tourism promotion will increase recognisability of tourism products and services offered in the programme area. It is also noteworthy that a great part of SMEs situated in the rural parts of the Programme area operate in tourism sector, therefore, support for tourism related activities will be beneficial for the development of local business and will improve the general economic situation.

Expected overall results: *increase of number of tourists and promotion of entrepreneurship in Programme area by providing new cross-border tourism products and services based on local resources.*

Programme result indicators

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	Source of data
New cross-border products and services based on local resources	Product/service	0	2014	5	Programme data base (Project reports)
Development of local services and products for attraction of tourists in region	Quantitative analysis of results of a survey	Results of survey providing data about attractiveness of regions and the provided services and products for	2014	Target will be defined as a result of compiling data from surveys <i>To be defined at the latest</i>	Survey forms. Assessment at Programme mid-term and after Programme closure

		tourists		before the call for proposals is launched/	
--	--	----------	--	--	--

Actions to be supported under the priority

In general actions supported under this priority are aimed at development and promotion of joint tourism products and services.

Indicative list of actions to be supported:

- Development of cultural/historical infrastructure for tourism promotion;
- Development of craftsmanship;
- Development of sustainable tourism products (joint routes, events attracting tourists/visitors to particular territory);
- Joint marketing of tourism opportunities/products in programme area

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Number of improved cultural and historical sites as a direct consequence of programme support for the purpose of development of local entrepreneurship	Cultural and historical sites	6	Project reports
Number of institutions using Programme support for promoting local culture and preserving historical heritage (ENI/CBC 6)	Institutions	15	Project reports

Examples of potential beneficiaries:

- National, regional and local authorities;
- Institutions involved in promotion of local culture and historical heritage (incl. educational institutions, museums, NGOs a.o.).

The guiding principles for the selection of projects and the planned use of large infrastructure projects:

The LIP- “Preservation and promotion of the cultural and historical heritage in Latvia and Russia” shall be implemented under priority 1.2.

Title of the Project	Preservation and promotion of the cultural and historical heritage in Latvia and Russia
Project Beneficiary	LV: Daugavpils City Council
Partners	LV: Cesvaine Municipality Council, State Joint Stock Company “State Real Estate”

	RU: State Committee of the Pskov region for protection of the objects of cultural heritage and/or State Committee of the Pskov region on culture (to be confirmed)
Project Objective	Promotion of “Castle touristic trail” tourism in programme area by restoring objects and developing cross border tourism routes with the highest potential for tourist attraction.
Main activities and expected results	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Restoration of the Powder Magazine in Daugavpils Fortress (Daugavpils Fortress is the only early 19th century military fortification of its kind in Northern Europe that has been preserved without significant alterations. Planning of the fortress began in 1772 and construction began during Napoleon’s attack in 1810. Construction of the fortress, despite lengthy delays, serious floodings and slow construction work, was completed in 1878) and further adaptation of it for the Art-gallery of ceramics within Daugavpils Mark Rothko Art Centre; improvement of the adjacent infrastructure (Latgale Region, Latvia). • Restoration of the interior and reconstruction of the roof of Cesvaine Palace (Vidzeme Region, Latvia. Cesvaine Palace built in 1896 in the late Tudor Neo-Renaissance style – an impressive example of particular style. Picturesque frames, towers and turrets of different forms and sizes, high decorative chimneys and steep roofs were all characteristic features of the style. The palace has survived all revolutions and wars of the twentieth century. However in 2002 palace suffered heavy fire on roof and 2nd floor.) • Development of new cross-border route (Latvia-Russia) • Development and publishing new tourist materials (Latvia-Russia) • Improvement of tourism logistics: new road/tour/direction signs, information boards etc. • Experience exchange in heritage and tourism <p><u>Results and outputs:</u></p> <ul style="list-style-type: none"> • at least 2 heritage objects restored and adapted for new functions • tourism logistics improved at least in 2 sites • at least 1 new cross-border tourism route developed and promoted • at least 2 new tourism materials developed and published • at least 2 international conferences/forums on heritage and tourism held
Justification for direct award	<p>The administrative power – ownership of the objects – belongs to particular municipalities Daugavpils City Council, Cesvaine Municipality Council and State Joint Stock Company “State Real Estate”.</p> <p>The above mentioned institutions hold monopoly for investments in particular objects, ensure their daily management and operation as</p>

	<p>well as long term development.</p> <p>In order to develop coordinated and thought-out cross-border castle touristic trail expanding achievements of trilateral Estonia – Latvia – Russia Programme 2007-2013 it is crucial that State Committee of the Pskov region for protection of the objects of cultural heritage (responsibility for the implementation of a unified state policy in the field of preservation, use, popularization and state protection of objects of cultural heritage in the region) is involved in project partnership.</p>
Cross border impact	<p>Castles, fortresses and manors are important cultural and historical sites with the highest potential to influence positively tourism flow in programme regions. Traveling experience to the places, artifacts and activities that authentically represent the stories and people of the past provide an opportunity to learn more about history, tolerate other cultures and build further communication based on that. Currently there is a lack of touristic trails that embrace main sites in the programme regions and should be developed and promoted in order to increase touristic flow in the regions as well as raise level of society's knowledge and create a common border-region tourism identity.</p> <p>It is expected that not only tourism flow between the inhabitants of the regions will be enhanced but also tourists from other territories will be attracted.</p>
Estimated project budget (MEUR)	<p>LV – 2.5 + 10% partners' co-financing</p> <p>RU – 0.62 + 10% partners' co-financing</p>
Estimated budget for acquisition of infrastructure (MEUR)	2.5 MEUR

„Environmental protection, climate change mitigation and adaptation” (TO6)

Priority 2.1. „Efficient management of nature objects”

Expected results

Programme territory is rich in protected nature territories; it is characterized by great bio diversity and is rich in water resources (lakes, rivers, the Baltic Sea), forests and pristine landscape. To allow visitors enjoy the beauty of the territory and at the same time sustain the natural resources the programme aims to support investments in development of small scale infrastructure objects for sustaining natural resources. As a result the programme area will economically benefit from potential increase of number of tourists by offering various objects of nature, yet, manage to preserve its natural resources intact.

Programme result indicators

Expected overall results: development of infrastructure objects for sustaining natural resources by making small scale investments in them to make Programme territory more attractive for local inhabitants and tourists.

Programme result indicators

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	Source of data
Increase of number of visitors to improved or newly developed objects of natural resources	Persons	<i>/To be defined at the latest before the call for proposals is launched/</i>	2014	<i>/To be defined at the latest before the call for proposals is launched/</i>	Project reports
Sustainability of natural resources for improved attractiveness of Programme territory	Qualitative analysis of the state	Qualitative description of the situation at beginning of Programme implementation	2014	Descriptive target will be defined as a result of workshops/panel discussions with experts in the field <i>/To be defined at the latest before the call for proposals is launched/</i>	Conclusions of workshops/ panel discussions with experts in the field

Actions to be supported under the priority

Actions under this priority will be mainly focused on preservation and sustainable use of nature objects; they will include investments in small scale infrastructure objects, development of sustainable tourism objects and new solutions for promotion of tourism in the programme territory.

Indicative list of actions to be supported:

- Development of infrastructure for sustaining natural resources (including specially protected areas, municipal nature areas and others);
- Promoting of sustainable tourism products and services;
- Joint management of natural resources;
- Development of infrastructure of the natural areas (parks and squares) and revitalization brownfields.

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Number of objects of natural resources with improved condition	Objects	7	Project reports

and sustainability			
--------------------	--	--	--

Examples of potential beneficiaries

- National, regional and local authorities;
- Institutions and organisations dealing with tourism, environmental protection issues and sustaining natural resources.

Priority 2.2. „Joint actions in environmental management”

Expected results by the priority

By involving different target groups in various activities the programme aims to increase knowledge of the relevant stakeholders and the general public likewise in sustainable use of natural resources. It is also expected that development of educational programmes and establishment of environmental education centres will contribute greatly to increase of knowledge about environment and energy related issues. The programme awaits that implementation of actions under this priority will stimulate more environmentally responsible mind-set of local and regional authorities and local inhabitants to energy efficiency and renewable energy and that will also translate into actual activities in this matter.

This priority aims at raising capacity of local, regional and also national level authorities in responding to the emergency situation. By development of joint monitoring and early warning systems and tools it is expected that the authorities as well as local societies will be better prepared for extraordinary situations, thus, reducing possible damage to environment of the programme territory.

The aim of the priority is to encourage that environmental management is viewed from a cross-border perspective. It is expected that joint development plans of natural resources in programme area, shared by several municipalities in the cross-border regions, will be developed. This could potentially refer to lake and river management plans, forest management plans and others. An important part of environmental management is also the capacity and knowledge of the relevant stakeholders in practical preparation and implementation of relevant plans, therefore, it is expected that carrying out of common seminars, workshops and similar events will contribute greatly to practical implementation of environmental management related activities. The programme envisions that exchange of knowledge and best practise in the long run will result in improved environmental management in cross-border territories.

Programme result indicators

Expected overall results: increase capacity of the relevant stakeholders and the general public on issues related to sustainable use of natural resources.

It is expected that joint development plans of natural resources in programme area, shared by several municipalities in the cross-border regions, will be developed.

Programme result indicators

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	Source of data
-----------	------------------	----------------	---------------	---------------------	----------------

Capacity of relevant stakeholders and general public for sustainable use of natural resources	Qualitative analysis of the state	Qualitative description of the situation at beginning of Programme implementation	2014	Descriptive target will be defined as a result of workshops/panel discussions with experts in the field <i>/To be defined at the latest before the call for proposals is launched/</i>	Conclusions of workshops/ panel discussions with experts in the field
---	-----------------------------------	---	------	---	---

Actions to be supported under the priority

It is expected that under this priority three main directions of actions will be supported. Firstly, it will be actions that aim at raising environmental awareness by promoting information about sustainable use of natural resources and energy efficiency. Actions that involve environmental education related issues, e.g., establishment of nature education centres, development of relevant educational programmes and others will be also supported under the priority. Secondly, the programme aims to cover actions for ensuring capabilities for readiness and response by developing joint monitoring and early warning systems and tools. Thirdly, it is planned that within this priority actions for improvement of environmental management will be supported; among others those will include activities related to development of management plans for natural resources and exchange of experience and best practice about issues related to environmental management.

Indicative list of actions to be supported:

- Joint natural resource management actions;
- Awareness raising of sustainable lifestyle;
- Capacity building on management and protection of natural resources.

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Cross-border initiatives for promotion of sustainable use of natural resources	Initiative	7	Project reports
Number of persons actively participating in environmental actions and awareness raising activities (ENI/CBC 17)	Persons	200	Project reports

Examples of potential beneficiaries

- National, regional and local authorities;

- Institutions and organizations (incl. NGOs, educational institutions and others) that take part, organize, promote activities for environmental protection, sustainable lifestyle, management and protection of natural resources.

Priority 2.3. „Support to sustainable waste and waste water management systems”

Expected results by the priority

It is expected that implementation of projects within the priority will contribute to building capacity of local and regional authorities as well as other stakeholders through sharing and adopting best experience and practice. Instances of best solutions for dealing with waste related issues should be promoted and implemented at local and/or regional level and should result in new or improved management systems of waste. An important element of successful achievement of results is sharing of information not only among those directly responsible for waste and waste water management but also raising awareness among wider public. By showing local inhabitants how they can get involved and help preserve environment the effectiveness of waste management will be increased.

The Programme is aiming at substantial raise of capacity of local authorities in dealing with waste related issues, improved waste and waste water management systems in the programme area, and a more environmentally conscious society.

Programme result indicators

Expected overall results by the priority: increased capacity of local and regional authorities as well as other stakeholders on issues concerning waste and waste water management systems.

Programme result indicators

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target Value (2023)	Source of data
Capacity of relevant stakeholders for sustainable use of waste and waste water management systems	Qualitative analysis of the state	Qualitative description of the situation at beginning of Programme implementation	2014	Descriptive target will be defined as a result of workshops/panel discussions with experts in the field <i>/To be defined at the latest before the call for proposals is launched/</i>	Conclusions of workshops/ panel discussions with experts in the field

Actions to be supported under the priority

The focus of the actions to be supported under this priority is development and promotion of local and also regional authorities' as well as relevant stakeholders' understanding and capacity in issues related to management of waste and waste water.

Indicative list of actions to be supported:

- Enhancing the capacity of public authorities and practitioners for improved fresh water and waste water management by sharing and implementing the best practices;
- Strengthening capacities of regional and local actors by sharing best practices in waste reduction, recycling and resource recovery.

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Number of institutions using Programme funding for capacity building actions	Institutions	13	Project reports

Examples of potential beneficiaries

- National, regional and local authorities;
- Public equivalent bodies dealing with water supply and wastewater management;
- NGOs.

The guiding principles for the selection of projects and the planned use of large infrastructure projects:

The LIP- “Pure water for programme regions” shall be implemented under Priority 2.3.

Title of the Project	Pure water for programme regions
Project Beneficiary	RU: Municipal enterprise of the Pskov city “Gorvodokanal”
Partners	LV: Latgale planning region RU: Pskov region State Committee on Economic Development and Investment Policy
Project Objective	To improve safety and quality of life in Programme area by ensuring access to fresh water resources in Pskov region
Main activities and expected results	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Construction of the second start-up complex of the first turn of a water intake, comprising the following works: <ul style="list-style-type: none"> - drilling of wells;

	<ul style="list-style-type: none"> - acquisition and installation of equipment, laying of networks of power supply; - device of internal roads; - electro technical works, laying of the 2nd main conduit, protection; - improvement of the territory. <ul style="list-style-type: none"> • Exchange of experience on sustainable waste and waste water management systems. <p><u>Results and outputs:</u></p> <ul style="list-style-type: none"> • Constructed alternative suitable source of drinking water supply from the underground horizon for Pskov city; • Reduction of the delivered water in inhabited sector and objects of city infrastructure of Pskov according to RU standards; • Raised experience on sustainable waste and waste water management systems.
Justification for direct award	<p>State Committee of the Pskov region on economic development and investment policy and Municipal enterprise of the Pskov city "Gorvodokanal" hold the administrative power for implementation of the above mentioned activities.</p> <p>The above mentioned institutions hold monopoly for investments in particular objects, ensure their daily management and operation as well long term development.</p> <p>Latgale planning region is responsible for gathering and spreading best practices among all municipalities of the region thus ensuring acknowledgement of the most appropriate solutions and efficient dissemination of the information.</p>
Cross border impact	<p>The water supply of the regional center of the Pskov region, the Pskov city, comes from the river Velikaya. There is no any alternative drinking water solution for the city. As the Velikaya river flows mainly within the wetlands, the potable water is boosted, with high acid capacity and iron content. Besides, during the periods of floods and "blossoming" of water in a summer there is a deterioration of organoleptic, chemical and bacteriological indicators and data. Thus, quality of water of the Velikaya river doesn't conform to requirements of approved standards, putting all border region under risk of spread of different bacterias endangering health of the inhabitants and users of goods produced in Pskov area (e.g. water is used in food production and endanger well being in all Programme territories where goods are sold). In order to prevent any potential spread of deceases and ensure well being of inhabitant there is a clear need for the alternative suitable source of drinking water supply - from the underground horizon which will allow receiving the drinking water due to all RU standard requirements.</p>

	<p>Experience exchange events will ensure transfer of the already accumulated knowledge on best practices of waste and waste water management systems to apply them in all municipalities of Pskov oblast and Latgale region.</p> <p>Representatives of all Programme area will be as finally affected beneficiaries.</p>
Estimated project budget (MEUR)	<p>LV – 0.1 + 10% partners' co-financing</p> <p>RU – 3.4 + 10% partners' co-financing</p>
Estimated budget for acquisition of infrastructure (MEUR)	3.4 MEUR

Promotion of border management and border security, mobility and migration management (TO10)

Priority 3.1. „Improvement of border crossing efficiency and security”

Expected results by the priority

It is intended that by investments in infrastructure, supplemented by capacity building activities, the Programme will contribute to increasing the throughput capacity of the relevant border crossing points.

Investments in transport infrastructure in the proximity of the border crossing point and in its territory should be directly aimed at addressing obstacles for efficient and safe border crossing as a result of which the throughput capacity should increase. Whereas investments in the basic infrastructure and equipment of border crossing checkpoints should ensure more efficient controls and/or better working conditions for employees and clients.

The capacity building actions are to be targeted at strengthening the operational ties between the authorities responsible for efficient border management, achieve better coordination of actions in border crossing, synchronise further development plans of cross border checkpoints and controlling procedures.

Expected overall results: improvement of border crossing efficiency.

Programme result indicators

Indicator	Measurement Unit	Baseline Value	Baseline Year	Target value (2023)	Source of data
Improved competence level and skills of land border crossing	Ratio of cars to personnel	Average of latest 2 data years	2014	A five percentage increase of ratio	Statistical data from border crossing
	Ratio of trucks to				

personnel	personnel				points
-----------	-----------	--	--	--	--------

Actions to be supported under the priority

Actions under this priority will be mainly focused on development of border crossing infrastructure and improvement of border-crossing procedures.

Indicative list of actions to be supported:

- Development of border crossing infrastructure (buildings and transport infrastructure, improvement of approach roads, prevention and elimination of the bottlenecks of the border crossing checkpoints);
- Acquisition of necessary equipment for border crossing points;
- Streamlining border crossing procedures;
- Improving technical conditions of border crossing area;
- Improving working conditions for personnel;
- Capacity building (trainings, exchange of practices, personnel developments) for employees of the border management authorities;
- Other.

Programme output indicators

Indicator	Measurement unit	Target value	Source of data
Number of border crossing points with increased throughput capacity (ENI/CBC 35)	Border crossing point	2*	Project reports

*2 border crossing points (one on the Latvian border side and one on Russian border side) with increased throughput capacity

Examples of potential beneficiaries

- National, regional and local authorities dealing with border crossing points.

The guiding principles for the selection of projects and the planned use of large infrastructure projects:

The direct award project “Improvement of the border crossing approach road Lavri – BCP “Brunisevo”” shall be implemented under Priority 3.1.

Title of the Project	Improvement of the border crossing approach road Lavri – BCP “Brunisevo”
Project beneficiary	RU: State Committee of the Pskov region on economic development and investment policy
Partners	LV: State Joint Stock Company “State Real Estate” RU: State Committee of the Pskov region for road facilities
Project objective	To eliminate bottlenecks of the existing road infrastructure for efficient mobility of persons and goods across the Latvian – Russian border, improve the security, efficiency and comfort of

	the border crossing and further travelling.
Main activities and expected results	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Information campaign in both countries for persons willing to cross border on security and practical issues; • Technical design project for transport infrastructure modernization activities in Russia. • Reconstruction of the approach roads in Pechorsky district in Russia to BCP “Pededze – Brunishevo” to provide connections with national roads. <p><u>Results and outputs:</u></p> <ul style="list-style-type: none"> • 1 technical design projects updated; • Expertise for technical design projects accomplished; • Reconstructed regional road to provide connection of the BCP “Pededze – Brunishevo” with national roads; • Information campaign carried out.
Cross border impact	<p>Project activities address the problem of low throughput of the BCP “Pededze - Brunishevo” in Russia. The project will contribute to connectivity and integration of the region, by increasing the accessibility of remote areas of Latvia and Russia and reducing the existing barriers to cross the border in an efficient way (in a shorter time, comfortably and safely).</p> <p>Within the framework of the trilateral Estonia – Latvia – Russia Programme 2007 – 2013 the reconstruction of BCP “Brunishevo”(Russia) will be finished by the end of 2015 however after the reconstruction of BCP “Brunishevo” it will not be able to increase substantially the throughput capacity of the BCP because there are no roads of adequate quality applicable for increasing transport flow on the RU side.</p> <p>As the result road section to BCP “Pededze – Brunishevo” will be improved to make border crossing safer and more efficient and comfortable for vehicles, as well as turn it into a comfort living and working place for local inhabitants.</p>

Justification for direct award	<p>All project partners are of the highest competence and administrative power (<i>de jure</i> or <i>de facto</i> monopoly bodies) responsible for implementation of the activities, planned in the project.</p> <p>State Committee of the Pskov region on economic development and investment policy, State Committee of the Pskov region for road facilities and State Joint Stock Company “State Real Estate” hold monopoly for investments in particular objects, ensure their daily management and operation as well as long term development.</p>
Estimated budget (MEUR)	<p>LV – 0.05 + 10% partners’ co-financing</p> <p>RU – 1.80 + 10% partners’ co-financing</p>
Estimated budget for acquisition of infrastructure (MEUR)	1.8 MEUR

The LIP “Improvement of BCP Terehova – Burachki” shall be implemented under Priority 3.1.

Title of the Project	Improvement of BCP Terehova - Burachki
Project beneficiary	LV: State Joint Stock Company “State Real Estate”
Partners	RU: State Committee of the Pskov region on economic development and investment policy;
Project objective	To eliminate existing bottlenecks in the basic control infrastructure of BCP “Terehova” and raise awareness on legal, practical and security issues for efficient, smooth and secure border crossing for transport, persons and goods.
Main activities and expected results	<p><u>Activities:</u></p> <ul style="list-style-type: none"> • Technical design project for infrastructure modernization activities in Latvia; • Reconstruction of six control pavilions at BCP “Terehova”. • Construction of a new deep inspection hangar with increased capacity for customs service including the necessary built in equipment to do inspection like ramps, video cameras, etc.

	<ul style="list-style-type: none"> • Improvement of utilities, engineering networks at BCP “Terehova” (are to be specified during elaboration of technical design project). • Information campaign in for persons willing to cross border on security and practical issues; <p><u>Results and outputs:</u></p> <ul style="list-style-type: none"> • 1 technical design project elaborated; • A new building constructed for customs controls (~1378 m², the exact scope will be clarified after technical design project) • Engineering networks reconstructed (the scope will be specified during elaboration of technical design project); • 6 control pavilions reconstructed; • The existing deep inspection hangar removed and the territory improved.
Cross border impact	<p>Improvements in infrastructure will lead to more efficient and comfortable border crossing in both directions – from Latvia to Russia and vice versa.</p> <p>More efficient and qualitative work by state control institutions will be ensured and in the same time people and companies using border crossing services will be better informed on procedures and conditions.</p> <p>Thus economic activity will be positively affected on not only in Programme area but also beyond it.</p>
Justification for direct award	<p>All project partners are of the highest competence and administrative power <i>de jure</i> or <i>de facto</i> monopoly bodies responsible for implementation of the activities, included in the project.</p> <p>Latvian State Joint Stock Company “State Real Estate” holds monopoly for investments and an exclusive competence for development and daily management of the BCP facilities based on several orders issued by the Cabinet of ministers of Latvia and Ministry of Finance of Republic of Latvia.</p> <p>State Committee of the Pskov region on economic development and investment policy is responsible for actions that promote region’s economic activity and well being of its inhabitants thus the most appropriate institution to reach target auditorium of the information campaign.</p>
Estimated budget (MEUR)	<p>LV – 3.22 + 10% partners’ co-financing</p> <p>RU – 0.05 + 10% partners’ co-financing</p>

Estimated budget for acquisition of infrastructure (MEUR)	3.00 MEUR
--	-----------

SECTION 4. Cross-cutting Issues

In addition to the defined priorities, the implementation of which will be the main focus of the Programme, there are also other issues that have to be integrated across the priorities of the Programme and addressed by its supported projects.

4.1. Environmental sustainability

Sustainable development will be covered by all Programme Priorities. It is expected that the priorities of the Programme will deal with a wide range of issues that are related to economic, environmental and social sustainability. Furthermore, and as described before, the Programme takes a cross-cutting approach to environmental sustainability ensuring that its activities are in line with the policies regulating this issue and in turn the environmental sustainability will contribute to the effectiveness and sustainability of the Programme.

The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on mainstreaming sustainable development into EU policies (COM (2009) 400) reviews the EU Strategy for Sustainable Development and highlights successful mainstreaming of sustainability dimension into many policy fields. The latter that are mostly related with environmental sustainability are climate change and clean energy, sustainable transport, sustainable consumption and production, and conservation and management of natural resources. Under the priority 2.1. the Programme shall support preservation and sustainable use of nature objects, under priority 2.2. joint actions in environmental management by local, regional and national authorities will take place in order to tackle common environmental challenges; moreover under priority 2.3. it is expected to raise the capacity of local and regional authorities and other stakeholders on issues concerning waste and waste water management systems.

Each action financed under the Programme shall be implemented in accordance with national legislation. Environmental law systems of Latvia are based on the EU directives that were transposed into national legislation. EU policies and actions for promoting environmental dimension of sustainability are mainly based on directives, such as the Habitats Directive (92/43/EEC) and the Birds Directive (2009/147/EC) (comprising Natura 2000 framework of protected areas for preserving the endangered habitats and species in the EU), the Waste Framework Directive (2008/98/EC), the Flood Directive (2007/60/EC), the Groundwater Directive (2006/118/EC), the Integrated Pollution Prevention and Control Directive (2008/1/EC).

Federal environmental legislation in Russia is set by federal laws and numerous by-law acts. The main laws are as follows: Federal law of 10.01.2002 No 7-FZ “On environment protection”, Federal law of 04.05.1999 No 96-FZ “On ambient air protection”, Federal law of 14.03.1995 No 33-FZ “On specially protected nature conservation areas”, Federal law of 24.06.1998 No 89-FZ “On the wastes of production and consumption”. Sustainable natural resources management are regulated by one law and three codes: the law of Russian Federation of 21.02.1992 No 2395-1 “On Subsoil”, Water Code of the Russian Federation of 03.06.2006 No 74-FZ, Land Code of the Russian Federation of 25.10.2001 No 136-FZ — Federal Law, Forest Code of the Russian Federation of 04.12.2006 No 200-FZ — Federal Law.

Planning issues and objectives in the field of the quality of environment are presented in the State program of the Russian Federation “Environment protection for the period from 2012 to 2020”.

The projects will be required to include this aspect in their project design and to report on its implementation. This will be followed up in the project monitoring process. More details on this approach and expectations towards projects will be further developed in the Programme Manual.

4.2. Gender equality, HIV/AIDS and democracy and human rights

None of the selected Programme priorities are ment to specifically focus on such cross-cutting issues like gender equality, HIV/AIDS and democracy and human rights however measures under all Programme priorities are targeted to people at all age groups, genders, health condition, races, ethnic origin, etc. Thus projects with direct negative influence on any individuals to be mistreated because of some characteristics will not be selected for funding. More details on how these cross cutting issues are integrated in Programme and expectations towards projects will be described in the Programme manual.

SECTION 5. Structures and appointment of the competent authorities and management bodies

5.1. The relevant authorities and bodies

Table 4

Programme authorities

Authority/body	Name of the authority/body	Head of the authority/body
MA	Development Instruments Department, Ministry of Environmental Protection and Regional Development of the Republic of Latvia.	<i>Deputy State Secretary</i> of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia.
NA	<i>Latvia:</i> Development Instruments Department, Ministry of Environmental Protection and Regional Development of the Republic of Latvia.	Director of Development Instruments Department
	<i>Russia:</i> Department for regional and cross border cooperation development, Unit for regional and cross-border cooperation development, Ministry of Economic Development of the Russian Federation.	Director of Department for regional and cross border cooperation development
AA	Internal Audit Department, Ministry of Environmental Protection and Regional Development of the Republic of Latvia, Supported by the Group of Auditors.	Director of Internal Audit Department

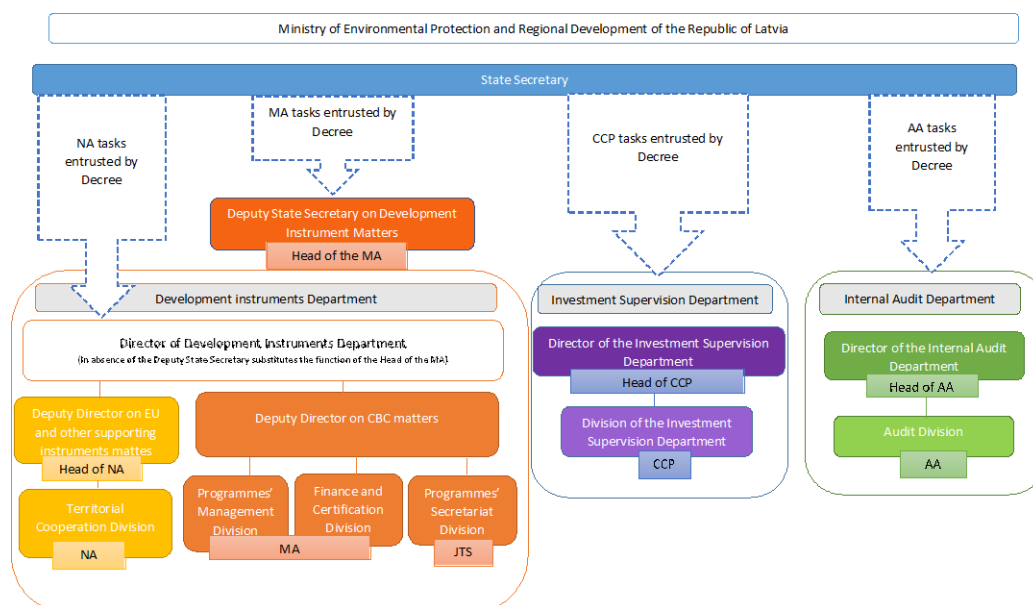
Table 5

Body or bodies carrying out control and audit tasks

Authority/body	Name of the authority/body	Head of the authority/body
CCP	<i>Latvia:</i> Investments Supervision Department, Ministry of Environmental Protection and Regional Development of the Republic of Latvia.	Director of Investments Supervision Department

	<i>Russia:</i> Unit for coordination and legal support of regional and cross-border cooperation, Department for regional and cross-border cooperation development, Ministry of economic development of the Russian Federation.	Head of unit for coordination and legal support of regional and cross-border cooperation
Body or bodies appointed to carry out control tasks	<i>Latvia:</i> CCP	Head of CCP
	<i>Russia:</i> decentralized control system shall operate. Expenditures incurred by the Russian beneficiaries shall be verified by auditors selected separately for each beneficiary.	
Body or bodies designated to carry out audit tasks	<i>Latvia:</i> Representatives of the AA shall be appointed as Latvian representatives in the Group of Auditors.	Head of AA
	<i>Russia:</i> the Ministry of Finance of the Russian Federation will represent Russia in the Group of Auditors	Head of Department for International Financial Relations
	An independent external auditing body shall be subcontracted by the AA to carry out sample checks of the projects.	

Figure 3. Functional independence within the ministerial structure of the MA, NA, CCP and AA



5.1.1. The Joint Monitoring Committee

The JMC shall be set up after approval of the Programme by the Governments of Latvia and Russia and within three months of the date of the adoption of the Programme by the European Commission. The JMC shall be composed of 14 members (7 representatives from each country), comprising of representatives of national, regional and, where appropriate, local authorities, appointed by both participating countries. EC shall be involved in the work of JMC as observer and shall be invited to each meeting of the JMC at the same time as participating countries. The JMC shall have a rotating chair on annual basis. All decisions in the JMC shall be taken by consensus where each country shall have one vote regardless of the number of representatives it has appointed. At its first meeting the JMC shall adopt its Rules of Procedure where information regarding its operating principles shall be laid out in more detail, in particular regarding ensuring impartiality, confidentiality and independence of individual members of JMC. This decision shall be taken in unanimity.

The main responsibility of the JMC is to monitor the implementation of the Programme. The JMC shall follow the implementation of the Programme and progress towards its priorities using the objectively verifiable indicators and related target values defined in the Programme. Furthermore, it shall examine all issues affecting the performance of the Programme, and may issue recommendations to the MA regarding the implementation of the Programme and its evaluation. Consequently, the JMC shall monitor actions undertaken as a result of its recommendations. In addition, the JMC shall participate in the project selection procedure and make the final decision on projects and grant amounts allocated to them. The JMC shall meet at least once per year; between meetings it may also take decisions through written procedure.

The JMC shall perform the following functions:

- Examine and approve:
 - Work programme and financial plan (including planned use of TA) of the MA;
 - Criteria for selecting projects to be financed under the Programme;
 - Application package including Programme Manual;
- Be responsible for the evaluation and selection procedure applicable to projects to be financed by the Programme, in accordance with the principles of transparency, equal treatment, non-discrimination, objectivity and fair competition;
- Make the final decision on approval or rejection of the project applications and decide on the final sums granted to them;
- Be final instance Programme structure in resolving conflicts;
- Monitor:
 - Implementation by the MA of the work programme and financial plan;
 - Implementation of annual information and communication plan;
 - Implementation of annual monitoring and evaluation plan;
- Examine all reports submitted by the MA, and if necessary, take appropriate measures;
- Examine and approve annual and final implementation reports, including as integral parts annual information and communication plans, and annual monitoring and evaluation plans;
- Examine any contentious cases brought to its attention by the MA;
- Discuss and approve any proposal to revise the Programme.

The JMC has the right to establish any sub-committees.

5.1.2. The Managing Authority

The MA will act according to the applicable EU regulations and conditions agreed by the participating countries in the financing agreement between EU and Russia, and co-signed by Latvia. The MA will be financed from the TA budget from approval of the Programme by the EC.

The main responsibility of the MA is to manage the Programme in accordance with the principle of sound financial management.

The MEPRD who was the Joint Managing Authority of the Programme 2007-2013 continues as the MA for the Programme. Therefore accumulated knowledge, administrative capacity, arrangements and staff are already in place.

The MA shall be responsible for the following tasks:

1. Tasks related to the programme management:
 - Ensuring (with assistance from the Joint Technical Secretariat (hereinafter – JTS)) that the JMC is provided with:

- Data relating to the progress of the Programme in achieving its expected results and targets;
- Support in performing its tasks.
- Ensuring that annual and final implementation reports, including as integral part annual information and communication plans, and annual monitoring and evaluation plans, are drawn up and, once approved by the JMC, submitted to the EC and both NAs;
- establishment and maintenance of computerised system to record and store data on each project necessary for monitoring, evaluation, financial management, control and audit (with assistance from the JTS);
- implementation of the monitoring and evaluation plans (with assistance from the JTS);
- modifying the Programme with prior approval of the JMC in case of adjustments of the Programme or with prior approval of the EC and JMC in case of revisions of the Programmer, and informing the EC and NAs of any of these modifications, providing all necessary information;
- contacting with NA and give all needed information about projects and Programme on request;
- sharing information with AA and beneficiaries, and if it is needed with representatives of the Group of Auditors, the CCP and independent external audit bodies, selected to carry out evaluation of expenditure or sample checks of the projects that is relevant to the execution of their tasks or project implementation;

2. Tasks related to the selection and management of the projects:

- Ensuring that project selection procedures and Programme Manual are drawn up, and after approval by the JMC, launching calls for proposals (with assistance from the JTS);
- Ensuring effective management of the project selection procedures (with assistance from the JTS);
- Assessing complaints of the applicants (with assistance from the JTS) and providing the JMC with findings of this assessment;
- Signing grant contracts with the lead beneficiaries;
- Ensuring that each lead beneficiary is provided with a document setting out the conditions for support for each project, including the financing plan and the time limit for execution (with assistance from the JTS);
- Ensuring that beneficiaries are provided with information necessary for implementing the projects (with assistance from the JTS);

- Ensuring that the operational follow-up of the projects is carried out (with assistance from the JTS);
- Deciding on requested project modifications. For approval of requested project modification the MA will evaluate nature of amendments and applicable procedure. Detailed information will be provided in the Programme Manual;
- Providing methodological support to Russian partners for being certified for custom duties and tax exemption.

3. Task related to the TA:

- Managing the contract award procedures;
- Signing contracts with contractors;
- Managing contracts.

4. Tasks related to the financial management and control:

- Ensuring (with assistance from the JTS) that the expenditure of each beneficiary has been verified by CCP for Latvian partners and by independent external auditor for Russian partners, in order to check whether services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, Programme rules and conditions for support of the projects. This will include administrative verifications and on-the-spot verifications of the projects;
- Ensuring that beneficiaries involved in the implementation of projects maintain either a separate accounting system or a suitable accounting code for all transactions relating to a project (with assistance from the JTS);
- Ensuring that effective and proportionate anti-fraud measures are put in place;
- Ensuring that procedures are set up for managing the documents on expenditure and audits necessary for ensuring an adequate audit trail (with assistance from the JTS);
- Drawing up the annual accounts of the Programme;
- Drawing up and submitting payment requests to the EC, taking into account the results of all audits carried out by or under the responsibility of the AA;
- Making payments to the beneficiaries as quickly as possible according to the signed contract;
- Monitoring commitments and payments of Programme funds at Programme level by categories of intervention;
- Maintaining in a computerised form accounting records of expenditure declared to the EC and of the payments made to beneficiaries;

- Keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for a project;
- Ensuring that management declaration and annual summary is drawn up and, after approval by the JMC, submitted to the EC and both NAs;
- Keeping all documents related to the Programme or a project (e.g. reports, supporting documents, accounts, accounting documents, contracting documents, etc.) for five years from the date of payment of the balance for the Programme or a project;

5. In order to ensure that MA has necessary and appropriate management and control system set up from the start of the programming period to ensure that it can fulfil the responsibilities assigned to it, designation of the MA shall be ensured by the AA who will assess the compliance of the management and control systems, including role of JTS therein, with the designation criteria laid down in the Annex 1 of the Regulation No 897/2014. It shall carry out its work in accordance with internationally accepted audit standards. Notification of designation, based on the report and opinion of the AA, shall be issued in the form of formal letter signed by the State Secretary of the MEPRD and shall be submitted by the MEPRD to the EC and the Russian NA as soon as possible after the Programme adoption by the EC, provisionally within four months' time after the Programme adoption.

5.1.3. National Authorities

Each participating country shall appoint a NA. NAs shall be responsible for the set up and effective functioning of management and control systems at national level and shall support the MA in ensuring that the management and control system for the Programme is set up and this system functions effectively.

The NAs shall, in particular, perform the following functions:

- Ensuring that national part of the management and control system is set up and functions effectively;
- Ensuring the overall coordination of the institutions involved at national level in Programme implementation, including, inter alia, the institutions acting as CCPs and as member of the group of auditors;
- Ensuring that national system for prevention, detection and correction of irregularities functions effectively;
- Preventing, detecting and correcting irregularities, including fraud on their territories. They shall notify these irregularities without delay to the MA and the EC and keep them informed of the progress of related administrative and legal proceedings;
- Having responsibility for recoveries of amounts unduly paid on its territory, according to methodology developed within the management and control system of the programme and approved by the JMC;

- In case of Russia, the NA has the ultimate responsibility for implementing the provisions set out in the financing agreement between EU and Russia, and co-signed by Latvia;
- Following the request of the JTS or the MA, checking the risk of double-financing of projects implemented by the beneficiaries operating on their territory;
- Bearing responsibility for the payments of the national contributions to the Programme;
- Representing the Programme in the JMC and fulfilling the role of coordinator of the national delegation.

5.1.4. The Joint Technical Secretariat

As agreed by the participating countries, the JTS shall be set up but its powers will be limited to organizing the first meeting of the JMC until the JMC adopts the Rules of Procedure of the JTS.

The JTS will be located in Riga, hosted by the MEPRD, it will function in accordance with its Rules of Procedure and will be financed from the TA budget from approval of the Programme by the EC. The staff of the JTS will be employed under Latvian law. The JTS shall have staff covering all relevant languages – Latvian, Russian and English. The number and qualification of the staff shall correspond to the functions carried out by the JTS.

As agreed by the participating countries, two branch offices (BOs) of the JTS shall be set up in Pskov and Saint Petersburg. Their role shall include communication, information, assistance to the MA and JTS in the project evaluation and implementation follow-up, as well as assistance to project partners, NAs and JMC. In no event, may the BOs be entrusted with a task involving exercise of public authority or the use of discretionary powers of judgement regarding projects. More detailed tasks and functions of the BOs shall be described in the Rules of Procedures of the JTS, respecting the provisions of *Article 27(3) and 37(3) of the Regulation (EU) No 897/2014*. Decision on the hosting institution for establishment of BOs will be made on the first meeting of the JMC by the members of the JMC with recommendation from Russian delegation. The staff of the BOs will be employed under law of Russia. Details of the operation of the BOs will be laid down with hosting agreement between the MEPRD as MA and the hosting institution. Agreement should be checked and agreed by the Russian NA and be aligned with Russian legislation.

The main responsibility of the JTS is to assist the MA, the JMC, NAs and, where relevant, the AA, in carrying out their respective functions. In particular, it shall inform potential beneficiaries about funding opportunities under the Programme and shall assist beneficiaries during the implementation of projects.

Some functions of the MA shall be delegated to the JTS on the condition that there is a framework for ensuring the definition of the respective responsibilities and obligations of the JTS, as well as for verification of its capacities to carry out delegated tasks, and reporting procedures exist.

More detailed tasks and functions of the JTS and BOsas well as monitoring and control of their implementation shall be described in the Rules of Procedures of the JTS.

The JTS shall perform the following functions, including these delegated by the MA:

1. Tasks related to the Programme management:
 - Drawing up and implementing annual information and communication plans, i.e.:
 - Providing information and advice to applicants;
 - Providing to beneficiaries information necessary for implementing the projects;
 - Distributing information on the Programme and its projects, including running of the Programme's website;
 - Organizing activities to promote the Programme;
 - Organizing partner search events in the Programme area;
 - assisting the MA in providing support to the JMC, in particular to carry out the usual work of a secretariat of the JMC, i.e. organize meetings, prepare documents, draft minutes, etc.;
 - assisting the MA in establishing a computerised system to record and store data on each project necessary for monitoring, evaluation, financial management, control and audit and administer this system;
 - assisting the MA in implementing the monitoring and evaluation activities, in particular:
 - Monitoring progress made by projects through collecting and checking reports, monitoring outputs, and results on financial implementation, including exercise of the results-oriented monitoring;
 - Provide the MA with data necessary for tracking the progress of the Programme in achieving its expected results and targets;
 - Carrying out on-the-spot monitoring visits;
 - Provides MA information at project level for monitor commitments and payments by categories of intervention;
2. Tasks related to the selection and management of the projects:
 - Assisting the MA in drawing up project selection procedures and Programme Manuals ;
 - Launching the calls for proposals;
 - Registering submitted project applications;

- Performing administrative compliance, technical eligibility and quality assessment of project applications, providing recommendations to the JMC;
- Supporting the MA in assessment of the complaints of the applicants;
- Following the final decision on project selection by the JMC, informing the lead beneficiary about the final results concerning assessment and selection of project applications;
- Preparing grant contracts;
- Assisting in implementation of projects, i.e.:
 - Providing beneficiaries with a document setting out the conditions for support for each project, including the financing plan and the time limit for execution;
 - Carrying out operational and financial follow-up of the projects, including monitoring activities, in particular, the result-oriented monitoring and the on-spot checks;
 - Making the desk-check of beneficiaries' reports and requests for payments, and present the conclusion to the MA;
 - Taking measures to avoid double-financing of the projects;
 - Examining requests of project modification and presenting to the MA opinion of the JTS;
 - Ensuring that the expenditure of each beneficiary has been verified;
 - Ensuring managing and receiving of the documents on expenditure verification and audits from relevant authorities;
 - In problematic cases contacting all project partners (not only with lead partner) and facilitating solutions.

3. Tasks related to the financial management and control:

- Ensuring that the expenditure of each beneficiary has been verified by bodies nominated to carry out control tasks, in order to verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, Programme rules and conditions for support of the projects, in particular by performing administrative verifications and on-the-spot verifications of the projects;
- Ensuring that beneficiaries involved in the implementation of projects maintain either a separate accounting system or a suitable accounting code for all transactions relating to a project;
- Elaborating procedures for managing the documents on expenditure and audits necessary for ensuring an adequate audit trail;

- Managing and keeping all documents related to the Programme or a project (e.g. reports, supporting documents, accounts, accounting documents, contracting documents, etc.) for five years from the date of payment of the balance for the Programme or a project.

5.1.5. The Audit Authority

The AA will be situated in the EU Member State Latvia hosting the MA and will be functionally independent from the MA. It shall be assisted by the Group of Auditors which shall draw up its own Rules of Procedure and be chaired by the AA. EC shall cooperate with the AA to coordinate its audit plans and methods.

Internal Audit Department of the MEPRD will carry out functions of the AA of the Programme.

The AA, with support from the Group of Auditors, shall perform the following functions:

- Within 9 months of the signature of the financing agreement between EU and Russia, and co-signed by Latvia, the AA shall submit an audit strategy for performance of audits to the EC and NAs;
- Ensuring subcontracting of independent audit body and following that audits are carried out on an appropriate sample of projects, in accordance with *Article 28(3) and (4) of the Regulation (EU) No 897/2014*;
- Ensuring that audits are carried out on the management and control systems of the Programme;
- Ensuring that audits are carried out on the annual accounts of the Programme;
- Ensuring that the audit work complies with internationally accepted audit standards;
- Drawing up an audit opinion on the annual accounts for the preceding accounting year;
- Drawing up an annual audit report.

For purpose of designation of the MA, the AA shall issue a report and an opinion. *All reports of the AA should be sent to the EC and NAs.*

5.1.6. The control contact points

In Latvia the Investments Supervision Department of the MEPRD shall carry out functions of the CCP. The public officers of the CCP shall also perform control tasks - examine whether the costs declared by the beneficiary in support of a payment request and the revenue of the project are real, accurately recorded and eligible in accordance with the contract.

In Russia control tasks referred to above shall be performed by audit companies. The Unit for coordination and legal support of regional and cross-border cooperation, Department for regional and cross-border cooperation development, Ministry of Economic Development of the Russian Federation, acting as the CCP mainly shall

assist the MA in its verifications and control tasks in the territory of the Russia providing information and clarifications on the national rules that have consequences for conducting the audits or additional checks on projects, helping MA to organize trainings for projects' auditors, if necessary and shall receive information about the quality of expenditure verifications from the MA. Possible broadening of tasks may be decided in later stage of the implementation of the Programme.

5.1.7. Overview of the Staff Resources Dedicated to Programme Management

The indicative number of staff to be employed in each of the bodies (MA, AA, JTS, BO) involved in Programme management shall be further agreed by the JMC.

For the Programme management and implementation the MA will, within the scope of allocated TA budget, ensure sufficient properly qualified human resources fully dedicated to the Programme, the required computerised management and accountancy tools and financial circuits that comply with the relevant EU requirements.

SECTION 6. Programme implementation

The implementation of the Programme must be undertaken in compliance with the rules and provisions of the Regulation (EU) No 897/2014 and the financing agreement between EU and Russia, and co-signed by Latvia.

6.1. A summary description of the management and control arrangements

The Programme shall be implemented in shared management. Management and control systems shall include:

- *The functions of each body involved in management and control, including division of functions within each body, their internal organisation in compliance with the principle of separation of functions between and within such bodies.*

Information is provided in Section 5.

- *Procedures for ensuring the correctness and regularity of expenditure declared.*

The MA shall put in place procedures to ensure that expenses declared under the Programme are genuine and legitimate and shall establish reliable computerised accounting, monitoring and financial information systems.

The MA using appropriate verification procedures shall verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the beneficiaries has been paid by them and that this complies with applicable law, Programme rules and conditions for support of the projects. 100% of project expenditure must be verified and the results of the verification shall be reflected in the expenditure verification report. The MA shall elaborate guidelines for controllers, stipulating contents and scope of verifications.

The Participating Countries have agreed on a control system making it possible to verify the soundness of the expenditure declared for projects or parts of projects implemented on their territories, and the compliance of such expenditure and of related projects, or parts of those projects, with European Union rules and their national rules. These verifications shall be carried out by controllers.

In Latvia centralised control system shall be established and this function is entrusted to the Investments Supervision Department of the MEPRD. Expenditure declared by the beneficiary in support of a payment request shall be examined by a competent public officer being independent from the beneficiary. The public officer shall have the necessary technical expertise in carrying out its examination work.

In Russia decentralized control system shall operate. Expenditures incurred by the Russian beneficiaries shall be examined by an auditor selected using procurement procedure in compliance with the relevant provisions of the financing agreement between the European Union and the Russian Federation, and co-signed by Latvia, separately for each beneficiary, which meets at least one of the following requirements:

- be a member of a national accounting or auditing body or institution which in turn is member of International Federation of Accountants (hereinafter – IFAC);
- be a member of a national accounting or auditing body or institution. Where this organisation is not a member of IFAC, the auditor shall commit to undertake the work in accordance with IFAC standards and ethics;
- be registered as a statutory auditor in the public register of a public oversight body in a CBC partner country, provided this register is subject to principles of public oversight as set out in the legislation of the country concerned.

For Russian beneficiaries costs for the verification of the expenditure shall be covered from the project budget.

The controller shall examine whether the costs declared by the beneficiary and the revenue of the project are real, accurately recorded and eligible in accordance with the contract.

This examination shall be performed on the basis of an agreed-upon procedure which will be undertaken in accordance with:

- the International Standard on Related Services 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by IFAC;
- IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants.

For public officers, those procedures and standards shall be laid down at national level taking account of international standards.

The verified reports and the payment requests shall be submitted to the JTS by project beneficiaries. Once the verified reports are approved by the JTS and the MA, the payment request shall be considered for further transactions from the Programme.

- *Electronic data systems for accounting, storage, monitoring and reporting.*

Main functionality requirements are listed in the Section 6.7.

- *Systems for monitoring and reporting where the responsible body entrusts execution of tasks to another body:*

Some functions of the MA shall be delegated to the JTS, as stipulated in subsection 5.1.4 of the Programme. Functions of both MA and JTS will be fulfilled of the same Development Instruments Department of the MEPRD (see Figure 3), thus proper monitoring of the execution of entrusted tasks shall be ensured. Definition of the respective responsibilities and obligations of the JTS and reporting procedures shall be formally recorded in writing in the Rules of Procedure of the JTS and in the Regulation of the Development Instruments Department.

- *Arrangements for auditing the functioning of the management and control systems:*

The AA with support from the Group of Auditors shall each year implement an audit programme to check the internal circuits and ensure that procedures have been correctly applied by the Programme Authorities.

The AA shall draw up an annual audit report providing a summary of audits carried out, including an analysis of the nature and extent of errors and weaknesses identified both at system level and for projects, as well as the corrective measures taken or planned and send it to the JMC and the EC as a part of the Annual Report of the Programme implementation.

The JMC will review the identified shortcomings and proposed corrective measures in the system as well as in the projects, and the MA together with the JTS will elaborate and implement the necessary actions.

- *Systems and procedures to ensure an adequate audit trail:*

An adequate audit trail and archiving system at the level of each Programme body shall be planned and described in internal procedures, e.g. documents regarding evaluation and selection of the projects; performed checks and audits, etc.

All the accounting records and supporting documents regarding payments of the Programme contribution to the Lead beneficiaries and amounts certified to the EC shall be stored in the Programme management system referred to in the Section 6.7. More detailed requirements shall be provided by the MA in its procedures.

All information regarding these will be stored in the Programme management and information system (the common system for the Programme), and all Programme bodies will have to develop their procedures for keeping and archiving their documents to ensure the audit trail.

The requirements to the Lead beneficiaries for retention of the original supporting documents allowing to verify payment of the Programme contribution to the Lead beneficiary shall be provided in the Programme Manual and the grant contract.

- *Procedures for prevention, detection and correction of irregularities, including fraud and the recovery of amounts unduly paid, together with any interest;*

NAs shall ensure establishment and effective functioning of their national systems for prevention, detection and correction of irregularities. They shall prevent, detect and correct irregularities, including fraud on their territories, with the support of other institutions involved at national level in Programme implementation, including, inter alia, the institutions acting as CCPs and as member of the group of auditors. They shall notify these irregularities without delay to the MA and the EC and keep them informed of the progress of related administrative and legal proceedings. Detailed procedure will be elaborated by the MA and approved by the JMC.

The MA shall be responsible for pursuing the recovery of amounts unduly paid as stipulated in the Section 6.8.

- *Contract award procedures for TA and projects selection procedures:*

Description of applicable contract award procedures for TA is provided in the Section 6.9.

Project selection procedures are described in the Section 6.3.5.

- *The role of national authorities and the responsibilities of the participating countries:*

Information is provided in the Section 5.1.3.

6.2. Timeframe for Programme implementation

The period of execution of the Programme shall start at the earliest on the date of the adoption of the Programme by the EC and end on 31 December 2024 at the latest.

Contract for large infrastructure projects (LIPs) selected through direct award shall be signed before 30 June 2019. All other contracts shall be signed before 31 December 2021.

All project activities financed by the Programme shall end on 31 December 2022 at the latest.

6.3. Basic principles in relation to the projects and beneficiaries

6.3.1. Nature of support

Generally projects to be supported under all thematic objectives of the Programme shall be selected through calls for proposals.

The number of calls for proposals shall be decided by the JMC depending on the progress of the Programme implementation. For each call for proposals the JTS shall provide applicants with Programme Manual setting out the conditions for the participation in the call, selection and implementation of the project, including the specific requirements concerning the deliverables under the project, the financial plan, and the time-limit for execution.

Up to 30% of the EU funding to the Programme may be allocated to LIPs, where a budget share of at least EUR 2.5 million is allocated to acquisition of infrastructure.

It is planned to implement within Programme following LIPs to be selected through direct award procedure:

Priority (TO)	Project title	Project beneficiary	Project partners	Programme financing allocated for the project MEUR
P. 1.2. (TO 1)	Preservation and promotion of the cultural and historical heritage in Latvia and Russia	Daugavpils City Council (LV)	Cesvaine Municipality Council (LV) State Joint Stock Company "State Real Estate" (LV) State Committee of the Pskov region for protection of the objects of cultural heritage and/or State	3.12

			Committee of the Pskov region on culture (to be confirmed) (RU)	
P.2.1. (TO 6)	Pure water for programme regions	Municipal enterprise of the Pskov city "Gorvodokanal" (RU)	Administration of Latgale planning region (LV) Pskov region State Committee on Economic Development and Investment Policy (RU)	3.5
P. 3.1. (TO 10)	Improvement of BCP Terehova – Burachki	State Joint Stock Company "State Real Estate" (LV)	Pskov region State Committee on Economic Development and Investment Policy (RU)	3.27

It is planned to implement within Programme following project other than LIP to be selected through direct award procedure:

Priority (TO)	Project title	Project beneficiary	Project partners	Programme financing allocated for the project MEUR
P. 3.1. (TO 10)	Improvement of the border crossing approach road Lavri – BCP "Brunisevo"	Pskov region State Committee on Economic Development and Investment Policy (RU)	State Joint Stock Company "State Real Estate" (LV) State Committee of the Pskov region for road facilities (RU)	1.85

The JMC may decide to select more projects other than LIPs through direct award after adoption of the Programme seeking the EC prior approval.

Direct award procedures shall be initiated after adoption of the Programme in order to provide full project applications to the EC before 31 December 2017.

6.3.2. Beneficiaries

Each project supported from the Programme will be implemented by at least two beneficiaries (at least one from each Programme participating country). All beneficiaries shall actively cooperate in development and implementation of projects as well as staffing and/or financing of the projects. Beneficiary may be:

- public authorities (national institutions, regional and local authorities);
- public equivalent bodies which means any legal body governed by public or private law:
 - established for the specific purpose of meeting needs for the general interest and not having industrial or commercial character,
 - having legal personality, and
 - either financed, for the most part, by the state, or regional or local authorities,
 - or other bodies governed by public law; or subject to management supervision by those bodies,
 - or having an administrative, managerial or supervisory board, where more than half of the members are appointed by the state, regional or local authorities or by other bodies governed by public law;
- NGOs constituting legal bodies that have been established for the specific purpose of meeting needs for the general interest and not having an industrial or commercial character, and having legal personality.

Prior to the submission of the proposal, each project shall designate one lead beneficiary responsible for management and coordination of the entire project and directly accountable to the MA for the operational and financial progress of all project activities. Prior to the signing of the grant contract, the lead beneficiary shall lay down the arrangements for its relations with other beneficiaries in a partnership agreement comprising, *inter alia*, provisions guaranteeing the distribution of the grant to the lead beneficiary and other beneficiaries, the joint project implementation, staffing, reporting, financing, and the sound financial management of the funds allocated to the project, including the arrangements for recovering amounts unduly paid. The lead beneficiary shall submit the project application and project implementation reports to the JTS.

6.3.3. Conditions for financing

Financing of the Programme shall be assigned to projects implemented in the Programme area, delivering a clear cross-border cooperation impact and benefits, and demonstrating added value to EU, national and regional strategies and programmes, and falling within one of the following categories:

- Integrated projects, where each beneficiary implements a part of the activities of the project on its own territory;
- Symmetrical projects, where similar activities are implemented in parallel in the participating countries;
- Single-country projects, where projects are implemented mainly or entirely in one of the participating countries but for the benefit of all or some of the participating countries, and where cross-border impacts and benefits are identified.

Certain activities of the projects meeting the criteria described above may be partially implemented outside the Programme area, provided that they are necessary for achieving the Programme's objectives and benefit as well as bring added value to the core eligible area of the Programme. The total amount allocated under the Programme to these activities shall not exceed 20% of the Union contribution at Programme level.

All selected projects will efficiently contribute to the Programme objectives by achieving at least one output indicator and contributing to at least one result indicator of the relevant Priority as stated in the Programme document.

6.3.4. Rules on eligibility of expenditure

Eligibility of the expenditure of the Programme is regulated in *Article 48 and 49 of the Regulation No 897/2014*, the financing agreement between EU and Russia, and co-signed by Latvia and the relevant national legal framework of the Programme participating countries.

Grants may not exceed an overall ceiling expressed as a percentage and an absolute value which is to be established on the basis of estimated eligible costs. Grants shall not exceed the eligible costs.

Eligible costs are costs actually incurred by the beneficiary which meet all of the following criteria:

1. they are incurred during the implementation period of the project. In particular:
 - costs relating to services and works shall relate to activities performed during the implementation period. Costs relating to supplies shall relate to delivery and installation of items during the implementation period. Signature of a contract, placing of an order, or entering into any commitment for expenditure within the implementation period for future delivery of services, works or supplies after expiry of the implementation period do not meet this requirement; cash transfers between the lead beneficiary and the other beneficiaries may not be considered as costs incurred;
 - costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment;
 - an exception is made for costs relating to final reports, including expenditure verification, audit and final evaluation of the project, which may be incurred after the implementation period of the project;

- procedures to award contracts, as referred to in *Article 52 of the Regulation (EU) No 897/2014* and following, may have been initiated and contracts may be concluded by the beneficiary(ies) before the start of the implementation period of the project, provided the provisions of *Article 52 of the Regulation (EU) No 897/2014* and following have been respected; and they are indicated in the project's estimated overall budget;
- 2. they are necessary for the project implementation;
- 3. they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;
- 4. they comply with the requirements of applicable tax and social legislation;
- 5. they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
- 6. they are supported by invoices or documents of equivalent probative value;

A grant may be awarded retroactively in the following cases:

- where the applicant can demonstrate the need to start the project before the contract is signed. Costs eligible for financing shall however not have been incurred prior to the date of the submission of the grant application; or
- for costs related to studies and documentation for projects including an infrastructure component. No grant may be awarded retroactively for projects already completed.

To allow the preparation of strong partnerships, costs incurred before submission of the grant application by projects to which a grant has been awarded are eligible provided that the following conditions are also met:

- they are incurred after the publication of the call for proposals;
- they are limited to travel and subsistence costs of staff employed by the beneficiaries;
- they do not exceed the maximum amount fixed at programme level.

The following direct costs of the beneficiary shall be eligible:

- the costs of staff assigned to the project under the following cumulative conditions:
 - they relate to the costs of activities which the beneficiary would not carry out if the project was not undertaken,
 - they must not exceed those normally borne by the beneficiary unless it is demonstrated that this is essential to carry out the project,
 - they relate to actual gross salaries including social security charges and other remuneration-related costs;
- travel and subsistence costs of staff and other persons taking part in the project, provided they exceed neither the costs normally paid by the

beneficiary according to its rules and regulations nor the rates published by the EC at the time of the mission if reimbursed on the basis of lump sums, unit costs or flat rate financing;

- purchase or rental costs for equipment (new or used) and supplies specifically for the purpose of the project, provided they correspond to market prices;
- the cost of consumables specifically purchased for the project;
- costs entailed by contracts awarded by the beneficiaries for the purposes of the project;
- costs deriving directly from requirements imposed by the *Regulation No 897/2014*, financing agreement between EU and Russia, and co-signed by Latvia and the project (such as information and visibility operations, evaluations, external audits, translations) including financial service costs (such as costs of bank transfers and financial guarantees).

The following costs relating to the implementation of the project shall not be considered eligible:

- debts and debt service charges (interest);
- provisions for losses or liabilities;
- costs declared by the beneficiary and already financed by the Union budget;
- purchases of land or buildings for an amount exceeding 10 % of the eligible expenditure of the project concerned;
- exchange-rate losses;
- duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with CBC partner countries;
- loans to third parties;
- fines, financial penalties and expenses of litigation;
- contributions in kind as defined.

More detailed eligibility rules, including retroactivity of the grant, additional categories of ineligible costs, as well as use of lump sum, unit costs, flat rate financing and use of indirect costs in supported projects financed by the Programme will be provided in the Programme Manual for respective call for proposals.

6.3.5. Description of project assessment and selection procedure

Projects may be selected through open or restricted call for proposals and through direct award. The procedure shall be decided by the JMC and specified in the Programme Manual.

Transparency of the call for proposals shall be ensured by publishing call for proposals in Programme webpage and using other means of communication named in the communication strategy. All grants awarded in the course of a financial year will be published annually with due observance of the requirements stated in the legal acts.

The grant award process shall be completely impartial and all applications will be treated equally. The proposals shall be assessed by MA/JTS together with Latvian and Russian regional and national authorities, with the advice of independent assessors where appropriate, using published eligibility, evaluation and award criteria.

All persons engaged with assessment and selection process at any stage of Restricted or Open call for proposals shall sign Declaration of Impartiality and Confidentiality prior to involvement of this person in the assessment process. In case any risk for Impartiality and/or Conflict of interests is revealed at any stage of the evaluation process the replacement of tasks will be made, which impairs impartiality of the person.

Restricted call for proposals.

Assessment process in restricted call for proposals consists of two stages - concept note evaluation stage and full application evaluation stage.

- *Concept Note Evaluation Stage:*

The JTS shall register concept notes submitted. Subsequently, administrative compliance and quality shall be assessed.

Administrative compliance: the JTS shall assess administrative compliance of concept notes (on the basis of administrative criteria which shall be described in a Programme Manual for the respective call for proposals setting out the conditions for support). Only projects that pass the administrative compliance proceed further to the quality assessment.

Quality assessment: the MA/JTS together with Latvian and Russian regional and national authorities shall perform quality assessment of concept notes, assessed on the basis of quality criteria (e.g. relevance of the project and design of the project). NAs shall also check the projects in order to avoid double funding and promote synergies with existing projects. The representatives of the European Union Delegation may be invited to participate in the assessment process as observers to better promote synergies between the Programme and other EU-funded activities in country, where possible. Exact procedure, list and description of quality criteria will be provided in the Programme Manual for the respective call for proposals. The JMC members may participate in the quality assessment together with the MA/JTS.

Following the quality assessment, the assessment report and shortlist of the concept notes to be invited to proceed with the full application forms and the list of the concept notes subject to rejection after quality evaluation shall be drafted by the JTS.

The Shortlist shall be approved by the JMC.

The JTS shall immediately inform the Lead Applicants about results of the Concept Notes evaluation and launch the full application evaluation stage. Only lead applicants shortlisted in the Concept Note stage shall be invited to submit the full application.

- *Full Application Evaluation Stage:*

The JTS shall register project applications submitted. Subsequently, three aspects of these applications, namely administrative compliance, technical eligibility and quality, shall be assessed. Afterwards, the decision regarding project selection shall be made.

Assessment:

Administrative compliance: the JTS shall assess administrative compliance of applications (on the basis of administrative criteria which shall be described in a Programme Manual for the respective call for proposals). Only projects that pass the administrative compliance proceed further to the technical eligibility assessment.

Technical eligibility: the JTS shall assess technical eligibility of applicants, partners, expenditure and activities (on the basis of eligibility criteria which shall be described in a Programme Manual for the respective call for proposals).

Quality assessment: the MA/JTS together with Latvian and Russian regional and national authorities and, if it is deemed necessary by the MA, independent assessors shall perform quality assessment of applications on the basis of quality criteria (e.g. financial and operational capacity of the applicant and its partners, relevance, methodology, sustainability, budget and cost-effectiveness). NAs shall also check the projects in order to avoid double funding and promote synergies with existing projects. The representatives of the European Union Delegation may be invited to participate in the assessment process as observers to better promote synergies between the Programme and other EU-funded activities in country, where possible. Exact procedure, list and description of quality criteria will be provided in the Programme Manual for the respective call for proposals. The JMC members may participate in the quality assessment together with the MA/JTS (measures to avoid conflict of interest will be laid down in the Rules of Procedure of the JMC and description of the management and control systems). Following the quality assessment, the assessment report, consisting of summary assessment reports for each application, including assessment grids, scores, comments from the assessors and the JMC, and a list of non-eligible applications with justifications of their non-eligibility, shall be issued. Eligible applications will be ranked according to the average score from assessment scores of two or more assessors.

Selection:

Based on the ranking of the applications in the assessment report provided by the MA/JTS, the JMC shall take a definitive decision on approval of final list of grants to be awarded and the maximum amount awarded to each of approved applications. The applications that will receive programme support will be selected starting from the highest-ranking one based on the scores received in the assessment process. The JMC might approve the application conditionally, indicating a list of minor corrections to be made. However, corrections should cover technical aspects only and not change the content or objectives, main outputs or activities of the proposed project. Following selection of projects, the JTS shall immediately inform the Lead Applicants about results concerning their proposals and prepare grant contracts. The MA shall sign the grant contract with the Lead Beneficiary.

Complaint procedure

Lead applicant may submit to the MA a complaint, giving clear arguments on issue to be clarified. Complaint shall be assessed by the MA with support of the JTS and the BO. The MA shall review the complaint and if necessary shall ask the JMC for an opinion. Based on the provided information by the JMC, the MA shall answer the complaint. The complaint procedures will be described in detail in the Programme Manual and description of the management and control systems.

Open call for proposals.

Open call for proposals consists of only second step - Full Application Evaluation Stage.

Direct award.

Projects may be awarded through direct award only in the following cases and provided this is duly substantiated in the award decision:

- the body to which a project is awarded enjoys a *de jure* or *de facto* monopoly;
- the project relates to actions with specific characteristics that require a particular type of body based on its technical competence, high degree of specialisation or administrative power.

After adoption of the Programme the MA shall provide the EC with the full project applications together with the justification for a direct award.

The projects proposed for selection without a call for proposals shall be approved by the EC based on a two-step procedure, consisting of the submission of a project summary followed by a full project application. For each step, the EC shall notify its decision to the MA within two months of the document submission date. This deadline may be extended where necessary. Where the EC rejects a proposed project, it shall notify the MA of its reasons.

- *During project summary stage:*

The NAs shall identify beneficiaries of the projects and the JMC shall establish the grant amount for each project;

Following invitation beneficiaries shall prepare the project summary and submit to the JTS;

JTS/MA shall carry out verification of the project summary and clarifications, if needed, in order to ensure appropriate quality of project summary;

JMC shall approve project summary;

MA shall submit approved project summary to the EC for approval;

After EC approval, MA shall invite beneficiaries to prepare and submit full project applications.

- *During full application evaluation stage:*

Beneficiaries shall prepare full application;

Lead beneficiary shall submit full application to the JTS;

JTS/JMA shall carry out verification of correspondence of the full application to the project summary accepted by the EC and with the formal requirements, and

clarifications, if needed, in order to ensure consistency of the full application with the formal requirements;

JMC shall approve full application;

MA shall submit full application to the EC for approval.

Regardless chosen selection procedure before filing the list of the projects to the JMC for approval the MA will consult the list of projects recommended for funding with the EC to avoid double funding and promote synergies with existing projects, where possible. Following this consultation the JMC may decide to reject initially recommended proposals.

6.4. A description of the Monitoring and Evaluation system

Programme monitoring and evaluation shall aim at improving the quality of the design and implementation, as well as at assessing and improving its consistency, effectiveness, efficiency and impact. Furthermore, the findings of monitoring and evaluations shall be taken into account in the programming and implementation cycle.

Monitoring and evaluation system of the Programme shall include day-to day monitoring, annual results-oriented monitoring exercises starting from the first year of the implementation of the projects and mid-term evaluation to be carried out around year 2018.

The MA shall draw up annual monitoring and evaluation plan and submit it to the EC and NAs every year by 15 February.

The MA, with JTS assistance, shall carry out results-oriented monitoring of the Programme and projects. Monitoring shall be based on:

- Grant contracts with beneficiaries, setting up quantifiable outputs and results as well as indicators for their achievement for each project;
- Project progress reports, regularly submitted to the JTS by the beneficiaries;
- On-the-spot checks and visits to the Lead beneficiaries and for identified increased risk projects to all beneficiaries, performed by the JTS in order to assess the progress of projects against the Programme objectives and to provide support to the projects by helping to streamline communication and address partnership related issues.

Mid-term evaluation of the Programme (around 2018) shall be carried out by external evaluators. The results of this evaluation shall be communicated to the JMC, and may lead to adjustments in the Programme strategy and in particular, call for a revision of the defined Programme indicators and their targets.

In addition, the EC and NAs shall have access to all monitoring and evaluation reports and may carry out *ad hoc* evaluations (at any time) of the Programme or a part thereof. The results of these exercises shall be communicated to the JMC and MA, and may lead to adjustments in the Programme. Furthermore, the JMC and MA may consider necessary to carry out their own ad hoc evaluations of the Programme at any of its stages.

6.5. The communication strategy

The JTS and the project beneficiaries shall be responsible for ensuring adequate visibility of the EU contribution to the Programme and its projects as well as the contribution by participating countries Latvia and Russia in order to strengthen public awareness of the actions by Latvia, Russia and the EU and create a consistent image of the support by Latvia, Russia and EU in all the projects. The JTS shall also ensure that the communication strategy and visibility measures undertaken by the project beneficiaries comply with the Communication and visibility manual for EU external actions and the guidance of NAs.

Routine tasks in ensuring timely and efficient implementation of communication measures shall be delegated to the JTS. The JTS shall be assisted in carrying out communication activities by the BOs.

The Programme will have its visual identity, consisting of the following main elements: Latvian, Russian and the EU flags, Programme logo, and information about the Programme funding. These elements will be applied to the entire brand book of the Programme.

A large range of communication measures shall be employed with the aim of ensuring an adequate spread of information to the following target groups:

- General public;
- Potential and actual applicants;
- Project beneficiaries;
- Programme stakeholders;
- Public authorities and non-governmental organisations;
- Economic and social partners;
- EU authorities;
- Other programmes operating on the same territory.

The following communication channels are planned to be used:

- Website of the Programme;
- Electronic communication tools;
- Events;
- Mass media;
- Promotion and information gadgets and publications;
- Social media.

The communication strategy of the Programme will be implemented in the following stages:

- Ensuring efficient communication among the implementing bodies of the Programme, social and economic partners, the EC, national governments of Latvia and Russia;
- Informing the general public and all potential applicants about the Programme and its calls for proposals;
- Providing information on application and assistance in forming partnership to all potential applicants;
- Assistance in preparation for contracting and project implementation to all beneficiaries, including clear guidance on project promotion and Programme visibility requirements;
- Promoting of the Programme achievements to the public.

In order to ensure the transparency of the usage of Programme funds, the list of projects awarded under the Programme allowing the data to be sorted, searched, extracted, compared and easily published will be maintained on the website of the Programme. The list shall be updated at least every six months. The list of the projects shall be provided to the EC not later than 30 June of the year following the year in which the projects were selected.

Capitalisation will be used in order to make the promotion of Programme results efficient.

6.6. Environmental assessment

SEA has been carried out in accordance with European Parliament and Council Directive 2001 /42 /EC of 27 June 2001 on the assessment of the effects of certain plans and programs on the environment.

The SEA was carried by the joint stock company “Grupa 93” in cooperation with SEA expert from Russia. The elaboration of the Environmental Report was based on the contract signed between the MEPRD (acting as the MA) and the joint stock company on 14 November 2014. Contracted SEA experts have attended the JPC meetings, as well as had meetings and communication with relevant environmental authorities.

The goal of SEA is to provide a basis for a high level of protection of the environment and to contribute to the integration of environmental considerations into preparation and adoption of plans and Programmes with the goal to promote sustainable development. According to the Directive 2001/42/EC Annex 1 the requested and relevant information and outcomes of the SEA are presented in the Environment Report.

Within SEA process and drafting of the environmental report the methods based on assessment of the Programme correspondence to environmental protection and

sustainable development principles and objectives as well as assessment of the expected Programme impact have been used.

The Environment Report has estimated that the possible impact of the Programme on the environment is associated with three aspects: the quality of the environment, sustainable development of the natural and cultural and historical heritage and the socio-economic impact.

In the assessment, taking into account the level of detail of the Programme, the most substantial impacts are described at the regional level covering the whole Programme territory. The implementation of the Programme as a whole is expected to have a positive, long-term impact on the quality of the environment, sustainable development of the natural and cultural and historical heritage and the socio-economic impact. During the Programme implementation, through implementation of specific projects, the Programme impact will become apparent directly at the local level, or locally. Summary and cumulative impacts are expected at the regional level through interaction between impacts of multiple projects of the Programme, the Programme impacts from the previous programming period and/or the impacts of other programs, investment projects and sectorial plans implemented at national, regional and local (municipal) level.

Implementation of the Programme is not expected to have a significant negative impact on the environment. Therefore, solutions to mitigate the negative impact and compensatory measures are not necessary. However, since the projects will be developed during implementation of the Programme containing updated measures and solutions, precautionary measures are recommended for prevention of the potential environmental risks. These are: assessment of the aspects of impact of projects on the environment and prevention of environmental risks at the project implementation stage, the environmental impact procedures, compliance with thematic plans of the environmental and nature protection area, compliance with the land use and building regulations of the local governments, as well as the environmental monitoring.

The public consultations on the draft Environment Report was performed from 6 March to 16 April 2015 – 40 days according to Latvian national legislation (in parallel with the consultation on the draft Programme). Draft Environment Report translated into Latvian language was made publicly available through announcements in Latvia's official newspaper "Latvijas Vēstnesis" on 6 March 2015 and in the homepage of the MEPRD as well as through invitations sent to the Administrations of the Planning Regions, Ministry of Health, Nature Conservation Agency; The State Environmental Service, Environmental Consultative Council.

The comments on the draft Environment Report were received from 6 Latvian institutions (Latgale Planning Region, Vidzeme Planning Region, Ministry of Health, Ministry of the Interior, Nature Conservation Agency; The State Environmental Service). A part of them were related to incorrect use of specific terminology, editorial or translation mistakes, requests to include additional information or provide clarifications. The relevant comments have been integrated or additional information provided.

After public consultations process, the revised Environment Report has been submitted for assessment by the Latvian Environment State Bureau which is designated national supervisory body on SEA. They issued the Statement including recommendations on monitoring report and requirements on publication of the final

Environment report and Programme document. Consequently, the monitoring report shall be submitted in 2019.

6.7. A description of computerised Programme management system

In order to ensure adequate storage and processing of Programme and project data a secure limited access computerised Programme management system – Programme database, shall be operated by the MA and the JTS. The database shall ensure recording and storage of information related to the project applications, assessment and selection, as well as data on each project necessary for monitoring, evaluation, financial management, control and audit, including data on individual participants in projects, where applicable. In particular, it shall record and store technical and financial reports for each project. The system shall provide all data required for drawing up payment requests and annual accounts, including records of amounts recoverable, amounts recovered and amounts reduced following cancellation of all or part of the contribution for a project or Programme.

In addition platform for exchange of computerised data between the MA and the EC referred to in *Article 4 (5m) of Regulation No 897/2014* shall be used.

Applying the best practice of the previous programming periods the KEEP database should be used. KEEP is a source of aggregated information regarding the projects and beneficiaries of EU programmes dedicated to cross-border, transnational and interregional cooperation in Europe. This database covers the 2000-2006 and 2007-2013 periods and will also include the 2014-2020 period.

6.8. The apportionment of liabilities among the participating countries

Relevant bodies of the participating countries, involved at national level in the Programme implementation (NAs, institutions acting as the CCP and as member of Group of Auditors) shall prevent, detect and correct irregularities, including fraud and the recovery of amounts unduly paid on their territories. They shall notify these irregularities without delay to the MA, the EC and NAs and keep them informed of the progress of related administrative and legal proceedings.

Regardless of the date of detecting systemic and other irregularities on Programme level the methodology of sharing financial corrections among participating countries shall be chosen by the JMC according to the type of the correction:

- When it is possible to attribute the exact amount to each participating country, each of them will reimburse to the programme accounts an amount equal to the financial correction applied to the expenditure incurred by its respective beneficiaries, and declared by the Managing Authority to the European Commission, as a result of the systemic deficiency for which each of them is responsible
- When it is not possible to attribute the exact amount to each participating country, each of them will reimburse to the programme accounts an amount proportionate to the total expenditure incurred by its respective beneficiaries,

and declared by the Managing Authority to the European Commission, at the date of the decision on the financial correction.

For the TA, the liability will be borne by the MA for administration related irregularities and in case of irregularities by the organizations hosting JTS and BOs, the liability will be borne by the respective participating country.

The methodology of sharing financial responsibilities between participating countries will be detailed in the procedure regulating recovery matters, agreed by the JMC.

The MA shall be responsible for the recovery of amounts unduly paid.

The MA shall recover from the Lead Beneficiary the amounts unduly paid together with any interest on late payments. The beneficiaries shall repay the Lead Beneficiary the amounts unduly paid in accordance with the agreement existing between them. The MA may recover directly from the beneficiaries the amounts unduly paid together with any interest on late payments.

Where the recovery relates to a claim against a beneficiary established in Latvia and the MA is unable to recover the debt within 9 months of the issuing of the recovery order, Latvia shall pay the due amount to the MA and claim it back from the beneficiary.

Where the MA within 9 months of the issuing of the recovery order is unable to recover the debt from a beneficiary established in Russia, Russia's level of responsibility is such as it is established in the financing agreement between EU and Russia, and co-signed by Latvia.

6.9. Description of planned use of TA and applicable contract award procedures

TA shall be used to finance activities that are necessary for the effective and efficient administration and implementation of the Programme. This concerns preparation, management, monitoring, evaluation, information, communication, networking, complaint resolution, control and audit.

Taking into account real needs of the Programme, estimated based on the experience of the trilateral Estonia-Latvia-Russia Programme 2007-2013 and its real costs, the estimated budget of TA of the Programme is 4 380 334 EUR. It is based on the fact that with significantly lower budget for this Programme compared with budget of the trilateral Estonia-Latvia-Russia Programme 2007-2013, the decrease of the Programme area is minor and all the programme implementation functions stipulated in the Regulations have to be ensured effectively and in full. As stipulated in the Article 5.1.4 of the Programme, the participating countries have also agreed to have two BOs in Russia, financed from the TA budget.

With respect to above mentioned the participating countries have agreed to allocate to the TA significant co-financing – 999 540 EUR from Latvia and 999 540 EUR from Russia, or together 1 999 080 EUR. It is planned to finance remaining share of 2 381 254 EUR from the EU contribution, which would form 15% of the EU total contribution.

Additionally to aforementioned the participating countries decided to launch preparatory actions required to set up the management and control system before the programme has been adopted, as it is foreseen in *Article 16 (1) of the Regulation No 897/2014*. The preparatory actions undertaken to start the Programme are in line with the provisions mentioned in *Article 16 (3) of the Regulation No 897/2014*. Mainly they are:

1. Drafting of the Programme and its documents, including remuneration for involved employee;
2. Preparation of SEA;
3. Translation and proofreading costs;
4. Organisation of JPC meetings, rent of premises, catering, travel and accommodation;
5. Travel and accommodation of persons related to preparation of the Programme to attend JPC meetings and other related events;
6. Elaboration of technical documentation for development/ upgrade of database;
7. External expertise in development of Management and control system and documents related to it;
8. Preparation of methodology for project evaluation criteria;
9. Methodology for setting baseline values of indicators;
10. Development of the programme visual identity;
11. Other relevant actions in accordance with JPC decision. None of these costs will fall within any of the categories listed in *Article 49(1) ENI CBC IR*

Above listed preparatory actions are financed from the TA budget of the trilateral Estonia-Latvia-Russia Programme 2007-2013. The estimated amount for preparatory actions covered from the TA budget of the trilateral Estonia-Latvia-Russia Programme 2007-2013 is around 250 000 EUR (see Table 6 and Table 8).

Table 6

Provisional list of preparatory actions and resources to be covered from the TA budget of the trilateral Estonia-Latvia-Russia Programme 2007-2013

Name of preparatory action	Estimated resources
Procurements	100 000,00
Remuneration to expert engaged to preparation of Programme and MCS	50 000,00

JPC meetings, covering rent of premises, catering costs, travel and accommodation costs;	50 000,00
Travel and accommodation costs	50 000,00
Total	250 000,00

TA shall be administered by the MA. TA might be used for both Programme structures and beneficiaries.

The procurement of goods, supplies and services financed from TA shall follow the following rules:

- Latvian authorities benefitting from the TA shall apply national public procurement legislation;
- Russian authorities benefitting from the TA shall follow rules defined in the financing agreement between EU and Russia, and co-signed by Latvia.

Procurement by BOs shall be limited to ordinary running costs and costs for communication and visibility activities.

6.10. The rules for the transfer, use and monitoring of co-financing

The MA has to ensure procedure for receiving payments from the EC and Programme participating countries to the bank account in euro, specially dedicated to the Programme, and for making payments to the beneficiaries, TA contractors and the Hosting Institution of the BOs.

Latvian national co-financing to TA is allocated annually from the state budget in the Programme bank account operated by the MA.

Russian annual contributions are allocated from the federal budget and transferred to the MA. The European Bank for Reconstruction and Development will act as an agent to transfer money to the MA.

The EC shall make the annual commitments in accordance with provisions set out in *Article 58(3) of the Regulation No 897/2014*.

The *Regulation No 897/2014* applies to the whole Programme funds.

To be entitled to claim payments from the MA, each beneficiary shall be obliged to regularly present progress reports to the JTS. These reports shall be accompanied with the auditor's statement and the payment claim for any following payments from the Programme funds. This obligation will be stipulated in the grant contract. Details on the reporting procedure and payment flows will be defined in the Programme Manual and grant contract.

For the management of the TA share of the BOs a separate agreement will be concluded between the MA and the BOs Hosting Institution. The agreement will lay down provisions for payments, reports and controls of TA expenditure.

6.11. Financial flows

6.11.1. Indicative financial plan

Table 7

The provisional amounts of the total financial appropriations of the support from the Union, Russia and co-financing for the whole programming period for each thematic objective and TA

	EU Funding	Partners co-financing to EU funds	Partners co-financing rate to EU funds (in %)	LV Co-financing	RU Funding	Partners co-financing to RU funding	Partners co-financing rate to RU funds (in %)	Total funding
Thematic objective 1	4 776 394,57	530 710,51	10	0	2 455 836,44	272 870,72	10	8 035 812,23
Thematic objective 6	5 335 968,96	592 885,44	10	0	2 743 547,83	304 838,65	10	8 977 240,88
Thematic objective 10	3 381 410,27	375 712,25	10	0	1 738 589,73	193 176,64	10	5 688 888,89
TA	2 381 254,20		-	999 540,00	999 540,00		-	4 380 334,20
Total	15 875 028,00	1 499 308,20	-	999 540,00	7 937 514,00	770 886,00	-	27 082 276,20
TA from 2007-2013	180 000,00	0,00	-	35 000,00	35 000,00	0,00	-	250 000,00
Total with TA from 2007-2013	16 055 028,00	1 499 308,20		1 034 540,00	7 972 514,00	770 886,00		27 332 276,20

Table 8

Yearly provisional financial appropriations for preparatory actions financed from TA of trilateral Estonia-Latvia-Russia Programme 2007-2013.

	A	B	C	D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE EC	CO-FINANCING	PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -
2013				
Projects				
TA		7 280,00	18 720,00	18 720,00
TOTAL 2013	26 000,00	7 280,00	18 720,00	18 720,00
2014				
Projects				
TA		9 800,00	25 200,00	25 200,00
TOTAL 2014	35 000,00	9 800,00	25 200,00	25 200,00
2015				
Projects				
TA		37 800,00	97 200,00	97 200,00
TOTAL 2015	135 000,00	37 800,00	97 200,00	97 200,00
2016				
Projects				
TA		15 120,00	38 880,00	38 880,00
TOTAL 2016	54 000,00	15 120,00	38 880,00	38 880,00
TOTAL 2015-2024	250 000,00	70 000,00	180 000,00	180 000,00
TOTAL COFINANCING RATE				
		28%	72%	72%

Table 9

Programme's yearly provisional financial appropriations for commitments and payments envisaged for the support from the Union for each TO and TA.

	A	B	C	D
	INDICATIVE PROVISIONAL COMMITMENTS BY THE EC	CO-FINANCING	PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -	PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -
2015				
Projects				
TA				
TOTAL 2015	2 410 874,00	0,00	0,00	0,00
2016				
Projects				
TA		139 249,49	165 870,51	165 870,51
TOTAL 2016	2 940 976,00	139 249,49	165 870,51	165 870,51
2017				
Projects		188750,5289	8 493 773,80	1 698 754,76
TA		261 156,68	311 083,32	311 083,32
TOTAL 2017	5 140 740,00	449 907,21	8 804 857,12	2 009 838,08
2018				
Projects		582 987,43	5 000 000,00	5 246 886,90
TA		277 919,74	331 051,06	331 051,06
TOTAL 2018	1 652 883,00	860 907,17	5 331 051,06	5 577 937,96
2019				
Projects		410 972,75		3 698 754,76
TA		310 197,13	369 499,08	369 499,08
TOTAL 2019	1 851 416,00	721 169,88	369 499,08	4 068 253,84
2020				
Projects		205 486,38		1 849 377,38
TA		308 975,84	368 044,30	368 044,30
TOTAL 2020	1 878 139,00	514 462,21	368 044,30	2 217 421,68
2021				
Projects		111 111,11		1 000 000,00
TA		289 500,62	344 845,92	344 845,92
TOTAL 2021		400 611,74	344 845,92	1 344 845,92
2022				
Projects				
TA		296 589,48	353 289,99	353 289,99
TOTAL 2022		296 589,48	353 289,99	353 289,99
2023				
Projects				
TA		115491,0144	137 570,01	137 570,01
TOTAL 2023		115491,0144	137 570,01	137 570,01
2024				
Projects				
TA		0	0	0
TOTAL 2024		0	0	0
TOTAL 2015-2024	15 875 028,00	3 498 388,20	15 875 028,00	15 875 028,00
TOTAL COFINANCING RATE			%	%

** Subject to a mid-term review of the programme

6.12. Use of the Euro

Expenditure incurred in a currency other than euro shall be converted into euro by the beneficiaries using the monthly accounting exchange rate of the EC in the month during which that expenditure was incurred, as stipulated in *Article 67(1) (a) of the Regulation (EU) No 897/2014*.

6.13. Use of languages

The working language of the Programme shall be English. All the main documents (e.g. applications, reports, etc.) shall be drawn up in English. However, additional documents required while submitting the application form, supporting documents for the reports can be submitted in the national languages of the applicants/ beneficiaries. Main Programme documents may be translated in national languages of the participating countries of the Programme.

6.14. State aid rules

In accordance to article 12(3) of the *Regulation No 897/2014* contribution from EU funds granted under the programme shall comply with the applicable Union rules on State aid within the meaning of *Article 107 of the Treaty on the Functioning of the European Union*. In the Russian Federation appropriate Russian legislation is applied.

7. LIST OF ABBREVIATIONS AND COMMON TECHNICAL TERMS

AA	Audit Authority
BO	Branch Office of the Joint Technical Secretariat
CCP	Control Contact Point
EC	European Commission
ENI	European Neighbourhood Instrument
ENI Programming document	Programming document for European Union support to ENI cross-border cooperation for the period 2014-2020
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EU	European Union
GDP	Gross domestic product
GRP	Gross regional product
IFAC	International Federation of Accountants
JMC	Joint Monitoring Committee
JPC	Joint Programming Committee
JTS	Joint Technical Secretariat
LIP	Large Infrastructure Project
MA	Managing Authority
MEPRD	Ministry of Environmental Protection and Regional Development of the Republic of Latvia
NA	National (responsible) authorities
Natura 2000	An ecological network in the territory of the European Union
NGO	Non-governmental organisation
NUTS 3	European Union Nomenclature of Territorial Units for Statistics by regional level classification
Programme	Latvia – Russia Cross-border Cooperation Programme 2014-2020
Regulation (EU) No	Regulation (EU) No 232/2014 of the European Parliament and of the

232/2014	Council of 11 March 2014 establishing a European Neighbourhood Instrument
Regulation (EU) No 897/2014	Commission Implementing Regulation (EU) No 897/2014 of 18 August 2014 laying down specific provisions for the implementation of cross-border cooperation programmes financed under Regulation (EU) No 232/2014 of the European Parliament and the Council establishing a European Neighbourhood Instrument
SEA	Strategic Environmental Assessment
SEA Directive	Directive 2001/42/EC of the European Parliament and the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment
SME	Small and medium-sized enterprise
TA	Technical Assistance
TO	Thematic objective

Annexes:

- 1) Strategic Environmental Assessment of the Cross-Border Cooperation Programme Latvia-Russia 2014-2020, Environment Report (including Non-technical Summary);
- 2) Statement foreseen by Article 9(1)(b) of the Directive 2001/42/EC;
- 3) Indicative monitoring and evaluation plan of the Programme for its whole duration;
- 4) Communication Strategy;
- 5) Indicative Information and Communication Plan for 2016