

Border Orientation Paper

Latvia-Lithuania



1. INTRODUCTION

This document sets out key characteristics of the cross-border region between Latvia and Lithuania and outlines options and orientations for the programming of the next Interreg programme along that border. It is part of a series of papers prepared by DG REGIO for all EU land borders (and borders with Norway and Switzerland).

The objective of this paper is to serve as a basis for a constructive dialogue both within each cross-border region and with the European Commission for the 2021-2027 Interreg cross-border cooperation programme Latvia - Lithuania.

The paper is based for a large part on objective information stemming from three studies commissioned by DG REGIO:

- “Border needs study” (“Collecting solid evidence to assess the needs to be addressed by Interreg cross-border cooperation programmes”) conducted in 2016;
- “Easing legal and administrative obstacles in EU border regions” conducted in 2015-16; and
- “Comprehensive analysis of the existing cross-border transport connections and missing links on the internal EU borders” conducted in 2017-18.

In addition, many data sources available at European level were also used to describe certain aspects of socio-economic and territorial development. A full list of information sources is provided in annex.

Cross-border cooperation is much broader than Interreg programmes. The objective is to facilitate cross-border cooperation by reducing remaining persisting obstacles to cross-border activities and linkages as outlined in the 2017 Communication on Boosting Growth and Cohesion in EU Border Regions. The instruments available are not only the EU funds (in particular Interreg and other European Structural and Investment Funds (ESIF) programmes which may invest in cooperation), but also European and national legal instruments (European Grouping for Territorial Cooperation (EGTC), regional agreements (e.g. in the Benelux and the Nordic countries), bi-lateral agreements, etc.) as well as a number of policies e.g. on labour mobility, transport, health, etc. The Interreg programmes should therefore not only aim to fund projects but should also seek to reduce cross-border obstacles. To do so, the legislative proposal on Interreg foresees that part of the budget is dedicated to cross-border governance (including capacity building and contribution to the macro-regional/sea-basin strategies).

That is why this paper goes beyond the traditional activities of Interreg programmes (funding projects) and also covers governance issues (reducing cross-border obstacles). On this, the roles of the programmes are: (a) to initiate the work on the obstacles (e.g. the members of the Monitoring Committee could contact the relevant public authorities and stakeholders); (b) to facilitate the work (by funding working groups as well as possible studies and pilot projects); and (c) to contribute to this work (providing input from the wide knowledge gained in past programming periods). Whilst the budget is limited, the impact can be important as the actions concerned will have a limited cost (meetings, studies, pilot projects, etc.) but structural effects.

2. ANALYSIS OF THE BORDER AREA

1. According to the designated current programme area three Latvian regions (Kurzeme, Zemgale, Latgale) and 6 Lithuanian regions (Klaipėda, Telšiai, Šiauliai, Penevėžys, Utena and Kaunas) have been taken into account in this analysis.

Top characteristics:

- The Latvian–Lithuanian border stretches over 588 km with an additional 22 km of sea border.
- The cross-border area is predominantly rural although there are a few urban centres on both sides. The NUTS¹ 3 level Kurzeme, Klaipėda and Kaunas are classified as ‘intermediate’.
- GDP of the cross-border regions ranges in Latvia from 36% in Latgale to 47% in Kurzeme and in Lithuania from 48% in Utena to 77% of the EU average in Klaipėda.
- The population of the current programme area is 2.4m overall, with 0.75m in the Latvian border regions and 1.66m in the Lithuanian border regions (based on the geography of the 2014-2020 Latvia-Lithuania CBC programme).
- The most people are employed in the trade and transport sector.
- Accessibility inside the cross-border region is worth improving.
- The languages spoken in the cross-border region are Latvian and Lithuanian, which both belong to the Baltic language group. Language differences are considered as a problem for cross-border cooperation by 58% of the population in the area, whereas 38% see it as ‘not a problem at all’.
- Traditionally Latvia and Lithuania are considered to be countries close to each other, in particular, in terms of language, culture and historical links. Thus, alongside with the territorial neighborhood significant socio-cultural ties exist.
- The cross-border region was for several decades part of the former Soviet Union until both countries reclaimed their independence in 1991. Contacts between the populations on both sides have been affected by this recent history although the simultaneous accession to the European Union in 2004 has rekindled links at all levels: governmental, regional, local and citizens.

2. Cooperation of the two countries in the framework of Interreg started during the 2000–2006 programming period within the Latvia–Lithuania–Belarus Priority South of the Baltic Sea Region INTERREG III B Neighbourhood Programme. Cooperation continued with the 2007–2013 Latvia–Lithuania CBC (cross-border cooperation) Programme that paid EUR 58 275 418,79 ERDF to 129 projects. The investments were made i.a. in the area of in business promotion, education, transport and accessibility, protection of joint natural resources, joint public services, environment and tourism.

¹ The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU

3. The objective of the ongoing 2014–2020 Latvia–Lithuania CBC Programme is to contribute to the sustainable and cohesive socio-economic development of the programme regions by helping to make them more competitive and attractive for living, working and visiting. This is done through investing in sustainable and clean environment, labour mobility and employment, social inclusion and improving of public services and administration.
4. Latvia and Lithuania participate actively in the Baltic Sea region co-operation within and besides the EU Strategy for the Baltic Sea Region.



Map 1: Programme area 2014-2020

5. Regional socio-economic development disparities in both Member states are among the highest in the EU. They exist also within the Member States in relation to their border regions. For example, the economic growth in Latvia is concentrated in Riga while the pace of growth is much slower in all other, more rural regions, and especially in the border region. While GDP per capita reached 107 % of the EU average in the capitol city, it stands at only at 36 % in Latgale sub-region. Similarly in Lithuania: the benefits of economic development and speedy convergence are felt very differently across the country. Economic growth concentrated mainly in the regions of Vilnius and Kaunas while the pace of growth was much slower in regions with higher concentration of rural areas (such as on the borders). While GDP per capita reached nearly 110% of the EU average in Vilnius, it stands only at 48% in Utena County at the border. Corresponding wide gaps in productivity, unemployment, income and poverty levels exist on both sides of the border.

6. The labour forces in these two countries is shrinking quickly in general - and even more in the border regions due to adverse demographic developments, ageing society, emigration and as a result of robust economic growth with demand for leading to skilled workers. Such a situation demands an education and training system able to provide people with market relevant skills.
7. The share of people living in the cross-border region who have crossed the border for work or business² is 14%, which represents EU average cross-border crossing frequency. There is some asymmetry in terms of cross-border flows, with 18% of Latvians having travelled across the border for work or business, but only 9% of Lithuanians having travelled to Latvia for the same purpose. No asymmetries in wages or unemployment levels have been identified that would induce asymmetrical labour flows across the border. With regard to cross-border travel to use public services only 12% of those surveyed in the border region have travelled for that (this is slightly higher than the EU average of 9%). There we can also observe some asymmetry in the flows with 15% of Latvians having travelled to Lithuania for this purpose but only 8% of Lithuanians having travelled to Latvia for.

² Eurobarometer No 422

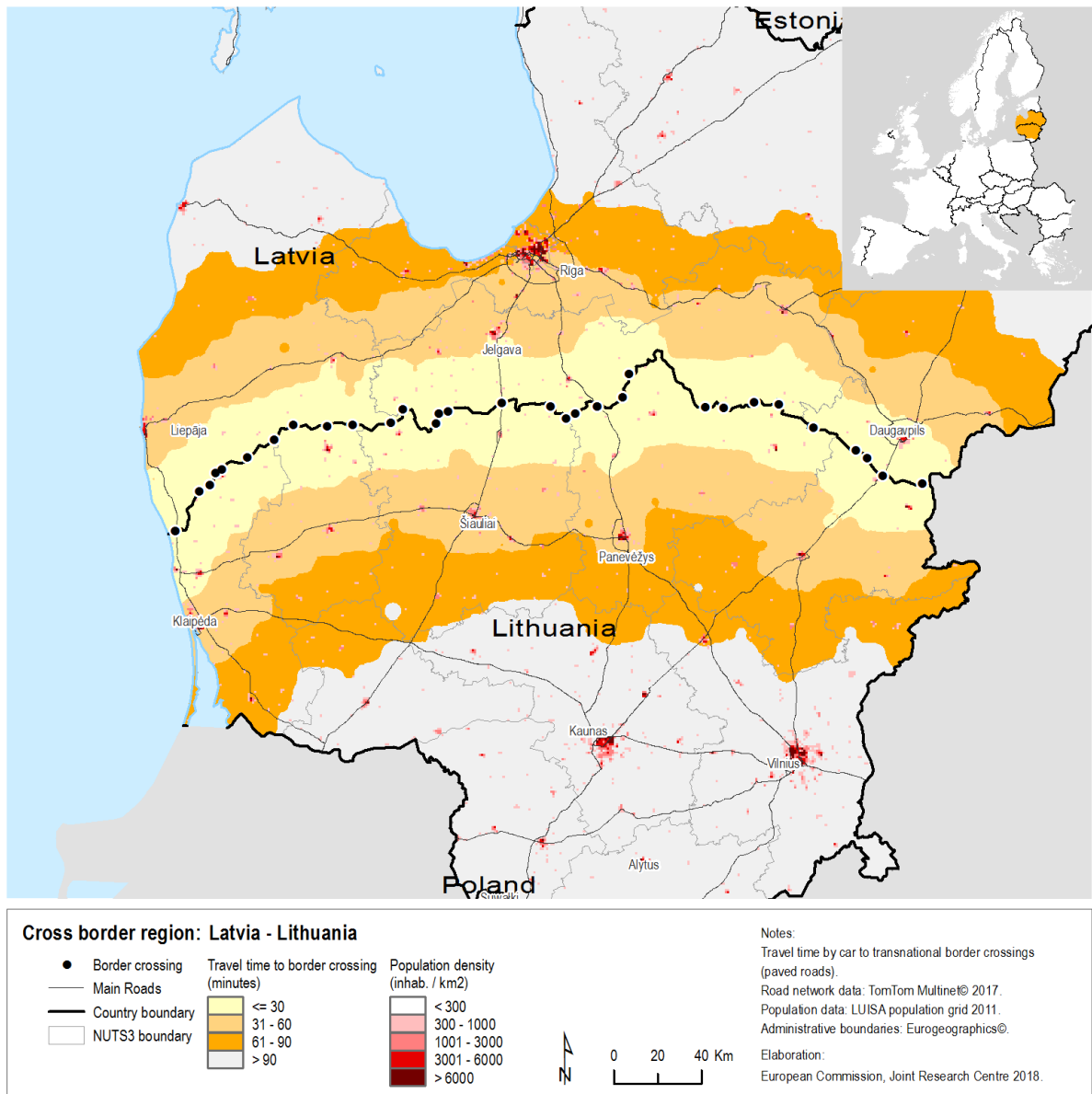
3. TERRITORIAL DIMENSION

- *Type of region*

4. The border area consists of Northern Lithuania and Southern Latvia. It covers a territory that extends from the Baltic Sea in the West to the external border of the EU with Russia in the West and Belarus in the East. The territory covered is predominantly rural. It includes forests and a significant part of the Baltic Sea coastline. There are important strategic transport routes in the region (Via Baltica and Via Hanseatica), the ports of Liepāja, Ventspils and Klaipėda, as well as a number of smaller ports. The larger urban settlements in Latvia are: Ventspils, Liepāja, Jēkabpils, Jelgava, Rēzekne and Daugavpils and in Lithuania: Klaipėda, Panevėžys, Šiauliai, Telšiai, Utena and Kaunas. There are no specific geographical border barriers hindering cooperation.

- *Functional areas*

5. Interreg programmes may cover several overlapping functional areas depending on the topic (e.g. for the access to health facilities it can be larger as patients would be ready to travel further away to a hospital as this is occasional whilst it can be smaller for the access to the place of work as this is daily).
6. For some topics, the solution can only be found if partners outside the programme area are involved (e.g. to reduce the risks of floods, you may need to reintroduce wetlands or dams upstream of a river but outside the programme area). For some other topics, the solution is very local, on an area much smaller than the programme (e.g. to promote daily commuting for work).
7. Showcase: The travel time to the border is important to establish which types of cooperation are possible (e.g. as a citizen you might consider working across the border every day if the border is 30 minutes away (but not if it is 90 minutes) or going to a hospital occasionally even if it is 90 minutes away). For the Latvian-Lithuanian border, the situation is as follows:



Map 2: Connectivity in the cross-border Latvian-Lithuanian area

- The regulation proposal to address the questions through a functional area offers flexibility in planning and implementation of the projects; also in establishing linkages with other projects. The Latvia-Lithuania Interreg programme 2021-2027 can benefit from this approach. Authorities are encouraged to use the different available tools to support functional areas (such as e.g. European Grouping of Territorial Cooperation (EGTC), Euroregions, Integrated Territorial Investments (ITI), Community Led Local Developments (CLLD), metropolitan areas, natural or landscape parks, etc.), and to cooperate with the relevant macro-regional key stakeholders, where appropriate.

- *Macro-regional strategies*

9. Macro-regional strategies are identified at the highest political levels of the EU, the Member States and the regions concerned and have become a supporting element of EU regional policy. Macro-regional strategies and cross-border cooperation require trust and confidence among partners (Member States, regions, stakeholders, etc.) sharing a common vision, with both policies interlinking concrete actions and projects.
10. The Latvia-Lithuania Interreg programme 2021-2027, located in a Baltic Sea macro-region, must not only set out the actions expected to contribute to the specific objectives of the cross-border region but also to any policy objective relevant for the EU Strategy for Baltic Sea Region (EUSBSR). Latvia and Lithuania are both coordinators of the Policy Area (PA) ENERGY that aims at improving the implementation of the Baltic Strategy's Action Plan and Baltic Energy Market Interconnection Plan (these two action plans (<http://www.balticsea-region-strategy.eu/action-plan>) have been merged in 2015). Additionally, Lithuania is the PA Bio-Economy coordinator among others and together with Sweden coordinates the PA Transport). This requires pro-active coordination with the macro-regional strategies and relevant stakeholders, following the developments within the EUSBSR, being in contact with the National Contact Points, etc.
11. Different types of projects could be funded, for example:
 - a. "coordinated projects", which are part of a set of coordinated action(s) and/or project(s) located in several countries participating in a macro-regional strategy (two or more countries), and are part of a joint macro-regional action creating a cumulative effect; several programmes can contribute to the funding of these projects; or
 - b. "single projects", where one programme is funding one project, the impact of which is relevant on the entire macro-region and hence creates synergies. In addition, cross-border programmes may consider one of these mechanisms: specific selection criteria (e.g. bonus points if the project contributes to a macro-regional strategy); earmarking of a budget; specific calls; or labelling (e.g. ex-post identification of projects that could be replicated).
12. The alignment of cross-border programmes to macro-regional strategies is a 'win-win' approach. Undoubtedly, macro-regional strategies will benefit from the experience, the partners and the funds of cross-border programmes. But, cross-border programmes will also benefit from such an alignment:
 - a. the impact will be bigger, when you participate in a structured development policy as set by a macro-regional strategy framework across a wider territory which they are part of,
 - b. the project pipeline will be better as project ideas will have political support,
 - c. you will increase cross-border matters visibility by political leaders, decision-makers and citizens, as well as the various Commission services and other EU institutions and of course,
 - d. you will improve the social and economic development in the Baltic Sea macro-region, and the actions of the relevant strategy will also have a positive impact on the cross-border area. In particular, the contribution to macro-regional strategies does not mean a reduction of the budget available for the programme as it is clear that every project should also benefit to the cross-border functional area.

- ***Tourism, natural and cultural heritage***

13. Tourism plays an important role in the economic development of both countries – in 2017 the total contribution of travel and tourism to GDP in Latvia was 4.2% (WTTC LV: 2018) and in Lithuania it was 1.8% (WTTC LT: 2018). Travel and tourism's total contribution to employment in 2017 was in Latvia 8.9% (WTTC LV: 2018) and 4.8% in Lithuania.
14. The number of nights spent in tourist accommodation increased in nearly all EU Member States in 2018, with the largest growth observed in Latvia (+8.3%) and Lithuania (+7.7%).³
15. The Latvian-Lithuanian border regions share a very rich natural and cultural heritage. It comprises several Natura 2000 protected areas. There are several sites of the Ramsar⁴ Convention on Wetlands of International Importance (Pape Wetland Complex, Lubana Wetland Complex, Kamanos bog). In addition, there are internationally recognized natural and cultural heritage sites by UNESCO: the Curonian Spit in Lithuania and the Strūve geodesic circle in Latvia. There is also an intangible cultural heritage (e.g. the Song and Dance celebration tradition).
16. Many investments in common products and services have already been made under Interreg (eg. eco-water-tourism) and there is still more potential in establishing an integrated cross-border tourist region, for example in the coastal area, attracting more visitors and facilitating access to the heritage sites. This requires a common strategy and commitment of many different stakeholders with a joint vision. Also the seasonality of the tourism should be taken into consideration when planning such strategies trying to outspread the attractiveness of the region.
17. Existing practices elsewhere in Europe can provide inspiration for the development of thematic tourism routes based on shared history or quality labels. Improved transport and digital connectivity and joint labelling of products and services could contribute to raising the profile of the region as a green tourism/cultural heritage destination.

- ***Territorial tools***

18. There are different tools available to give Interreg programmes a genuine territorial dimension, e.g. European Grouping of Territorial Cooperation (EGTC), Euroregions, Integrated Territorial Investments (ITI), Community Led Local Developments (CLLD), etc.
19. CLLD as a tool for involving citizens at local level in developing responses to the social, environmental and economic challenges they face could bring manifold benefits for the Latvian-Lithuanian border region. CLLD is an approach that requires time and effort, but for relatively small financial investments it can have a marked impact on people's lives

³ Eurostat tourism study 2018 https://ec.europa.eu/eurostat/statistics-explained/index.php/Tourism_statistics_-_nights_spent_at_tourist_accommodation_establishments

⁴ The Convention on Wetlands, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

and generate new ideas and shared commitment for putting them into practice.⁵ This is beneficial for a long distance trust building since this instrument is focused on those smaller areas and territories with fewer resources or little attractiveness, the kind of area that it is difficult to intervene in, unless the partners know it very well and set up micro-projects and small scale interventions (such as people to people projects) to take the best out of it and making use of its specific, maybe niche assets.

ORIENTATIONS:

- *Design the interventions of the Latvia-Lithuania Interreg programme 2021-2027 based on functional areas - which depend on the issue - rather than on the administrative scale defining the programme area.*
- *Use appropriate implementation tools to support projects in the functional areas.*
- *Develop integrated and sustainable cross-border strategy for tourism based on historical, natural and cultural heritage products and services, with strong focus on tying together existing assets, involving the whole range of stakeholders from national authorities to small companies and family businesses. Where relevant take into consideration linkages with the Strategy for Baltic Sea Region.*
- *Establish cross-border public services for joint management of the cultural and natural heritage.*

⁵ Common Guidance of the European Commission's Directorates-General AGRI, EMPL, MARE and REGIO on community-led local development in European Structural and Investment funds, 29 April 2013.

4. GROWTH, COMPETITIVENESS AND CONNECTIVITY

- *Innovation and enterprises/entrepreneurship*

20. The overall innovation performance of Latvia and Lithuania has gradually improved over last years and both countries have reached the range of 'moderate innovators' in the Regional Innovation Scoreboard (RIS). However, with regard to technology readiness, business sophistication and innovation potential both sides of the border perform less well than the EU average.
21. The number of patent applications is very low in the current programme's NUTS 3 regions. While the EU average figure is 105 patent applications per million inhabitants the NUTS 3 regions on the Latvian side have between 1.1-7.0 and the NUTS 3 regions on the Lithuanian side of the border have between 1.6-6.7 patent applications per million inhabitants.
22. Expenditure on R&D as a percentage of GDP remains also well below the EU average in both countries (2017: Lithuania 0.9% and even lower in Latvia at 0.5%).
23. Moreover, innovating firms on both sides are relatively small and weakly integrated in domestic or regional and international clusters and value chains, with low potential of attracting critical mass investment and developing large-scale innovations. Most of the producers are concentrated in low-technology industries.
24. Smart Specialisation Strategies of both countries show coinciding priorities areas (e.g. smart energy (systems), health/bio-medicine/bio-technology). Since the region's competitiveness is hampered by a lack of critical mass and negative framework conditions for innovation, it could help to pool capacities in the common innovation sectors when planning support for such investments.
25. When considering investments in innovation the Latvia-Lithuania Interreg programme 2021-2027 should focus on exploiting innovative niches in traditional sectors on both sides of the border (such as agro-food, health care or tourism). New business and organizational models, incorporating innovation derived from tacit knowledge and experience in these and other sectors should also be encouraged. Support should be channelled to market-oriented activities, responding to demand-driven needs.
26. In general, progress is required at national level to enable better conditions for cross border cooperation on innovation. To increase the cross-border region's competitiveness and innovation potential, reform-oriented measures need to be taken at national levels, e.g. concerning adjusting the secondary and tertiary education to match business' needs, supporting business infrastructure investments and innovation capacity building, or improvement of accessibility and quality of public services.

- ***Digitisation***

27. In terms of digitisation, most information is available only at national level. Consequently, it is not possible to make any informed observations with regard to the situation at the regional level in the border region.

28. Fostering digitisation is a key challenge for boosting innovation and productivity and increasing internationalization and competitiveness of SMEs. At national level, the main trends are:

- In terms of the overall digitization degree both countries are performing well. The 'Digital Economy and Society Index' (DESI) ranks Lithuania 7th and Latvia 9th in the EU. However, in terms of government characteristics with regard to digitisation 'quality', both Latvia and Lithuania are rated as having 'medium' quality.
- Even if eGovernment solutions are high in both countries and eGovernment is categorised as 'fruitful', cross-border cooperation on mutual services is very limited. It has, however, a big potential to facilitate the daily life of citizens in their cross-border activities (e.g. work mobility, taxation, access to healthcare, etc.).
- On digitisation in the private sector, Latvia performs at a low level in terms of the dimension 'digital in the private sector' but shows high performance in relation to the dimension 'penetration'. Lithuania is in the medium range with respect to both dimensions. The overall performance of the countries with respect to digitisation in the private sector is assessed as being low in Latvia and medium in Lithuania.

- ***Connectivity***

29. Given Latvia's and Lithuania's geographical location, a well-functioning and well-connected transport network infrastructure is essential for reducing isolation and boosting competitiveness of the border region by stimulating trade and development.

30. Road connectivity measured as access to regional centres by car identifies only a few problematic areas. However, the 2014-2020 LV-LT cooperation programme already has targeted the cross border road sections to be improved and projects have been implemented. Rail connectivity is extremely poor in terms of the percentage of the population having access to cross-border rail services, as well as the frequency of rail connections. Nonetheless, the "Cross-border transport connections study" has not identified any cross-border priority rail connection projects potential.

31. Rail Baltica is an important transport corridor in the cross-border area. Linkages of the border area by other transport means can improve the connectivity of the cross-border region in general.

ORIENTATIONS:

- *Identify niches with innovation potential and concentrate on innovation demand-driven by business and society needs with the aim to allow innovation results to reach the market. The support should be limited to sectors of relevance in the border area and in line with Regional Innovation Strategies (RIS3) of the both Member States.*
- *Extend the range of partners participating in the territorial co-operation to enterprises and support clustering, networking, knowledge-sharing that bring added-value to start-ups and SMEs.*
- *Train SMEs to open up to expanding cross-border innovation.*
- *Consider direct support to purchase cross-border business advice, for instance through voucher schemes.*
- *Support digitisation measures to raise SME competitiveness across the border.*
- *Develop a joint cross-border strategy and action plan for digitisation of the border region, improving general conditions for joint e-services in education, health care, business support, cultural and tourism cooperation.*
- *Consider improving local transport services across the border.*

5. GREENER, LOW CARBON ECONOMY

- *Energy transition*

32. Latvia's and Lithuania's economies are relatively energy intensive, with energy consumption levels well above the EU average, even though the countries are expected to over-achieve their 2020 emission reduction targets. Both countries still have important investment needs to raise energy efficiency and expand the production of renewable energy.
33. The potential for energy production from wind and biomass is relatively high in both countries (straw in Lithuania and timber in Latvia). However, in relation to EU averages, the weighted average cost of capital (WACC)⁶ is assessed to be relatively high at 9.3% in Latvia and 8-9% in Lithuania.
34. A thorough assessment when planning investments in biomass installations is needed to ensure that all relevant environmental standards are respected, including air quality.

- *Circular economy*

35. Recent data on waste is only available at the national level:
 - Lithuania achieved one of the highest recycling (including composting) rate increases among EU Member states at 48%. Nevertheless, landfilling remains the cheapest and important way of waste treatment in the country with the landfill rate at 30%, which is above the EU average of 25%.
 - In 2016, Latvia's municipal waste recycling rate (including composting) was 25% while the landfilling rate was at 64%. There is no systematic approach in the country to addressing recycling and waste issues, in particular the separate collection.

- *Climate adaptation*

36. Climate vulnerability of the border region is relatively low. However, challenges from climate change exist such as the impact of increased temperatures on river flows (Venta River). Joint monitoring activities may enhance knowledge of climate impacts in the cross-border area. Although forest fire risks are currently low, trends show a rapid increase over the last decades.
37. Legal and administrative cross-border obstacles continue to hinder effective disaster/emergency management, preventing the delivery of an effective European-standard emergency services.

⁶ WACC is, in summary, a statement of the cost of capital for investments, and it reflects conditions in a specific national and/or sectoral market for accessing capital (availability, expected rates of return, interest rates, etc). As such, low cost of capital is especially important for ensuring the profitability of renewable energy investments, thus a lower WACC provides a more optimal economic environment for investment in renewable energy.

- ***Risk management***

38. The Lithuanian part of the cross-border area is classified as an area with a high flood risk.
39. There is some disparity in the quality of nature sites on the two sides of the border, with Lithuania showing lower capacity to provide habitats for large mammals, lower connectivity and higher forest fragmentation than Latvia.
40. There are no protected adjacent areas in the border region. However, there are a number of protected areas scattered throughout the cross-border area which could serve as a basis for creating connectivity of fragmented natural sites. On both sides of the border there are opportunities for withdrawal of farming with woodland creation to improve habitat connectivity.

- ***Biodiversity***

41. In 2013 the Commission adopted an EU strategy on green infrastructure to enhance economic benefits by attracting greater investment in Europe's natural capital. Green infrastructures are strategically planned networks of natural and semi-natural areas with environmental features designed and managed to deliver a wide range of ecosystem services (e.g. cross-border flood plains reducing flood risks). They incorporate green spaces (or blue if aquatic ecosystems are concerned) and other physical features in terrestrial (including coastal) and marine areas. In certain sectors, in particular climate change mitigation and adaptation, green infrastructure approaches can offer complementary or more sustainable alternatives than those provided through conventional civil engineering. As Green Infrastructure projects require a good planning with many stakeholders - and in this case across the borders - this should be supported through Latvia-Lithuania Interreg programme 2021-2027.
 - Most of the area within the border region on the Lithuanian side of the border is assessed as having low levels of Green Infrastructure (GI) networks, while the assessment of the Latvian side is more favourable, with large parts of the border regions constituting core GI.
 - Landscape fragmentation is medium-high on the Latvian side of the border and high on the Lithuanian side. The percentage of NUTS3 regions covered by high and very high fragmentation pressure classes is below 20% for most of the cross-border area on both sides of the border. A Green Infrastructure initiative already exists.
 - The level of invasive alien species is relatively high on the Lithuanian side of the border and in the medium range on the Latvian side.

ORIENTATIONS:

- *Explore possibilities for joint approaches to manage the recycling streams for recycling materials.*
- *Support transition to renewable energy sources by pooling resources focusing on biomass (especially from straw and wood) e.g. through small-scale cross-border energy production for biomass.*
- *Explore and address the legal and administrative obstacles in the area of disaster management services. Further examine ways to have joint emergency services (i.e. how to reduce the obstacles which have been identified).*
- *Promote cross-border prevention measures, such as common actions to improve the knowledge base, preparation and implementation of disaster risk management strategies, awareness-raising campaigns, flood and forest fires protection and prevention infrastructure, networks, management of land, forests and rivers, etc.*
- *Support joint activities related to river basin management in particular for the Venta river and on management of natural sites to decrease their fragmentation, improving habitat quality for species and activities to fight dispersion of invasive alien species.*
- *Identify potentials for Green Infrastructures and organize planning for common actions with the relevant stakeholders from each side of the border.*

6. EMPLOYMENT, EDUCATION, HEALTH AND SOCIAL INCLUSION

- *Employment*

42. Demographic indicators point towards a region facing many fundamental challenges. Ageing society and depopulation have put strains on the supply of skilled labour and access to quality services.
43. Both Member states suffer severe depopulation. Throughout the 2000-2016 period, the population in Lithuania shrunk by 17%. Latvia has lost since 2010 due to persistently low birth-rates and high emigration of mostly young people. 7 % of its population -particularly peripheral regions have suffered from a reduction of the population higher than 10%. The negative demographic trends were strongest in rural regions dominated by low socio-economic status and older residents, which further reinforces the downward spiral of declining regions and the socio-spatial polarization within the countries. Skilled labour and adequate access to services such as healthcare in the border region is decreasing.
44. Population density in the programme area (2014-2020) is relatively low. The average population density is 32 inhabitants per square kilometre.
45. Economic recovery has positively affected unemployment which dropped to around 8 % in 2018, from 20 % at the height of the crisis in 2010⁷ in Latvia and to around 7% in Lithuania, 10 percentage points below its peak. Unemployment rates were 6% in Lithuania and 7% in Latvia in November 2018.
46. In Latvia long-term unemployment as a percentage of unemployed people is 39.4 % while the percentage of youth unemployment (ages 15-24) is 17 %⁸; both figures represent relatively high rates. Also, a significant variation of the unemployment rate among regions, from around 4 % in Riga to 15 % in Latgale can be observed. In Lithuania youth unemployment rate lies at 13% whilst the long-term unemployment constitutes only 3%. Employment rates are in the range of 70-75% in Latvia and 75-80% in Lithuania.
47. The trade and transport sectors in almost all counties on the Latvian-Lithuanian border have a higher share of employment than the industrial (in particular high and medium high-tech: 12.3% in Latvia and 13.3% in Lithuania) or service sectors (in particular the knowledge intensive ones 28.7% in Latvia and 23.7% in Lithuania. This is less than the EU average of 35%.
48. While labour market productivity converge in both countries looking at national level rapidly to the average EU productivity level (about 75%) it remains below 50% in the cross-border region. It ranges from 54% in Utena to 73% in Klaipėda on the Lithuanian side and from 39% in Latgale to 53% in Kurzeme ion the Latvian side.

⁷ Eurostat (tps00203).

⁸ Eurostat, codes: une_ltu_q and tipslm80

49. With regard to labour market indicators included in the assessment of the Regional Competitiveness Index, the following can be noted:

- Wages in both countries grew rapidly over the last years. High wage growth is putting pressure on countries' competitiveness as it has outweighed productivity growth. Cooperation activities to raise the productivity of labour through education, training and digitisation can have merit, although these should be pursued primarily through national programmes.
- There are no asymmetries in terms of wages, job vacancies or unemployment levels that would drive labour flows across the border. Job vacancy rates are generally lower than in other EU countries and regions. Unemployment figures are close to EU average levels in both countries.
- Overall labour costs in the industry, construction and services sector are very similar across the border.

50. In increasingly tight labour market (existing on the both sides of the border), availability of qualified staff and managers is often one of the main obstacles for businesses development⁹. Governments in both countries have already undertaken reforms in vocational education and training (VET) to adapt it to the new challenges and to increase their market relevance. Improved VET is particularly relevant to mobilize the potential of unemployed people.

51. The Latvian-Lithuanian border area could benefit from improving workers' skills and their adaptability to the markets' needs. Such improvement can be approached by coordinated VET curricula; this would also facilitate the process of mutual recognizing of diplomas.

- ***Education***

52. On higher education and Lifelong Learning, Latvia is close to the EU average while Lithuania is slightly above the EU average. However, especially on the Lithuanian side a large network of institutions competes over the rapidly declining number of students and scarce public funding, including through lowering quality standards for admission of students and proliferation of programmes, so that tertiary education quality remains low.

53. On basic education Lithuania scores below the EU average while Latvia's score is slightly above the EU average. With 6 % of GDP in Latvia and 5.4% in Lithuania both countries spend above EU average (4.9%) on education with outcomes, as measured by ET 2020¹⁰ benchmark indicators and PISA¹¹ scores, above the EU average¹² in Latvia and below in Lithuania. However, the disparity between rural and urban schools is large and growing.

54. In terms of whether language differences are considered as a problem for cross-border cooperation, 58% see it as 'a problem', whereas 38% see it as 'not a problem at all'. This places the region very close to the average in relation to other EU border regions.

⁹ Business Environment and Enterprise Performance Survey (BEEPS), EBRD, 2015

¹⁰ Education and training 2020 (ET 2020) is EU framework for cooperation in education and training

¹¹ Programme for international students assessment, OECD

¹² Education and training monitor 2017 – Latvia country analysis.

- **Health**

55. On the EU health indicator both countries perform poorly. The healthcare system remains underfunded in both countries (about 6% of GDP). Moreover, high emigration rates and a lack of medical personnel in rural areas are thinning out health services. Retaining doctors and nurses in the cross-border region will remain particularly challenging on both sides.

- **Social inclusion**

56. A high proportion of people in Latvia and Lithuania are at risk of poverty or social exclusion, together with high income inequality challenges. The share of people facing severe housing deprivation is among the highest in Europe and social housing is scarce.

57. Legal and administrative obstacles are a particular challenge for cooperation in relation to social and demographic issues. Many of the obstacles and barriers cannot be removed or overcome by actions taken by the programme. Therefore, cross border cooperation in this field seems secondary.

ORIENTATIONS:

- *Put measures in place to address language obstacles (courses, guidance in both languages, etc.).*
- *Organize vocational trainings matching business needs with labour skills through coordinated VET curricula, adult learning and education activities across the border.*
- *Establish common services / introduce shared services in healthcare sector to improve accessibility on both sides of the border.*
- *Improve information on services available on the other side of the border. The policy fields of particular interest are i.a.: higher education, emergency services, health services, child-care provision, management of natural resources.*

7. GOVERNANCE

Section 1: Cross-Border Governance in a wider context (and use of the new "Interreg Governance" specific objective)

58. Cross-border cooperation is not limited to Interreg programmes. It also builds on policies (e.g. cross-border mobility), on legal instruments (e.g. bi-lateral agreements, EGTC's (European Groupings of Territorial Cooperation) and on funding (including but not limited to Interreg).

59. Actions and orientations set out in this section may be supported by using the part of the programme's budget as proposed in the European Territorial Cooperation (Interreg) Regulation for improving governance issues.

- *Working on border obstacles*

60. The Commission Communication "Boosting Growth and Cohesion in EU Border Regions" lists many obstacles to cross-border cooperation, suggesting scope for sharing services and resources in cross-border regions. Among the obstacles, legal, administrative and institutional differences are major bottlenecks. Other issues include the use of different languages or lack of public transport for instance. Shared use of health care or educational facilities could contribute greatly to improving the quality of life in border regions. As the Interreg programme is instrumental to effective cross-border cooperation, the 2014-2020 LV-LT cooperation programme should address the particular obstacles for its own border region and identify potential to facilitate cooperation in a wide context.

61. The role of the 2014-2020 LV-LT cooperation programme could be: (a) to initiate work on the obstacles (e.g. the members of the Monitoring Committee could contact the relevant public authorities and stakeholders); (b) to facilitate this work (by funding working groups as well as possible studies and pilot projects); and (c) to contribute to this work (providing input from the wide knowledge gained in past programming periods). Whilst the budget needed for it is not big (meetings, studies, pilot projects, etc.), the impact can be essential to facilitate citizens' live in the border region.

- *Links with existing strategies*

62. Cross-border cooperation cannot be done in isolation. It has to be framed in the existing strategies (e.g. national, regional or sectoral). Ideally, there should be a dedicated cross-border strategy which is based on reliable cross-border data, which is politically supported and which has undergone a wide consultation with relevant stakeholders. It is a useful exchange forum and a necessary step for sustainable and structural cooperation (i.e. a Monitoring Committee is not sufficient as its focus is on provide funding and not on designing a development strategy with strong political support). When there are such strategies, they are often only partly implemented with the Interreg programmes.

63. If however, such strategies do not exist yet (as in the case of the Latvian-Lithuanian border), the authorities along the border could consider establishing them. The Latvia-Lithuania Interreg programme 2021-2027 should be embedded in these strategies with clear actions and results (e.g. through the logic of interventions and indicators). In addition, programmes should be well coordinated with existing national, regional or sectoral strategies (e.g. with an analysis on how to translate these in a cross-border context). This requires a coherent overview of all existing strategies (i.e. have a mapping of the strategies affecting the border area).

- ***Role of cross-border organisations***

64. Several regions have cross-border entities which can be established under EU law (e.g. European Groupings of Territorial Cooperation – EGTC), national law (e.g. private law associations or public law bodies) or international law (e.g. under bilateral agreements). One example of this are the Euroregions under national law, which cover many of the borders in the EU. Many of these entities have a legitimacy (established by public authorities), experience (many exist for years) and expertise (through their past work and staff) that should be put to good use.

65. The Latvia-Lithuania Interreg programme 2021-2027 should build on the legitimacy, experience and expertise of these cross-border organisations. Where they are a legal body, they could play a role e.g. by managing a Small Projects Fund or by managing strategic projects (as sole beneficiary, in particular for the EGTCs) or in case of an EGTC even Interreg programmes. Where appropriate, cross-border programmes should also build on the legitimacy, experience, and expertise of international, inter-regional and transnational initiatives as any other programme.

- ***Links with other Cohesion Policy programmes***

66. The proposed Common Provisions Regulation stipulates that “each programme shall set out, for each specific objective the interregional and transnational actions with beneficiaries located in at least one other Member State”. Whilst a similar provision was already present in the past, it is now compulsory for the mainstream programmes to describe the possibilities for cooperation for each specific objective. They could also explore opportunities to contribute together with other programmes to a larger macro-regional project, where appropriate.

67. It means that if mainstream programmes do not plan such cooperation actions, they will have to justify why. This may have many benefits for cross-border areas: more ambitious projects (e.g. joint infrastructures), involvement of new players (e.g. the national authorities such as Ministries) and overall more ambitious policies (e.g. spatial planning with associated funds).

- **Cross-border data**

68. Good public policies (e.g. spatial planning) must be based on evidence (i.e. data, studies, mapping). Whilst this is generally available at national level, it is not always the case at regional/ local level and even less at cross-border local level. Some of this evidence is particularly important: economic flows, transport flows and trends, labour mobility and mapping of competences, health of the citizens, mapping of important infrastructures and services (such as energy, waste treatment, hospitals, emergency services, universities), mapping of risky areas (to floods, fires, etc.), mapping of natural areas (e.g. Natura 2000, sites under the Ramsar convention of wetlands, etc.) and mapping of the main inclusion difficulties (poverty, marginalised communities, etc.).

ORIENTATIONS:

- *Identify key obstacles to, and potential for a cross-border labour market, health care, transport connections, use of languages, etc. (the Cross-Border Review may be used as a starting point).*
- *Bring the relevant actors together (e.g. authorities at national/ regional/ local levels, enterprises, users, etc.) to facilitate the process of finding ways to reduce identified obstacles and exploit the potential (e.g. by organizing experts' meetings, pilot projects, etc.).*
- *Establish working groups with all the parties concerned with obstacles identified in order to define the bottlenecks.*
- *Liaise with existing cross-border organisations to profit from their potential in establishing contacts between partners and the communication about the programme.*
- *Identify the areas where important cross-border data is missing and support projects that would fill the gap at the latest by 2027 (e.g. in cooperation with national statistical offices, by supporting regional data portals etc.).*

Section 2: Governance of the programme

- ***Partnership principle***

69. The principle of partnership is a key feature covering the whole programme cycle (including preparation, implementation and participation in monitoring committees), building on the multi-level governance approach and ensuring the involvement of economic, social and environmental partners. Examples of good practice include involving representatives of different interests (eg. socio-economic partners, NGO's, environmental protection organisations...) in the programming process; involving them in programme evaluation or other strategic long-term tasks for instance by setting up temporary working groups; consulting all members on key documents also between meetings. An active involvement of economic, social and environmental partners should be ensured by their participation in key steps. Technical Assistance can be made available to facilitate their full involvement in the process.

- ***Role of the Monitoring Committee***

70. The Monitoring Committee (MC) is the strategic decision-making body of the programme. In 2021-2027 the monitoring committee will be given a more prominent role in supervising programme performance.

71. Monitoring Committees currently concentrating on project selection are invited to widen their scope of action and take on a more strategic role. Good practices include having strategic discussions as a standing agenda point, inviting contact points of macro-regional strategies or institutions playing a key role in the border area, organising project visits. Some examples of strategic discussion themes: border obstacles, cross-border data needs; where appropriate, the contribution of the programme to the development of a macro-regional strategy should also be a regular point of discussion.

72. The composition of the MC must be representative of the cross-border area. It must include partners relevant to programme objectives, e.i. institutions or organisations representing environment protection, socio-economic partners, civil society or education sector. When the programme is relevant for the development of a macro-regional strategy, macro-regional key stakeholders should also be regular members of the monitoring committee of the programme.

73. Project selection shall take place in the Monitoring Committee or in steering committee(s) established under MC in full respect of the partnership principle. It is crucial that all are involved in the process. Selection criteria and its application must be non-discriminatory and transparent. They should also be clear and they must enable the assessment of whether projects correspond to the objectives and the strategy of the programme. They are to be consulted with the Commission and communicated to applicants in a clear and systematic way. The cross-border dimension should be compulsory in every selected project. The programme might consider the use of independent expert panels for preparation of project selection. Larger strategic projects / flagship projects (i.e. designed and implemented by public authorities without a call) may be pre-defined in the programme document or selected via a transparent and agreed procedure.

74. It is up to each programme partnership to decide on the optimal balance between different types of projects required to achieve the overall programme objectives, such as flagship projects, projects embedded in the relevant macro-regional strategy, regular projects, projects selected through bottom-up or top-down procedures, small projects, etc.
75. Decision-making must also be non-discriminatory and transparent. The procedure should also be inclusive. Each Monitoring (or steering) Committee member shall have a vote. Voting by delegation should not be encouraged unless it is transparent and puts weaker partners at equal footing with "institutional" partners.

- ***Role of the Managing Authority***

76. The Managing Authority shall ensure effective implementation of the programme. The Managing Authority is also at the service of the programme and its monitoring committee. It acts as the programme authority representing all countries participating in the programme.
77. The Latvia-Lithuania Interreg programme 2021-2027 should watch that the Member State hosting the programme authorities is represented in the monitoring committee separately from the Managing Authority (i.e. a different person). The Managing Authority shall ensure the effectiveness and transparency of the project selection, reporting and monitoring systems. The use of Interact's Harmonised Implementation Tools and electronic monitoring system (eMs) is recommended.
78. In the 2014-2020 Latvia-Lithuania cooperation programme the duration of many projects had to be prolonged due to e.g. the unsuccessful public procurement procedures conducted by the beneficiaries. To avoid such situation in the next programming the Managing Authority should prepare the beneficiaries through appropriate capacity building measures, for example consultations, training or mentoring programme to realize the projects effectively and on time.

- ***Role of the Joint Secretariat***

79. The Joint Secretariat (JS) should ideally be the cross-border executive body of the programme at the service of the Managing Authority. It should consist of professional and independent staff from the participating countries. The JS should possess representative linguistic competence and relevant border country knowledge. Its procedures should be efficient and transparent. Communication with beneficiaries, potential applicants and the general public should be ensured mainly by the JS.
80. Regional contact points/antennas operating directly under the JS' responsibility may be useful in this border area.

- ***Trust-building measures***

81. Effective cross-border cooperation requires a decent level of trust between partners. Trust needs to be built and maintained. This is a long-term investment which aims at fostering cooperation-minded future generations. The Latvia-Lithuania Interreg programme 2021-2027 can make a substantial contribution by providing financial support for trust-building activities such as linking up schools, touristic sites, sports clubs, cultural organisations, etc. The beneficiaries of such activities are often not equipped to manage full-blown Interreg projects.

82. The Latvia-Lithuania Interreg programme 2021-2027 should put in place mechanisms to finance smaller projects or people-to-people projects that make a strong contribution to the social and civil cohesion of the cross-border region. This can be done using the new tool proposed by the Commission (the Small Projects Fund) or via specific calls managed by the MA.

- ***Conflict of interest***

83. Conflict of interest between decision-making bodies and applicants and beneficiaries is to be avoided at any moment, including project generation, project preparation, project selection and project implementation. To avoid this the Managing Authority must ensure a proper segregation of duties between institutions and persons.

- ***Communication and publicity***

84. Appropriate actions and measures in line with the Communication Guidelines need to be taken by all involved authorities and beneficiaries. e.g. use of the term 'Interreg' next to the emblem of the EU. In case the programme is financing the implementation of a macro-regional project, the logo of the respective macro-region should be added. Thereby, opportunities will be created for further promotion of the project through the macro-regional platforms and networks, where relevant.

- ***Cooperation with the 'cooperation world'***

85. There are many initiatives to support cooperation: the Interreg Volunteer Youth (IVY) is an action to offer the possibility to young EU citizens aged 18-30 to serve as volunteers in Interreg programmes and related projects); the B-solutions (pilot projects to collect concrete & replicable actions which aim at identifying & testing solutions to cross-border obstacles of a legal and administrative nature in 5 fields: employment; health; public transport of passengers; multi-lingualism; institutional cooperation); ESPON (which carries out studies on territorial development), etc.

ORIENTATIONS:

- *Design more strategic approach of the monitoring committee to handle the programme in the view of the best possible benefit for the whole border region / prevent "mirror projects".*
- *Establish / participate to a cooperation mechanism with authorities responsible for implementation of the Latvian and Lithuanian mainstream ESIF programmes. This coordination implies exchange of information and cooperation and should happen at all stages: planning (e.g. designing complementarities), implementation (e.g. building on synergies) and communication (showing the benefits for the citizens and the region).*
- *Support capacity building measures for beneficiaries to realise projects effectively through consultations and mentoring throughout the whole duration of the project / reinforce project assistants / introduce training for mentors - "coaching a coach".*

- *Establish mechanisms to finance smaller projects or people-to-people projects that make a strong contribution to the social and civil cohesion of the cross-border region.*

Existing sources of information

- Border needs study (Commission, 2016) – [Collecting solid evidence to assess the needs to be addressed by Interreg cross-border cooperation programmes - Regional Policy - European Commission](#)
- EC ex-post evaluation of ETC 2007-2013
http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#11
- Eurobarometer No 422 conducted in border regions in 2015
https://ec.europa.eu/regional_policy/sources/docoffic/official/reports/eurobarometer/422/cbc_coop_summary_en.pdf
- Quantification of the effects of legal and administrative border obstacles in land border regions (Commission, 2016) – [quantification of the effects of legal and administrative obstacles in land border regions](#)
- Easing legal and administrative obstacles (Commission, 2017) – [Easing legal and administrative obstacles in EU border regions - Regional Policy - European Commission](#)
- Comprehensive analysis of the existing cross-border transport connections and missing links on the internal EU borders (Commission, 2017-2018) –
https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cb_rail_connections_en.pdf
- DG SANTE's study on cross-border health care [Building Cooperation in Cross-border Healthcare: new study published! | FUTURIUM | European Commission](#)
- ESPON's Targeted Analysis on Cross-Border Public Services [CPS - Cross-border Public Services | ESPON](#)
- Smart Specialisation Strategies in Latvia and Lithuania –
<http://s3platform.jrc.ec.europa.eu/map>
- Strategy of the 2014-2020 programme (ex-ante evaluation, SWOT, priorities, evaluations)
- EU Strategy for the Baltic Sea Region (EUSBSR) -
https://ec.europa.eu/regional_policy/en/policy/cooperation/macro-regional-strategies/baltic-sea/