



Has the electric bus measure of local and regional governments been implemented effectively?

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## Interim audit report

“Has the electric bus measure of local and regional governments been implemented effectively?”

Performance audit “Achieving climate objectives in the transport sector”

The audit was conducted and the interim audit report was prepared by State Auditor of the Transport and Communications Sector of the First Audit Department Diāna Nasteviča, State Auditor Inga Briede, State Auditor Laura Kļaviņa, Head of the Responsible Sector Baiba Amoliņa and Department Director Mārtiņš Āboliņš, based on audit schedule No 2.4.1-63/2024 of the First Audit Department of the State Audit Office of Latvia of 1 July 2024.

The interim audit report takes effect when the decision of the First Audit Department of the State Audit Office of Latvia on the approval of the interim audit report takes effect.

The cover design includes an image generated on 3 December 2025 by using the artificial intelligence tool *Microsoft Copilot*.

## Dear Readers,

This interim audit report has been drafted as part of performance audit “Achieving climate goals in the transport sector” conducted by the State Audit Office of Latvia, in which we assess both policy-level issues and the practical implementation of specific projects related to climate goals. In assessing the measure for purchasing electric school buses, we have identified a number of irregularities that provide important lessons, both that it would be useful to implement similar measures more centrally in the future and about aspects that should be taken into account by local and regional governments, which will have to purchase zero-emission vehicles increasingly in the coming years.

We have concluded in the audit that the set goals were justified but the achieved result was expensive and of limited practical applicability. As a result, the reduction in GHG emissions is small compared to the public funding invested. The audit also identified both quality problems in the purchased vehicles and deficiencies in the procurement practices of local and regional governments.

Although the National Energy and Climate Plan of Latvia includes 35 measures for the transport sector, this particular measure is not among them. At the same time, climate goals are no longer separable into separate projects or plans because they become a horizontal principle that influences all decisions in the transport sector. Therefore, the measure for purchasing electric buses cannot be assessed only according to the formally achieved Recovery and Resilience Facility indicators.

The measure for purchasing electric school buses is an example where better results would have been achieved with less money if the procurement had been centralised. Local and regional governments lacked experience and expertise in purchasing zero-emission vehicles, and this challenge could have been mitigated by conducting joint procurement or elaborating common technical requirements. Simultaneously, the procurements carried out by local and regional governments were not always organised in the best possible way and did not ensure sufficient competition.

The State Audit Office of Latvia has indicated previously that centralization in public procurement should be facilitated, inter alia in audit “Challenges and opportunities for the development of public procurement” in 2024. Given the conclusions of this audit, we call on the Ministry of Smart Administration and Regional Development (SMARD) to take more active leadership so that centralisation solutions in local and regional governments are implemented in practice.

During the audit, we encountered the opinion repeatedly that local and regional governments would not purchase such vehicles without EU funding. In the opinion of the State Audit Office of Latvia, such an approach is incorrect and it is time to change the attitude, as the EU funds are public funds and should be treated in the same way as one’s own money. The funds from the Recovery and Resilience Facility (RRF) are also Latvia’s obligations, which will be covered from the state budget in the future.

Therefore, these investments must be used purposefully and the goals must be set thoughtfully based on actual needs. We call on the MSARD to seek solutions to use the already purchased electric buses more widely, including to improve student mobility and achieve climate goals.

In conclusion, I would like to thank the MSARD, the Road Traffic Safety Directorate, the Ministry of Transport, as well as Preiļi, Saldus, Rēzekne, South Kurzeme and Jelgava Regional Governments for their cooperation and the time invested in the audit. Only by cooperating, we can safeguard that future measures are more effective, thoughtful and have a greater impact on the development of our country.

Respectfully  
Mr Mārtiņš Āboliņš  
Department Director



## Summary

### Main conclusions

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The audit has concluded that the electric bus and charging infrastructure purchase measure of local and regional governments has not been implemented effectively. The measure aimed to improve the implementation of municipal functions by focusing on student mobility mainly and to promote the greening of public sector transport in Latvia by investing in zero-emission vehicles (ZEVs). However, significant irregularities were identified in the implementation of the measure.

Already at the planning stage of the measure, the absence of a centralized procurement approach, restrictions on the use of buses, and unclear quality aspects created risks of cost inefficiency. Despite significant administrative investments and high acquisition costs, local and regional governments have purchased electric buses with a narrow purpose of use, some of inadequate quality, and they cannot be considered completely emission-free. In the auditors' assessment, the investment has not ensured the full achievement of the set goals.

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The transport sector is one of the biggest challenges to achieving climate neutrality goals in Latvia, which produces approximately 31% of greenhouse gas (GHG) emissions. The interim audit report was drafted in performance audit "Achieving climate goals in the transport sector" to provide an assessment of one of the measures that should contribute to reducing GHG emissions.

The measure provides support to local and regional governments for the purchase of zero-emission or electric buses, class M2 or M3, and the creation of the charging infrastructure necessary for their operation for the mobility needs of students (hereinafter referred to as the Measure). This Measure has been allocated 8.8 million euros in funding from the RRF.

The State Audit Office of Latvia considers that climate goals are important and the modernization of municipal vehicle fleets is necessary. However, these activities must be implemented in a balanced manner by ensuring both environmental benefits and economically justified use of public resources.

#### ***On the planning of the electric bus purchase measure and the absence of a single procurement***

The MSARD is responsible for the Measure but local and regional governments are the implementers or beneficiaries of the financing. It was already clear in the planning of the Measure that all local and regional governments had the same target group, supported activities and eligibility conditions, and that each local or regional government would purchase only one or two ZEVs under the Measure. Still, neither the MSARD nor any of the local and regional governments or their representative organisations organised a single procurement and developed a standardised technical specification to reduce the administrative burden on local and regional governments and the costs and risks associated with the lack of experience and knowledge in implementing zero-emission bus procurement.

As a result, local and regional governments spent 4.2 thousand hours or 105 work weeks while performing similar activities in the implementation of the project and conducting the procurement, according to auditors' estimates, for which approximately 57.1 thousand euros were paid to municipal employees in remuneration. The auditors did not estimate the potential costs of organising centralised procurement; however, one expects that a centralised approach would have reduced both the administrative burden and the costs associated with organising procurement given the uniform nature of the Measure.

Although the MSARD explained the decentralised approach mainly by the different needs of local and regional governments, the auditors consider that it is not justified. Most local and regional governments have purchased similar vehicles from the same suppliers, which indicates similar needs and the possibility of centralising procurement.

#### *On the identification of municipal needs and restrictions on bus use*

Organizations representing local and regional governments were involved in the process of developing the measure regulations; however, the local and regional governments acknowledged in the audit that their involvement was not sufficient. As a result, inappropriate terms and conditions were drafted and the use of buses was limited. The most significant restriction, which has received the most criticism from local and regional governments, is that the purchased electric buses can only be used to transport students to an educational institution or other place of study and back to their place of residence.

Considering the limited purpose of use, electric buses are in forced idle state for approximately 53% of the entire year, unless a local or regional government uses them to perform additional economic activities within 20% of the idle period, and special records are kept for this. Transporting students on excursions in certain cases should also be considered such an additional economic activity, which must fall within the specified limits.

The MSARD justified this restriction with what was included in the RRF plan. Still, the auditors did not find that determination of such a narrow purpose of use was based on EU requirements. It is related to the need defined in the Latvia's RRF plan, which was narrowed during development to focus on the large demand from local and regional governments. The audit has concluded that by amending the Cabinet Regulation, it would be possible to use them more widely. It is precisely their wider and more efficient use that would provide a greater contribution to the goal of reducing inequality, which this Measure is included in. Taking into account the significant investments in the purchase of buses, their wider use is important to ensure the cost-effectiveness of the Measure.

#### *On procurements carried out by local and regional governments and identified irregularities*

The rules of the Measure provided for a high maximum purchase value of the vehicle where a local or regional government could submit one project application whose total RRF funding did not exceed 666,660 euros (including charging facility and its infrastructure). When purchasing a ZEV, class M2, or a vehicle converted to zero-emission, the funding for one vehicle could not exceed 300,000 euros.

The implemented public procurement procedures were supposed to promote the effective use of funding and equal treatment of all suppliers. Nevertheless, the audit findings show that one cannot be assured that the procurements implemented in the Measure have ensured the effective use of funding due to the close involvement of two bus manufacturers in the Measure, including in procurements of local and regional governments. The auditors were not assured that equal treatment of all potential suppliers was ensured in the planning and implementation of procurements, so that the best vehicle was obtained at the lowest price as a result of the procurement. In some cases, the technical specification in a local or regional government was developed by an individual related to the winner of the procurement, and the local or regional government does not deny it.

The price comparison of charging equipment and buses purchased by local and regional governments carried out by the auditors reveals significant price differences for the same models of bus and charging equipment. For example, buses of the same model were purchased in Jelgava Regional Government and Preiļi Regional Government, but their prices differed by approximately 43,000 euros. The difference between the cheapest and most expensive minibuses of the same model purchased is approximately 16,000 euros. The price difference between minibuses of approximately the same capacity reaches 64,700 euros. In addition, if everyone had purchased minibuses according to the lowest price identified in the Measure, the auditors' estimated savings could reach 677,000 euros.

From publicly available information, the auditors also identified the risk that the procurement did not ensure the best price due to tight competition, as equivalent electric buses were purchased elsewhere for a lower price. For example, a bus purchased in Jelgava and Preiļi Regional Governments was purchased for an average of 37% or 168,000 euros cheaper (price difference excluding VAT) in Lithuania in 2022.

The work on the development of charging infrastructure in two local and regional governments included in the audit sample is disproportionate compared to the goal of the specific Measure. For instance, work was carried out on an area of almost 800 m<sup>2</sup> for one bus charging point by asphaltting more than 400 m<sup>2</sup>, or expensive flowerbeds were arranged to create a more favorable working environment for a bus driver.

### *On achieving the set goals*

The Measure had several goals, the primary one being to improve the implementation of municipal functions and the services provided by focusing on student mobility and promoting the accessibility of the school network at the same time and the secondary one being to promote the greening of public sector transport in Latvia by investing in ZEVs. Although the achievable quantitative indicator set out in the RRF funding conditions (15 electric school buses purchased) has been met, the audit identified risks in the wholesome achievement of both above-mentioned goals. The achievement of the primary goal is limited by the conditions set for the use of the bus, due to which it is idle for a large part of the year. In addition, the audit has identified that electric buses do not achieve the initially predicted mileage, which is influenced by several factors. In Ogre Region, an electric bus was idle for more than four months because the vehicle worth

approximately 665,000 euros did not have a driver available whereas the bus was under repair for a long time due to defects found on it in Preiļi Region.

Regarding the secondary goal, although the Measure allowed the purchase of ZEVs only, the audit identified that the purchased buses met this requirement only partially, as the local and regional governments used diesel fuel for heating them, which can reach a consumption of up to 50 litres per month during the winter season. This circumstance was not taken into account in the emission reduction calculations carried out within the framework of the Measure.

### *On the quality and suitability of purchased vehicles for student transportation*

The rules of the Measure provided that local and regional governments could purchase both a new, industrially produced electric bus and a fossil fuel-powered vehicle converted into a ZEV, which was no older than 10 years from the date of its first registration. Both of these vehicles were considered new within the meaning of the rules, and the same maximum amount of support was set for them when purchasing a vehicle of class M2.

The auditors consider that the rules governing the Measure have created uncertainty about the vehicle to be purchased within its framework what is a new, industrially produced vehicle and which is a converted vehicle. Therefore, some local and regional governments were not clear about which vehicle exactly they had purchased and what conversion work had been performed on it. It was also difficult for the auditors to obtain such clarity during the audit.

Although, in accordance with the current regulations, local and regional governments purchased new vehicles mostly, in the opinion of the auditors, the type of production of minibuses did not allow them to be fully equated with new, full-cycle industrially produced vehicles. Deficiencies have been identified in the vehicles purchased by some local and regional governments, which indicate risks for their further use in school transport without in-depth inspections.

The government had determined that it intended to improve the services provided by local and regional governments and the mobility of students by implementing the Measure. However, the audit concluded that the government has not set uniform quality requirements for student transportation and the vehicles used in it in general, and it depends on the understanding of each local and regional government.

## Key recommendations

Based on the audit findings, five recommendations have been made, three of them to the Ministry of Smart Administration and Regional Development, one to local and regional governments, and one to the Ministry of Transport. It is expected that, upon implementation of the recommendations:

- ✓ The level of centralization of vehicle procurement in local and regional governments shall increase;
- ✓ The possibilities of using electric buses purchased under the Measure shall be expanded by preventing their further downtime;
- ✓ The procedure for monitoring similar measures shall be improved;
- ✓ Internal control procedures in local and regional governments shall be improved to prevent the recurrence of similar irregularities and ensure fair competition and economical use of funding in their procurement;
- ✓ Quality requirements for school transportation implemented by local and regional governments and the vehicles used in them shall be determined.