



**Expert evaluation network
delivering policy analysis on the
performance of Cohesion policy 2007-2013
Year 2 – 2012**

**Task 2: Country Report on Achievements of
Cohesion policy**

Latvia

Version: Final

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**A report to the European Commission
Directorate-General Regional and Urban Policy**

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List of abbreviations

- AIR Annual Implementation Report
- EC European Commission
- IMF International Monetary Fund
- MA Managing Authority (Ministry of Finance in Latvia)
- MoE Ministry of Economics
- MoES Ministry of Education and Science
- MoU Memorandum of Understanding
- NSRF National Strategic Reference Framework
- OP Operational Programme
- TDI Territory Development Index

EXECUTIVE SUMMARY

With the improvement in the Latvian economy confirmed by GDP growth of 5.5% in 2011 and a similar pace of growth in the first half of 2012 the most recent period (from 2011) can be regarded as the first period of solid implementation of the EU funds to achieve long-term structural goals. Before 2011, because the crisis struck Latvia particularly hard, many activities under the Cohesion Fund and ERDF were shifted towards crisis management. Even in 2011 crisis related changes have been made – for example in 2011 EUR 32.5 million has been shifted from the 2nd Operational Programme (OP) “Access to finance” priority to the 1st OP “Human resources and Employment” (ESF) to support active employment measures to be implemented in 2012 and 2013. This is to combat continuing high unemployment (16%) and the emergence of a large pool of long-term unemployed (more than half the unemployed have been out of work for more than a year). As a result of the relative normalisation of the economy the pace of contracting and payments to final beneficiaries has increased: as of July 2012 total contracting in the OP2 and OP3 policy areas stood at 88.4¹% of available funding (77.6% in July 2011) and payments to final beneficiaries stood at 46.9% - up from 33.3% a year earlier. Nevertheless, the number of completed projects remains very low. For example in the ‘Support to enterprises and RTDI’ the number of completed projects as of end 2011 represented only 4.9% of available funding and even in Human Capital, the policy area with the highest completion rate, completed projects represent just 16.4% of the available funding. Thus if achievements are to be based on completed projects the evidence for Latvia remains thin on the ground to date. The reasons for a low completion rate include continuing problems in procurement, and rising costs. It is also claimed that many projects are *de facto* completed but cannot be assigned completed status until all formalities are completed. Even where projects are completed assessment of achievements is made difficult by deficiencies in the indicators. Firstly, core indicators are rather thin and do not correspond to the OP indicators and secondly the OP indicators were generated before the crisis and the changes in expenditures implemented during the crisis imply that the indicators are no longer fully meaningful measures of actual achievements. Nevertheless a number of achievements can be noted: business support measures have reached large numbers of potential entrepreneurs, the activity aimed at developing export markets has over-fulfilled targets and the programme to renovate pre-school buildings has also over-fulfilled the target. Big projects continue to lag e.g. the EUR 142 million passenger train project has been cancelled. The effects of interventions remain hard to pin down. However, one concrete effect can be reported in the programme to insulate multi-apartment buildings where a 47.7% reduction in heat consumption has been achieved in insulated buildings. A more speculative/conjectured effect of interventions in the business sphere is the improvement in the quality of Latvia’s export structure. Six new evaluations have been published in 2011: the mid-term evaluation, an evaluation aimed at assessing the balanced territorial development objective, two evaluations on horizontal priorities (Equal opportunities and Information society), a mid-term evaluation on communication measures and a macro-modelling exercise which among other things has attempted to assess impact by priority.

¹ Excluding technical assistance

1. THE SOCIO-ECONOMIC CONTEXT

Main points from previous country report:

- Latvia's economic development has been characterised by concentration of economic activity and growth in the Riga region which persistently outperforms the rest of the country in terms of all indicators.
- The main issue facing Latvian regions is the loss of human capital as a result of migration to Riga and abroad.
- GDP growth resumed in 2010 and has continued strongly in 2011 and 2012. However unemployment persists at around 16%.

Latvia was the hardest hit EU country in the global recession with GDP falling by a cumulative 25% and unemployment peaking at 21.2% in first quarter of 2010. As a result of rapidly falling tax revenues and a run on one of its main banks in late 2008, Latvia was forced to turn to the International Monetary Fund (IMF) and European Commission (EC) for a support programme which resulted in an unprecedented fiscal consolidation. In December 2011 Latvia successfully concluded the international lender programme. Recovery started in the middle of 2010 with positive GDP growth based strong export growth. In 2011 GDP growth was at 5.5%, the third highest in the EU. Growth has continued in 2012 when in the first and second quarters Latvian growth was the highest in the EU - in second quarter 2012 Latvia's GDP rose by 5% on a year-on-year-basis.

Recovery rates have differed across Latvia's regions. While the most recent dynamics of regional GDP is not available labour market data show that unemployment fell most in the Riga region (from 21.2% in 2010 to 16% in 2011 (16.7% adjusted for new census² data), while in Latgale, Latvia's poorest region, unemployment fell by just 0.6 percentage points to 17.8% (unadjusted) in 2011. At the same time the share of long-term unemployment has grown from 26.7% in 2009 to 54.6% in 2011.

Over 2009 and 2010 wages declined across all regions of Latvia but this was reversed in 2011 with the highest wage growth observed in regions that experienced the sharpest declines in 2009. Riga region had the highest wage overall in 2011 with an average wage of EUR 758 as compared with the national average of EUR 660.

Regional differences are also observed in emigration rates. According to the 2011 Census Latvia's population decreased by 13% between 2000 and 2011 but in Riga population declined by only 8.4%, while Latgale lost more than a fifth of its population.

In short, Riga and the surrounding Riga region has experienced the strongest recovery with declining unemployment rates, less pronounced emigration and growing wages, whereas the Latgale region, which borders Belarus and Russia, has had the weakest recovery. Latgale has been afflicted by high emigration, a persistently above average unemployment rate, a low

² Comparisons of unemployment and other labour market indicators over time are complicated by the fact that the results of the 2011 Census mean that historical data have to be recomputed to take into account the fact that the population is smaller than was assumed before the Census. The force of the recalculations is to make unemployment rates higher than under previous population assumptions. So far adjusted figures are available only for 2011 and after.

number of newly created companies and a large shadow economy. Latgale's problems pre-date both the recession and EU accession and have persisted despite large investments from EU funds - Latgale is the region which has received the most funding per capita for activities expected to have a regional and local impact. Most recently, in September 2012, the government through an increase in over-commitments of ERDF co-funding has provided additional funding of LVL 20 million (EUR 28 million) for the Latgale region for the period to 2015.

In 2011 a number of legislative changes were introduced that affected the socio-economic context: the non-taxable income tax allowance was increased from EUR 50 to EUR 64; the minimum wage was increased from EUR 256 to EUR 285 and the income tax rate was reduced from 26% to 25%; social security contributions by individuals were increased from 9% to 11% and the value added tax rate was increased from 21% to 22%³.

2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD

THE REGIONAL DEVELOPMENT POLICY PURSUED

Main points from previous country report:

- EU funding to support regional development focuses on Latvia's main macro-structural challenges: promotion of balanced economic development by stimulating the development of tradable sectors and raising productivity; improvement in the business environment; support for productive innovations by enabling access to financing for businesses.
- Latvia is a single NUTS 2 region covered by the Convergence objective with total Cohesion policy funding of EUR 4,530 million for the 2007-13 programming period. The ERDF and Cohesion Fund together account for EUR 3,950 million that are implemented through 2 OPs with the 2nd OP "Entrepreneurship and Innovations" receiving EUR 740 million and the 3rd OP "Infrastructure and Services" EUR 3,210 million.
- There is no regional development policy in Latvia in the sense of the EU definition. The territory is divided into 5 statistical NUTS 3 entities but these are not administrative entities.

Changes in the allocation of the ERDF funding since 2010 have mostly been relatively minor and have mainly occurred within priorities. An exception has been the EUR 32.5 million shifted in 2011 from the 2nd OP "Entrepreneurship and Innovation" 2.2 priority "Access to finance" to the 1st OP "Human resources and Employment" (ESF) to support active employment measures to be implemented in 2012 and 2013. The amendments were made to address high and prolonged unemployment in Latvia.

Other changes that occurred took place at the level of activities and sub-activities:

- Creation of a new sub-activity "Mezzanine investment loans for development of enterprise competitiveness" (2.2.1.4.2) is a new financial engineering instrument for

³ The value added tax rate was reduced again to 21% from July 1st 2012 and there is a plan to gradually reduce the personal income tax rate to 20% by 2015.

business development funded with EUR 25 million reallocated from the activity "Guarantees for development of enterprise competitiveness". This was introduced to fill the credit gap facing SMEs as a result of curtailed lending activities by the commercial banks.

- A new sub-activity "New Product and Technology Development in SMEs" was created in order to promote innovation and improve competitiveness.
- In December 2011 implementation of sub-activity "Competence Centres" was suspended because of problems uncovered during a management control system audit, namely, (1) potential project unsustainability, (2) a risk that targets may not be achieved, (3) inadequate procurement, and (4) a risk of double funding. However, the Ministry of Economics (MoE) plans to address the problems and gradually restore the programme. This is planned to be achieved by the end of third quarter of 2012.
- Because of insufficient interest, all funding from "Development of New Study Programme in Aviation in Colleges" (EUR 2.4 million) was transferred to the development of multi-professional education centres in the regions.
- Unused funding from "Development of Health Care Centres" has been shifted to the "Development of Emergency Medical Assistance" (EUR 4.2 million) and "Development of Stationary Health Care" (EUR 7.1 million)⁴.
- The sub-activity "Establishment, Development and Improvement of Electronic Communications Network of National Significance" was cancelled and all funding (EUR 10.9 million) transferred to two activities: "Improvement of Transit Streets in Cities" to repair and reconstruct the rapidly deteriorating transit streets and "Provision of Equal Access Opportunities to Electronic Communications Services in the Whole Territory of the Country (Development of Broadband Network)" to ensure reaching the EU 2020 targets. The latter aims to reduce the "digital divide"⁵ between densely and sparsely populated areas by providing optical internet infrastructure in rural areas.
- In order to repair and reconstruct the rapidly deteriorating main roads EUR 10 million has been re-allocated from "City Infrastructure Improvements for Linkage with the TEN-T" to "Improvement of the TEN-T Road Network".
- Savings from the Quality Environment for Life and Economic Activity (EUR 4.9 million) have been re-allocated to improve heat insulation of multi-apartment residential buildings.

In 2012 the Latvian government considerably increased the scale of over-commitments⁶ to a total of EUR 408 million for the current planning period. The over-commitments will be directed towards employment promotion, modernization of equipment and infrastructure for vocational education, transport systems, and the insulation of apartment buildings, as well as to support research and innovation activities.

⁴ Health care centres are 'out-patient' facilities whereas 'stationary health care' refers to in-patient care e.g. in a hospital.

⁵ A digital divide represents the presence of inequalities between groups in terms of access to information and communication technologies

⁶ Over-commitments represent funding from the state budget in excess of the total funding available. Over-commitments therefore act as an insurance against the emergence of ineligible expenditures and are thus a mechanism to maximize the absorption of EU funds.

POLICY IMPLEMENTATION⁷

Main points from previous country report:

- Good overall progress between July 2010 and July 2011.
- Continuing slow progress in the implementation of the activity “Support to science infrastructure” because of slow implementation of reforms in the development of cooperation between scientific institutions and businesses.
- The main reasons for implementation delays were unchanged in 2011 as compared with before although problems with public procurement procedures and the lack of private funding became more acute. Financial planning issues at national and line ministry levels and liaison issues with the EC also contributed to implementation delays e.g. in approving proposed changes or in clarifying regulations.

Implementation progress since July 2011 is reported in Table 1. In July 2012 overall funding contracted was 88.4%, an increase of 10.8 percentage points from July 2011⁸. Further progress has been achieved in payments made to final beneficiaries (including advance payments from national budget) with 47% of available funding paid out as of July 2012 – up by 13.6 percentage points from July 2011. The Transport and ICT policy area (which has the largest share of available funding overall) has mixed results: at 94.4% it is the most successful area in terms of funding contracted but has the lowest share paid out to final beneficiaries (38.1%). On the other hand, it has reported the biggest improvement in terms of this indicator as compared with 2011 when only 21% of the funding had been paid out. Since July 2011 the biggest progress in contracted funding was achieved in the Environment and Energy policy area where the level of funding contracted was 80%, up from 63% in 2010.

Speeding up of EU Funds implementation has been strongly encouraged by the international lenders: the fourth addendum to the Memorandum of Understanding (MoU) with the EC which was signed on June 2011 specifically drew attention to the implementation rate of EU Funds and set out that “as a minimum, in 2011 Latvia should target annual expenditure (paid by the intermediate bodies) of at least EUR 72 million from the ESF, EUR 201 million from the Cohesion Fund and EUR 318 million from the ERDF”. The ERDF target has been marginally overachieved with payments to beneficiaries reaching EUR 334.3 million in 2011 (105.1% of the target). However, Cohesion Fund implementation has underperformed, payments made amounted to EUR 178.2 million, only 88.7% of the target. Underperformance was mainly a result of the slow implementation of large projects. Most of these are related to road infrastructure improvements where problems include: persistent problems with procurement; problems in obtaining land (land owners are reluctant to sign agreements about the transfer of the rights of land use); and also higher prices have led to increased costs. A particular large project whose implementation has lagged since 2009 is the so-called Passenger Train Project (Cohesion Fund funding EUR 142 million) under 3.3.2.1 “Development of Sustainable Public Transport System” which entails the purchase of 34 electric trains and 7 diesel trains. At the

⁷ The indicators used in this section come from the AIR for 2011, which relate to the situation up to the end of 2011. A more up-to-date view of the aggregate position (though not of the situation in the different policy areas) is presented in the Synthesis Report for 2012 of the Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013 which is based on data for payments from the ERDF and Cohesion Fund up to the end of 2012, i.e. after the present report was completed.

⁸ Excluding Technical assistance

time of writing this report, the project has been cancelled because it cannot be completed in time and the funding may be redistributed to other projects contributing to the same objective - the development of an environmentally friendly (low-carbon), efficient, integrated and inclusive public transport system. The fifth addendum to the MoU (which was signed on December 2011) stipulated that the Latvian government should commit to “ensure adequate, efficient and transparent management and implementation of EU funds” and more specifically, to take measures to increase R&D expenditure (ensure that incurred expenditure within the “Development of research infrastructure” reaches EUR 50 million in 2012 and EUR 65 million in 2013), to improve the monitoring and control of construction of EU co-financed roads and bridges, and to improve the quality of evaluations regarding the implementation of the Structural Funds.

Table 1 - Allocation of Community funds and State of play of fund absorption at 31.07.2011 and 31.07.2012 by policy area

Area	Corresponding priorities and measures from OPs	Available EU funding EUR million		Funding contracted %		Paid out to final beneficiaries % (including advance payments from national budget)	
		2011	2012	2011	2012	2011	2012
Support to enterprises and R&D	All priorities in 2 nd OP ⁹	713.7	721.4	71.7	86.3	42.9	50.1
Human capital	Priority 3.1	504.6	504.6	82.7	89.3	37.5	53.5
Transport and ICT	Priorities 3.2 and 3.3	1,368.2	1,368.2	89.9	94.4	21.0	38.1
Environment and energy	Measures 3.4.1,3.4.4 and priority 3.5	938.3	940.2	63.0	80.0	37.1	48.1
Territorial development	Priority 3.6 and measures, 3.4.2, 3.4.3	329.7	327.8	73.5	90.3	46.8	62.9
Total		3,854.5	3,862.2	77.6	88.4	33.3	46.9

Another issue, the financial targets – whereby the Managing Authority (MA) set that the payments made to beneficiaries in the last quarter of the year cannot exceed 20% of all payments- have not been achieved as a result of on-going problems with procurement. The aim was to tackle the issue of deferral of payments whereby most ministries made payments only in the last months of the year.

As of July 2012 the highest performing priority in term of payments to final beneficiaries was “Polycentric Development” where 68% of available funding has been paid out (see Annex A)¹⁰ while the lowest performing priorities are “Promotion of Entrepreneurship” (29.5% paid out) and “Quality Environment for Life and Economic Activity” (33.1% paid out).

⁹ Excluding technical assistance

¹⁰ Priority 2.2 “Access to finances” which provides for financial engineering instruments has a 100% nominal implementation rate but this represents payments to the financial intermediaries. Payments to end users i.e. businesses are much less.

Previous reports have drawn attention to the slow implementation of the activity “Support to Science Infrastructure” within the measure 2.1.1 “Science Research and Development”. It can be reported that this activity was among those with the greatest progress in 2011. Rapid progress also continued in the first half of 2012 and as of July 2012 79.5% of funding available for the activity “Development of the scientific and research infrastructure” had been contracted. However, because of slow initial progress in contracting the share of payments made to final beneficiaries remains low at only 19.3%.

Between January and June 2012 EU funds payments to Latvia were suspended (EUR 120 million) because the EC questioned part of the Latvian management system, namely, the MA’s lack of control over the institutions to which are delegated part of the MA’s functions. Interviewed officials claimed that the suspended payments did not have a significant impact on the implementation of the funds in Latvia because the funding for on-going projects was covered by the state budget.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Main points from previous country report:

- Very few projects were completed in 2010, resulting in hardly any physical outcomes to report on.
- The quality of indicators is very variable therefore complicating the assessment of whether spending is achieving policy goals.
- Despite deficiencies in the quality and quantity of indicators it was concluded that broadly the outcomes of expenditures appear to be in line with policy objectives set.

Assessment of the indicators

The quality and consistency of indicators remains a problem. Thus the core indicators, where monitoring commenced only in the middle of 2010¹¹, are a problem because many of these indicators do not correspond to the targets set by the OPs. A further problem is that the MA has included data both from projects that are completed and projects that are still being implemented. However, according to EC rules only values stemming from completed projects should be included in the reported core indicators.

As for the regular outcome and result indicators as set out in the OPs, the MoE has commented that because these indicators were set prior to the crisis, they are no longer suitable for analysing the progress of the projects. Funding has been shifted across priorities and activities so as to better respond to the economic crisis, thus more funding has been available for some activities, while for others it has declined. Hence, although the nominal planned activities have remained largely the same, their intensity has changed as a result of funding shifts. However, outcome and result indicators have not been changed along with the changes in spending¹² with the result that the achieved outcome indicators relative to the targets no longer reflect actual achievement. Hence the assessment of the achievements is more difficult. This is a problem that also affects monitoring and control activities during implementation and it is likely to affect ex-

¹¹ Reporting on the core indicators was not required at the beginning of the programming period.

¹² Indicators were changed in some ESF programmes but not in programmes funded by the ERDF and Cohesion Fund.

post evaluation. The Director of the EU Funds Monitoring Department at Ministry of Finance claimed that officially changing the indicators would have taken much time and therefore would have delayed actual implementation of the funds. Therefore, a decision was made not to change the aforementioned indicators a move that had the backing of the Commission and DG Regio.

Assessment of achievements

Interpretation of achievements must take account of the fact that effectively 2011 was the first year of solid implementation to achieve long-term structural goals. Before 2011, because the crisis struck Latvia particularly hard many activities under the Cohesion Fund and ERDF were shifted towards crisis management and mitigating the worsening situation in the Latvian economy.

In general the number of completed projects reported continued to be rather low in 2011. One reason for this was continuing problems in procurement, which have led to delayed implementation of many projects. Procurement issues and legal obstacles continued in particular to delay large construction projects. Moreover, rising costs again became an issue in 2011. Previously, particularly in 2009, falling prices and lower project costs made it possible to shift funding or to implement more projects. The opposite was observed in 2011 when prices picked up leaving much less scope for manoeuvre. Higher activity in construction led to more appeals which also delayed project implementation. In 2012 the MA has developed proposals aimed at increasing the flexibility of public procurement procedures for the supply of services and the signing of construction contracts. However, as of October 2012 the proposals remain at the consultation stage.

A further reason for a low reported number of completed projects claimed in the Annual Implementation Report (AIR) is the fact that although many projects have physically been completed the status of these projects does not get changed to "completed" until all formalities have been concluded. Formally projects are not regarded as completed until all the requirements for final reimbursement of beneficiaries have been satisfied and the beneficiaries have received final payment. Although information on effectively (physically) completed projects is available at the project level from the Management Information System this is not collected and published at a more aggregated level.

Accordingly the following assesses the evidence on achievement in terms of formally completed projects by policy area.

Support to enterprises and RTDI including ICT

The aims of Cohesion policy in this area remain:

- to increase Latvia's scientific and research potential
- to create and improve cooperation mechanisms between researchers and entrepreneurs
- to promote productivity growth, innovation and exports
- to promote the formation of new businesses

Outcomes

Although most projects in “Support to enterprises and RTDI” policy area have started, only 764 projects are reported as completed as of end 2011 representing 4.9% of the funding. Clearly overall progress in this policy area has been slower than expected.

Among completed projects, “Promotion of Entrepreneurship” and more specifically “Business Support Activities” have achieved most progress in terms of physical outcomes. In several projects the outcome targets were overachieved partly because of cost savings which allowed more projects to be implemented and partly because high unemployment led to higher than expected interest in business start-ups. In 2011 the number of people involved in entrepreneurship motivational programmes reached 12,000 representing overachievement of 26%. Another overachieving activity was sub-activity 2.3.1.1.1 which is aimed at helping businesses acquire external markets and here 566 completed projects represent over achievement of 43%.

Sub-activity 2.3.2.2 is aimed at supporting micro, small and medium-sized enterprises operating in the specially assisted areas. Here 76 co-financing investments were made despite significant contract termination within this activity. Contracts were terminated mainly because of poorly implemented projects (not submitting progress and final reports, not carrying out procurement procedures within the deadline etc.) and several cases of fraud.

Within the “Promotion of Entrepreneurship” priority a new activity “Cluster Programme” (2.3.2.3) was developed and on 12th September 2012 three year agreements were signed with 11 cluster organisations.

Priority 2.1 “Science and Innovation” has the largest share of funding available in this policy area (EUR 466 million). However, only four measures report any completed projects despite good progress achieved in regards to number of projects contracted. More specifically, within “High Value-added Investments” there have been 4 supported and completed projects in 2011 (out of 29 planned): the activity aims to stimulate investment in technology or knowledge-intensive projects. Funding within this activity finances new equipment and construction/reconstruction of buildings with the aim of attracting foreign investment. The MA has highlighted “High Value-added Investments” as one of the successful interventions with more funding allocated to this activity as a response to the economic crisis and significant demand from companies. However, the advisor to the Head of the Monetary Policy Department on EU funding issues at the Bank of Latvia cautioned that the definition of ‘high value added’ was not very strict mentioning that wood pellets are considered high-value added products.

The Director of the EU funds Implementation Department at the MoF identified the sub-activity “Development of New Products and Technologies” (2.1.2.2.1) as particularly successful: as of the end of 2011 67 projects carrying out industrial research and the experimental development of new products and technologies had been supported (out of 70 planned).

In first half of 2012 successful implementation was observed also in the “Development of New Products and Technologies - aid for Implementation of New Products and Technologies in

Production" (2.1.2.2.2) within which a factory¹³ in Latgale developed new technology for the production of railway rolling stock parts.

In the previous report attention was drawn to the low implementation progress of Priority 2.2 "Access to finance". As of end 2012, while most measures have achieved the planned outcome indicators as well as significant progress in signed contracts, no project has been completed within this priority. Slow implementation is partly the result of differences with the EC in the interpretation of regulations¹⁴ and partly because the European Investment Fund, which was the holding fund manager, proved to be slow in implementation. The Latvian Guarantee Agency has taken over the implementation of these financial instruments from the start of 2012 and it is expected that better coordination among the implementing institutions will improve progress. Overall, outcome indicator progress has been achieved in comparison with 2010, for example, by the end of 2011 14 SMEs had received venture capital funding (2 SMEs in 2010), 49 companies improved their competitiveness through higher-risk loans (31 in 2010) and 155 companies had received loan guarantees (100 in 2010). The MA claims that as of October 1st, 2012 more than a 1000 companies had been supported via financial instruments.

The MA has also identified the sub-activity "Access to International Trade Markets-External Marketing" (2.3.1.1.1) as notably successful and in high demand: in 2011, 566 projects were completed (395 planned for 2011), with companies participating in trade missions, direct visits and international exhibitions in order to promote and enhance their competitiveness abroad. ICT development implementation remains disappointing – no significant progress in implementation has been achieved in comparison with 2010 and there were no completed projects as of the end of 2011 and there has been no improvement in 2012. The MA claims that the slow progress is associated with specifics of the policy area and staff inexperience and lack of competence with such projects. Hence the MA did not rush these projects until there was clarity on whether the projects to be undertaken would be successful.

According to the AIR the reasons for the slow progress within this policy area include: the lack of capacity in the implementation of EU funds, issues with public procurement and the provision of documentation, breaches of contracts within some measures and difficulties in attracting external financing.

Results

Most reported result indicator values in the AIR have been calculated using data from both completed projects and projects still in the implementation process, therefore they will not be reported here. However, it is interesting to highlight that in some cases indicator values have been significantly over-achieved as a result of increased funding. For example, for Activity 2.3.2.1 "Business Incubators" the result indicator "Economically active companies that have received support in business incubators" has reached 421 instead of the planned 320. Also, the result indicators for two activities (2.1.2.4 and 2.3.2.2) are set as "Increase in turnover in the supported enterprises two years after receiving investment" which may make perfect economic sense but means that even for completed projects no result indicator is possible for two years.

¹³ LLC "Daugavpils Vagonu Rūpnīca"

¹⁴ For example the definition of a company in difficulty (according to the MoE). Thus in 2011 23% of guarantees allocated to such companies have been deemed ineligible for financing from EU funds.

While the “Development of New Products and Technologies” has been rather successful in terms of outcome indicators, the associated result indicator – the number of submitted international patents - is zero (out of 11 planned). The MoE explains that this is a result of the fact that enterprises have little experience in the protection of intellectual property rights.

At a more general level a central aim of this policy area is the promotion of exports and in particular knowledge based products. It is well known that since 2009 Latvian exports have achieved very strong growth. Less well known is the fact the diversity of Latvian exports has also increased. Arguably, some of this can be attributed to Cohesion policy interventions aimed at promoting exports and export quality.

Human Capital

The objective of EU funds in this policy area is to facilitate sectoral reforms in health, education, employment and the social sphere by improving infrastructure, renovating buildings and purchasing technical equipment.

As of the end of 2011 243 projects have been completed in this policy area amounting to EUR 82.5 million (16.4% of the available funding for this policy area). Thus the Human Capital policy area has the highest rate of completed projects as measured by the share of available funding.

Most targets have been achieved in Health Care and Social Services Infrastructure, while outcomes in educational measures have lagged: for instance, Modernization of Premises and Devices for Improvement of Study Programme Quality at Higher Educational Establishments (3.1.2.1.1) has achieved less than 50% of the target outcomes although it is the only tertiary education measure and receives almost a fourth of the financing for the Human Capital policy area. A similar situation applies to result indicators, where educational measures have lagged behind the targets while in most cases health care results have been achieved. However, it should be noted that educational results have significantly increased in 2011 in comparison with 2010 so there is an element of catch-up observed.

High performers in terms of outcomes are the measures “Employment and Social Services Infrastructure” and “Health Care Infrastructure”. Implementation of pre-school educational institution renovation and construction continues to improve with 39 pre-schools renovated or upgraded (against a target of 12) and this has resulted in a 16.9% decline in the number of children in the queues to pre-schools against a target of 15.3%. The Ministry of Education and Science (MoES) highlights that in 2011 most projects aimed at general and special educational institutions for children with special needs were completed. Infrastructure and the study environment was improved in 29 special educational institutions¹⁵ and 27 general educational institutions were adapted for use by children with special needs by constructing lifts, chair lifts, bathrooms etc. Other measures that performed in line with targets or overachieved in 2011 were:

- supporting Alternative Care Services: outcome indicators show that as of the end of 2011 22 alternative care centres were supported;
- developing Radiotherapy Treatments of Oncology Patients: equipment has been purchased and set up in four hospitals;

¹⁵ Covering 41% of pupils with special needs.

- improving Infrastructure for Providing a Professional Rehabilitation Services: three centres have been renovated and equipped.

Over-achievement of targets was enabled because many projects completed in 2011 were signed in 2009-2010 when in general prices and costs were lower.

The “Development of Ambulatory Health Care” result indicator “number of patients for one doctor’s practice” has been overachieved, however this result is for the most part due to population decline. Therefore, a new result target has been set. The health care result indicator “The average bed occupancy in hospitals” has worsened in 2011 in comparison with 2010, but this is a consequence of a changed method of calculation.

Transport

The aim of priorities in Transport policy area is to improve transport and communications infrastructure including integration of Latvia with the common transport system of Eastern Europe so as to facilitate economic growth. The main implementation problems have been associated with procurement and increases in construction costs.

Completed projects within the transport policy area are significantly lower than in any other area and also for completed projects the outcome indicator targets were seldom reached. Completed projects include: two small ports in which infrastructure was improved and 35 traffic safety improvement projects within the activity “Traffic Safety Improvement in Populated Areas outside Riga”. The MA argues that latter project did not reach its target value of 83 because of higher than expected costs. Projects that did not reach targets in 2011 include: “Improvement of State Category 1 Motorway Network”, only 20 km¹⁶ have been covered with asphalt instead of the planned 110 km, also the length of reconstructed transit streets was 0.5 km¹⁷ instead of the planned 15.3 km for 2011. However, the MA claims that that these projects will reach their outcome indicators (namely, the length of streets/roads covered with asphalt) because more funding has been allocated in response to increased demand.

With the exception of Improvements in the TEN-T Road Network there are no output and no result indicators to report on for priority “Development of Transport Network of European Significance and Promotion of Sustainable Transport” which has more than 60% of the allocated funding for the Transport policy area.

Environment and Energy

All activities in the “Environment and energy” policy area have started and the number of signed contracts has increased. However, the progress of output indicators has lagged because of problems such as: breach of contracts for the measure “Activity Development of Water Management Infrastructure in Populated Areas where Number of Residents is up to 2,000” and lack of submissions in the measure “Rehabilitation of Inherited Contaminated Sites”. For several projects the implementation deadlines have been extended and complaints were submitted about procurement results. However, the number of completed projects is high within the priority “Promotion of Environmental Infrastructure and Environmentally Friendly Energy” where projects worth EUR 94.5 million have been completed amounting to 14.1% of the

¹⁶ If both completed and on-going projects are included the indicator value goes up to 181.1 km

¹⁷ If both completed and on-going projects are included the indicator value goes up to 13.1 km

available funding. As of 2011 contracts have been signed for almost 80% of the available funding. Within this priority all outcome indicators were achieved or overachieved with the exception of “Development of separate waste collection system” and “Measures Regarding the Increase of Efficiency of Centralised Heat Supply Systems” (achieved 60% of the planned value). Under this priority, improvement of water managements infrastructure reached more than 87 thousand inhabitants in agglomerations with more than 2,000 inhabitants, also within this priority, 206 previously legally non-complying dumpsites were remedied¹⁸.

Relatively good progress has been achieved in the measure “Energy efficiency of housing” which deals with apartment building heat insulation (EUR 73 million): the planned result indicators of heat insulation improvements have been realised and output indicators have increased significantly while not fully achieving the planned outcomes. Moreover, amendments were made so as to increase ERDF funding by EUR 4.9 million for the Improvement of Heat Insulation of Multi-apartment Residential Buildings. According to the AIR, heat consumption has decreased by 47.7% in the supported buildings. Moreover, the efficiency of centralised heat supply systems has also been improved in the involved projects.

Territorial development

The Territorial development policy area contains: the priority “Polycentric development” and the measures “Tourism” and “Socio-economic Impact of Cultural Environment”. In “Polycentric development” a high number of completed projects are reported amounting to EUR 38 million or 14% of the available funding. Moreover, all outcome indicators within this priority have been achieved, for instance, number of projects promoting urban restoration or revitalization reached 20 instead of the planned 17. However, the outcome indicators set for this priority do not really inform about achievements since most of the indicators are defined simply as “Number of projects”. Also no result indicators have been set for this priority.

Only two measures within “Tourism” – building bicycle paths and renewal of national importance monuments, are currently being implemented, none of which have achieved the set outcome indicators. In “Culture”, implementation of most activities has started by 2011, however there are no physical outcomes or results to report on.

¹⁸ Because result indicators also include values from unfinished projects these are not reported.

Table 2 - Main physical indicators of achievements for completed projects

Policy area	Main indicators	Outcomes and results (physical outcomes plus brief note on what has been achieved)
Enterprise support and RTDI including ICT Increase access to finance by SMEs	No. of entrepreneurs per 1,000 people (planned 32 in 2013) % of high technologies in manufacturing industry 13.7% in 2010 (18.5% planned for 2013) Broad band connection per 100 people (28% planned for 2013)	122 research projects supported (200 planned for 2013) 421 economically active enterprises supported in business incubators 4 projects with high added value have been supported 12 thousand people in entrepreneurial motivational programmes 14 SMEs have received venture capital investments (45 planned for 2013) 92 SMEs located in specially assisted areas have been granted aid
Human Resources (ERDF only)	Average treatment time per patient 7 days by 2013 % decrease in number of people with disabilities as a result of improved system for granting disability status (3% decrease planned for 2013)	Average treatment time per adult 8.7 days* 7 Stationary health care centres with improved infrastructure (45 planned for 2013) 4 hospitals with set up radiotherapy treatment equipment 39 pre-schools were renovated or upgraded (48 planned for 2013) 124 general education institutions with modernized science classrooms (211 planned for 2013) 6 Higher education institutions with a modernized infrastructure and training equipment (28 planned for 2013) 7.4% of secondary education institutions adjusted for students with disabilities (9.8% planned for 2013)
Transport	Time saving value EUR/year from newly constructed and reconstructed roads for passengers – EUR 25.6 thousands per year in 2009 (EUR 10 million per year planned for 2013)	13 km of reconstructed transit streets (of the 60 planned for 2013) 180 km of national importance roads asphalted (of the 313 km planned for 2013)
Environment and energy	Provide water quality that is safe for people, % of water providing points with good and high quality water, 50% in 2009 (60% planned for 2013); Average heat consumption per sq. m. in residential buildings 237 kWh in 2009 (232 kWh per sq. m. planned for 2013) Average heat loss in heat distribution systems in country – 15.5% in 2009 (14 % planned for 2013)	54.2% of the population provided with sewage management services which are in accordance with regulatory requirements (62% planned in 2013)
Territorial development	GDP per capita dispersion among NUTS 3 regions 45.2 % in 2009 (42.1 % planned for 2013)	20 completed projects aimed at sustainable development of cities and urban renewal 13 km built of bicycle roads

*According to the Centre for Disease Prevention and Control in 2011; for children the indicator varies from 6.4 to 8.5 days

It is rather difficult to generate a coherent and reliable picture of the achievements to date of the interventions under the two OPs considered in this report. This is for the following reasons:

- The problems with the indicators: core indicators that do not match programme targets and programme indicators that in the light of changes in the intensity of activities no longer exactly reflect the quantitative aims of many interventions
- The absence of informative evaluations
- The lack of sufficient concentration/focus in the OPs. The priorities of the 2007-13 programming period were the outcome of a political process in which 'everyone got something' with the result that there has been insufficient concentration of resources. This is recognised by the MA and the intention is to have more focused programming in the next period.

3. EFFECTS OF INTERVENTION

Main points from previous country report:

- There is lack of a sound evaluation base to judge the policy effects on indicators such as GDP, employment, entrepreneurship, life quality etc.
- Cohesion policy has helped realise structural changes in the economy shifting it towards the production of tradable goods and thus increasing export potential

The lack of a sound evaluation base persists. However one new evaluation discussed in the next section is a macroeconomic modelling exercise which may be used to assess the role of the funds in mitigating the severity of the crisis. It is clearly plausible that without ERDF and Cohesion Fund expenditures the crisis would have been more severe than it was and this is confirmed by macroeconomic modelling analysis which suggests that without the EU funds the Latvian GDP decline in 2009 would have been more severe by 4.0 percentage points.

However, the wider effects on regional development, innovation and competitiveness remain unclear. For example, as mentioned above, Latgale received the largest funding per capita in activities of regional and local impact, but its problems persist, thus raising questions regarding the efficacy of the funds. This has caught the attention of the government, which in 2012 has created a new action plan for the development of the Latgale region over 2012-13 with overall funding of LVL 83 million (EUR 116 million) with support for local development funded by an increase in ERDF over-commitments of EUR 28 million.

As already noted Latvian export performance has been strong in recent years – both quantitatively and qualitatively. The qualitative change in export structure is particularly important. Improvements in the share of high technology products in exports and in the degree of export diversification may be signalling a switch towards a more advanced export sector. It is tempting to link these changes to the impact of Cohesion policy e.g. interventions aimed at technology transfer or the development of new products. However, such causal effects cannot be inferred without the currently lacking micro-level evaluation.

There are interventions where the effects are both clear and measurable. For example, the programme to insulate residential building has resulted in a 47.7% reduction in heat consumption in the insulated buildings.

4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

Evaluations covered in the previous reports were:

- “Evaluation of results and impact of EU funded investments in the field of support to business during the programming period 2004-2006” (in 2011 report)
- “Ex-post evaluation of results and impact of EU funded investments in the field of education and science during the programming period 2004-2006” (in 2011 report)

The evaluations announced as upcoming in the 2011 country report were:

- Mid-term evaluation on implementation efficiency of National Strategic Reference Framework (NSRF) priorities, measures and activities in the EU funds programming period 2007-2013
- Evaluation of EU fund impact on the balanced territorial development and its relevance to the national territorial planning policy priorities
- “Analysis of EU fund indicators in 2007-2013” (an internal evaluation)

The strategy in place for evaluating the effects of intervention may be summarised:

- The process for evaluating the effects of intervention is centralized and managed by MA (Ministry of Finance)¹⁹. Private companies carry out the evaluations and MA’s staff comments on the draft evaluations to improve the quality.
- A systematic approach in assessing and implementing recommendations from evaluation reports has been created. A special working group consisting of MA, intermediary bodies and other parties meet, evaluate recommendations and assess to what extent these are relevant and decides on their implementation. The recommendations that have been recognized as relevant are included in the implementation plan²⁰.

Since the 2011 country report, six new evaluations have been carried out (Table 3). As compared with what was mentioned in the 2011 country report the internal evaluation of indicators has been cancelled in the form originally envisaged²¹ and a third evaluation not mentioned in the in 2011 has actually been carried out. This is a new macroeconomic modelling exercise which has attempted to address impact at the priority level.

The ***“Mid-term evaluation of implementation efficiency of priorities, measures and activities of national strategic reference framework of EU funds for the planning period of 2007 – 2013”*** analyses and documents the efficiency of the implementation of EU funds over the 2007–2010 period using the following methodological approaches: analysis of secondary data sources, interviews, discussions and meetings of focus groups with representatives of institutions involved in implementation of EU funds and beneficiaries of projects, electronic survey of beneficiaries of EU funds.

¹⁹ With the exception of Ministry of Environment Protection and Regional Development that carried out the evaluation of impact on balanced territorial development

²⁰ More detailed information available at

http://www.esfondi.lv/upload/Petijumi_un_izvertejumi/ES_fondu_izvert_plans_2007-2013.doc

²¹ In its place the MA has undertaken a small pilot exercise with the help of the EC looking at the indicators for the measure „Business Support Activities”.

The report argues that because activities are still being implemented the evaluation of achievement/non-achievement cannot be performed in the midterm. At the same time it concludes that based on the achieved results Latvia will realise the aims it has set in the current EU funds planning period. The report notes that due to increased/decreased financial resources for some activities it is difficult to evaluate and monitor the indicators, as they have remained the same. Therefore comparing the indicator to the planned target does not adequately reflect achieved results. Furthermore, the report finds that for almost half of the activities, which were being implemented, there is a risk that the financing will not be fully taken up or that outcome/result indicators will not be fully achieved; the authors base this on the fact that in 27.0% of activities advance payments have been made, but no outcome/result indicators have been achieved. What is more, the report concludes that advance payments, which are listed as taken-up financing, give a distorted impression regarding the amount of payments actually made to beneficiaries.

However, report identifies several positive aspects: it is concluded that Latvia successfully adjusted to the crisis by diverting funding to employment and entrepreneurship. Also they note that the procedure for amending the legislation regarding the implementation of EU funds has contributed to the uptake of the EU funds²².

In conclusion, the report provides suggestions for further improvements, namely, increasing the centralization of the management of the EU funds, including more aim-oriented results and clarifying targets and indicators; the authors also note that the indicators should relate to the benefits arising from activities rather than actions carried out by the implementer of an activity.

The ***"Balanced Territorial Development and International competitiveness of Riga"*** evaluation conducted by the Ministry of Environment Protection and Regional Development in 2012 is the second evaluation. The report calculates and analyses the Territory Development Index (TDI)²³ for Latvia over the time period from 2005 until 2011. The index is negative for all regions except for Riga region confirming that the regions are below Latvia's average socio-economic development level. However, Riga's dominance has been declining in recent years. The Latgale region has consistently had the worst TDI, while outcomes for other regions have varied from year to year. The report also analyses EU funds investments in Latvia's regions and specifically the payments made between 2007 and 2011. Riga region has achieved most target outcome indicator values and the report concludes that so far fund implementation has been most successful in Riga.

The Evaluation of the impact of EU funds on the economy of Latvia offers a macroeconomic modelling approach to the assessment of the economic impact of the EU funds. The period covered is 2002-2020 and the funds considered include pre-accession funds as well as other non EU funds²⁴. In practice the main focus of the analysis was the period from 2007-2020 and

²² Amendments are coordinated only between the Ministry of Finance and Ministry of Justice which have been delegated the rights to make amendments to the regulatory enactments.

²³ According to the Regional Development Ministry the TDI is a generalised indicator which is calculated with determined weight coefficients by summing up standardised values of the most important basic indicators which characterise the development of a region.

²⁴ The evaluation covered the following EU financial instruments: European Social Fund, European Regional Development Fund, Cohesion Fund/ISPA, European Agricultural Fund for Rural Development, European Fisheries Fund, European pre-accession financial instruments Phare and SAPARD, INTERREG,

the EU funds represent overwhelmingly the most dominant expenditures. Apart from the overall impact of the funds on macroeconomic variables a particular exercise was to estimate the impact of the funds by priority. In particular attention was focussed on the 2007-13 programming period which had the following eight thematic priorities: Research and technology development; Innovations and entrepreneurship; Information society; Transport; Energy; Environmental protection and risk reduction; Human capital, employment, social integration; Education. This represents a novel and perhaps controversial application of a macro model. Various indicators of return by priority were tried but typically Transport came out overwhelmingly as the priority with the biggest return and Education, Innovations and Energy competed for last place. The overall policy multiplier was greater than one and the undiscounted gross return to one LVL invested was calculated as 12.3 i.e. one LVL of funds expenditure generated a gross return over the whole period of 12.3 LVL. Also, the model suggests that in the main recession years of 2008 and 2009 Latvian GDP was higher by 3.9 and 4.0 percentage points respectively as a result of EU support. It has to be said that the use of such modelling approach to estimating funds impact by priorities is controversial however the Latvian MA was interested in such an exercise in order to help identify priorities for the next programming period.

Study on horizontal priority "Information society" assesses the current situation and risks regarding the implementation of the horizontal priority "Information society". The study applies both qualitative and quantitative methods, namely, interviews and data analysis. However, the lack of centralised and specific data was the main obstacle to the evaluation process. The study concludes that from 2007 until 2010 a significant number of projects were implemented that contributed to achieving the priority's objectives. The evaluation notes the observed project concentration in the Riga region (which receives 32% of the available funding) and that most of the financing is concentrated in just a few projects, also funding is largely concentrated in education sector which receives 79% of the EU funding. The study also finds that it is impossible to compare the project indicators in the priority level because little data gathered in a centralised way. It also highlights that the involved parties (project implementers, cooperation institutions and the responsible authorities) lack a common understanding of the priority's essence, objectives and performance indicators.

Evaluation of the EU funds impact on implementation of the horizontal priority "Equal Opportunities" assesses the impact and contribution of EU funds on horizontal priority three dimensions of equal opportunity: gender equality, equal rights for people with disabilities and the active aging principle. The study evaluated a sample of 1,014 EU projects of which 595 were from OP3 and 27 from OP2. The evaluation employed the following methods: content analysis, including quantitative analysis of statistical information; qualitative analysis of project applications and case studies, including document analysis, interviews with project promoters and surveys at project places. A major conclusion was that it was 'difficult to assess progress or results of HP EO because specific HP EO objectives, indicators or results were not set at the beginning of 2007 - 2013 planning period' and that assessment has been 'problematic because projects included in the evaluation have not defined the amount of financing invested in the

Objective 3 "Territorial Cooperation" of the EU Cohesion Policy (ERAF), financial instrument of the European Economic Area, Norwegian Bilateral Financial Instrument, Swiss-Latvian cooperation programme.

implementation of HP EO policy'. The evaluation concludes that: active aging has been the priority's least considered aspect; that there has been no vertical impact on gender equality, namely because 'activities aimed at promoting gender equality by resolving specific problems have not been carried out and financial resources for such purposes have not been assigned'; and the number of projects promoting education and employment issues for persons with disabilities have not been sufficient. The evaluation recommends in the next programming period specific objectives and monitoring indicators that promote equal opportunities should be set.

"Midterm evaluation of the efficiency of the communication measures of EU funds priorities, measures and activities for the 2007 - 2013 programming period" is an analysis based on a survey, interviews and focus group discussions. The evaluation finds that while six out of eight indicators for the EU funds communication strategy have been reached, the indicators on public opinion regarding transparency of the EU funds implementation process and on the impact of the funds on society are lagging. Interestingly, the report finds that the possible reason for the latter is the extensive focus on the process of implementation but much less on the achievements of EU funds. Transparency shortcomings are a result of the fact that information on websites is often complex and difficult to understand. Overall, the evaluation concludes that the new (2007-2013) planning period should be presented more positively than the previous planning period. The efficiency, information flow and speed of communication have been among the better aspects of the system, while the quality of information itself should be improved.

Table 3 - Cohesion policy evaluations

Title and date of completion	Policy area and scope (*)	Main objective and focus(*)	Method used (*)	Main findings	Link to publication
Mid-term evaluation of implementation efficiency of priorities, measures and activities of national strategic reference framework of EU funds for the planning period of 2007 – 2013 October 2011	9	2	3+4	(1) Though majority of activities/sub-activities are still in the process of implementation, the already achieved results show that in general Latvia will be able to achieve the aims and indicators set for it in current EU funds planning period. (2) From the total seven context indicators achievement of six is practically impossible due worsening economic situation. (3) Burdens of administrative procedure or mistakes in implementation of the procedure, as well as complaints about public procurement procedures are the most significant factors that have hindered the implementation of EU funds.	Link
Report on the implementation of "Balanced Territorial Development" and "International competitiveness of Riga" (2007 – 2011) July 2012	7	2	3	(1) From the reports by responsible institutions on the implementation of the EU funds one cannot conclude whether the principles of horizontal priorities have affected the regional allocation of available funding (2) Comparable information on implementation results of EU funds is not available for the evaluation on the impact of EU funds on the regional development (3) Territory Development Index indicates that for all regions the index is negative (except Riga), which suggests that these areas are below average socio-economic development level. (4) However, in the past years Riga region has been losing its dominance (TDI has declined) over the other regions, which is a prerequisite for balanced territorial development. Latgale continues to have the lowest TDI	Link (In Latvian only)
Evaluation of the impact of EU funds on the economy of Latvia December 2011	9&10	3	3	(1) Overall estimates of policy multipliers for the 2007 programming period were greater than 1 e.g. at a 5% discount rate the policy multiplier was 1.18. (2) Transport was the priority area with the highest policy multiplier – 2.09 when a 5% discount rate is used. Priority areas Education, Innovations and Energy all had policy multipliers less than 1. (3) The model analysis suggested	Link

Title and date of completion	Policy area and scope (*)	Main objective and focus(*)	Method used (*)	Main findings	Link to publication
				that in 2008 and 2009 the funds offset the crisis by 3.9 and 4.0 percentage points of GDP.	
Study on horizontal priority "Information society" December 2011	2	1	3	(1) Overall, the implemented projects contribute to achieving the priority's objectives. (2) Implemented projects are largely concentrated (Riga region and education sector having the largest share of funding) (3) Comparison of the project indicators in the priority level is impossible because of the lack of consistent indicators	Link
Evaluation of the EU funds impact on implementation of Horizontal priority "Equal Opportunities" defined in planning documents October 2011	10	1	3+4	(1) Active aging is the least considered of the priority's aspects. (2) Insufficient number of projects regarding the education and employment for persons with disabilities. (3) Lack of specific objectives and indicators prevents adequate evaluation.	Link
Mid term evaluation of the efficiency of the communication measures of EU funds priorities, measures and activities for the 2007 - 2013 programming period November 2011	9	2	4	(1) Improved communication in the 2007-2013 planning period. (2) The advantages of the communication system are the information flow and speed, while the quality of information should be improved.	Link

Note: (*) Legend:

Policy area and scope: 1. RTDI; 2. Enterprise support and ICT; 3. Human Resources (ERDF only); 4. Transport; 5. Environment; 6. Energy; 7. Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development); 8. Capacity and institution building; 9. Multi-area (e.g. evaluations of programmes, mid-term evaluations); 10. Transversal aspects (e.g. gender or equal opportunities, sustainable development, employment)

Main objective and focus: 1. assess the arrangements and procedures for managing or administering programmes; 2. support monitoring, or check the progress made in implementing programmes, such as many mid-term evaluations; 3. assess the outcome or effects of programmes in terms of the results achieved and their contribution to attaining socio-economic policy objectives

Method used: 1. Counterfactual; 2. Cost-benefit analysis; 3. Other quantitative; 4. Qualitative

5. CONCLUDING REMARKS - FUTURE CHALLENGES

Main points from previous country report:

- Because Latvia's growth is largely export driven, Latvia is particularly exposed to development in the world economy
- Potential concern in regards to "Support to science infrastructure" and activities under measure "Innovation" as cooperation between research institutions and businesses has been reluctant
- Unemployment remains one of the biggest issues facing Latvian economy for the coming years

Unemployment remains a major problem and Latvia remains vulnerable to shocks in the EU and the world economy. Collaboration problems between scientists and entrepreneurs appear to have been addressed but real results remain to be realised.

Overall progress has been adequate in 2011 but as projects get completed attention is focussed on the indicators and there is a clear recognition that these are inadequate for a proper assessment of achievements. For example, in the programme for urban restoration and revitalisation has over-fulfilled its targets in terms of number of projects completed. But does this tell us anything about whether the places where the projects have been implemented are better places to live in, work in or to visit? Answer NO. The MA is aware of the issue of the quality and relevance of indicators but improvement is basically infeasible until the next programming period.

There is an issue of the capacity of the responsible institutions over the next few years. There are the pressures of completing the programming period when the level of over-commitments taken on suggests that there may be many projects in difficulties. There is also a heavy burden of planning for the new programming period. Furthermore, the MA has emphasized that while wages in the private sector have grown so far there has been no response in terms of increasing public sector wages. If this is not done the public sector is certain to lose some of its best staff.

Finally, there is a clear need to address the issue of indicators. Nothing much can be done in the current period but there is every hope that as a result of the rules set down by the EC for the next period combined with a much improved awareness in Latvia of the need for meaningful indicators the next programming period will see a more informative approach to the development and maintenance of indicators. As a contribution to this in 2012 the MA undertook a pilot assessment of indicators with the assistance of the Commission and the role of indicators will be a much more important aspect of the ex-ante evaluation process than hitherto.

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INTERVIEWS

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ANNEX – TABLES

See Excel Tables 1 -4:

Excel Table 1 – Regional disparities and trends

Excel Table 2 – Macro-economic developments

Excel Table 3 - Financial allocation by main policy area

Excel Table 3cbc - Financial allocation by main policy area – cross border cooperation

Excel Table 4 - Commitments by main policy area (by end-2011)

Excel Table 4cbc - Commitments by main policy area (by end-2011) – cross border cooperation

Annex Table A - Allocation of Community funds and State of play of fund absorption at 31.07.2011 and 31.07.2012

Priority/Measure	EU funding according to decisions of Cabinet of Ministers (EUR million)		Contracted (% of EU funding)		Payments to final beneficiaries (% of EU funding)	
	2011	2012	2011	2012	2011	2012
2. Operational programme "Entrepreneurship and Innovations" ERDF	736.7	744.4	71.0	86.5	42.5	49.8
2.1. Priority „Science and Innovations”	452.5	460.1	53.3	84.7	16.5	33.5
2.1.1. Measure „Science, Research and Development”	219.1	219.1	31.4	84.9	6.1	28.9
2.1.2. Measure „Innovations”	233.4	241.1	73.9	84.4	26.4	37.6
2.2. Priority “Access to Finances”	216.7	184.3	117.6	100.0	117.6	100.0
2.2.1. Measure „Accessibility of Financial Resources”	184.3	184.3	117.6	100.0	117.6	100.0
2.3. Priority “Promotion of Entrepreneurship”	77.0	77.0	70.6	63.4	19.2	29.5
2.3.1. Measure „Business Support Activities”	27.6	27.6	46.2	55.6	11.2	21.8
2.3.2. Measure „Business Infrastructure and Improvements to Equipment”	49.4	49.4	84.2	67.8	23.6	33.8
2.4. Priority “Technical Assistance”	23.0	23.0	46.3	91.8	29.3	43.1
3. Operational programme "Infrastructure and Services"	3,210.6	3,210.6	78.1	88.8	31.0	46.0
3.OP - ERDF	1,670.8	1,670.8	72.3	85.4	29.8	47.1
3.OP – Cohesion Fund	1,539.8	1,539.8	84.5	92.4	32.4	44.8
3.1. Priority "Infrastructure for Strengthening Human Capital"	504.6	504.6	82.7	89.3	37.5	53.5
3.1.1. Measure "Vocational Education Infrastructure" *	87.4	87.4	94.2	41.3	6.0	18.2
3.1.2. Measure "Tertiary (Higher) Education Infrastructure"	121.5	121.5	100.0	100.0	38.2	55.7
3.1.3. Measure "Ensuring Educational Infrastructure for General Skills"	41.5	41.5	98.4	98.7	75.5	89.1

Priority/Measure	EU funding according to decisions of Cabinet of Ministers (EUR million)		Contracted (% of EU funding)		Payments to final beneficiaries (% of EU funding)	
	2011	2012	2011	2012	2011	2012
3.1.4. Measure "Employment and Social Services Infrastructure"	47.1	47.1	99.3	99.2	78.7	91.5
3.1.5. Measure "Health Care Infrastructure"	207.3	207.1	60.8	99.1	33.3	51.3
3.2. Priority "Promotion of Territorial Accessibility"	511.2	511.2	79.3	87.5	18.2	39.4
3.2.1. Measure "Promotion of Accessibility and Transport System"	329.2	329.2	90.0	93.5	16.3	42.4
3.2.2. Measure "ICT Infrastructure and Services"	182.0	182.0	60.1	76.5	21.6	33.9
3.3. Priority "Development of Transport Network of European Significance and Promotion of Sustainable Transport"	857.0	857.0	96.2	98.5	22.7	37.4
3.3.1. Measure "Improvements and Development of Large Scale Transport Infrastructure"	714.6	714.6	95.4	98.2	22.7	40.4
3.3.2. Measure "Development of Sustainable Transport System"	142.4	142.4	100.0	100.0	22.3	22.3
3.4. Priority "Quality Environment for Life and Economic Activity"	322.9	322.9	49.5	72.5	17.8	33.1
3.4.1. Measure "Environment"	194.8	194.8	48.8	68.2	22.0	39.6
3.4.2. Measure "Tourism"	19.2	17.2	89.1	98.2	24.2	46.5
3.4.3. Measure "Socio-economic Impact of Cultural Environment"	36.0	36.0	66.4	96.8	16.4	32.7
3.4.4. Measure "Energy Efficiency of Housing"	561.5	74.9	32.7	65.9	6.3	13.5
3.5. Priority "Promotion of Environmental Infrastructure and Environmentally Friendly Energy"	670.6	670.6	70.5	85.0	45.0	54.5
3.5.1. Measure "Infrastructure of Environmental Protection"	561.5	561.5	72.4	87.6	53.0	60.8
3.5.2. Measure "Energy"	109.1	109.1	60.7	71.9	8.9	22.0
3.6. Priority "Polycentric Development"	274.5	274.5	73.4	88.9	52.5	68.0
3.6.1. Measure "Support for Sustainable Urban Environment and Urban Area Development"	263.0	263.0	76.6	91.6	54.7	70.3
3.6.2. Complex support to promote growth of amalgamated municipalities	11.5	11.5	0.0	27.7	0.0	14.6
3.7. Priority "Technical Assistance of ERDF"	57.6	57.6	41.4	88.0	25.7	39.1
3.8. Priority "Technical Assistance of Cohesion Fund"	12.2	12.2	31.6	74.5	17.6	29.2

Source: VIS-EU unified information system