



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

TASK 1: POLICY PAPER ON INNOVATION

LATVIA

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CONTENTS

1	EXECUTIVE SUMMARY	3
2	NATIONAL AND REGIONAL INNOVATION POLICY AND THE CONTRIBUTION OF THE ERDF 4	
2.1	NATIONAL AND REGIONAL INNOVATION POLICY	4
2.2	ERDF CONTRIBUTION ACROSS POLICY AREAS.....	6
3	EVIDENCE AVAILABLE ON THE PERFORMANCE OF INNOVATION MEASURES CO-FINANCED BY ERDF	7
4	CONCLUSION: MAIN CHALLENGES FACED BY COHESION POLICY PROGRAMMES	10
	REFERENCES.....	12
	PERSONS INTERVIEWED	12
	ANNEX A – BACKGROUND DATA ON EU COHESION POLICY SUPPORT TO INNOVATION	14
	ANNEX B – CLASSIFICATION OF INNOVATION POLICY AREAS, INSTRUMENTS AND BENEFICIARIES.....	21
	ANNEX C – CATEGORISATION OF EXPENDITURE TO BE USED FOR CALCULATING EU COHESION POLICY RESOURCES DEVOTED TO INNOVATION	23

1 EXECUTIVE SUMMARY

This report reviews the contribution of the ERDF to innovation policy in Latvia over the 2007–2013 programming period and its implementation to date. According to implementation data from February 2010 a total of EUR 822 million ERDF funding have been allocated within the framework of the two Operational Programmes (OP): ‘Entrepreneurship and Innovations’ (OP2) and ‘Infrastructure and Services’ (OP3). Within these OPs the biggest emphasis has been placed on activities to ‘boost applied research’ with EUR 550 million (67%) of the approved funding; activities promoting an ‘innovation friendly environment’ were given EUR 161 million (20%); and activities supporting ‘knowledge transfer and poles EUR 110 million (13%). The policies and activities supported all operate at the national level with funding allocated on a demand driven basis to state, municipal and private enterprises wherever they are located. Co-financing activity related to investments in micro, small and medium size enterprises located in ‘specially assisted areas’ is an exception.

ERDF programmes represent the principal source of funding for innovative activities in Latvia the ERDF also contributes to creating a coherent policy and implementation structure in this area.

Evidence on the performance of the innovation measures is almost non-existent. This is the case even for programmes that were run in 2004–6 and have been carried forward in some form. Thus in terms of ex-post evaluation the Latvian Finance Ministry is only now (2010) commissioning a counterfactual evaluation of entrepreneurship measures implemented in the 2004–6 programming period, the results of which will be available some time in 2011. Many activities had a late rush of implementation in 2007 and 2008 (e.g. the ERDF venture capital programme), so meaningful evidence on performance cannot be expected for some time. For the 2007–13 period less than 50% of the approved funding was contracted as of February 2010 and the share of approved funds disbursed to beneficiaries was negligible. For the policy areas ‘Innovation Friendly Environment’ and ‘Knowledge Transfer’ 3.1% and 3.8% has so far been disbursed to final beneficiaries. For the policy area boosting applied research the disbursements to final beneficiaries range from 0% to 12.5% (with the exception of financial engineering instruments where the nominal figure is 100% but this is misleading because this refers to disbursements to financial intermediaries whereas the money going to ‘real’ final beneficiaries i.e. enterprises has so far been zero)

In terms of overall performance Latvia continues to lag in the area of innovation. The government target of R&D expenditure of 1.5% of GDP by 2010 is unlikely to be reached for some time (the latest figure (for 2008) is only 0.61% and the 2009 European Innovation Scoreboard places Latvia in second last place among the EU27 – with only Bulgaria behind. Clearly more needs to be done.

2 NATIONAL AND REGIONAL INNOVATION POLICY AND THE CONTRIBUTION OF THE ERDF

2.1 NATIONAL AND REGIONAL INNOVATION POLICY

Main features of innovation strategy

The 2001 National Innovation Concept document is the key original background policy document for innovation policy in Latvia. It defines the core concepts of “innovation”, “innovation policy”, “national innovation system” and identifies relevant OECD initiatives relating to the innovation agenda. It highlights the need to support an innovation-friendly environment, to develop modern infrastructure across the whole country, to develop national science and research policy (particularly applied sciences which has the potential to contribute to the national economy), technology transfer, and the necessity to develop all this within a supportive legal environment.

Since then innovation policy has been developed and implemented in a variety of documents and action plans with the “Entrepreneurship, Competitiveness and Innovation Promotion Programme for 2007–2013” providing a recent version of the innovation strategy

The main innovation elements of the programme are the following:

- Providing financial instruments and support services for science research institutions and for businesses operating in technology-intensive sectors;
- Improving applied research at universities, other research institutions and in technology-intensive companies;
- Increasing innovation capability by promoting more effective interaction among science research institutions, educational institutions and technology-intensive companies;
- Promoting technology transfer and commercialization of research;
- Supporting the development of new technologies and products, including increasing awareness among technology entrepreneurs about creating and protecting intellectual property and commercialising intellectual property;
- Commercialising the knowledge and skills of science research experts.

The microeconomic priorities and measures of Latvia’s National Lisbon Programme are quite heavily oriented towards innovation and include:

- Facilitation of co-operation between research, education institutions and the private sector, where measures include the *Market-Oriented Research Project Programme*; the *Innovation Centre and Business Incubator Development Programme* as well as support for transfer of knowledge and technologies through the creation of technology transfer contact points were started.

- Support for the development of new products and technologies and their introduction into production.

ERDF funding has been a key element in the implementation of policy and the above are all areas where programmes started in the 2004–6 programming period have been continued in the 2007–13 period

Regional dimension

Since Latvia as a whole corresponds to a single NUTS 2 region there is no formal regional policy in terms of the EU definition. Moreover, although there are 5 NUTS 3 regions these are statistical and not administrative entities. Accordingly, Latvia's national Innovation Strategy does not specifically separate activities into regions rather it targets the national science and research institutions, which are located in larger cities, and policy takes the form of demand-driven support to state, municipal and private businesses (wherever they are located), support measures for science research address existing universities and science institutes. Thus there is no regional administration and no separate strategy at the regional level. One exception to this is the activity "Co-financing to the investments in micro, small and medium-sized enterprises operating in the specially assisted areas". However, this is not primarily an innovation promotion activity.

The role of the ERDF

The ERDF is pivotal to the implementation of innovation policy in Latvia¹; the Operational Programme 'Entrepreneurship and Innovation' (OP2) contains most of the innovation support measures co-financed by the structural funds in Latvia (71%) with OP2 'Infrastructure and services' providing another 17%, so that ERDF funding accounts for about 88% of the funding of innovation support measures². The allocation and absorption of funds has been influenced by Latvia's budget and financial sector problems. Thus the drop in available state co-financing has resulted in amendments to the allocation of funding by activity, a process which is still going on. At the same time, SMEs and other borrowers have experienced tremendous difficulties in finding co-financing from banks because the commercial banks have become very conservative and are

¹ According to the 2009 Latvian Innovation Policy progress Report "From the innovation policy measures launched over the last three to five years the most important measures could be ranked in the following order ...

Support for development of new products and technologies

Support for technology transfer

Support for SME venture capital

Support for development of innovation centres and business incubators

Attraction of highly qualified workforce" (p 21).

All of these are Structural Funds supported measures and the first four are ERDF funded.

² Another 12% comes from the OP1 "Human Resources & Employment" which funds post graduate studies and attraction of human resources to science.

unwilling to take any credit risk. This has delayed the implementation of programmes and activities.

OP2, (EUR 662.7 million) has just over 80% of the allocated ERDF funding and OP3 has about 20%. OP2 has three priorities within which the key broad measures that include innovation activities are: measure 2.1.1 “Science, research and development”, measure 2.1.2 “Innovations”, measure 2.2.1 “Accessibility of financial resources”, measure 2.3.1 “Business support activities” and measure 2.3.2 “Business infrastructure and improvements to equipment”. The first is aimed at research institutions and the biggest funding goes towards development and improvement of research infrastructure (EUR 146 million). All the other measures are aimed either directly or indirectly at enterprises. Indirect measures include a variety of activities aimed at technology transfer, business incubators and so on. Direct measures take two forms: grants aimed at supporting new businesses, product development and promotion of high value added activities and financial instruments such as loans, guarantees and equity support for the development of enterprise competitiveness and higher risk activities. Financial instruments for enterprises seeking to improve their competitiveness have been allocated about 33% of OP2 innovation intervention funding (EUR 217 million); improving science research infrastructure and quality 25% (EUR 168 million) and support to enterprises for the creation, production, and sales of innovative technologies and products 22% (EUR 146 million); the formation of business incubators and technology competence centres and financing for SMEs in under-developed regions 13% (EUR 86 million). Some of these measures, e.g. risk capital and support for new products, are successors to 2004–6 programmes.

Within OP3, “Infrastructure and Services”, the aim is to create broadband internet networks across the country and particularly in schools and universities and in all the main cities and towns. With this the government aims to provide the infrastructure base for local and international information and data access which is a core requirement of science research, market research, innovation and technology commercialisation. From a total funding allocation of EUR 159 million, the largest part (EUR 141 million; 89%) will be spent on developing physical IT infrastructure and related support services.

2.2 ERDF CONTRIBUTION ACROSS POLICY AREAS

Main focus of support of the ERDF

The main focus of ERDF support in Latvia is innovation and its commercialisation. Thus *boosting applied research capacity and innovation* capability (Fields of Intervention 1,6, 7, and 9), with EUR 550 million or 67% of the allocated funding from a total of EUR 821 million, is the policy area that receives the largest funding. The idea is to enhance the capability of research institutions to generate new science and new technologies. Research institutions will receive ERDF support for their physical infrastructure, such as buildings, laboratories and equipment, and also for

encouraging further science and education in research centres. The aim is to increase the commercialisation of the research output of both the public and private sector actors. Within this broad policy area a second focus is on supporting investment in technology-intensive firms which demonstrate innovation in the commercialisation of new technologies. Innovative SMEs and entrepreneurs will be able to access selected measures of support. This is expected to encourage further innovation and technology commercialisation, in anticipation of broadening the base of home-grown technology-intensive firms in Latvia in the long run.

ERDF support will also be applied to creating an *innovation-friendly environment* (Fields of Intervention 5, 11 and 13), with EUR 161 million (20%) of the total budget. Key policy measures include upgrading broadband infrastructure throughout Latvia to access the latest information and communication technologies such as broadband internet, 3G/4G wireless networks and public access to networked computers and public databases. In addition to physical ICT infrastructure, a variety of value-adding services will be developed further such as e-health, e-government, e-learning and e-inclusion.

The third focus of ERDF support is to improve *knowledge transfer* related to innovation (Fields of intervention 2 and 3) nationally and internationally. EUR 110 million (13%) has been allocated for this. These measures are intended to help develop effective technology transfer centres and cooperation networks operating to improve the commercialisation of research. Technology transfer will be implemented together with research institutions and existing local or foreign technology firms as partners, or in new SMEs as high-growth businesses for commercialising new technologies.

Coherence of support measures and interregional cooperation

Generally the support measures are internally highly coherent but coherence across region does not apply as innovation policy is a national policy and interregional cooperation does not apply in the Latvian context.

3 EVIDENCE AVAILABLE ON THE PERFORMANCE OF INNOVATION MEASURES CO-FINANCED BY ERDF

Generally there is a serious and largely understandable lack of evidence on the performance of the structural funds in Latvia including in the area of innovation support. For the current programming period real implementation of projects has barely started so good evidence even on outputs and results is scarce. Thus, as of early 2010, payments to final beneficiaries in most cases amounted to negligible shares of approved funding (see Annex A table 2); Evidence on impact is even further away. For example, a Latvian ex-post evaluation of entrepreneurship measures at the firm or project level for the 2004–6 programming period is only now, in August 2010, the subject of a

tender process by the Latvian Ministry of Finance and results of the evaluation will not be available until 2011.

This general opinion on evidence is confirmed by the 2009 Latvian Innovation Policy Progress Report where it is said: "Since many of the identified innovation support measures have been launched only in recent years, thorough evaluation of their impact and contribution to the defined targets is not yet available, the state of play and progress achieved in these measures in view of the policy objectives is hard to assess at the moment" (p.24)

Innovation friendly environment

According to the February 2010 Implementation Progress Report of EU Funds in Latvia for 2007–2013 the amount of EU funding allocated to the Innovation Friendly Environment is EUR 161.4 million³. Further details are presented in Table 2 in the annex.

With the exception of the Development of Public Internet Access Points, the Innovation Friendly Environment theme has on the whole been implemented in terms of output and results. Funding of EUR 2.4 million has been provided to raise awareness in society of the role of innovation in strengthening competitiveness in the economy and to encourage entrepreneurship and business start-ups, particularly among young people. A particularly successful 2009 initiative was an 'Ideas Cup' competition; 559 business ideas were submitted, 12 finalists were selected by an expert panel; the winning idea was an innovative device for data entry into a computer

There are 36 approved projects for IT systems and the development of e-services under activity 'Development of Information Systems and Electronic Services' which is under the supervision of the Ministry of Regional Development and Local Municipalities. In addition to implementing physical IT infrastructure, projects include the development of various information systems and e-services such as e-Government, e-Health, a state procurement portal, a police database and intranet, a border guard database and intranet, a civil aviation data system, a geo-information and land registry portal, a construction and building permissions information system, a civil status database, digital libraries, biometric data bases, a information portal for schools, and a national museum digital catalogue, among others. Until February 2010 1.7% of approved funding for this had been disbursed (See Table 2 of annex A, activity 3.2.2.1.1).

In addition, under the activity 'Informatisation of Educational Institutions' 393 projects have been approved (and 112 contracted as of March 2010) for equipping schools and other educational institutions throughout Latvia with the latest IT infrastructure. 18.9% of approved funding had been disbursed as of February 2010. (See Table 2 of annex A, activity 3.2.2.1.2).

Knowledge transfer and support to innovation poles and clusters

³ Note that these figures include adjustments made to original allocations.

The business incubators programme, launched in 2009, resulted in 11 new business incubators covering all regions of the country. Eight contacts points for technology transfer were established in 2008 in all the main universities in Latvia. By the end of 2009, the technology transfer contact points had helped to process 69 commercialisation proposals, 64 Latvian patent applications, six international patent applications, 42 other forms of intellectual property rights protection for various industries, and 52 executed commercial research contracts. Co-financing for SMEs in assisted areas is being distributed by Latvijas Hipoteku banka, a state-owned commercial bank that works particularly with SMEs. Table 2 in the annex provides more details

The technology competence centres activity has been postponed as a result of state budget constraints.

Boosting applied research and product development

This is the single biggest broad policy area of intervention. Key areas being targeted include support for developing new products and technologies (commercialising science research), access to financing for venture capital, and loan guarantees to improve enterprise competitiveness. These themes follow on in the commercialisation cycle from the various forms of support to new technology creation in research institutions and enterprises described in section 2 of this report. Table 2 in the annex provides more details.

The activity 'Access to International Trade Markets' has been operational since August 2008 with monthly rounds of applications. Approximately 23 projects have been approved each month from 12 financing rounds (280 in total) for a total of EUR 4.5 million. This has supported attendance at international trade fairs, conferences and seminars in various technology-related fields.

Operations in Field of Intervention 7 have been quite active:

- The first round of funding applications for the activity 'Development of New Products and Technologies' was held in late 2008 and 117 final beneficiaries were awarded a total of EUR 9.9 million for various projects. This activity supported R&D inputs through which firms and scientists collaborated with the aim of creating new products and technologies. Only a small amount of this (EUR 575,172) had been disbursed by February 2010. The next round of project applications is planned for the end of 2010.
- The first round for funding activity 'Aid for Implementation of New Products and Technologies in Production' was also held in late 2008 and 54 beneficiaries were awarded a total of EUR 13.9 million (with EUR 2.9 million disbursed). By contrast to the previous activity this one is aimed at supporting the actual production (as opposed to development) of new products and technologies, including the purchase of new equipment and related technology. The next funding round is planned for the end of 2010. Under activity 'Aid for Industrial Property Rights', (patenting) from 32 applications 13 beneficiaries were awarded a total of EUR 172,854, but with no disbursement of money as of February 2010.

- Activity 'High Value-added Investments': Eligibility and ranking of projects is based on a points system involving multiple criteria the most important of which are: i) the sector in which the project will be implemented (high tech activities are favoured and some branches such as trade, tobacco or alcohol are excluded); ii) expected value added per worker in the first year of the project; and iii) export potential. The minimum project size is EUR 3 million and 66 applications were received by November 2009 in the first round of the programme. 31 beneficiaries were selected and contracts had been signed with 3 of them by Feb 2010 for a total of EUR 12.5 million (nothing disbursed by February 2010). The following sectors featured among approved projects: wood processing, the chemical industry, pharmaceuticals, transport and engineering, and production equipment.

For venture capital (holding fund), loans and guarantees (Field of Intervention 9) the data indicates that 100% of the allocated funding of EUR 216.7 million has been contracted and disbursed. However, this is somewhat misleading because disbursements have been made only to financial intermediaries and to date no money has been disbursed to final beneficiaries in the form of innovative enterprises or entrepreneurs.

4 CONCLUSION: MAIN CHALLENGES FACED BY COHESION POLICY PROGRAMMES

The stark truth is that according to the latest European Innovation Scoreboard, the one for 2009, Latvia remains in penultimate place among the EU-27 with only Bulgaria below it. An above average improvement rate has been registered. However, two of the main drivers of improvement are identified as strong growth in 'public R&D expenditures' and in 'private credit', both of which have faltered in the last year or and do not look like they will pick up any time soon, so it is unlikely that we can expect any significant improvement in Latvian performance in the next few years. Thus, the overall challenge for both policymakers and enterprises is to make the most effective use of the limited resources available – in this case the resources of the ERDF which represent the most significant available source of public support for innovation.

Specific challenges include the following:

- According to the Innobarometer (2009), since 2006 only 3% of Latvian enterprises have developed strategic relationships with research institutes to support innovation against an EU average of 15%. Hence, achieving a shift of emphasis from increasing science research capacity towards actual commercialisation of the outputs of that research effort based on international market demand continues to represent a major challenge. The activity 'Development of New Products and Technologies' is actually aimed at precisely this issue but in the first round of projects only of EUR 9.9 million was allocated and only EUR 575,172 had been disbursed by February 2010. A potential barrier to further

achievements in this sphere is the small size of most enterprises which limits their ability to support and commercialise local scientific research.

- Overcoming the lack of co-financing (from the state sector and private sector sources). Currently, banks and other institutions are very reluctant to lend for anything that is regarded as remotely risky. In the absence of bank credit for innovative projects businesses must rely on equity capital and in Latvia this too is limited to business angels and a couple of privately managed private equity funds. Unpublished research at BICEPS suggests the ERDF supported venture programme had only limited success in shifting the Latvian VC industry in the direction of the classical model of VC that is seen as particularly supportive of innovative businesses. The challenge for the 2007–13 programme is to do better.
- Overcoming the lack of an entrepreneurial culture (including the lack of understanding of innovation). Perhaps the innovation system needs to start at the school level to ensure the development of a core innovation philosophy. Latvia has had very few success stories that can be held up as examples that innovation and entrepreneurship are valued and needed activities in society. Many people have made money through trade, be it in imported or exported commodity goods or locally in real estate, but very few have made money from building a successful production-based business. Consequently it is difficult for people, and particularly young people who may prefer to take more risk, to believe that successful businesses can be created through innovation and entrepreneurship. Here, there is a role for policy in raising understanding and awareness.
- Increased active participation in international networks. There is a need to be more proactive in building relationships with people, firms, research institutions and large corporations elsewhere in Europe and who could become customers for R&D commercialisation in or from Latvia. Language is an issue here. There is a natural desire to support the state language, however this can work at the expense of internationalisation, e.g. the requirement that PHD theses are written in Latvian makes them inaccessible to non-speakers of Latvian.
- In terms of the general governance and implementation of ERDF financed projects lessons have been learnt from the previous programming period and scenes of angry rejected project applicants picketing the offices of the Latvian Investment and Development Agency have been avoided. The main implementation problems have stemmed from insufficient budget co-financing and given Latvia's budget problems these are likely to persist

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PERSONS INTERVIEWED

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ANNEX A – BACKGROUND DATA ON EU COHESION POLICY SUPPORT TO INNOVATION

Table 1 – Total ERDF resources allocated per programme (2007–2013)

Programme	Total ERDF resources for innovation	Total ERDF	Innovation support as % of total ERDF	Main initiatives implemented (approved projects as of February 2010)	Funding Approved Projects	FOI
Entrepreneurship and Innovations	652,712,000	736,730,950	88.6%			
				Measures to encourage innovations and business start-ups	2 439 374	5
				Business incubators	24 444 111	2
				Contact points for transfer of technologies	3 020 000	3
				Co-financing in micro, small and medium sized enterprises in specially assisted areas	25 881 946	3
				Access to international trade markets–external marketing	4 495 878	6
				Development of new products and technologies	23 997 474	7
				High value added investments	104 801 654	7
				Holding fund for investment in high risk loans, venture capital funds and other financial instruments	83 280 403	9
				Guarantees for development of enterprise competitiveness	76 092 169	9
				Loans for the development of enterprise competitiveness	57 362 563	9
				Total	405,815,572	
Infrastructure and Services	170,175,182	3,243,062,967	5.2%			
				Development of information systems and electronic services	743 88 336	11
				Informatisation of education institutions	12 760 740	11
				Total	87,149,076	
Total Objective 1	822,887,182	3,979,793,917	20.7%		492,964,648	
Overall total	822,887,182	3,979,793,917	20.7%		492,964,648	

Table2 – ERDF contribution by policy area (2007–2013)

Because of state budget cuts in 2009 which were required to maintain national solvency, and a drop in available state co-financing, several amendments were made in 2009 to the monies allocated by activity. At the same time, SMEs and other borrowers experienced tremendous difficulties in obtaining bank loans as commercial banks became extremely conservative in their lending and unwilling to take virtually any credit risk. Consequently the state funding allocation by activity type was amended in September 2009 and this delayed the actual implementation of programmes and activities. Amendment of the budget allocation process continued in 2010, therefore at the time of writing this report, data cited as of February 2010 includes recent funding reallocations approved by the Latvian Cabinet of Ministers relative to the allocations stated in base data (Table 1). These allocation variances are identified by comparing Table 1, above (with data as of September 2009 and only OP2 and OP3 included), with the allocations presented in all the tables presented below, with data as of February 2010 and OP1 (“Human Resources & Employment”) included in addition to OP2 and OP3. Table 1a was created by the authors of this report by sourcing information from the Ministry of Finance and Ministry of Economy, identifying by activity and FOI code, recalculating into Euros data collected from national sources presented in LVL ⁴and presenting the results in appropriate tables to address the innovation issues of this report.

⁴ www.esfondi.lv/upload/Uzraudziba/VB_izdevumu_planu_izpilde/18_Target_profiles_28.02.2010.xlsx

Policy Area: Innovation Friendly Environment in Latvia for the period 2007–2013 (as of February 2010):

Activity No.	FOI	Activity	EU funding approved by the Cabinet of Minister EUR	Approved projects (EU funding) EUR	As a % of approved funding	Contracted (EU funding) EUR	As a % of approved funding	Payments to final beneficiaries (EU funding) EUR	As a % of approved funding
2.3.1.2.	5	Activity "Measures to encourage innovations and business start-ups"	2 440 000	2 439 374	100,0%	2 439 374	100,0%	1 734	0,1%
3.2.2.1.1.	11	Development of Information Systems and Electronic Services	140 785 764	74 388 336	52,8%	63 485 437	45,1%	2 327 904	1,7%
3.2.2.1.2.	11	Informatisation of Educational Institutions	14 513 293	12 760 740	87,9%	12 003 835	82,7%	2 744 738	18,9%
3.2.2.2.	13	Development of Public Internet Access Points	3 628 324	0	0,0%	0	0,0%	0	0,0%
		Total	161 367 381	89 588 449	55,5%	77 928 645	48,3%	5 074 376	3,1%

Policy Area: Knowledge Transfer and Poles in Latvia for the period 2007–2013 (as of February 2010):

Activity No.	FOI	Activity	EU funding approved by the Cabinet of Minister EUR	Approved projects (EU funding) EUR	As a % of approved funding	Contracted (EU funding) EUR	As a % of approved funding	Payments to final beneficiaries (EU funding) EUR	As a % of approved funding
2.3.2.1.	2	Activity "Business incubators"	24 444 111	24 444 111	100,0 %	24 444 111	100,0%	1 688 938	6,9 %
2.1.2.1.1.	3	Sub-activity "Competence centres"	51 680 000	0	0,0%	0	0,0%	0	0,0 %
2.1.2.1.2.	3	Sub-activity "Contact Points of Transfer of Technologies"	3 020 000	2 331 219	77,2%	2 331 219	77,2%	386 244	12,8%
2.3.2.2.	3	Activity "Co-financing the investments in micro, small and medium-sized enterprises operating in the specially assisted areas"	30 914 942	25 881 946	83,7%	20 367 599	65,9%	2 069 077	6,7 %
Total			110 059 053	52 657 276	47,8%	47 142 929	42,8%	4 144 259	3,8 %

Amounts listed in the table above have been recalculated into Euros from their original LVL amounts (www.esfondi.lv/page.php?id=910).

Policy Area: Boosting Applied Research in Latvia (as of February 2010)

Activity No.	FOI	Activity	EU funding approved by the Cabinet of Minister EUR	Approved projects (EU funding) EUR	As a % of approved funding	Contracted (EU funding) EUR	As a % of approved funding	Payments to final beneficiaries (EU funding) EUR	As a % of approved funding
2.1.1.2.	1	Activity "Support to International Cooperation Projects in Research and Technologies (EUREKA, 7th FP, etc.)"	7 000 000	0	0,0%	0	0,0%	0	0,0%
2.1.1.3.1.	1	Sub-activity "Development of Research Infrastructure"	146 123 578	0	0,0%	0	0,0%	0	0,0%
2.1.1.3.2.	1	Sub-activity "Improvement of IT Infrastructure and IT System for Research Needs"	14 960 591	0	0,0%	0	0,0%	0	0,0%
2.3.1.1.1.	6	Sub-activity "Access to international trade markets- external marketing"	19 180 947	4 495 878	23,4%	4 006 966	20,9%	517 752	2,7%
2.1.2.2.1.	7	Sub-activity "Development of new products and technologies"	11 809 352	9 871 139	83,6%	9 871 139	83,6%	575 172	4,9%
2.1.2.2.2.	7	Sub-activity "Development of new products and technologies - aid for implementation of new products and Technologies in production"	22 910 785	13 911 478	60,7%	13 911 478	60,7%	2 856 034	12,5%
2.1.2.2.3.	7	Sub-activity "Development of new products and technologies - aid for industrial property rights"	1 209 441	214 857	17,8%	172 854	14,3%	0	0,0%
2.1.2.4.*	7	Activity "High value-added	110 317 009	104 801 654	95,0%	12 499 960	11,3%	0	0,0%

		investments"							
2.2.1.1.	9	Activity "Holding fund for the investment in guarantee, high-risk loans, and venture capital funds and other financial instruments"	83 280 404	83 280 403	100,0 %	83 280 403	100,0%	83 280 403	100,0 %
2.2.1.3.	9	Activity "Guarantees for development of enterprise competitiveness"	76 092 170	76 092 169	100,0 %	76 092 169	100,0%	76 092 169	100,0 %
2.2.1.4.	9	Activity "Loans for development of enterprise competitiveness"	57 362 564	57 362 563	100,0 %	57 362 563	100,0%	57 362 563	100,0 %
		Total	550 246 841	350 030 142	63,6%	257 197 532	46,7%	220 684 094	40,1%

Table 3 – Structural funds contributions to innovation in Latvia as of February 2010

Table 3a: ERDF Contribution to Innovation by Operational Programme in Latvia as of Feb 2010.

	EU funding approved by Latvian Cabinet of Ministers (EUR)	Approved projects (EU funding) (EUR)	Contracted (EU funding) (EUR)	Payments to final beneficiaries (EU funding) (EUR)
OP2	662 745 893	405 126 791	306 779 835	224 830 087
OP3	158 927 381	87 149 075	75 489 271	5 072 641
Total	821 673 275	492 275 867	382 269 107	229 902 729

Table 3b: OP2–“Entrepreneurship and Innovations” in Latvia: these innovation activities are managed by the Ministry of Economy and by the Ministry of Science & Education.

OP2 Activity Nr.	OP 2 Activity for innovation	EU funding approved by Cabinet of Ministers, Feb 2010 (EUR)	FOI code
2.1.1.2.	Activity "Support to International Cooperation Projects in Research and Technologies (EUREKA, 7th FP, etc.)"	7 000 000,00	1
2.1.1.3.1.	Sub-activity "Development of Research Infrastructure"	146 123 578,00	1
2.1.1.3.2.	Sub-activity "Improvement of IT Infrastructure and IT System for Research Needs"	14 960 591,00	1
	Total	168 084 169,00	1
2.3.2.1.	Activity "Business incubators"	24 444 111,00	2
2.1.2.1.1.	Sub-activity "Competence centres"	51 680 000,00	3

2.1.2.1.2.	Sub-activity "Contact Points of Transfer of Technologies"	3 020 000,00	3
2.1.2.1.3.	Sub-activity "Centres of transfer of Technologies"	-	3
2.3.2.2.	Activity "Co-financing the investments in micro, small and medium-sized enterprises operating in the specially assisted areas"	30 914 942,00	3
	Total	85 614 942,00	3
2.3.1.2.	Activity "Measures to encourage innovations and business start-ups"	2 440 000,00	5
2.3.1.1.1.	Sub-activity "Access to international trade markets-external marketing"	19 180 947,01	6
2.1.2.2.1.	Sub-activity "Development of new products and technologies"	11 809 352,00	7
2.1.2.2.2.	Sub-activity "Development of new products and technologies - aid for implementation of new products and Technologies in production"	22 910 785,00	7
2.1.2.2.3.	Sub-activity "Development of new products and technologies - aid for industrial property rights"	1 209 441,00	7
2.1.2.4.	Activity "High value-added investments"	110 317 009,00	7
	Total	146 246 586,99	7
2.2.1.1.	Activity "Holding fund for the investment in guarantee, high-risk loans, and venture capital funds and other financial instruments"	83 280 404,00	9
2.2.1.3.	Activity "Guarantees for the development of enterprise competitiveness"	76 092 169,99	9
2.2.1.4.	Activity "Loans for the development of enterprise competitiveness"	57 362 564,00	9
	Total	216 735 137,99	9
	Total	662 745 893,99	OP2

Table 3c: OP3—"Infrastructure and Services" in Latvia: these innovation activities are managed by the Ministry of Economy and by the Ministry of Regional Development and Local Government:

OP3 Activity Nr.	OP 3Activity for innovation	EU funding approved by Cabinet of Ministers, Feb 2010 (EUR)	FOI code
3.2.2.1.1.	Development of Information Systems and Electronic Services	140 785 764	11
3.2.2.1.2.	Informatisation of Educational Institutions	14 513 293	11
	Total	155 299 057	11
3.2.2.2.	Development of Public Internet Access Points	3 628 324	13
	Total	158 927 381	OP3

Table 4: Continuity of 2007–2013 programme with 2004–2006 planning period activities.

Activity No.	FOI	Activity	Activity 2004–2006	Activity
2.3.2.1.	2	Activity "Business incubators"		new
2.1.2.1.1.	3	Sub-activity "Competence centres"		New
2.1.2.1.2.	3	Sub-activity "Contact Points of Transfer of Technologies"		New, previously financed from the State budget

2.3.2.2.	3	Activity "Co-financing the investments in micro, small and medium-sized enterprises operating in the specially assisted areas"	2.2.1.2.	Continued, but finished in 2009
2.1.1.2.	1	Activity "Support to International Cooperation Projects in Research and Technologies (EUREKA, 7th FP, etc.)"	2.5.1.	Continued
2.1.1.3.1.	1	Sub-activity "Development of Research Infrastructure"		Partially continued
2.1.1.3.2.	1	Sub-activity "Improvement of IT Infrastructure and IT System for Research Needs"		New
2.3.1.1.1.	6	Sub-activity "Access to international trade markets-external marketing"	2.3.1.	Continued
2.1.2.2.1.	7	Sub-activity "Development of new products and technologies"		Partially continued from previous „Support to new product and technology development” Completed in 2009
2.1.2.2.2.	7	Sub-activity "Development of new products and technologies – aid for implementation of new products and Technologies in production"		Partially continued from previous „Support to new product and technology development” Completed in 2009
2.1.2.2.3.	7	Sub-activity "Development of new products and technologies – aid for industrial property rights"		Partially continued from previous „Support to new product and technology development” Completed in 2009
2.1.2.4.*	7	Activity "High value-added investments"		New
2.2.1.1.	9	Activity "Holding fund for the investment in guarantee, high-risk loans, and venture capital funds and other financial instruments"	2.4.3.	Some similarity with previous.
2.2.1.3.	9	Activity "Guarantees for the development of enterprise competitiveness"	2.4.2.	Continued
2.2.1.4.	9	Activity "Loans for the development of enterprise competitiveness"	2.4.1.	Continued
2.3.1.2.	5	Activity "Measures to encourage innovations and business start-ups"		New
3.2.2.1.1.	11	Development of Information Systems and Electronic Services		Continued
3.2.2.1.2.	11	Informatisation of Educational Institutions		Continued
3.2.2.2.	13	Development of Public Internet Access Points		New, previously financed from the State budget

ANNEX B – CLASSIFICATION OF INNOVATION POLICY AREAS, INSTRUMENTS AND BENEFICIARIES

Policy area	Short description
Innovation friendly environment	<p>This category covers a range of actions which seeks to improve the overall environment in which enterprises innovate, notably three sub groups:</p> <ul style="list-style-type: none"> • innovation financing (in terms of establishing financial engineering

	<p>schemes, etc.);</p> <ul style="list-style-type: none"> • regulatory improvements and innovative approaches to public services and procurement (this category could capture certain e-government investments related to provision of services to enterprises); • Developing human capital for the knowledge economy. This category will be limited to projects in higher education aimed at developing industry orientated courses and post-graduate courses; training of researchers in enterprises or research centres. <p>The category also covers initiatives geared towards improving governance capacities for innovation and knowledge policies (e.g. specific technical assistance funding, support for regional foresight)</p>
Knowledge transfer and support to innovation poles and clusters	<p>Direct or indirect support for knowledge and technology transfer:</p> <ul style="list-style-type: none"> • direct support: aid scheme for utilising technology-related services or for implementing technology transfer projects, notably environmentally friendly technologies and ITC; • indirect support: delivered through funding of infrastructure and services of technology parks, innovation centres, university liaison and transfer offices, etc. <p>Direct or indirect support for creation of poles (involving public and non-profit organisations as well as enterprises) and clusters of companies</p> <ul style="list-style-type: none"> • direct support: funding for enterprise level cluster activities, etc. • indirect support through funding for regrouping R&D infrastructure in poles, infrastructure for clusters, etc.
Boosting applied research and product development	<p>Funding of “Pre-competitive development” and “Industrial research” projects and related infrastructure. Policy instruments include:</p> <ul style="list-style-type: none"> • aid schemes for single beneficiary or groups of beneficiaries (including IPR protection and exploitation); • research infrastructures for non-profit/public organisations and higher education sector directly related to universities. <p>Any direct or indirect support for the creation of innovative enterprises (spin-offs and start-ups)</p>

Instruments	Short description
Infrastructures and facilities	Building and equipping laboratories or facilities for university or research centres, Telecommunication infrastructures, Building and equipment for incubators and parks for innovative enterprises

Aid schemes	Grants and loans for RTDI projects Innovative finance (venture capital, equity finance, special bonds, etc.) for innovative enterprises
Education and training	Graduate and post-graduate University courses Training of researchers

Beneficiaries	Short description
Public sectors	Universities National research institutions and other national and local public bodies (innovation agencies, BIC, Chambers of Commerce, etc..) Public companies
Private sectors	Enterprises Private research centres
Others	NGOs
Networks	cooperation between research, universities and businesses cooperation between businesses (clusters of SMEs) other forms of cooperation among different actors

ANNEX C – CATEGORISATION OF EXPENDITURE TO BE USED FOR CALCULATING EU COHESION POLICY RESOURCES DEVOTED TO INNOVATION

FOI Code	Priority Theme
	Research and technological development (RTD), innovation and entrepreneurship
01	R&TD activities in research centres
02	R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology
03	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, postsecondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc.)
04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
05	Advanced support services for firms and groups of firms
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)
07	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)

09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
	Information society
11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)
12	Information and communication technologies (TEN-ICT)
13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, etc.)
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
15	Other measures for improving access to and efficient use of ICT by SMEs
	Human capital
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses