



Just Transition Platform – Project fiche:

INVESTMENT FOR THE DIVERSIFICATION OF ENTREPRENEURSHIP AND IMPROVEMENT OF COMPETITIVENESS IN BALVI MUNICIPALITY

Latvia, Balvi district

This document is part of a series presenting information and lessons learned on policy approaches at national, regional or local level supporting a just transition to a climate-neutral economy. The Just Transition Platform (JTP) assists EU Member States and regions to unlock the support in this transition. Visit the JTP website: https://ec.europa.eu/regional_policy/funding/just-transition-fund/just-transition-platform_en

Member State:

Latvia

Region:

Balvi district

Sector:

Processing industry

Total project budget (€):

847 315.86¹

Financing conditions (co-financing rate in %):

72.1

Sources of funding (in €):**EU funding:**

610 897.75 (ERDF (2014-2020))

National funding:

32 658.2

Regional funding:

76 203.67

Duration:

32 months (April 2019 – December 2021)

Responsible managing authority / agency / company:

Municipality of Balvi

Summary

This project aims to enhance competitiveness and diversify the local business landscape in the Balvi Municipality. This initiative was carried out as part of the second round of project application selection, specifically under the specific objective 3.3.1 of the “Growth and Employment” operational programme for Latvia². The project’s objective is to increase private investments in the region by investing in accordance with the economic specialisation of territories defined in the Balvi Municipality

Development Program 2011-2017. Construction activities within the project were conducted in Bērzkalne parish and Krišjāņi parish. The new facilities are intended to provide services to local farms and businesses, fostering economic growth. The project’s anticipated outcomes include the creation of new jobs and attracting investments.

1 All budgetary information comes from: [Investments to diversify business and improve competitiveness in Balvu Municipality. | Kohesio \(europa.eu\)](#)

2 See: [Implementation of the project “Investments for business diversification and improvement of competitiveness in Balvi municipality” | Balvi Municipality](#)

Type of activities:

The project involves creating essential infrastructure to support business development, generate new job opportunities, and attract private investments in alignment with the economic specialisation defined by the Balvi Municipality Development Program 2011-2017³.

The project encompasses two primary activities:

1. In Bērzkalne parish, the construction of infrastructure for wood processing in the property 'Veldrītes' was planned.
2. In Krišjāņi parish, infrastructure for rent to merchants, including a cargo transshipment area and a hangar, was established to provide various services to nearby farms and limited liability companies.

Goals and approach:

The primary goal of the "Investment for the Diversification of Entrepreneurship and Improvement of Competitiveness in Balvi Municipality" project is to enhance competitiveness and diversify entrepreneurship within the Balvi municipality. The project aligns its approach with the economic specialisation identified in the municipality's development program for 2011-2017 and the specific needs of local entrepreneurs.

To achieve this goal, the project focuses on creating essential infrastructure to support business development in the wood processing and logistics sectors in the Bērzkalne and Krišjāņi parishes.

The project strives to fulfil its mission of promoting entrepreneurship, creating job opportunities, and attracting private investments while remaining in line with regional economic specialisation and the needs of local entrepreneurs.

Important outputs, results or achievements:

The "Investment for the Diversification of Entrepreneurship and Improvement of Competitiveness in Balvi Municipality" project has yielded notable results. Two key infrastructure development activities have been the focal point of the project. Additionally, it contributed to create new job opportunities and draw private investments (expected at least €720 000).

These achievements align with the project's core goal of improving entrepreneurship and economic diversification within Balvi municipality. The European Regional Development Fund (ERDF) has provided essential funding, covering 72.1 % of the eligible project costs.

Last but not least, the project was one of the first entrepreneurship promotion projects of the municipality and can be considered successful as more activities in this regard are planned.

Scalability⁴ and transferability⁵:

The nature of this project is not technically challenging, consisting mainly of construction works on new buildings, roads, and landscaping. The project is easy to replicate according to the managing authority. The scalability of a project of this nature can be assessed using two metrics: the number of new workplaces created and the number of private investments generated. As such, this type of project is a good candidate to scale up.

³ See: [Approved project "Investments for business diversification and improvement of competitiveness in Balvi municipality" | Balvi Municipality](#)

⁴ Scalability entails that a policy approach can be adapted to a bigger scale than just the local context.

⁵ Transferability entails that a policy approach can be applicable to a similar setting and replicated.

Tools for supporting economic diversification and reskilling/upskilling via projects:

Strengthening entrepreneurial networks

Key success factors and lessons learnt:

The managing authority highlighted good communication as one of the project's key success factors. For example, one of the tasks of the municipality was to collaborate with entrepreneurs and to help develop businesses in its territory. It was after conducting talks with entrepreneurs that the local authorities decided on the development location of the new manufacturing facilities. The exchange with local stakeholders allowed the administration to make an informed decision that would maximise the exposure of the new site to prospective tenants.

Another key success factor highlighted by the local managing authority was a certain willingness to undertake risk. The project was one of the first entrepreneurship promotion projects undertaken by the Balvi municipality, so there was a high degree of uncertainty. This experience has allowed the municipality to garner valuable experience on a small-scale project which it intends to grow further in potentially more ambitious projects in the future.

Key challenges:

The project faced several key challenges. One major challenge was striking a balance between attracting potential investors and ensuring accessibility for all interested parties. The project team grappled with the dilemma of securing investment while keeping the initiative open to a broad range of stakeholders.

Another obstacle involved obtaining high-quality technical projects. The project team encountered difficulties as their employees lacked the requisite experience and had to learn on the job. This learning curve has been identified as a significant challenge during the project's implementation.

Bureaucratic hurdles also added complexity to the project, posing challenges in navigating administrative processes and requirements. Overcoming these bureaucratic challenges became crucial for the successful implementation of the initiative.

Finally, the project faced delays due to unforeseen construction needs. To address these issues, additional documentation and contract amendments were necessary, pushing the completion date to June 2021 instead of the planned completion date of March 2021.

Central framework conditions⁶:

The Balvi municipality is situated in the north-east of the country of Latvia. Recently, the region has been affected by population decline, experiencing a shrinking of the number of inhabitants of about 25 % over the 2010–2020 period. The principal industries of the region are farming, dairy, logging, and retail.

Before the 2014–2020 funding period, the region had been struggling economically. This is exemplified by the business demography of the region. By the mid-2010s, fewer and fewer new companies were being registered in Latvia, while the number of liquidations increased significantly. In 2016, a total of 11 206 new companies were created, which is 2 277 companies or 16.89 % less than the previous year. With the decline in new business start-ups, the number of liquidations

had also increased by 21.47 %. A similar trend has been observed since 2014 in Balvi municipality⁷, where more companies had been liquidated than registered by the time the "Investments to diversify business and improve competitiveness in Balvi Municipality" project came about. The project thus came about as an element in the larger Growth and Employment OP for Latvia (2014–2020) to try and combat these downward trends.

In addition, the Balvi municipality is part of the wider region Latgale, which is a JTF-territory. The development of regional entrepreneurship is one of the main envisaged activities in the Territorial Just Transition Plan (TJTP), therefore, the project's activities are in line with the TJTP's objectives.

Outlook:

The project resulted in two new entrepreneurial centres that act as investment channels for local and foreign businesses in the Balvi Municipality. Now that all the new facilities have been leased, the managing authority is switching to a monitoring role to ensure that the success metrics outlined at the start of the project (number of workplaces created and investments generated) are met.

The municipality of Balvi has also expressed the intent of committing to new projects of this nature now that it has garnered first-hand experience in endeavours of this kind.

⁶ Framework conditions encompass the institutional, informational and socio-economic factors that determine a given environment (contextual information), e.g. market conditions, access to finance, tax regulation, infrastructure and support.

⁷ See: [Uzņēmējdarbības-tendences-Balvu-novadā-2017.pdf \(zlbc.lv\)](#)

Project partners:

- Municipality of Balvi
- Latvian Ministry of Finance

Website / social media:

<https://www.balvi.lv/lv>

<https://kohesio.ec.europa.eu/en/projects/Q3056789>

Sources:

- Balvi Municipality (2019): Approved project “Investments for business diversification and improvement of competitiveness in Balvi municipality”. Available at: <https://www.balvi.lv/lv/projekts/apstiprinats-projekts-investicijas-uznemejdarbibas-dazadosanai-un-konkuretspejas-uzlabosanai-balvu-novada>
- Balvi Municipality (2019): Implementation of the project “Investments for business diversification and improvement of competitiveness in Balvi municipality”. Available at: <https://www.balvi.lv/lv/projekts/projekta-investicijas-uznemejdarbibas-dazadosanai-un-konkuretspejas-uzlabosanai-balvu-novada-istenosana>
- Kohesio (2023): Investments to diversify business and improve competitiveness in Balvu Municipality. Available at: <https://kohesio.ec.europa.eu/en/projects/Q3056789>
- Ministry of Environmental Protection and Regional Development (2022): Territorial Just Transition Plan Latvia.
- North Latgale Business and Tourism Centre (2017): Entrepreneurship trends in Balvi municipality. Available at: <http://zlbv.lv/wp-content/uploads/2017/06/Uz%C5%86%C4%93m%C4%93jdarb%C4%ABas-tendences-Balvu-novad%C4%81-2017.pdf>
- Questionnaire input by a representative of Balvi County, 14 November 2023.