

Mid-term evaluation on implementation efficiency of NSRF priorities, measures and activities in the EU funds programming period 2007-2013

„Agile&Co” Ltd.

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Executive summary

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 has been performed based on the contract No. FM 2011/7-TP/ERAF/KF/ESF concluded between SIA “Agile & CO” and Ministry of Finance of the Republic of Latvia on 7 July 2011. In compliance with the provisions of the concluded contract the evaluation was prepared in time period between 7 July 2011 and 31 October 2011.

Aim of the evaluation is to analyze efficiency and course of introduction of EU funds in the planning period of 2007 – 2013 according to results set in the EU funds planning documents and Strategic report for 2007 – 2009 and achieved ones in the period of 2007 – 2010, as well as to evaluate relevancy of support of EU funds with socially economic situation in the state and aims set in the national strategic development planning document.

In order to achieve the aim of this evaluation, six main aspects characterizing introduction efficiency of EU funds were reviewed and analyzed within its frameworks:

- achievement/non-achievement level of aims and indicators, including in relation to horizontal priorities, defined in the EU funds planning documents and the Strategic report for 2007 – 2009;
- adequacy of the defined aims of measures and activities/sub-activities of EU funds, as well as activities supported within the frameworks of measures and activities/sub-activities with current economic situation in Latvia, development needs of beneficiaries and supported areas;
- internal and external factors that have affected implementation of EU funds planning documents and ability to achieve the planned aims;
- support of EU funds for achievement of aims of EU 2020 strategy and national aims and indicators set within its frameworks;
- evaluation of value for money;
- factors that have promoted or hindered operation and results of the EU funds introduction, management and monitoring system.

Analysis of secondary data sources, as well as interviews, discussions and meetings of focus groups with representatives of institutions involved in introduction of EU funds

and beneficiaries of projects were used as the basis for performance of the evaluation. Additionally, questionnaire in electronic environment was conducted in order to obtain opinion of beneficiaries of EU funds.

Based on facts and findings obtained in analytical part of the evaluation, conclusions about current situation have been prepared and recommendations for the necessary improvements for currently topical EU funds planning period, as well as for the next planning period of 2014 to 2020 have been elaborated.

Though economic situation in the state got worse during previous years, in general Latvia has managed to successfully ensure implementation of activities/sub-activities of EU funds. 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.

EU funds ensure adequate support for mid-term strategic development aims of Latvia, needs of beneficiaries of EU funds, as well as results to be achieved within the frameworks of EU 2010.

Due to worsening of economic situation, achievement of context indicators is endangered because research performed within the frameworks of the evaluation shows that from the total seven context indicators achievement of six is practically impossible, but one depends on growth of economic situation of Latvia and the European Union in the coming three years.

Improvements in the EU funds management system have been made within the frameworks of current EU funds planning period, yet several deficiencies can still be identified, elimination of which would promote increase of introduction of EU funds and efficiency of aims achieved by it.

The individual conclusions

Achievement/non-achievement level of aims and indicators, including in relation to horizontal priorities, defined in the EU funds planning documents and the Strategic report for 2007 – 2009.

In mid-term of current EU funds planning period, only 2% of activities have been completed, but 16% of activities/sub-activities have been cancelled or terminated. In mid-term, approximately 80% of the active and completed activities/sub-activities achieve or have achieved the monitoring indicators and aims set for them at the beginning of the planning period.

Since majority of activities/sub-activities are still being implemented in mid-term and the outcome indicators and result indicators are still being achieved within their frameworks, specific impact indicators resulting from achievement of these indicators in general have not been achieved yet. Therefore evaluation of achievement/non-achievement level cannot be performed in mid-term.

Substantial problem that makes monitoring of activities/sub-activities and evaluation of achievement of aims difficult during their implementation is the fact that in compliance with the decision of work group established with protocol decision No. 94

of meeting of the Cabinet of Ministers of 22 December 2008, by reducing or increasing financing for particular activities/sub-activities or by reviewing activities to be supported within their frameworks, monitoring indicators in the period being evaluated are not being changed. Thus, in some cases achieving of a monitoring indicator set initially is no longer possible or value of the monitoring indicator is exceeded in cases when the amount of financing available for the accordant activity/sub-activity is increased. If no changes of the value of monitoring indicators are made, the logic link of this indicator and achievement of the aim of accordant activity/sub-activity is also lost, namely, although the planned support actions inside the activity/sub-activity are maintained, the intensity of them changes, and as a result the actual value of the monitoring indicator compared to the planned target do not reflect the positive effect of reaching this target by using the available financial resources.

Adequacy of the defined aims of measures and activities/sub-activities of EU funds, as well as activities supported within the frameworks of measures and activities/sub-activities with current economic situation in Latvia, development needs of beneficiaries and supported areas.

In general, support of EU funds within the frameworks of current planning period has been successfully adjusted to the negative changes of economic situation of Latvia, ensuring diverting of additional financial resources for the areas of employment and entrepreneurship, economic indicators of which have experienced the most rapid fall during the economic recession, leaving a great impact on growth of common social tension in the state.

Activities/sub-activities implemented within the frameworks of EU funds ensure direct support to almost all or 95% of aims defined in the Strategic development plan of Latvia for 2010 – 2013. Meanwhile, currently available support of EU funds promotes also long-term growth of Latvia because it provides direct support to 34 of 43 quantified aims defined in the Latvia's Long-term development strategy until 2030.

Opinion provided by beneficiaries of EU funds shows that support of EU funds is ensured for promotion of their aims that from the point of view of areas and the beneficiaries are considered the most topical in current economic situation. In all 12 supported areas beneficiaries of EU funds stated support necessities where already now support from EU funds is available as the most topical ones, and only in very rare cases necessities that in current situation are not being supported, for example, provision of support to foster families, have been mentioned.

Internal and external factors that have affected implementation of EU funds planning documents and ability to achieve the planned aims.

Both institutions and beneficiaries state burdens of administrative procedure or mistakes in implementation of the procedure, as well as complaints about public procurement procedures as the most significant factors that hinder introduction of EU funds. At the same time all involved parties acknowledge that the responsible institutions have performed visible and considerable improvements to arrange the procedures and eliminate bureaucratic obstacles.

Currently possibilities that would provide IT solutions for standardization of cooperation process of beneficiaries and elimination of mistakes at the moment are used very partially in EU funds management system. For example, elaborating computerized forms (blanks), filling in of which would automatically create an acceptable application or would promote performance of standardized e-procurements.

Selection criteria set for selection of projects to be supported have been elaborated autonomously and individually for each activity/sub-activity, but approved unitarily in the Monitoring Committee of EU funds. Deficiencies in relation to the procedure for setting selection criteria were found within the frameworks of the analysis, for example, there are differences regarding degree of detailed elaboration of criteria, descriptive part and adaption principles. However, in general current adaption system of criteria allows to achieve the planned management result of EU funds because notable part of respondents (81% of beneficiaries) states that the criteria and their adequacy are sufficient.

Support of EU funds for achievement of aims of EU 2020 strategy and national aims and indicators set within its frameworks.

The performed analysis of aims of EU funds planning documents regarding compliance with the aims of EU 2020 shows that in general EU funds promote achievement of aims of EU 2020.

Though in current planning period notable redivision of financing of EU funds is not possible, yet the performed dynamic analysis of quantitative indicators of EU 2020 in Latvia, according to the available statistical information, shows that there are EU 2020 aims for support of which diverting of additional investments for achievement of national EU 2020 aims should be considered, for example, investments in research and development.

Analysis of aims of EU funds planning documents shows that in general in current situation support of EU funds is focused on implementation of various support measures in order to promote entrepreneurship, at the same time principles regarding development of strong, sustainable and competitive industrial base and its movement towards the “green economics” characterized by energy efficiency, increase of use of renewable resources and reduction of greenhouse gas emissions have not been included in the aims of activities/sub-activities of operational program 2.

Evaluation of value for money.

When performing analysis of correlation between uptake of financing and the achieved results, it can be concluded that in 48.7% of active activities/sub-activities there is a risk that financing will not be uptaken in full amount or that outcome indicators and/or result indicators will not be implemented in full amount because in 27% of activities/sub-activities prepayments have been made to the beneficiaries, but none of the outcome indicators or result indicators has been implemented, and in 39% of activities/sub-activities where at least one outcome indicator or result indicator has been implemented percentage of implementation of uptake of financing exceeds percentage of implementation of final and/or result indicator.

Prepayments made from EU funds listed as uptaken financing give a distorted impression about the amount of financing actually uptaken and justified with implemented project indicators and achieved outcome indicators.

Since complete impression about value for money can be obtained only for completed activities/sub-activities, the evaluation shows that investments performed in the three sub-activities completed until the end of 2010 correspond to the value of achieved results.

Factors that have promoted or hindered operation and results of the EU funds introduction, management and monitoring system.

In general, EU funds management system successfully ensures execution of their introduction, management and monitoring function, and allows to react to changes in external environment and economic situation fast. Factor that has promoted the uptake process of EU funds is the accelerated and improved procedure for making amendments of regulatory enactments in connection with implementation of activities of EU funds, delegating the rights to make amendments of regulatory enactments in the Cabinet of Ministers regulations to the responsible institutions, performing the harmonization procedure of the amendments only with the Ministry of Finance and Ministry of Justice.

Operation of EU funds management system is constantly being improved, both by performing internal simplification measures and strengthening and adjusting the regulatory enactment base connected with use of this system.

Factors that would be useful to take into account when developing EU funds management system are connected with increase of centralization level, defining the procedures of operative activities for implementation institutions more precisely, centralizing and widening use of information system up to the beneficiary, as well as better coordination activities performed within the frameworks of the control function. In the EU funds management system, it would be useful to include more aim-oriented results and controls that would be necessary to increase the value of received acquisitions. That includes additions and/or clarification of the targets and indicators, achieving direct correlation between the objective and the achievement of specified indicators. Indicators must be measurable and directly related to the objective pursued, i.e., if the indicator value increases, also the target level increases,

but if the indicator value decreases, then the target level reduces. Indicators should relate to the benefits arising from activities rather than actions carried out by the implementer of activity, with the exception of the activities, that are aimed at quantitative outcome.