

SUMMARY of the 2007-2013 planning period Operational programme “Infrastructure and services” implementation

Final Report on the implementation of the 2007-2013 planning period Operational programme “Infrastructure and services” (OP) (ID No 2007LV161PO002) is prepared according to the Art.67 of Council Regulation (EC) No 1083/2006¹ and the Annex XVIII of Commission Regulation (EC) No 1828/2006 of 8 December 2006², also according to European Commission guidelines on the Closure of operational programmes³ Art.5.2.

The information provided in this report about the EU funds investment performance convincingly demonstrates that the **main objectives of the OP** have been reached, by effective implementation of investment projects - providing support for improvement of the availability of public infrastructure and quality of services in Latvian economy by co-financing investments in transport, environment, energy, information and technology (ICT), culture and tourism sectors, energy efficiency of housing, urban development, modernisation of the infrastructure for education and other improvements regarding availability of public services and infrastructure to remove or decrease obstacles which substantially interfere with achievement of the aims of both EU and Latvia concerning regional development.

Investments of OP contribute to the achieving the **“Europe2020” strategy** targets, in particular ensuring development of the Trans-European Transport Network in Latvia and sustainable transport development, large-scale environmental infrastructure development and improvement projects, improvement of energy efficiency and renewable energy production and use, development of regionally important transport networks, development of information and communication technologies and services, activities for maintenance and improvement of cultural environment, as well as urban development. In synergy with the OP "Human Resources and Employment" objectives additional support to human resource development provided by modernization of the education, employment, health and social services infrastructure.

EU funds financing is one of the most crucial investment sources in the economy of Latvia, which both limited negative impact of economic decline during the financial crisis, and stimulated the stabilization of economy and facilitated economic growth recovery. Ministry of Finances analysis data indicates that in the time period from 2011-2015 the impact from EU funds on gross domestic product increase was approximately 1,3%.

In total, 3 085 projects have been successfully implemented within 61 OP activities/ sub-activities with total eligible expenditure of 4 055,5 million Euro or 102,9% compared to what has been set in the OP, including 3 351,9 million Euro EU funding financing or 103,1% of set in the OP. **Through the well-targeted risk management activities, Latvia was able to invest all available EU funding financing, additionally undertaking state budget’s overcommitments, which ensures 100% EU funding investment input in economy of Latvia, with substantial reserve to compensate risks.**

The planned value for the vast majority of the **OP indicators** is either reached or exceeded, and therefore conclusion is as follows – the main objectives of the OP, including the main priorities’ objectives, have been reached. Remarkable achievements are in the transport sector. The achievement of separate indicators was negatively affected by objective circumstances, mainly the fact that since the preparation of national strategic reference framework for 2007-2013 period in 2007, rapid changes in socio-economic situation in Latvia have occurred, caused by global financial crisis. Moreover, economy of Latvia is influenced by common geo-political situation in the world.

¹ Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

² Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.

³ Annex to the Commission Decision amending Decision C(2013) 1573 on the approval of the guidelines on the closure of operational programmes adopted for assistance from the European Regional Development Fund, the European Social Fund and the Cohesion Fund (2007-2013).

Among the nine **major projects** implemented, five transport sector and one environment sector projects were successfully completed. At the same time two projects (Development of infrastructure of Krievu sala and VSIA „Paula Stradiņa klīniskā universitātes slimnīca” construction of new building) considered to be non-functional and will be completed in 2017 - 2019, taking into account the possibility given in European Commission's guidelines on the Closure. One environment sector project (remediation of Inčukalns Acid Tar Ponds) is phased (EC decision) and will be completed in the EU funds 2014 - 2020 programming period.

The established **EU funds management and control system**, based on mostly preventive measures, risk management and preliminary procurement checks (ex ante controls), in general ensured rather successful and effective OP implementation in Latvia. The level of errors detected (for expenditures declared in 2015 and 2016 – 0.28%) by the Audit Authority proves that it is substantially lower than the materiality threshold set by European Commission (2%).

In order to maintain effective EU funds management and control systems' activity, **the managing authority has taken a number of measures aiming for EU funds management and control systems improvement** – within its control mechanism, the managing authority has strengthened supervision over the functions that have been assigned to the managing authority, and has strengthened elimination of shortcomings once they have been identified. The managing authority has provided methodological support for the authorities involved in the EU funds management, strengthened cooperation with law-enforcement agencies, as well as has ensured implementation of a system for monitoring the use of time, and the attribution of remuneration for the authorities involved in EU funds management.

The main challenges in the EU funds implementation were: need for adapting to the new economic system, procurement problems (complaints, appeals, problems in procurement procedures) need for strengthening monitoring of delegated functions. With the global financial crisis, which seriously affected economics of Latvia, EU funds became the main finance instrument that contributed to the economic recovery. Modifications to the OP were done, impact indicators were revised, the affecting risks of the EU funds implementing were identified and measures in order to reduce the consequences were taken. Project management capacity was the common challenges, especially in major and ICT projects. In 2014 - 2020 planning period the issue is addressed by providing technical assistance for project management, thus strengthening project management capacity.

A crucial lesson from strategic planning point of view is a need for clear activities' aims and indicator formulating - a lesson learned on the basis of 2007-2013 planning period experience and assessments. The assessments for 2007-2013 planning period activities in particular cases have shown the weak link between the indicators and the activity aim, as well as too significant aim dependence on external factors. Based on these conclusions, the managing authority has followed closely that the interence logic is included in 2014-2020 planning period OP “Growth and Employment”.

Taking into account the experience from 2007-2013 planning period, including **experience with the systemic management of funds**, conclusion is as follows: during 2014-2020 planning period only one agency will be working as a liaison body, contrary to the 2007-2013, when six institutions worked with contracting as liaison bodies. Accordingly, there will be provided possibility to implement simplification measures more effectively, reduce administrative burden for those involved and give maximally understandable support for those who are implementing projects and those who are interested. It has also proved possible to centralise the management information system, and focus on the e-cohesion full potential use.

A further main task are successful implementation of non-functional and phased projects, following up on ex-post monitoring, providing regular methodological support for the authorities involved in EU funds management, as well as a successful use of 2007-2013 planning period's experience in 2014-2020 planning period's management. At the same time separate *ex-post* evaluations will be made, which are necessary for further well-targeted investment planning and focusing, based on evidence about investment effectivity and sustainability and the best implementation model.