

# European Union Funds' 2007-2013 in Latvian Territories in Context with the National Regional Policy

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**Abstract.** The purpose of this article is to make a preliminary evaluation of the allocation of European Union funds 2007-2013 in the Latvian territories. In absolute values more financing has been allocated to more developed regions with an exception of the least developed region Latgale, whereas in relative values more financing has been received by the least developed regions due to large investments in public infrastructure. In future more attention should be paid to the promotion of education, science, entrepreneurship and innovations in the least developed regions.

**Keywords:** cohesion policy, European Union funds, regions, regional development, regional policy, territorial cohesion

## I. INTRODUCTION

Latvia has 6 NUTS III regions and 5 planning regions – Riga region (consists of NUTS III regions Riga and Riga region), Kurzeme region, Zemgale region, Vidzeme region and Latgale region (Fig. 1). The socioeconomic development disparities between NUTS III regions in Latvia are the highest in the EU. According to Eurostat data, dispersion of regional GDP per capita in Latvia in 2007 was 45.6 whereas the average level in the EU was 32.7. Since 2004 the dispersion of regional GDP per capita in Latvia has gradually decreased from 52.8 to 45.6. However, in 1998 dispersion of regional GDP was much lower – 31,6.



Fig. 1. GDP per capita in Latvian planning regions in 2007 at current prices  
Source: [1]

Regional policy of Latvia foresees polycentric development as an instrument for reducing regional disparities. Main action lines for the promotion of polycentric development are

facilitation of competitiveness of growth poles, creation of functional network of growth poles and promotion of urban-rural cooperation. Preconditions for these action lines to come to an effect are specialisation and cooperation of territories as well as concentration of resources. According to spatial perspective of Sustainable Development Strategy for Latvia till 2030, currently there is one growth pole of international importance – the capital city Riga, 8 growth poles of national importance and 20 growth poles of regional importance (Fig. 2). Growth poles of local importance shall be stipulated in regional and local level development planning documents [2].

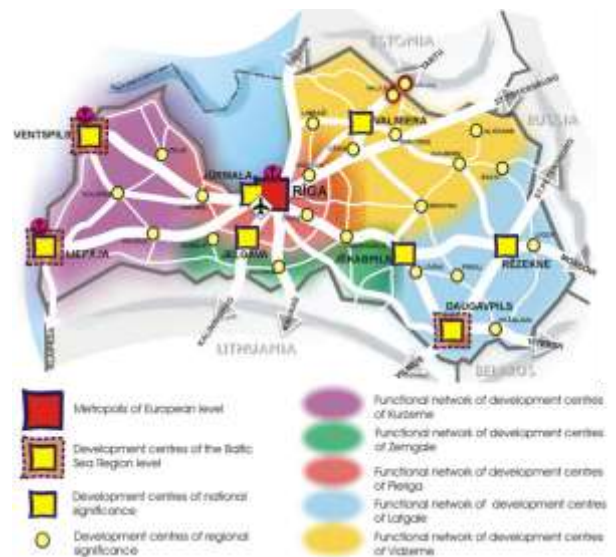


Fig.2. Development Centres and Functional Networks in Latvia  
Source: [2]

EU Cohesion policy financing that is allocated to Latvia in the programming period 2007-2013 amounts to 3,184 billion euro. Till 30 June 2010 1,709 billion LVL or 53,7% of total financing were already contracted to final beneficiaries [3]. EU structural funds are allocated to NUTS II regions where Latvia is regarded as a single region. Latvia has not invented specific mechanisms for the allocation of EU funds to its planning regions. Instead Latvia's regional policy has been integrated into the EU funds programmes 2007-2013 considering two horizontal priorities – "Balanced Territorial Development"

and “The International Competitiveness of Capital City Riga”. To implement these horizontal priorities four types of territorial principles were used when planning EU funds programmes – activities that are designed for the growth of specific territories, project selection criteria that give additional points for projects from specific territories, differentiated financing rate depending on the territory where the project is going to be implemented and financial quotas for territories.

In addition, for the promotion of competitiveness of growth poles special EU funds priority “Polycentric development” is being implemented. It supports the implementation of integrated development plans of 17 cities and towns, which are defined as the most important growth poles, and 18 largest (in number of inhabitants) municipalities [4]. Also 44 specially assisted areas – least developed municipalities where no growth poles are located – are supported by the EU funds. Within the activity “Co-financing to the investments in micro, small and medium-sized enterprises operating in the specially assisted areas” investments are made in micro and small-sized enterprises that are registered and operate in specially assisted areas [5]. Last but not least, two EU funds activities (No 1.5.3.1. and 1.5.3.2.) are being implemented in order to build socioeconomic and spatial development planning capacity in the regions and local municipalities. These activities support engaging of specialists and drafting or updating of development planning documents in the regions and local municipalities [6].

Taking into account significant disparities in socioeconomic development between the Latvian regions, the impact of the EU funds on the development of territories has been topical ever since. Studies have suggested that EU funds implementation strategy for the years 2004-2006 was not successful in promoting regional development, as the largest proportion of financing and the highest financing per capita were received by the most developed regions [7,8]. Therefore the purpose of this article is to make preliminary evaluation of the allocation of European Union funds 2007-2013 in the Latvian territories in context with the regional development strategy of Latvia. The results are also compared with the results of similar evaluation in previous programming period.

## II. METHODS

To analyse EU fund financing in the Latvian territories, EU funds activities were divided in three categories: activities of national importance, activities of regional importance and activities of local importance (Table 1). The main criteria that were taken into account when estimating their impact on the development of territories were the territorial scope of operation of the final beneficiary, the territorial scope of the results of the implementation of an activity and the availability of data about the allocation of activity financing in the territories.

There are 78 EU funds activities in which contracts till 31 December 2009 were signed. This analysis covers 24 activities of regional importance and 20 activities of local importance. The largest number of activities of regional and local importance is within the operational programme “Infrastructure and services” where 80% of activities are considered to be of regional and local importance. A half of the operational programme “Entrepreneurship and innovations” and one third of operational programme “Human resources and employment” activities are also considered to be of regional and local importance.

TABLE 1  
EU FUNDS ACTIVITIES OF REGIONAL AND LOCAL IMPORTANCE

Operational programme	EU funds activities
Human resources and employment (in the next table – HRE)	
Activities of regional importance	1.1.1.2.; 1.1.2.1.1.; 1.1.2.1.2.; 1.2.1.1.2.; 1.2.1.1.3.; 1.2.2.4.2.; 1.4.1.2.4.
Activities of local importance	1.3.1.1.4.; 1.3.1.9.
Entrepreneurship and innovations (in the next table – EI)	
Activities of regional importance	2.1.2.1.2.
Activities of local importance	2.1.2.2.1.; 2.1.2.2.2.; 2.1.2.2.3.; 2.3.1.1.1.; 2.3.2.2.
Infrastructure and services (in the next table – IS)	
Activities of regional importance	3.1.3.3.1.; 3.1.4.1.5.; 3.1.5.2.; 3.1.5.3.1.; 3.1.5.3.2.; 3.2.1.1.; 3.2.1.4.; 3.3.1.1.; 3.3.1.2.; 3.3.1.3.; 3.3.1.5.; 3.4.2.1.1.; 3.4.2.1.2.; 3.4.3.1.; 3.5.1.2.1.; 3.5.1.2.2.
Activities of local importance	3.1.3.1.; 3.1.3.3.2.; 3.1.4.3.; 3.1.4.4.; 3.2.1.2.; 3.2.1.3.1.; 3.2.2.1.2.; 3.4.1.1.; 3.4.4.1.; 3.4.4.2.; 3.5.1.1.; 3.5.2.1.; 3.6.1.1.

Source: made by authors based on [9]

The analysis covers 1.1 billion LVL or 70.8% of financing that was contracted till 31 December 2009. 620 million LVL or 39.5% are allocated to activities of regional importance and 492.5 million LVL or 31,3% to activities of local importance. The financing of operation programme “Infrastructure and services” constitutes the greatest part of the financing analysed – 993.3 million LVL or 89.3%. Operational programme “Infrastructure and services” also has the highest proportion of the financing of regional and local importance – 94.1%. Whereas only 12.0% of operational programme “Entrepreneurship and innovations” financing is considered to be of regional and local importance (Table 2).

Accordingly, the total financing and financing per capita of activities of regional and local importance were analysed at the regional level and the financing of activities of local importance – in 118 local municipalities as well as in such specific types of territories as municipalities with growth poles of international, national and regional importance, other municipalities and specially assisted territories. Support for

human resources and employment, entrepreneurship and innovations and investments in infrastructure and services was analysed separately. Furthermore, correlations between the allocation of financing and such socioeconomic development indicators as territory development index, GDP per capita and amount of personal income tax per capita were evaluated by calculating Pearson's correlation coefficient (hereinafter – PCC).

example, active employment measures by State Employment Agency, loan programme by Latvian Guarantee agency).

### III. RESULTS

More than a half of the financing of activities of regional and local importance has been received by Riga Region within operational programmes “Human Resources and Employment” and “Entrepreneurship and Innovations”. Vidzeme Region has drawn in a significant proportion of financing within the operational programme “Entrepreneurship and innovations”, but has had very poor results within the operational programme “Human Resources and Employment”. The results of other three regions are quite similar within these two operational programmes.

On the contrary, the financing of operational programme “Infrastructure and Services” has been allocated to regions quite evenly (Fig.3). Larger amounts of financing of activities of regional and local importance have been received by the most developed regions. Latgale Region is an exception. It is the least developed region in Latvia but it has received the second largest amount of financing. As in the previous programming period 2004-2006 a tendency remains to allocate more financing to the more developed regions. However, the ranks have changed. While Riga still holds the first place, Latgale and Zemgale regions have increased their ranks from the last two to the second and third.

As the distribution of inhabitants in the regions is unequal, we also calculated the financing per capita. Zemgale region has attracted the highest financing per capita and is followed by Latgale region – the least developed region. Whereas the most developed Riga region has attracted the least amount of financing per capita. So more financing per capita has been received by the least developed regions (Fig.4). Comparing with previous programming period Zemgale and Latgale regions have increased their ranks from the last two to the first two. Riga region has dropped from the first position to the last.

TABLE 2

EU FUND FINANCING OF REGIONAL AND LOCAL IMPORTANCE

	EU fund financing			
	Total	Of regional importance	Of local importance	Of regional and local importance
<b>Number of activities</b>				
HRE	30	7	2	9
EI	12	1	5	6
IS	36	16	13	29
Total	78	24	20	44
<b>Financing, in million LVL</b>				
HRE	270.9	85.9	3.9	89.8
EI	245.6	3.0	26.6	29.6
IS	1 055.4	531.3	462.0	993.3
Total	1 572.0	620.3	492.5	1112.8
<b>Financing, in %</b>				
HRE	17.2%	31.7%	1.4%	33.2%
EI	15.6%	1.2%	10.8%	12.0%
IS	67.1%	50.3%	43.8%	94.1%
Total	100.0%	39.5%	31.3%	70.8%

Source: made by authors based on [9]

The results of this analysis should be considered as preliminary. For more detailed analysis additional information should be included about the activities with one final beneficiary that operates in the whole territory of Latvia (for

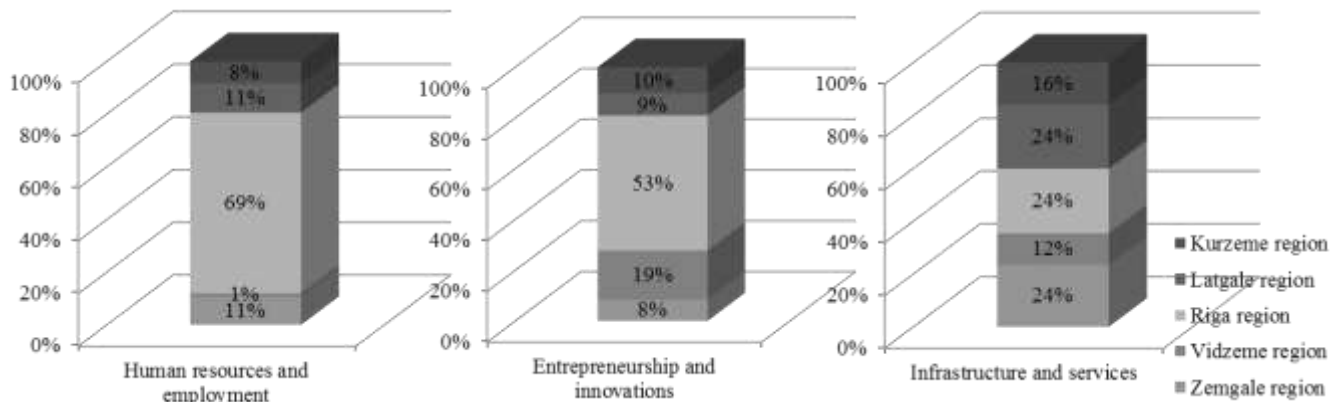


Fig. 3. Financing of activities of regional and local importance in regions

Source: developed by the authors based on [9]

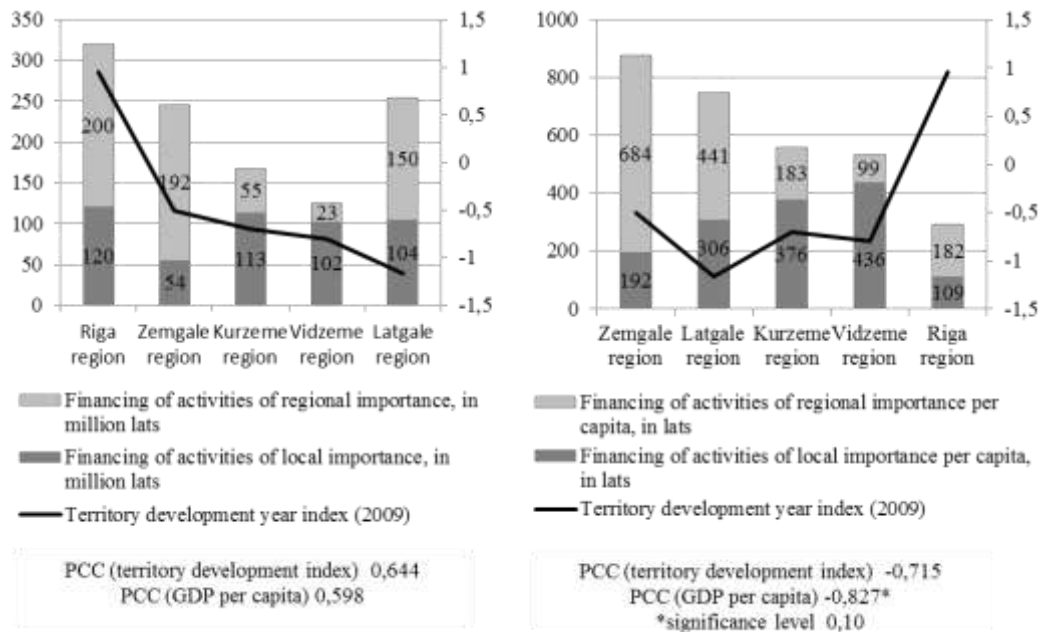


Fig.4. Financing of activities of regional and local importance in regions  
Source: developed by the authors based on [9]

Taking into account different aims of the activities of operational programmes, we also analysed the financing at the programme level. The activities of regional importance of operational programme “Human Resources and Employment” support science, education and social services whereas the activities of local importance – the increase of qualification of employed [6]. In absolute values larger amounts of operational programmes financing has been received by the most developed regions. An exception is Latgale region which is the least

developed region but has attracted a significant amount of financing both in absolute and relative values (Fig. 5).

Operational programme “Entrepreneurship and Innovations” activities of regional importance support technology transfer whereas the activities of local importance - development of new products and technologies, access to international trade markets and investments in entrepreneurship in specially assisted areas [5].

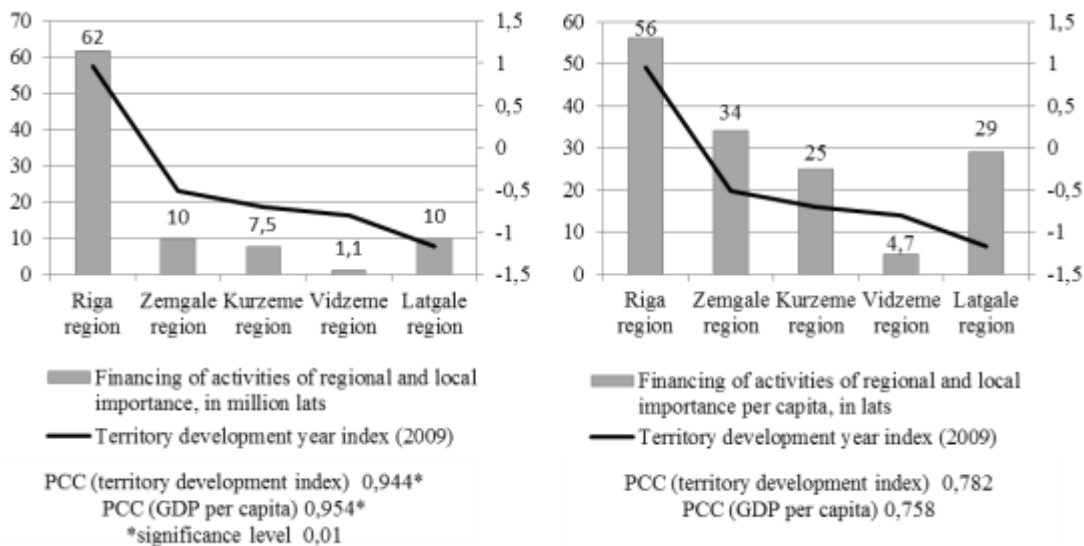


Fig.5. Financing of operational programme “Human Resources and Employment” activities of regional and local importance in regions  
Source: developed by the authors based on [9]

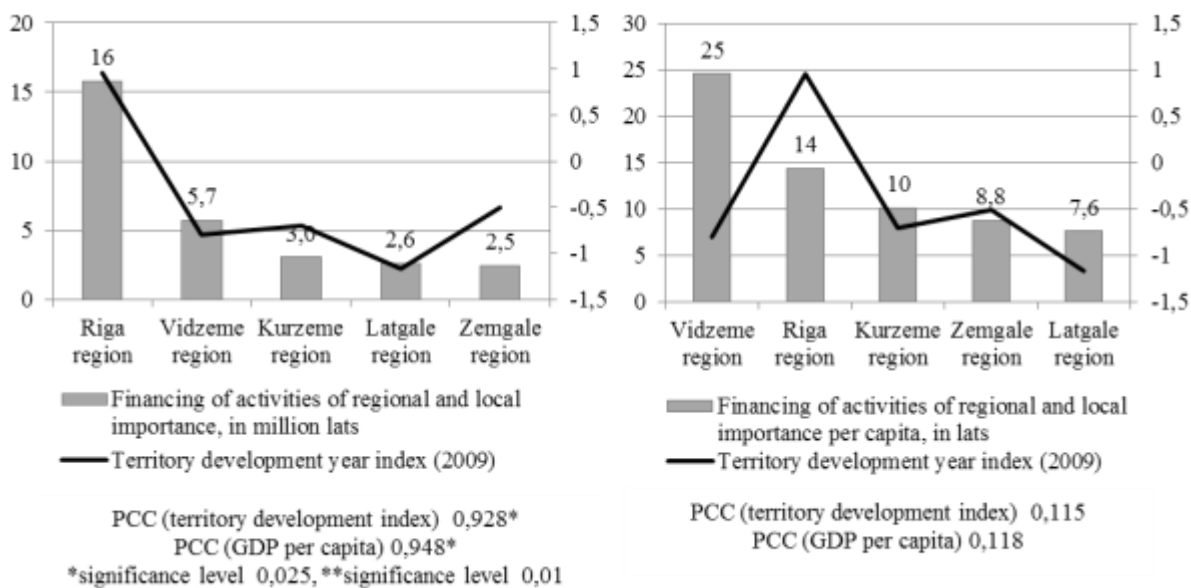


Fig.6. Financing of operational programme “Entrepreneurship and Innovations” activities of regional and local importance in regions  
Source: developed by the authors based on [9]

Operational programme financing in absolute values has been allocated to regions according to their socioeconomic development level. The allocation of financing per capita does not follow this tendency - the highest amount of financing per capita has been received by Vidzeme region which is the second least developed region (Fig.6).

Operational programme “Infrastructure and services” activities of regional and local importance invest in infrastructure for providing services in education, health care, employment, social services, transport, information and

communication technology, energy, environment, tourism and culture, and well as in the promotion of growth poles [4]. Financing of the operational programme has been split evenly between three regions – Latgale, Riga region and Zemgale. Kurzeme and Vidzeme regions have received less financing. Subsequently Zemgale and Latgale regions have received higher amount of relative financing as other regions, but Riga region – much less because of large number of inhabitants. Thus the least developed regions have allocated more financing in relative values(Fig.7).

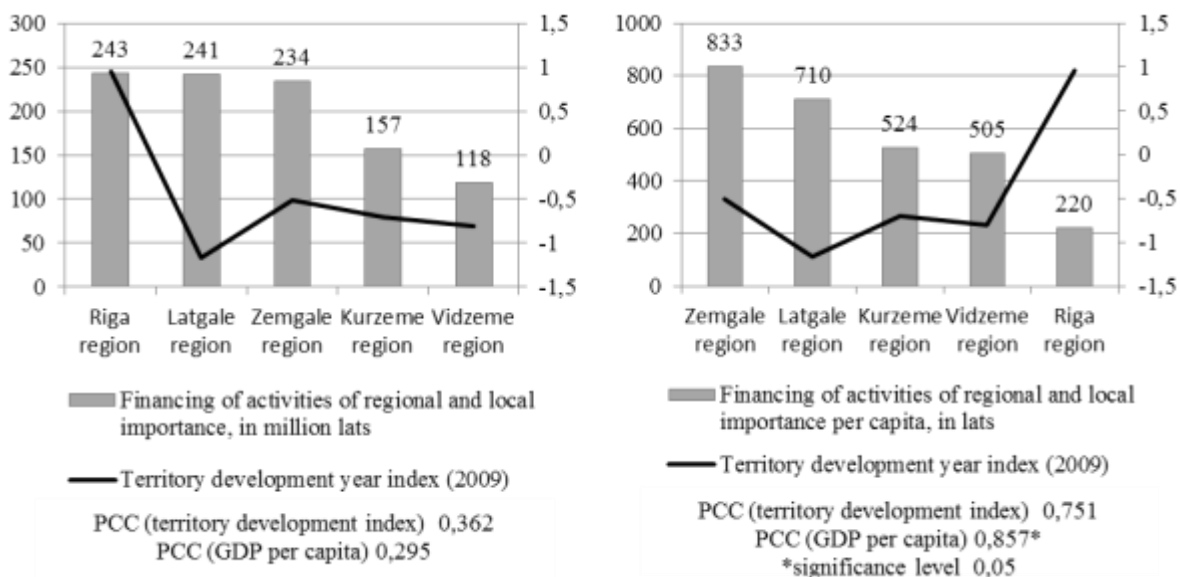


Fig. 7. Financing of operational programme “Infrastructure and Services” activities of regional and local importance in regions  
Source: developed by the authors based on [9]

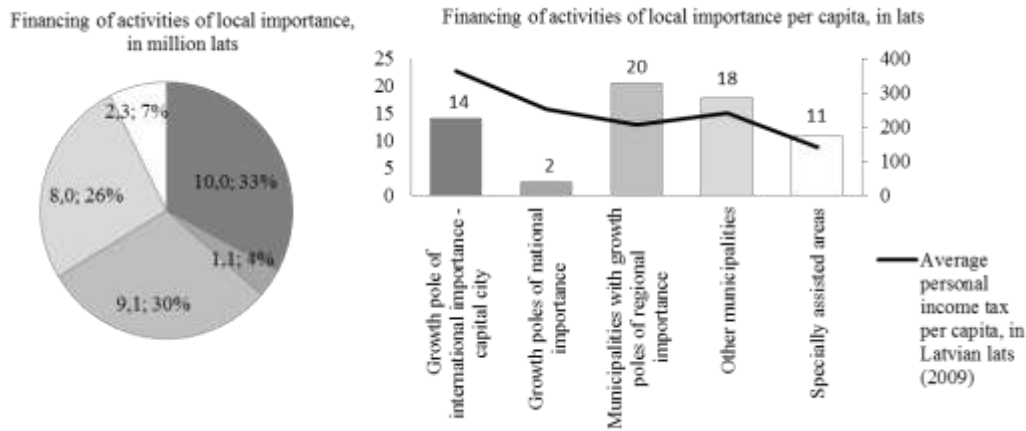


Fig.8. Financing of operational programmes “Human Resources and Employment” and “Entrepreneurship and Innovations” activities of local importance  
Source: developed by the authors based on [9]

The analysis of financing of activities of local importance in the context with socioeconomic development indicators in 118 local municipalities reveal that within all three operational programmes municipalities with higher income level of inhabitants in terms of personal income tax per capita (but not higher territory development index) have attracted more financing in absolute values (PCC for total financing is 0.230 with 0.01 level of significance). Regarding the financing per capita there is no significant correlation between the amount of drawn in financing and such socioeconomic development indicators as territory development index and personal income tax per capita.

Taking into account types of territories which have received special attention in this programming period, we also analysed the allocation of financing in such types of territories: municipalities with growth poles of international, national and regional importance, other municipalities and specially assisted territories. We analysed the activities at the operational programme level to separate support for employment,

entrepreneurship and innovations from investments in infrastructure and services.

2/3 of support for employment, entrepreneurship and innovations has been received by the growth poles and 7% - by specially assisted areas. The largest part of the financing allocated to the growth poles has been allocated to the capital city (33%) and municipalities with growth poles of regional importance (30%). The growth poles of national importance have attracted only 4% of financing.

Larger financing for employment, entrepreneurship and innovations in relative value has been received by the municipalities with the growth poles of regional importance and other municipalities. The growth poles of national importance have received the least financing per capita, which is 10 times lower than the amount allocated to municipalities with growth poles of regional importance and 7 times lower than the amount allocated to the capital city (Figure 8).

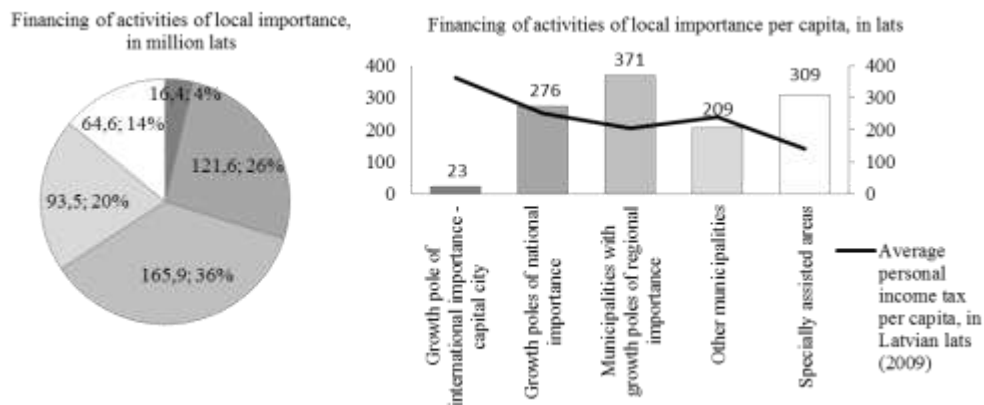


Fig.9. Financing of operational programme “Infrastructure and Services” activities of local importance  
Source: development by the authors based on [9]

Also 2/3 of the investments in infrastructure and services have been received by the growth poles and 14% - by specially assisted areas. The largest part of financing allocated to the growth poles has been received by the growth poles of national importance (26%) and municipalities with the growth poles of regional importance (36%). Capital city has attracted only 4% of financing.

Larger financing for infrastructure and services in relative values has been attracted by the municipalities with growth poles of regional importance and specially assisted areas. Financing per capita allocated to the capital city is more than 10 times lower than the amount of financing per capita allocated to every other types of territories (Figure 9).

#### IV. CONCLUSIONS AND DISCUSSION

The analysis of the EU funds in Latvian regions suggests that there is a tendency to allocate more financing in absolute values to more developed regions, which was identified in the previous programming period 2004-2006, remains in place in this programming period as well. This tendency is obvious considering the operational programmes "Human Resources and Employment" and "Entrepreneurship and Innovations". Significant exception is Latgale – the least developed region has received the second largest amount of financing in total and within the operational programme "Infrastructure and Services".

By contrast, in relative values more financing has been received by the least developed regions due to operational programme "Infrastructure and Services". However within the operational programme "Human Resources and Employment" more financing per capita has been received by the most developed regions. The financing per capita of operational programme "Entrepreneurship and Innovations" has been neutral in terms of correlation between socioeconomic development and financial allocation. These results significantly differ from the programming period 2004-2006, when the most developed Riga region attracted the largest financing in absolute values and second largest in relative values, but the least developed Latgale Region received the lowest financing in absolute and relative values.

In future more attention should be paid to promoting development of education, science, entrepreneurship and innovations in the regions. Improvement of infrastructure and services is an important basis for socioeconomic development, but without complementary investment in education, science and technology transfer, as well as facilitation of entrepreneurship, regional economics in the least developed regions might not grow fast enough to reduce regional disparities.

The analysis of EU fund financing at the local level shows that municipalities with higher income level of inhabitants have attracted more financing in absolute values within all three operational programmes. Although growth poles have attracted major part of the financing in activities of local importance, in relative values the capital city and 8 major growth poles of

national importance have attracted less financing than other territories within all three operational programmes.

Relatively low financing allocated to the capital city could be explained by the efforts to facilitate socioeconomic development outside the capital city region. But lower financing per capita to growth poles of national importance should be carefully considered, because it might cause insufficient concentration of resources in the major growth poles and reduce their ability to encourage development in their surrounding areas. Creation of additional territorial principles might be considered to facilitate investments in the growth poles of national importance.

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#### **Alise Vītola, Maija Šenfelde. ES fondi 2007.-2013.gadam Latvijas teritorijās nacionālās reģionālās politikas kontekstā.**

Raksta mērķis ir veikt sākotnējo novērtējumu Eiropas Savienības (turpmāk – ES) fondu 2007.–2013.gadam finansējuma sadalījumam Latvijas reģionos reģionālās politikas kontekstā un salīdzinot ar finansējuma sadalījumu 2004.-2006.gada plānošanas periodā. Salīdzināts reģionāla un vietēja līmeņa nozīmes aktivitāšu finansējuma sadalījums kā absolūtos, tā relatīvos skaitļos (attiecībā pret pastāvīgo iedzīvotāju skaitu), kā arī aprēķinātas korelācijas starp finansējuma sadalījumu un teritoriju attīstību raksturojošiem rādītājiem. Analīze veikta reģionālā (5 reģionu) un vietējā (118 pašvaldību) līmenī, kā arī tādiem teritoriju tipiem kā attīstības centri ar starptautisku, nacionālu un reģionālu nozīmi, īpaši atbalstāmās teritorijas un citas pašvaldības. Apskatīts gan kopējais, gan atsevišķi darbības programmu „Cilvēkresursi un nodarbinātība”, „Uzņēmējdarbība un inovācijas” un „Infrastruktūra un pakalpojumi” finansējums. Novērtējums liecina, ka vairāk finansējuma absolūtos skaitļos piesaistījuši augstāk attīstītie reģioni. Izņēmums ir mazāk attīstītā Latgale, kas piesaistījusi otru lielāko finansējuma apjomu aiz Rīgas reģiona. Savukārt relatīvos skaitļos vairāk finansējuma piesaistījuši mazāk attīstītie reģioni liela apjoma investīciju infrastruktūrā dēļ. Vietējā līmenī absolūtos skaitļos vairāk finansējuma saņēmušas pašvaldības ar augstāku iedzīvotāju ienākumu līmeni, savukārt relatīvā finansējuma sadalījumam vietējā līmenī netika konstatētas sakarības ar teritorijas attīstību raksturojošiem rādītājiem. Lai gan attīstības centri piesaistījuši lielāko daļu vietēja līmeņa aktivitāšu finansējuma, relatīvos skaitļos lielākie attīstības centri saņēmuši mazāk finansējuma kā citas teritorijas. Nākotnē veidojot ES fondu programmas, lielāka uzmanība jāpievērš izglītības, zinātnes, uzņēmējdarbības un inovāciju veicināšanai ārpus Rīgas reģiona. Tāpat būtu jāapsver iespēja papildu mehānismus investīciju koncentrēšanai lielākajos attīstības centros, tādējādi ceļot šo centru kapacitāti veicināt attīstību tiem pieguļošajās teritorijās.

#### **Алисе Витола, Майя Шенфельде.Использование фондов ЕС в 2007-2013 году на территории Латвии в контексте национальной региональной политики.**

Целью статьи явилась оценка распределения финансирования из фондов ЕС в 2007-2013 гг. по регионам Латвии для осуществления региональной политики по сравнению с предыдущим периодом 2004-2006 гг. Проведено сравнение распределения финансирования для мероприятий регионального и местного уровня значения как в абсолютных, так и относительных величинах (в отношении к количеству постоянного населения), а также рассчитана корреляция между распределением финансирования и показателями, характеризующими развитие территории. Анализ проведён на уровне основных 5 регионов, уровне 118 местных самоуправлений, а также для таких территорий как центры развития международного, национального и регионального значения, особо поддерживаемые территории и прочие. Рассмотрено как финансирование в целом, так и по отдельным программам: «Человеческие ресурсы и занятость», «Предпринимательство и инновации», «Инфраструктура и услуги». Оценка свидетельствует о том, что в абсолютном выражении больше финансирования привлекли более развитые регионы. Исключением явилась Латгалия, занявшая второе место после Рижского региона. Однако в относительном выражении больше финансирования привлекли менее развитые регионы, что объясняется большими инвестициями в инфраструктуру. На местном уровне в абсолютном выражении больше финансирования привлекли самоуправления с более высоким уровнем доходов населения, в свою очередь для распределения финансирования в относительном выражении не была обнаружена зависимость с показателями, характеризующими развитие территории. Несмотря на то, что центры развития привлекли большую долю финансирования местного уровня, в относительном выражении это меньше по сравнению с другими территориями. В дальнейшем создавая программы по освоению фондов ЕС, большее внимание необходимо уделить содействию развития образования, науки, предпринимательства и инноваций за пределами Рижского региона. Кроме того следовало бы взвесить возможность введения дополнительных механизмов для концентрации инвестиций в крупнейших центрах развития с целью усиления их значения для развития прилегающих территорий.