

Executive summary

The evaluation context

This report consists of the findings, conclusions and recommendations related to the seventh version of the Latvian Cohesion Policy OP – ‘Growth and jobs’, provided to the evaluators (KPMG Advisory Ltd., Hungary and KPMG Baltics SIA, Latvia) on 21 February 2014 by the Ministry of Finance of Latvia. The evaluation takes due account of the content of the Partnership Agreement as well, provided for the evaluators on 8 January 2014.

The paper analyses all aspects required by the ex ante evaluation guidelines (‘Guidance document on ex-ante evaluation’, January 2013) in line with Article 55 of the Common Provisions Regulation, and also with the programming guidelines followed by the Ministry (‘Draft template and guidelines on the content of the Operational Programme’, ‘Draft template and guidelines on the content of the Partnership Agreement’, ‘Guidance fiche Performance Framework Review and Reserve in 2014-2020) and the latest versions of the fund specific regulations (ERDF, ESF, CF).

The main purpose of the ex ante evaluation report is to assess the relevance, strategic appropriateness, internal and external coherence and effectiveness of the Operational Programme (OP) implementing Cohesion Policy in Latvia, as well as the overall consistency of the programme with the priorities of smart, sustainable and inclusive growth envisaged by the Europe 2020 strategy.

The evaluation is carried out by KPMG in Latvia and KPMG in Hungary, involving an external expert to carry out Strategic Environmental Assessment. The Strategic Environmental Assessment is documented in a separate report.

Evaluation methodology

The report applies specific methods for the structuring, observing, analysing and judging phases of the ex ante evaluation in order to obtain reliable evidence, conclude concise and robust findings based on sound and reliable analysis, draft relevant conclusions and formulate useful and evidence-based recommendations.

The methods applied as to date are as follows:

Structuring phase

- *Macroeconomic analysis*: it has been applied with a view to understanding the context of the current and the upcoming programmes, and also supported the evaluation of the situation analysis and the needs assessment.
- *First internal workshop*: it has been used as a brainstorming tool in order to facilitate the emergence of new ideas from the subject-matter perspective as well as to set the agenda from a methodological point of view, with the participation of evaluation experts.

Observing phase

- *Document analysis*: an extensive literature review was carried out by the evaluation team in order to acquire a deep knowledge and understanding of the national and regional situation and to gain important contextual insights specific to the fields of intervention of the programme.

- *Stakeholder interviews*: 12 interviews have been carried out with 11 key stakeholders in programme planning (8 line ministries, Cross-Sectoral Co-ordination Centre, State Chancellery and State Institute of Rural Economy). The interviews were conducted in a semi-structured manner, i.e. by covering standard horizontal questions in each institution and, in the same time, establishing an open environment for the discussion of any further issues deemed important by the interviewees. Common issues covered by each interview were the strategic background of the policy area and meeting ex ante conditionalities, the priorities of the current programming period, lessons learnt, positive and negative experiences with programme implementation, and challenges for the next programming period, agenda of preparing for 2014-2020.

Analysing phase

- *Consistency matrix*: the method has assisted the evaluators analyse the internal and external consistency of specific objectives, the appropriateness of the funds allocated to the objectives, the adequacy of the proposed measures in response to the recommendations, and identify the potentially missing links with respect to external policy documents.
- *Intervention logic analysis*: the method has helped the evaluators assess the causal chains interlinking the identified needs, priority axes, investment priorities, specific objectives, eligible activities, intended outputs and intended results, and the appropriateness of the underlying intervention logic by drawing a theory of change diagram for the interventions, complemented by a narrative explaining how each outcome causally determines the other and taking into account potential contextual constraints, impact heterogeneity, spill-over effects and sustainability.
- *Indicator assessment*: the method has helped the evaluators assess whether the indicators are well-connected to the programme objectives, are relevant, clear, have appropriate baselines and targets, and are sufficiently linked with the programme activities.
- *Synergy assessment of objectives*: the synergy assessment of programme objectives (specific objectives) is based on a cross-objectives analysis table (description follows as included in the draft Guidelines for the ex ante evaluation of 2014-2020 RDPs). The approach allows for estimating the intensity and direction of links that exist between objectives at the same hierarchy level.
- *Comparative analysis and benchmarking*: in the present evaluation, comparative analysis was a tool used along with international benchmarking for the comparison and analysis of the proposed programme budget with the allocations made in the period 2007-2013.
- *Strategic Environmental Assessment (SEA)*: the method included the systematic overview of programme documents, the planned interventions, their planned intervention logic and the selection of the methodology to target the assessment.

Judging phase

- *Expert panel*: an expert panel consisting of key methodological and subject-matter experts of the project team was held during the first phase of the evaluation project in order to allow for the emergence of consensual conclusion regarding the first draft of the OP.
- *Second and third internal workshops*: the method was used as a validation tool for the findings, conclusions and recommendations of the ex ante evaluation, with the participation of the key experts of the project team.
- *Second expert panel*: the second expert panel was held in August, following the receipt of the new programme version, and also the comments of the ministry on the report delivery on 4 July. The aim of the expert panel was to revisit previous programme conclusions and

recommendations, and to reassess evaluation outcomes both at programme and specific objective level.

- *Fourth internal workshop:* the fourth internal workshop was held in August, with main function to validate the findings, conclusions and recommendations stemming from all previous evaluation exercises.
- *Fifth internal workshop:* the fifth internal workshop was held in January 2014, with main function to validate the findings, conclusions and recommendations stemming from all previous evaluation exercises, finalising the ex ante evaluation report.

Main conclusions

Selected main conclusions of the report, in the order of evaluation criteria defined by the guidelines, are as follows.

- The needs and challenges identified are in line with the Europe 2020 objectives and targets, the Council recommendations and the National Reform Programme.
- The explanation of the strategic linkage between the identified needs, and the programme's response to tackle them has become balanced during the compilation process of the OP across thematic objectives.
- The specific objectives of the eight priority axes are coherent with each other, they are well delimited and devoid of inconsistencies.
- Due to the multi-faceted nature of the programme, there is a high synergy potential to be exploited.
- The intervention logic at the level of specific objectives is established adequately, there are no major deficiencies, although in some cases details are not specified.
- The intended results are appropriately and explicitly formulated for each specific objective, are in line with the relevant investment priority, while most result indicators are SMART and are likely to measure the intended results efficiently.
- The application of financial engineering products for several specific objectives covering multiple policy areas (SME development, energy efficiency related investments, R&D) is favourable and justified from policy perspective, which present a new approach in supporting these fields.
- On-going stakeholder consultations indicated a need towards a change in the policy mix in favour of R&D investments, SME development and environmental protection objectives, which have been realised throughout the programme preparation process.
- The integration of horizontal principles in the implementation of the programme is taken into account, however, limited details are given in the OP on specifically how horizontal principles would be incorporated in the supported actions.
- The relevance and clarity of indicators has undergone a great improvement over the programme preparation, with only a few exceptional cases.
- Target values have been set for each output indicator, while baseline and target values have also been specified for each result indicator
- The performance frameworks have been established for each priority axis, providing accurate and appropriate data, thus enabling the monitoring of the programme implementation.
- The administrative and delivery system of programme implementation is briefly presented in the OP and will form part of a different document.
- The MA has provided information regarding the project selection procedures to a limited extent

- The concept to reduce administrative burden on beneficiaries is already in place, however, main sources of administrative burden from the previous period are not referred to by the OP.
- The proposed allocation of funding for 2014-2020 reflects a consistent approach to achieve the objectives set and solve the identified national and regional needs and issues.
- The programme strategy is primarily driven by Europe 2020 objectives, it covers all thematic objectives in form of 8 priority axes, which makes most axes multi-funded and diverse in its objectives.

Strategic recommendations

Selected strategic recommendations of the ex ante evaluation, drawn upon main conclusions, are as follows:

- The MA might consider the expansion and further differentiation of the current specific objectives tackling regional needs during the operationalisation of the OP.
- The MA should consider focusing on 'strategic' (general, vocational and higher education development with the necessary infrastructure and R&D capacity enhancement) and 'influential' specific objectives (broadband network, TEN-T, transport infrastructure and general education system) in the beginning of programme implementation in order to maximize synergies and leverage effect.
- The financial engineering schemes of the OP should be in the focus of monitoring and evaluation activities from early on in order to allow timely interventions by programme administrators to fine-tune their implementation in each policy area.
- The OP, and its underlying programme documents to be prepared in the future, should apply horizontal principles at the level of individual measures, and incorporate them in each action launched under the programme.
- The MA should consider our concerns related to setting '0' intermediate target values for 2018 in terms of ERDF-financed priority axes, and finalise the performance frameworks with a clear concept regarding how and according to what criteria the performance of such objectives will be measured.
- The sections on the reduction of administrative burden for beneficiaries and project selection criteria need further elaboration.