

Significance of cultural sector in Latvian national economy and role of EU structural funds.

SUMMARY

The main task of this evaluation exercise is to determine the factors which contribute to the development of the Culture sector, and potential contribution of this sector towards reaching the economic and social goals of Latvia. The evaluation was commissioned by the Ministry of Finance, was implemented by the Baltic Project Consulting during December 2005 – March 2006. The **Ministry of Culture** is the beneficiary of this evaluation.

The evaluation comprised the following tasks: analysis of the existing documentation (2004 – 2006 programming period), statistics, interviews, telephone interviews and focus group discussion.

Further analysis of relevance, efficiency, effectiveness and likely impact and likely sustainability was carried out.

i) Relevance

The key document defining the purpose and implementation requirements for the EU Structural Funds in Latvia is the Single Programming Document, which makes a reference to the Culture sector in the *Chapter 2.6.6 Tourism and historical and cultural heritage*. However, in the further document development of culture and relevant infrastructure is not considered as a unified sector which could contribute to wider social and economic effects in various fields. Culture is considered mainly as an instrument for the needs of the specific **economic activity – tourism**. This, limited interpretation underlies definition of the results and indicators. Nevertheless, support under the Structural Funds is available for other, related sectors and fields: information technologies, libraries, education and professional education.

In the 2004-2006 programming period the total available support under the Structural Funds for the sector was 15,5 million lats, which is equivalent to almost 17% from the available State budget. In 2004 and 2005 the State Culture Capital Fund (Valsts Kultūrkapitāla fonds) had allocated 4.5 million lats to support various projects. Hence, the funding available for Culture under the structural funds regime is **significant for the development of the sector**, therefore needs to be implemented in efficient and effective way.

ii) Efficiency

The contracting rate was 38,83% at the time of the evaluation². However, the progress has been various: under six out of 11 activities there were no contracts signed (0%), there were no data regarding one activity. Only two activities showed 50% progress in terms of contracts signed. The payment requests have been made under the activity 1.3.1. “*Development of public information and electronic administration system*”. The amount requested represents 1.5% from the funds available. Therefore it is concluded that the **objectively verifiable indicators have been reached at the rate of 1.5% from the planned**. The payment rate was 1% of the available funding. This evidences the time consuming process related to the administrative procedures. The current situation and further delays would potentially have a negative effect upon successful implementation of projects, particularly the infrastructure projects, which largely depend on weather conditions.

iii) Effectiveness

Since there was no information available regarding the reached results at the time of the evaluation, information was analysed from similar Calls (Phare 2003). Existing methodology for preparation of project proposals was reviewed in order to determine the potential effectiveness of the activities.

Under activity 1.1.5 the evaluation criteria were mainly oriented towards fulfilment of the administrative procedures: out of 14 specific criteria six (65% of the total weight) were related to the management capacity of the applicant, five (35% of the total weight) were related to the impact of the project upon tourism development. Two criteria (7% of the total weight) were related to employment and regional development priorities. Only one criterion with the total weight of 7% made a reference to the Culture sector. The methodology for the financial and economic analysis was not adapted to the specifics of the sector. It is concluded that under activity 1.1.5 the projects will be supported that **contribute to the development of tourism with small scale investments for the renewal of the culture objects**.

The support available through the education programmes was considered relevant by the respondents. It was seen as adequate to the needs of the sector, except for improvement of the higher education programmes. Support to the information system was considered successful.

iv) Likely impact

Since the majority of projects were not approved at the time of evaluation, or were in the early stages of implementation, it was not possible to evaluate their impact. From the analysis of similar experience within the old EU member states it was concluded that the support available under the structural funds for the culture, which is has not been significant compared to the overall amount, would not have a significant impact upon improvement of the countries' economic situation.

Therefore, we can conclude that the existing support for culture under the structural funds regime will not make significant impact upon the macroeconomic indicators of Latvia. However, the **impact could potentially grow** if there was funding available for the regional and national scale projects under the 2007-2013 programme, in addition to the culture heritage projects.

v) Likely sustainability

Since the majority of projects were not approved at the time of evaluation, or were in the early stages of implementation, it was not possible to evaluate their sustainability. However, during the interviews with the applicants it was concluded that the key motivation was possibility to attract money, only in one case the importance of the planned results was stressed. This demonstrates the overall attitude where Structural Funds are seen as a **solution to the existing financial difficulties**. In such situation, less attention is paid to the project ideas which aim at sustainable development.