

## **Evaluation of the efficiency of the implementation system of the SPD**

SIA "Ernst & Young Baltic"

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### **SYMMARY**

#### Objective

The Single Programming Document (SPD) outlines Latvian government's strategy and priorities for the period of 2004 to 2006 on the usage of European Union Structural Funds aid. To ensure the implementation of the measures set out in the SPD, the implementation system is set up that determines the legal framework for all institutions and agencies involved in Structural Funds management in Latvia.

The preparation for the next programming period 2007 to 2013 is in the process based on the experience and analysis of efficiency of existent SPD implementation system improvements will be planned.

The main objective of this thematic evaluation is the evaluation of the efficiency of the SPD implementation system as a whole and efficiency of operations performed by the nominated institutions involved in the implementation of EU Structural Funds in Latvia as well as develop recommendations for improvements.

Efficiency of the operations carried out institutions has been measured by three efficiency dimensions – timeliness of operations, quality level and resource utilisation for implementation of various SPD activities. For each efficiency dimension a number of measurable indicators have been identified and appropriate data sets have been defined providing for typical performance characteristics of the given institutions within the specific SPD activity implementation process.

Results of the data analysis have been grouped by the SPD implementation type (open calls for proposals, aid schemes and national programmes) and analysed on activity level and institution level by institution type.

#### Scope

This evaluation covers SPD implementation system's legal framework and operations during January 1st 2004 till December 31st 2005.

The evaluation involved full spectrum of institutions and agencies involved in Structural Funds management in Latvia:

- Managing Authority,
- Monitoring Committee,
- Paying Authority
- First level intermediaries
- Second level intermediaries

#### Limitations

The evaluation was based on the selected indicators for each stage of the implementation process that are appropriate to evaluate operations of implementation system and assess its efficiency. Therefore data analysis and interpretation of its results was performed only within the framework of selected indicators.

The evaluation work was performed from February 17th, 2006 till May 26th, 2006 and it was based on the information available at the time of evaluation.

During the planning of the evaluation we performed the initial assessment of the quality of the information and data sources, however, our work did not include detailed examination of the quality and completeness of primary data sources.

#### Main findings and recommendations

As the result of the analysis we have identified the following main findings on SPD implementation system efficiency:

- Preparation of implementation documents:

- Initial drafting and approval of the implementation documents (open call guidelines, aid scheme guidelines and national programmes) was delayed for three months on average since 1 May 2004 due to delayed approval of Programme Complement, agreement on the final institutional set-up and insufficient capacity of line ministries. We recommend that Managing Authority considers establishing requirements and standard templates for implementation documents in the early stages of the planning process for the next programming period so that implementation documents preparation is not delayed due to the lack of formal guidance.

- Use of structural fund management committees where all implementation documents had to be pre-approved by its members delayed the finalisation of implementation documents for another two months on average due to its infrequent meeting schedule and significant overload of documents to be reviewed shortly before upcoming meetings. We recommend considering limiting number of parties that are involved in the approval process of implementation documents.

- For the next programming period we recommend developing the management information system for the use of Management Authority for the monitoring of the SPD implementation progress for each activity and institution based on the implementation plans developed by the responsible institutions. Managing Authority should control the progress of the implementation plans and take necessary measures when material deviations from the implementation plans are observed.

- Calls for project application

- We recommend considering potential improvements in the customer service level in the whole SPD implementation system and especially in the institutions and agencies that have limited prior experience customer service for the next programming period. It is recommended to ensure that institutions accrue information about questions received from applicants, develop proper informative materials and conduct informative seminars, perform applicant surveys as well as analyze potential number of project applicants to plan operations accordingly.

- Project selection process

- Project selection process has been overly slow and lasting for eleven months on average mainly due to split of responsibility for project selection between institutions, extensive clarifications on applicable rules and criteria and limited capacity of institutions performing project evaluation. We recommend reducing the amount of documentation to be submitted by applicants as well as considering concentration of applications evaluation in the hands of single institution as it would contribute to the speed of project selection process.

- Payment process

○Commitment progress of EU structural funds resources has been slow reaching 24% by end of year 2004 and 70% by the end of year 2005 as well as the financial progress measured as total payment amount to the beneficiaries reaching 25% by the end of year 2005.

○Main reasons for slow financial progress are complexity of reimbursement requests and slow review process of reimbursement applications. We recommend simplifying reimbursement application forms and considering introducing the risk based approach to the reimbursement applications review process for the next programming period.

○We recommend considering introduction of the rules that establish when advance payments to beneficiaries are available for different groups of beneficiaries (e.g. municipalities, companies, NGO's etc.) for the next programming period. Advance payment rules should take into consideration the importance of the advance payment to the overall project success as well as financial risk associated with the advance payments.