

Annual Report 2010
Contribution of the EU Funds¹ Programmes to the
implementation of the EU Strategy for the Baltic Sea Region

Riga

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¹ ESF, ERDF, CF

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Introduction

On January 14, 2011, the Managing Authority (hereinafter, MA) of the EU Funds - European Regional Development fund (hereinafter, ERDF), European Social fund (hereinafter, ESF), and Cohesion fund (hereinafter, CF) - in Latvia has received a request from the European Commission to provide it with a report on Contribution of the EU Funds Programmes to the implementation of the European Union Strategy for the Baltic Sea Region (hereinafter, EUSBSR) in 2010.

Responding to this request, Latvia has prepared the report outlining contribution of the Convergence target of Cohesion Policy projects to the EUSBSR in 2010.

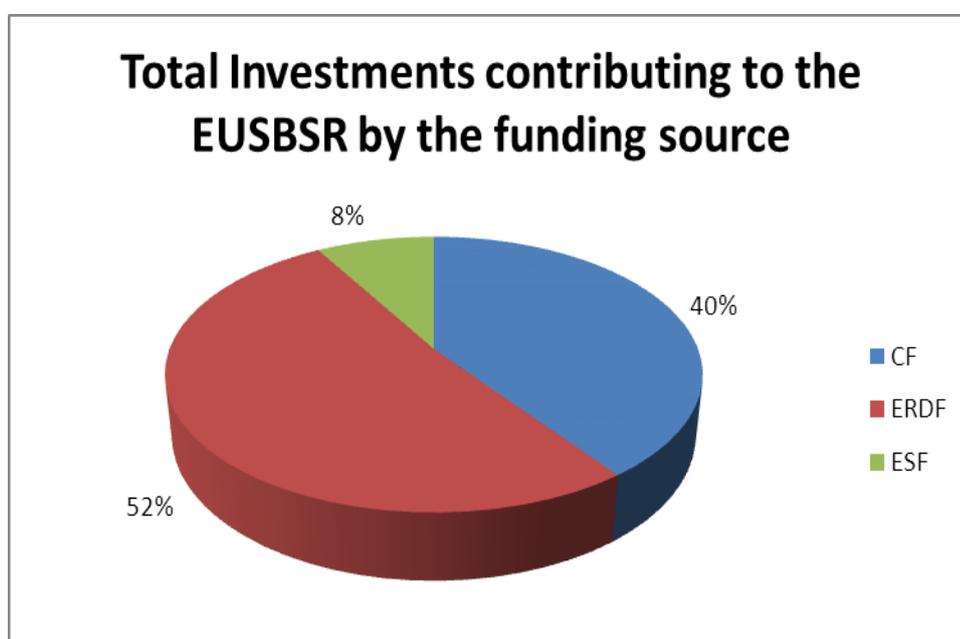
The report commences with description of quantitative data illustrating the financial contribution of the programmes related to the EUSBSR. Separate data is provided for ERDF, ESF and CF programme contributions for different priority areas of the EUSBSR.

Quantitative data is followed by qualitative analysis, enumerating the measures taken to adjust the monitoring of programmes to the EUSBSR context, amendments of the EU funds' OPs, relevant EUSBSR priorities components of the programmes, complementarity with other financial instruments, as well as technical assistance used to support coordination of the EUSBSR implementation, and measures taken for publicity of the strategy.

Quantitative information

In total 2232 out of 2606 (or 85.64%) projects with valid contracts and on-going activities in 2010 were identified within the three OPs - “Human Resources and Employment”, “Entrepreneurship and Innovations”, and “Infrastructure and Services” - which contribute to the EUSBSR in 2010 in Latvia.² The division by the co-funding source is as follows: 1880 ERDF projects, 205 ESF projects, and 147 Cohesion fund projects.

The total ERDF investments in the respective projects in 2010 account for EUR 282 933 693.29; ESF – EUR 46 456 734.31, Cohesion fund – EUR 218 913 119. 68, as can be seen in the following graph:



For more details, please see Annex 1: EUSBSR projects linking to the Strategy and Annex 2: ERDF, ESF, and CF in relation to the EUSBSR Strategy³

² The selection rule - projects from the contributing activities and sub activities that have a valid contract signed until 31.12.2010. and a termination date starting from 01.01.2010.

³ Regarding Annex 1, it is noteworthy to point out that there have not been any projects under the Convergence target of Cohesion policy, which can be classified as flag ship projects for the EUSBSR in 2010.

Qualitative analysis

2.1. The measures taken by the Managing Authority or the Monitoring Committee to adjust the monitoring of the programme to this new context

In 2009 all three Operational Programs have been reviewed with an aim to identify priorities and activities that need to be earmarked as contributing to the implementation of the BSRS action plan priorities.

The Managing Authority has designed a “labelling” system, which follows some basic rules - if the objective of the activity contributes to the EUBSRS action plan’s priorities; each particular project of this activity also contributes to EUBSRS. Therefore, no special criteria are needed to evaluate project contribution to EUBSRS, because each project in the EUBSRS earmarked activities would get equal maximal number of points.

Activities that have not been earmarked as contributing to the EUBSRS are predominantly aimed to solve national level problems and EU funds implementation process (Technical Assistance).

2.2. The level of endorsement of the European Union Strategy for the Baltic Sea Region by the Managing Authority

2.2.1. Amendments of the EU Funds Operational Programmes (OPs)

Since publication of the EUSBSR on the 10th June 2009, amendments have been proposed to all three OPs: „Human Resources and Employment”, „Entrepreneurship and Innovations”, and „Infrastructure and Services” in relation to the strategic goals of these OPs. According to the request of European Commission, those amendments include proposal to incorporate in all the three OPs a new paragraph about the relevance and contribution of activities to the implementation of EUSBSR. Amendments foresee to complement the subchapter “Strategic Goals of the OP” with the following statement:

“The Action Plan annexed to the Communication of the Commission on the EU Strategy for the Baltic Sea Region (published on the 10th of June 2009) identifies a set of priority areas and flagship projects. When necessary new cooperation mechanisms, in addition of which that are already established in the implementation and monitoring process of this Operational Programme, will be used concerning activities with relevance for the Baltic Sea Region Strategy within the framework of each priority axis of this Operational Programme. A number of projects in the relevant activities of this Operational Programme contribute or will contribute to the implementation of the Baltic Sea Region Strategy Action Plan. Each year in the Annual Report of the Operational Programme, the contribution of the activities under the different priority axes, including the number of projects and their corresponding financial amounts (total planned costs and amounts of payments made) to the relevant priorities and sub priorities of the Baltic Sea Action Plan will be described and commented”.

2.2.2. The Role of the EU funds Monitoring Committee (MC)

The MC has significant role for the EUSBSR coordination at national level. During 2010 four out of five held MCs included range of the EUSBSR issues.

During ERDF/CF sub-committee in 20 January 2010 and during ESF sub-committee in November 2010 decisions on integration the EUSBSR in OPs "Infrastructure and Services", „Entrepreneurship and Innovations” and “Human Resources and Employment” were taken.

Strategic debate on the EUSBSR focus of the OPs on the NSRF, Lisbon Strategy and the EU Strategy for Baltic Sea Region was held in Annual Examination Meeting in 24 March 2010.

On 17 June 2010 ERDF/CF sub-committee within the presentation “Reforms and new priorities in education and research and financing” Ministry of Education and Science, Managing Authority and European Commission concluded about necessity to continue discussion about new priorities in R&D sector in context of the EUSBSR.

Special topic about the EUSBSR coordination was examined in 24 September 2010 ERDF/CF sub-committee. National Contact Point’s presentation summarized information about the EUSBSR strategy tasks, priorities, finance resources and EUSBSR implementation in Latvia. The meeting was concluded with an undertaking to continue following-up the EUBSRS related issues.

2.3. Relevant priorities of programmes and their contribution to the EUSBSR strategy; examples of illustrative projects

On the basis of the analysis performed by the Managing Authority regarding linkage and contributions from the OP activities to the EUBSRS priority areas the subsequent paragraphs outline information on contributions for achieving objectives of the strategy’s main areas, most illustrative projects, and remarkable results achieved. As some of the EUSBSR priority areas are supported by activities from different Operational Programmes, the text is structured with Operational Programmes’ priorities taken as the reference point.

2.3.1. Research and Development (R&D)

To improve R&D and to contribute to the objectives of the EUSBSR priority area 7 “To exploit the full potential of the region in research and innovation - within the OP „Human Resources and Employment” it is planned to promote the development of scientific and research potential, attracting supplementary human resources to science and research, improving the quality of higher education studies and programs, increase proportion of students in masters and doctorate study programs and raise professional and research qualifications of the academic personnel. Attraction of human resources to science includes attraction of foreign scientists for scientific and research work in common projects thereby facilitating transnational cooperation within scientific projects. Also foreign experts will be

involved in the reassessment of higher study programs to provide a qualitative and comprehensive evaluation, based on transnational experience to improve the quality of higher education programs, thus increasing the attractiveness of higher education programs for foreign students, int.al. for students from Baltic Sea Region countries.

In the framework of the main area of R&D the aims of two EU funds sub activities: 1.1.2.1.1. "Support to Master's studies" and 1.1.2.1.2. "Support to Doctor's studies" – are preparing highly-qualified specialists – both domestic and foreign; promoting their involvement in research; developing human capital in research and innovations as well as contributing to growth of research potential in Latvia. 1005 PhD students (46,7% of total number in Latvia) and 683 master's degree students of Science, Math, IT, Engineering, Agriculture, Health Care, Environmental Protection, Logistics and Arts (11,82% of total number in Latvia) have received ESF support till the end of 2010. It is respectively 62, 8% and 27% of OP targets for 2013.

Number of foreign students has grown from 1715 students in 2009 to 1949 students in 2010. The number of students from the states of Baltic region has grown as well, in 2009 the number of students in Latvian higher education institutions was 885, but in 2010 – 957 students (49 % from total number of foreign students). Thus, Latvian post graduate education becomes more attractive and competitive internationally.

Within the OP „Entrepreneurship and Innovations” it is planned to strengthen the country's capacity of scientific and research potential by promoting the implementation of practical research projects and by modernizing scientific institutions, improving public awareness and interest in research and innovations.

The following activities are regarded as the most illustrative:

2.1.1.3. activity Development of the scientific and research infrastructure. The objective of the activity is to improve scientific and research equipment and to provide the relevant infrastructure in order to ensure a modern material and technical base for research activities at the leading national and regional research centres, develop information system, data basis and academic data transmission network of Latvia, provide science and research resources and their accessibility.

2.1.1.2. activity Support to international cooperation projects in research and technologies. The objective of the activity is to ensure the development of the capacity of research institutions, development of new cooperation projects and participation in technological platforms. Ensure the participation of state science institutions in international exhibitions, fairs, science congresses, thus promoting the recognition of Latvian science in the EU and the world. The support is provided for preparation of international cooperation project applications for Latvia to participate in the 7th framework programme, EUREKA and other European Union and international research and technology development programmes

2.3.2. Innovation

To improve the promotion of innovation and to contribute to the objectives of the EUSBSR priority area 7 "To exploit the full potential of the region in research and innovation - within the OP „Entrepreneurship and Innovations” it is planned to promote entrepreneurship with higher value added by providing aid in developing and producing new products and technologies, ensuring highly-qualified human resources in enterprises, as well as cooperation of the research and business sectors.

Within 2.1.2.1.1.activity „Competence Centres” 5 projects have been approved. Implementation of the 2.1.2.1.1. activity will start in the first quarter of 2011. It is important to point out that competence centre activity is very significant as it is first

attempt of a project this large scale to bring together different industry partners with scientific partners. Between approved competence centres there are companies from sectors like chemistry, wood processing, metal processing, electrical engineering and space technologies. Approved competence centres within the program will conduct industrial research and experimental development in areas currently important for the whole industry in Latvia and worldwide. It is expected that this collaboration will result in new high added value products and technologies.

Concerning 2.1.2.2.1.activity „Development of new products and technologies” as one of the successes within this activity can be considered the pharmaceutical company JSC „Grindeks” which is conducting industrial research and on the gained knowledge base will conduct experimental development to develop new medicine for chronic lymphocytic leukaemia disease. JSC „Grindeks” within 2.1.2.2.1.activity is working on another project, where the goal is to create medicine for chronic myelogenous leukemia disease. To carry out research in both projects there are involved high level specialists. Company Ltd „Data Pro” has finished their project and within the project there has been developed new data migration system. Another successfully completed project is the one carried out by Ltd „Lursoft” where the company conducted industrial research and experimental development to create new IT program „E-Grāls” which is to be used for accounting and management purposes in enterprises.

Regarding 2.1.2.2.2.activity „Development of new products and technologies - aid for implementation of new products and technologies in production” the 1st set of projects was approved at the beginning of 2009. Ltd „Dendrolight – Latvia” within the activity has implemented new technology patented by Weing Group to produce glued laminated timber from exotic and other hard wood species. This project can be considered as highly successful due to the global shortage of this product and demand exceeding supply thereof. Main advantages of this product are its density and weight in comparison to other similar materials. Another project with high potential is being carried out by Ltd „Autonams”. In this project company is implementing in production new product - car park management system (AVS) Skybrake F30 where in addition to already used technology DD (Double Dialogue) it is planned to add GSM and GPS technologies. If existing products in this area are more focused on car safety, then the new product will ensure car tracking and data transmission to servers’ network in online mode. 2nd round call of the 2.1.2.2.2.activity will be open till 7 March 2011 and available funding is EUR 53.2 million.

Within 2.1.2.4.activity „High value-added investments” one of the successful participants is Ltd „Dendrolight - Latvia”. Company within the program has completed technology intensive, modern and competitive wood cell material manufacturing plant. Company will use local supplies to offer environmentally friendly and qualitative products with high added value to markets in Latvia and abroad. Another example is JSC „Grindeks” what is building new manufacturing plant with the necessary infrastructure to produce ursodeoxycholic acid.

2.3.3. Entrepreneurship

To improve entrepreneurship and to contribute to the objectives of the EUSBSR priority area 8 “Implementing the Small Business Act: to promote entrepreneurship, strengthen SMEs and increase the efficient use of human resources” within the OP „Entrepreneurship and Innovations” it is planned to promote economic activity and enhance competitiveness by setting up new enterprises and strengthening existing enterprises. There are further plans to facilitate

access to financial resources to enhance business development, at the same time reducing the negative effects of direct State aid on market competition and achieving a more efficient use of State aid assets by exploiting them repeatedly for the business development or applying a multiplier.

Concerning 2.2.1.1.activity „Holding fund for the investment in guarantee, high-risk loans, and venture capital funds and other financial instruments” venture capitalist Imprimatur Capital Seed Fund has supported such enterprise as Ltd „Nano Technologies”, which has patented innovative technology what allows to create nano overlay on different materials what is more solid, thinner and with much faster overlaying process. Another supported project by Imprimatur Capital Seed Fund is Ltd „MolPort” what provides a global trading platform for hundreds of suppliers selling over 8 million of unique chemical compounds for research scientists. In Latvia there also operates a later stage venture capitalist BaltCap, which has invested in corporate media enterprise Ltd „Oobelisk” in 2010. It is intended that Ltd „Oobelisk” will provide to its clients unique corporate media services like audiovisual annual reports and yearbooks and interactive presentations.

Within 2.2.1.3.activity „Guarantees for development of enterprise competitiveness” export credit guarantees have been provided for companies exporting to Russia, Kazakhstan, Israel, Nigeria, Germany, Italy, Finland and other countries. Among companies which have used advantages of export guarantees are chipboard manufacturer Ltd „Bolderaja Ltd” and construction material and construction system supplier Ltd „Knauf” which are exporting to Russia and Belorussia.

Credit guarantees have been issued to new and innovative projects in situations when collateral of the companies has not been sufficient enough to receive loan from a bank. Such guarantees, for example, have been given to JSC „Baltijas Gumijas Fabrika” what is manufacturing rubber compounds and rubber technical products and to Ltd „BAU-HOW Baltics” what is conducting industrial construction.

Under 2.2.1.4.activity „Loans for development of enterprise competitiveness” loan has been provided to Ltd „Dendrolight Latvia” for investments in wood cell material manufacturing plant, what is also funded from 2.1.2.4.activity „High value-added investments”. This is a great example of how one company can receive support in different forms and in different stages meaning that Latvia is on a way to create a complete entrepreneurial environment. An overall investment that has made in manufacturing plant is around 20 million EUR. Ltd „Dendrolight Latvia” within 2.2.1.4.activity has received also loan to increase its working capital.

Within 2.3.1.1.1.activity „Access to international trade markets-external marketing” there have been organized trade missions to such countries as France, Germany, Austria, Brazil, Norway, Sweden, USA, South Africa and Russia. Companies participating in this activity are from such areas like designing, cosmetics, glass manufacturing, electronic devices, architecture services, bakery, metal processing, chemistry and many others. For example, JSC „Sidrabe” participated in nanomaterial exhibition „The 53 SVC Annual Technical Conference” in Orlando, USA, Ltd „BIO Studija” participated in natural and biological product exhibition in London, United Kingdom and Ltd „Aurora Baltika” participated in textile exhibition „Textillegprom” in Moscow, Russia.

Regarding 2.3.1.1.2.activity „Access to international trade markets-strengthening international competitiveness of industry sector” contracts with Latvian Investment and Development Agency (hereinafter – LIDA) and Latvian Tourism Development Agency (hereinafter – LTDA) were signed only in the end of 2010; as a

result activities within this programme will start in 2011. According to submitted applications LIDA plans to organize national stands in such exhibitions as „Subcon – 2011” in the United Kingdom for metal processing industry, „Rosupak” in Russia regarding packaging, „Frankfurt Book Fair” in Germany for printing and publishing industry and LTDA will organize participation in such tourism exhibitions as „ITB” in Germany, „MITT” in Russia, „World Travel Market” in the United Kingdom, „Matka” in Finland and many others. Within this activity it is also planned to organize advertising campaigns abroad and to provide consultations for local entrepreneurs.

Concerning 2.3.1.2.activity „Measures to encourage innovations and business start-ups” most noticeable activity is the business plan competition „Idea Cup 2010”. In 2010 in total there were submitted 677 business ideas. Prize for the first place is 5000 lats. Among winners there were ideas connected to eco-business, equipment and devices to improve functionality of vehicles and other ideas connected with construction industry.

With support from 2.3.2.1.activity „Business incubators” there are established business incubators in different parts of Latvia. As particularly successful can be considered to be Creative Incubator in Riga where in incubation process there are many innovative companies. One of them is Ltd „ARTBag” what has specialized in individual design bag manufacturing and it is possible on company’s web page for costumers to create their own desired bags. Another example from the same incubator is Ltd „AnnaHouse” what only recently has started its activities. The company is providing new product - cardboard houses for children. Within Jelgava Business Incubator there are operating such successful companies as Ltd „E-Tag” what provides services connected to internet safety and users’ identification. It is important to point out that Ltd „E-Tag” has received also venture capital investment from venture capitalist Imprimatur Capital Seed Fund. Another company which is currently incubating in Jelgava Business Incubator is Ltd „Hygen”. This particular company has developed compressed gas charging device for vehicles what can be used in households.

Within 2.3.2.2.activity „Co-financing to the investments in micro, small and medium-sized enterprises operating in the specially assisted areas” support has been given to Ltd „Baltijas Floristika” to make various floristic products out of dried plants and to export them to collaboration partner in Germany. Another example from this programme is Ltd „DESTRA-LABEL” what has used funding to produce weaved labels, emblems and calendars.

2.3.4. Human resources

To support the development of human resources and to contribute to the objectives of the EUSBSR priority area 12 “To maintain and reinforce attractiveness of the Baltic Sea Region in particular through education, tourism and health” it is planned to ensure up skilling and retraining of enterprise employees, to improve the competitiveness of people at risk of unemployment and to enhance knowledge and entrepreneurship skills of business start-ups, thus solving unemployment problems on the basis of successful economic development. For the implementation of training and qualification rise of enterprise employees also it is planned to attract the foreign experts and lecturers therefore promoting the adoption of best practice in the Baltic Sea Region. Similarly, it is planned to increase the capacity of personnel of health care and health promotion institutions enhancing the professional skills and

competence of employees. The trainings and measures for exchange of experience for medical personnel also in foreign countries will be performed thus promoting the spread of knowledge and best practice between EU member states. Within 1.3.1.1.4 activity „Support to training for employed for enhancing competitiveness of enterprises - support to individually organized training by enterprises” as one of successful projects can be mentioned the one carried out by „Ventamonjaks serviss” Ltd. Within the programme „Ventamonjaks serviss” Ltd trained its employees in information and communication technologies in order to ensure company with high quality IT services in the future. One more successful project completed with support from this activity is the project realized by „Stendera Ziepjū Fabrika” Ltd. Training of the employees was focused at introduction to aromatherapy, efficient customer service, time management and others. As implementation of the 1.3.1.1.4.activity started in 2008, most of the projects have been finished by 2010.

Another interesting example is 1.3.1.2.activity „Support for self-employment and business start-ups” 260 projects have been contracted. 28% from them are being implemented in the manufacturing sector, 21% in the trade sector and 10% in the health care sector. Regarding regional division, it can be concluded that 41% of all projects are being implemented in Riga where there is the largest density of people and the highest entrepreneurial activity; nevertheless this activity has been addition to boost employment situation in Latgale region as in total 9% of all projects are being implemented in that region. So far within this activity 41% of applicants have been under 25 years or older than 39 years. Regarding success stories within 1.3.1.2.activity as one of them can be mentioned Ltd „Veselības Fabrika”. This enterprise operates in public catering sector and provides only raw goods which have not received any heat treatment. Company aims to fill still underdeveloped niche of healthy eating in Latvia.

In the framework of 1.3.2.3.activity”Enhancement of the competences, qualifications and skills of health promotion professionals” is targeted at raising qualifications in health sector currently undergoing comprehensive reforms. Started in 2008 the project has reached major aims set for the project implemented by the Ministry of Health especially regarding training activities within which 4 451 professionals have been trained throughout Latvia thus fostering competitiveness of the target group.

2.3.5. Health

Within the OP „Infrastructure and Services” it is planned to improve the quality of the health care service to ensure efficient medical treatment process and optimize the number and location of health care providers, perform medical treatment of higher quality thus ensure a faster return of the workforce to the labour market.

Illustratively, in 3.1.5.measure "Health Care Infrastructure" 57 contracts for EUR 125.88 million or 60.7% have been signed. In 2010 payments of EUR 28.30 million or 13.7% have been made to final beneficiaries. In 3.1.5.measure "Health Care Infrastructure" 9 projects were completed, resulting in three Latvian hospitals having already begun radiotherapy treatment for oncology patients. A similar project in Liepāja Regional Hospital soon to be completed as well. Within the same measure infrastructure in six hospitals also has been improved. Within 3.1.5.2.activity “Development of Emergency Medical Assistance” project a single emergency medical and disaster medical management information system and ground control will be created till the end of 2012. In 3.1.5.3.activity “Development of providers of

stationary health care” it is planned to improve the infrastructure of 46 hospitals till the end of 2013. In 3.1.5.3.1.sub-activity "Development of Stationary Health Care" 23 contracts have been signed, as well as one project was completed in 2010, resulting in Olaine health centre adapted for disabled persons and the energy efficiency of the centre improved.

2.3.6. Education

To improve the quality and accessibility of education and to contribute to the objectives of the EUSBSR priority area 12 “To maintain and reinforce attractiveness of the Baltic Sea Region in particular through education, tourism and health” within the OP „Human Resources and Employment” it is planned to increase the proportion of students in vocational programs, to promote conformity of vocational qualification with labour market demands and to strengthen the competence of educators involved in vocational education. Also it is planned to support the improvement and implementation of primary vocational education program quality, promoting the attraction of primary vocational education by giving grants to students, to encourage lifelong learning, sustain research in the educational field and to improve the education accessibility for young people groups at risk of social exclusion, and development of inclusive education.

Within the support measures for research in educational field participation, Latvia in the international research will promote development of education policy based on good practices and internationally comparative education indicators taking into account results of other countries.

An illustrative activity is 1.2.2.1.5 “Promotion of educators’ competitiveness within optimization of the education system”. This activity aims at increasing the teachers’ competitiveness and professional and sectorial mobility. ESF support for teachers is targeted in three directions: Support for training to develop skills and knowledge necessary for professional and sectorial mobility out of the education system. Educational supply includes development of skills for running the business, beginning self-employment, excluding pedagogical competencies.

The activity is especially remarkable for the large number of participants, namely 12 300 teachers supported in 2010. The total number of teachers to be involved in the activity in 2013 is 17 400 – thus considerably contributing to capacity building and optimization of the system. During the year 2010 considerable progress has been achieved. 12 300 teachers have taken part in project until 31.12.2010. It is 70.7% of OP complement target for year 2013. Comparatively, 8 445 teachers had taken part in November - December 2009.

In 1.2.1.1.4.sub activity “Promotion of Primary Vocational Education Attraction” 31 983 students have received scholarship within the activity which equals 63.73% of all the students studying at the vocational schools. In 2010 there were 97 vocational education establishments that participated in the above mentioned project, including 8 private vocational education establishments. The project ensures that the attraction of the vocational education programs is promoted and it creates preconditions to increase the proportion of those youth who obtain the vocational education and qualification. In 2010 42% of those students who graduated the elementary schools chose to continue their studies in the vocational education field,

but in the comparison, five years ago this number was only 30%. Therefore one can say that due to the targeted work the value of the vocational education has been increased in the eyes of the youth and one of the ways how to strengthen it is with this project. The main target audience of this project is students who obtain their education in one of the initial vocational education programs in an accredited state, local government or private vocational education establishment. Furthermore, the conditions to obtain the scholarships are equal for all the students, regardless the establisher of the vocational education institution.

The OP „Infrastructure and Services” also adds to Education priority and it is planned to ensure efficient use of human capital as the most substantial resource in the Latvian economy, to increase competitiveness and employment indicators by improving infrastructure and equipment in education systems and by providing higher quality services to the society.

Regarding illustrative examples, in 3.1.3.1.activity Provision of Appropriate Material Supplies Required for the Implementation of High-quality Natural Science Programmes no new contracts have been signed in 2010 (total in activity 114 contracts for EUR 26.21 million or 99.9% of available EU co-financing for activity have been signed till the end of 2010). After implementation of all the planned projects in 225 educational facilities, quality of education in natural sciences at general secondary educational level will be improved. In most of educational facilities repair works have been finished and necessary procurement procedures for purchase of equipment and furniture have been launched. In 2010 payments of EUR 6.40 million or 24.4% have been made to final beneficiaries.

In 3.1.3.3.1.sub-activity Improvement of Infrastructure and Equipment in Special Educational Establishments 32 contracts for EUR 3.28 million or 26.1% and payments made for financial amount of EUR 2.19 million or 29.0% . In total in activity 44 contracts have been signed for EUR 7.14 million or 93.4% and payments made for EUR 2.62 million or 46.5% of available EU co-financing for sub- activity till the end of 2010. In 2010 within this activity 3 projects have been finished- infrastructure and learning environment for students with special needs has been improved in 3 special educational facilities.

2.3.7. Energy

To improve the energy sector and to contribute to the objectives of the EUSBSR priority areas 5 “To mitigate and adapt to climate change” and 10 “To improve the access to, and the efficiency and security of the energy markets” within the OP „Infrastructure and Services” it is planned to promote efficient heating systems in renovating district heating or combined heat and power facilities and to promote energy efficient housing in the residential sector and public buildings, and to increase the usage of renewable energies.

Specifically, in 3.5.2.1.activity Development of Cogeneration Power Plants Utilising Renewable Energy Sources 10 contracts for EUR 30.40 million or 62.2% of available EU co-financing for activity have been signed and payments of EUR 4.78 million or 9.8% of available EU co-financing for activity have been made to final beneficiaries.

In 3.5.2.1.activity Measures Regarding the Increase of Efficiency of Centralised Heat Supply Systems 11 contracts for EUR 9.53 million or 15.8% of available EU co-financing for activity have been signed and payments of EUR 3.27 million or

5.4% of available EU co-financing for activity have been made to final beneficiaries. Until the end of 2010 1 project in Rezekne has been finished.

In 3.4.4.2. activity Improvement of Heat Insulation of Social Residential Buildings 59 contracts for EUR 7.38 million or 74.9% of available EU co-financing for activity have been signed and payments of EUR 1.35 million or 13.7% of available EU co-financing for activity have been made to final beneficiaries. Until the end of 2010 insulation of 9 social residential buildings was improved.

Finally, in 3.4.4.1. activity Improvement of Heat Insulation of Multi-apartment Residential Buildings 117 contracts for EUR 8.18 million or 13% of available EU co-financing for activity have been signed and payments of EUR 0.75 million or 1.2% of available EU co-financing for activity have been made to final beneficiaries. Until the end of 2010 insulation of 14 residential buildings was improved.

2.3.8. Transport

To improve the transport sector and to contribute to the objectives of the EUSBSR priority area 11 “To improve internal and external transport links” within the OP „Infrastructure and Services” it is planned to foster development of high-quality, safe transport infrastructure integrated in the common transport system of the Eurasia that would facilitate national economic growth, accessibility of the country as a whole and its separate areas as well as development of environmentally sustainable transport systems.

Moving to illustrative examples - within 3.3.1.1. activity Improvement of the TEN-T Road Network Two major Cohesion Fund projects “E22 Section Riga Bypass – Koknese” and “E22 Section Ludza - Terehova (A12)” were approved and are under implementation. The projects include construction and reconstruction of the national main roads with the total length of 81.46 km. Till now the reconstruction of the road section Nirza – Ploski with the total length of 9.74 km and the reconstruction of the road P5 section Ulbroka - Ogre (11.90 - 20.54 km) and road P80 section Tinuzi – Koknese (0.00 – 5.12 km) with the total length of 13.76 km are completed. Two project selections stages are carried out and 25 projects are selected and approved. Projects will be implemented during years 2010. - 2013.

Within Activity 3.3.1.2 Reconstruction and Development of the TEN-T Railway Segments (Development of the East-west Rail Corridor Infrastructure and Rail Baltica) the major Cohesion Fund Project “Construction of Parallel Railway Track in Section Riga-Krustpils” is commenced. In the railway section Riga-Krustpils next to the existent railway track it is planned to construct new second railway track with the total length of 52 km from Skriveri to Krustpils and to equip this section with modern microprocessor centralization system. Within the project it is planned to construct new bridge over the river Aiviekste, to reconstruct hotbox control points and hotbox meters, to modernize automatic block devices and electric supply devices. One more project selection stage is carried out and the following projects are selected and approved with respect to reconstruction of Riga railway junction: “Construction of new Bolderāja-2 Station with an access track to Riga Port terminals in Krievusala”, “Renovation of the hump of Skirotava marshalling yard”, “Installation of common micro-processor signalling, interlocking, telecommunication and power supply system for the stations Zaslauks, Lacupe, Bolderaja and Bolderāja-2”. (In total till the end of 2010 within activity contracts have been signed for all available EU co- financing in activity and payments made to final beneficiaries for EUR 27.13 million or 20.8% of available EU co- financing in activity).

Within 3.2.1.2.activity Improvement of Transit Streets in Cities 24 contracts for EUR 61.76 million or 85.8%. In 2010 payments have been for EUR 12.25 million or 17.0%. In 2010 19 new projects have been approved of a total street reconstruction amount of 43,71 km. (In total till the end of 2010 26 contracts have been for EUR 67.43 million or 93.7% have been signed and payments of EUR 13.22 million or 18.4% have been made to final beneficiaries of available EU co-financing for activity).

2.3.9. Environment

To improve the preservation of the quality of environment and to contribute to the objectives of the EUSBSR priority areas 1 “To reduce nutrient inputs to the sea to acceptable levels”, 2 “To preserve natural zones and biodiversity, including fisheries” and 3 “To reduce the use and impact of hazardous substances” within the OP „Infrastructure and Services” it is planned to use natural resources rationally and reduce environmental pollution respecting the “Polluter pays” principle, in order to protect the health of the society and ensure sustainable development. Meeting requirements and objectives of the EU legislation pertaining to environment protection, rehabilitation of contaminated sites and prevention of environmental risk will not only make individual parts of the country’s territories more attractive to investors and visitors but will also guarantee residents the required quality of life.

Regarding illustrative examples - within 3.5.1.1. activity Development of Water Management Infrastructure in Agglomerations with more than 2000 residents in 2010 3 projects have been finished, as a result of which 21 136 persons have an opportunity of connection to water system. At the same time investments in the improvement of sewerage system performance has increased service availability by 0.2%. The activities for increasing the availability of water supply service have increased coverage (service availability) by 0.8%. Major contribution in the field of water pollution reduction and rational use of water resources has been achieved by the implementation of the water management infrastructure projects in three cities - Priekule (Venta River basin), Kraslava and Balvi (Daugava River basin).

Within 3.5.1.2.1.sub-activity Remediation of with Legislation non-complying Dumpsites no new contracts have been signed in 2010, but the financial amount of contracts due to decrease of the project costs has reduced by EUR 4.26 million or 21.77% Till the end of 2010 27 contracts for EUR 4.77 million or 24.3% of available EU co-financing for activity have been signed and payments of EUR 2.63 million or 13.4% of available EU co-financing for activity have been made to final beneficiaries. In 2010 23 dumpsites non-compliant with the requirements of environmental protection have been remediated. Environmental contamination is prevented in nature and consequently threat to public health by remediation of with legislation non-complying dumpsites in area of 33.3 ha.

In 3.4.1.5.1.sub-activity Reduction of flood risks in Jekabpils and Plavinas cities 2 contracts for EUR 3.97 million or 39.7% of available EU co-financing for activity have been signed and payments of EUR 1.02 million or 10.2% of available EU co-financing for activity have been made to final beneficiaries. Financial progress within the activity occurred solely in 2010.

2.3.10. Information and Communications technology (ICT)

To improve the ICT sector and to contribute to the objectives of the EUSBSR priority area 11 “To improve internal and external transport links” within the OP „Infrastructure and Services” it is planned to promote the development of an information society and knowledge-based economy, including to improve the efficiency of Public Administration, to facilitate the development of e-services, information systems and integration, to promote accessibility of information and services by facilitation of accessibility to Internet and broadband network infrastructure, thus increasing the general population’s opportunity to participate in different social processes.

Regarding illustrative examples, in 3.2.2.1.1.sub-activity Development of Information Systems and Electronic Services 11 contracts were signed for EUR 22.72 million or 16.5%. In 2010 payments for EUR 12.19 million or 8.8% of available EU co-financing were made to final beneficiaries (in total till the end of 2010 44 contracts have been signed for EUR 83.82 million and payments made for EUR 12.96 million).

In 3.2.2.1.2.sub-activity Informatisation of Educational Institutions 39 contracts have been signed for EUR 3.33 million or 19.2%. In 2010 payments have been made for EUR 10.65 million or 61.4% (In total till the end of 2010 111 contracts have been signed for EUR 14.44 million or 83.2% and payments made of EUR 13.17 million or 76.0% of available EU co- financing of sub- activity).

Within 3.2.2.1.1.sub-activity Development of information systems and electronic services, sectors such as: health care, employment and social protection, culture and other will be reached. Also information systems that are envisaged for all or several public administration institutions, through the provision of compatibility and integration of these systems will be developed and improved. Within implementation of ICT projects till the end of 2012 270 e-services will be available.

2.3.11. Tourism

To improve the tourism sector and to contribute to the objectives of the EUSBSR priority area 12 “To maintain and reinforce attractiveness of the Baltic Sea Region in particular through education and youth, tourism, culture and health” within the OP „Infrastructure and Services” it is planned to strengthen the position of Latvia as a tourist destination and to increase competitiveness, creating favourable conditions for complex development of tourism products and services of national importance.

Some illustrative examples - in 3.4.2.1.1.sub-activity Maintenance and Renewal of Town Planning Monuments of National Importance and Infrastructure Adjustment to Develop a Tourism Product 21 contracts for EUR 11.38 million or 99.4% of available EU co-financing for sub-activity have been signed and payments of EUR 2.70 million or 23.2% of available EU co-financing for sub-activity have been made to final beneficiaries. In 2010 two projects in Ventspils “Renewal of Ventspils historical centre developing tourism” and in Daugavpils “Renewal of dominant of Daugavpils historical centre – the Unit house” have been finished. As a result two tourism routes within the town planning monument of national importance have been developed.

In 3.4.3.2.activity Renovation of Objects of Important Cultural and Historical Heritage 1 contract for EUR 1.69 million or 18.55% has been signed within which the following actions are planned: reconstruction of the Artillery Arsenal building in order to establish the Rothko Art Centre in Daugavpils; reconstruction and renovation

of the castle of the Livonian Order in Ventspils and establishment of its exposition in order to promote its identification and economic growth, and to turn it into a tourism and cultural heritage centre by using modern technologies and innovative information delivery ways; restoration of the historical Bangert's villa in Kuldiga – turning it into a history, research, art and restoration centre, providing new and innovative museum services while maintaining its value of cultural heritage; the second stage of reconstruction of the Bauska Castle. So far no payments to final beneficiaries have been made.

2.4. The EUSBSR strategy's complementarity with other financial instruments.

The Ministry of Finance of Latvia holds the Managing Authority's position also for the Swiss-Latvian Cooperation Programme, European Economic Area, and Norwegian Financial Mechanisms. Some of the projects supported by these financial instruments are in line with the EUSBSR. In order to achieve complementarity and avoid direct overlapping there is a twofold risk assessment and control of the funding carried out on a monthly basis.

2.4.1. Swiss-Latvian Cooperation Programme

Within the Swiss-Latvian Cooperation Programme 2007-2012 one of the four main priority sectors is „Environment and infrastructure”, in which following activity has been chosen to be financed – “Remediation of historically polluted sites”. One individual project will be implemented during the period 2011-2017 “Remediation of historically polluted areas in Sarkandaugava” with the total financing 15.3 million CHF (~19.8 million EUR) including 15% national co-financing. The objective of the project is to achieve improvement of soil, ground, groundwater and surface water quality, as well as to restore and improve environmental quality of polluted areas in Sarkandaugava, to eliminate danger to human health. It is planned to remediate pollution in the area of 77'000 m² and to prevent the flow of pollution from ground of polluted areas into the Sarkandaugava channel and further into the Daugava River and the Baltic Sea. Prior to commencement of the project two studies were carried out (during 2010 one was finished, but the second one nearly started) to obtain the necessary data on the specific historically polluted area. Based on study results the character, scope and localization of pollution will be determined, rehabilitation technologies will be evaluated and financial – economic analysis will be carried out.

2.4.2. European Economic Area and Norwegian Financial Mechanisms

Under the European Economic Area Financial Mechanism 2004-2009 one of the priority sectors was “*Academic research*”. The priority was implemented in the form of a block grant with the total financing of 514 400 EUR including 12.47% national co-financing. The goal of the block grant was to contribute to the human resources development, education and research supporting scientific studies, as well as supporting cooperation and partnerships among researchers of Latvia and EEA-EFTA states. Target groups were Latvian scientific institutions carrying out academic research in different fields corresponding with following priorities - health, protection of the environment, sustainable development, human recourse development and education. Within two open calls 17 subprojects were approved, all subprojects continued implementation in 2010. The main results achieved are:

- questionnaires and research in specific areas (for example, environment, health, working place) carried out;

- research methods developed;
- educational and informational materials for target groups provided;
- bilateral relations through exchange of experience visits from Latvia to the universities of Norway and Iceland and vice-versa promoted.

Under the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism 2004-2009 the priority sectors “*Protection of the environment*” and “*Sustainable development*” were supported. During the year 2010 in these sectors 12 individual projects with total funding 4.15 million EUR and a programme “*Environmental Policy Integration Programme in Latvia*” with total financing 6.7 million EUR, all including at least 15% national co-financing, continued their implementation. Individual projects were focused on encouraging the use of renewable energy, improvement of monitoring systems of pollution, especially from agricultural activity, development of electric and electronic equipment waste management systems, reduction of CO₂ emissions, use of alternative energy extraction technologies, competence building in the field of sustainable development and use of resources, increased natural resources management and efficient use of them. The direct target groups to be impacted in the result of implementation of individual projects within both priorities are public institutions and NGO performing in environment sector, municipalities and private companies. All projects shall be completed by the end of April 2011. The main benefits achieved will be as follows:

- improvement of the long-term maintaining of environment quality;
- introduction of the new testing possibilities regarding important environmental contaminants;
- facilitation of further possibilities for determination and evaluation of important environmental pollutants;
- increased capacity of municipalities, environmental NGOs and owners of protected areas in the elaboration of nature protection plans;
- development of social dialogue between tourism and environment facilitating development of green tourism and reducing negative impact on environment;
- transfer of knowledge to broader target groups and thereby facilitating the development of aquaculture system in Latvia;
- sustainable development and usage of Natura 2000 territories - elaboration of nature protection plans for municipalities as a tool for better management and development of territories of Natura 2000 territories;
- facilitation of communication and understanding between public institutions, NGOs, stakeholders, forest owners and other involved persons;
- strengthening of sustainable development of the nature park’s area;
- increased level of the society’s understanding about environmental issues, environment protection and sustainable development;
- decrease of heating costs and reduction of maintenance costs within the municipality by installation of ground source heating systems and insulation of buildings.

The purpose of the programme “*Environmental Policy Integration Programme in Latvia*” was to strengthen interdisciplinary research and policy analysis, promoting multi-stakeholder involvement and sustainable solutions with the overall objective of promoting sustainable development in Latvia by reinforcing the institutional capacity for environmental policy integration. Target groups were public, regional and local institutions and their employees, scientific and research organizations, NGOs and entrepreneurs, environment specialists, and general society as a target and user of the

product and services. Within the programme's two open calls for sub-measures "Multidisciplinary research and capacity building for environmental policy integration" and "Environmental technology and eco-innovation" 16 subprojects were approved and all of them continued implementation in 2010. Different policy integration, evaluation and communication tools and methods were developed in different fields of sustainable development (for example, construction, air quality control, waste management, and effective use of recyclable raw materials). Subprojects are concrete contribution in the field of energy efficient technology solutions improving purification of waste water, recycling of non-ferrous metals and recycling of production waste. The main activities of subprojects took place during 2009-2010. The main results achieved are:

- proposals for improvement of environmental standards developed;
- questionnaires and researches in specific environmental areas carried out;
- international cooperation promoted;
- entrepreneurship promoted, for example, technical specifications and different documentation in the environmental technology area developed, homepage for entrepreneurs acting in environmental area created;
- society informed about environmental questions;
- specific production and processing equipment purchased.

2.5. Technical assistance used to support the coordination of the EUSBSR implementation

Within the framework of technical assistance of the OP the managing authority has participated in two international meetings and an international forum in line with the implementation of the EUSBSR strategy and action plan.

2.5.1. International meeting Implementation of the EU Strategy for the Baltic Sea Region

On 31 May, 2010 representatives from Managing Authority participated in the international meeting „Implementation of the EU Strategy for the Baltic Sea Region”, that took place in Lithuania. Objective of this meeting was to discuss and exchange with information regarding Lithuania experience in implementation of EU Strategy for the Baltic Sea Region, Cohesion Policy Convergence objective programmes support for previously mentioned strategy, as well as the possible attraction of other finance instruments for implementation of EU Strategy for the Baltic Sea Region objectives.

2.5.2. Baltic Development Forum

On 1-2 June, 2010 representatives from Managing Authority took part in another event – “Baltic Development Forum” in Lithuania. The objective of this forum was to discuss the Baltic Sea Region development possibilities, strengthening of competitiveness and cooperation among countries of the region, as well as investment of EU Strategy for the Baltic Sea Region, EU 2020 strategy and other EU policies and strategies in region development.

2.5.3. ESF Baltic Sea meeting

On June 15 and 16, 2010 Latvia participated in the ESF Baltic Sea meeting that was held in Vilnius, Lithuania. The aim of the meeting was to discuss the implementation of employment promotion and unemployment prevention measures funded by ESF that have been carried out in the Baltic Sea countries in response to the consequences of the economic and financial crisis.

Latvia, Lithuania, Estonia, Poland, Finland and Sweden shared their experience on the implementation of ESF program for economic growth and discussed the opportunities for future actions that must be taken to give a support in the crisis, when the level of welfare has decreased significantly and the level of unemployment has peaked.

The ministers of welfare and social affairs of Latvia, Lithuania and Estonia also visited the meeting. The ministers acknowledged that in the current economic situation the ESF is a particularly important tool that must be used to promote the growth of employment as well as social inclusion, thereby contributing to the prevention of negative consequences caused by crisis and to the rise of prosperity level.

At the end of the meeting it was concluded that countries must use the ESF funding in an effective way in order to solve the employment issues and to stimulate the economic activity, particularly when national resources are limited. And it is very important for the Baltic Sea countries to share their experiences on the actions for crisis management using ESF and to promote the spread of best practice, because social and economic problems in the Baltic Sea region countries are quite similar. Taking into account the prospects mentioned above, it was decided to continue the ESF Baltic Sea meeting network.

2.6. EUSBR related publicity and information measures

Information regarding the EU funds contribution to the EUSBR implementation is included within annual reports on implementation of the OPs. Information is available on the EU funds homepage <http://www.esfondi.lv>.

Information regarding available support within the EU structural funds Objective 1 “Convergence” is available on homepage of Ministry of Foreign Affairs of the Republic of Latvia (<http://www.mfa.gov.lv/lv/eu/sadarbiba-baltijas-juras-regiona/bjs/>).

EU structural funds, as the mechanism for reaching goals of EU Strategy for the Baltic Sea Region and thereby, importance of EU structural funds financing for this strategy implementation is mentioned in book “EU Strategy for the Baltic Sea region: a year after and beyond” (editors: Ž.Ozoliņa, I.Reinholde, T.Rostoks) published in 2010.

Conclusions

Overall, there is a notable complementarity between the projects from activities of the three Operational Programmes of the Convergence target and the European Union Strategy for the Baltic Sea Region with more than EUR 548 303 547.26 from ERDF, ESF, and CF funding or 12.10% of the total EU funds allocation for the programming period 2007-2013 contributing to the priority areas of the EUSBSR in 2010.

Priorities of OPs that give the largest financial contribution to the EUSBSR are transport and environment, with EUR 202 454 107 and 110 180 002 respectively. Transport priority provides its substantial contribution to the EUSBSR priority area

11 “To improve internal and external transport links”, while environment priority is linked with the EUSBSR priority areas: 1 “To reduce nutrient inputs to the sea to acceptable levels”, 2 “To preserve natural zones and biodiversity, including fisheries” and 3 “To reduce the use and impact of hazardous substances”

Activities from the Swiss-Latvian Cooperation Program, Norway and EEA Financial Mechanisms have also proven to possess a significant complementarity with the priority areas of the EUSBSR.

In 2010 technical assistance was used for participation in significant events in line with the implementation of the EUSBSR strategy and action plan.

The necessary steps have been taken to inform Latvian society about the EUSBSR and a further work in actualizing the new information is to be done in 2011.

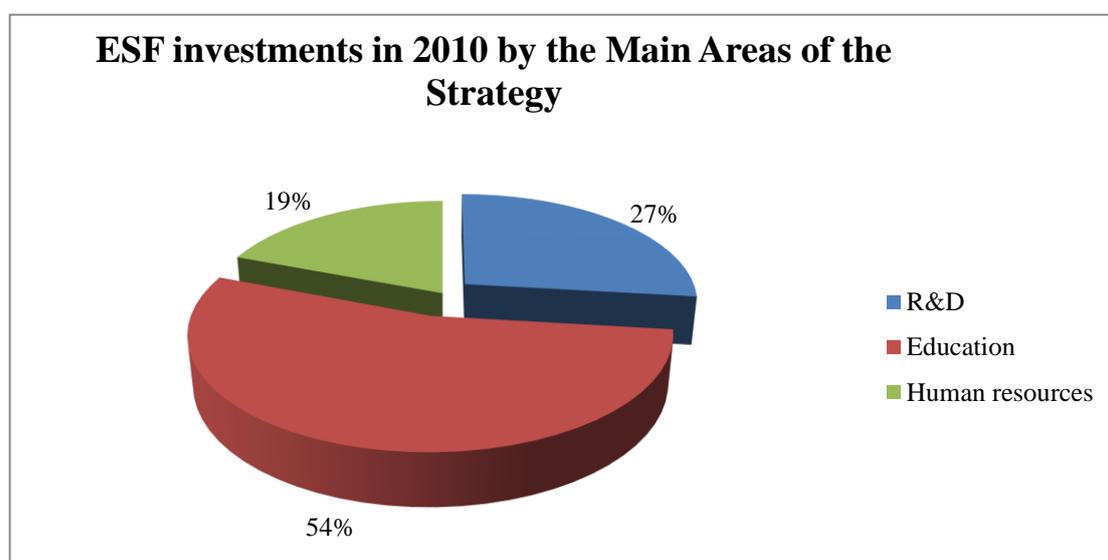
Annex 1

Country Latvia			
Convergence			
Programmes (“Human Resources and Employment”, „Entrepreneurship and Innovations”, and „Infrastructure and Services) 2007/2013			
Main Priority areas of the strategy	ERDF amount of projects in link with the Strategy ⁴	ESF amount of projects in link with the Strategy	CF amount of projects in link with the Strategy
R&D	135	66	
Education	276	71	
Human Resources		68	
Innovation	196		
Entrepreneurship	500		
Health	66		
Transport	175		7
ICT	155		
Environment	176		119
Tourism	30		
Energy	171		21
Total	1880	205	147
Total (ERDF, ESF, CF)	2232		

⁴ Selection criteria – Projects with termination date starting from 01.01.2010. with valid contracts signed until 31.12.2010.

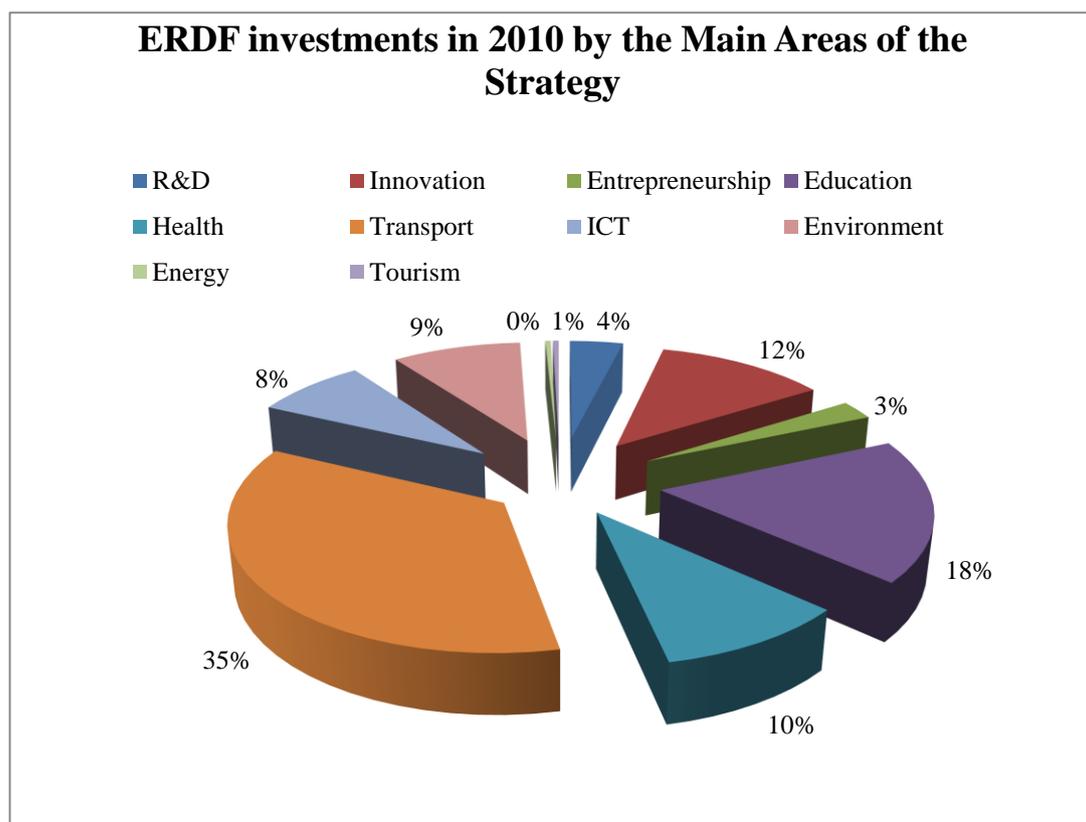
2.1) Share of ESF investments contributing to priority areas of the strategy
(sum of projects contributing to the strategy)

The Main priority areas	ESF amount, EUR
R&D	12 474 989,32
Education	25 056 162,25
Human resources	8 925 582,74
Total	46 456 734,31



2.2) Share of ERDF investments contributing to priority areas of the strategy
(sum of projects contributing to the strategy)

Main priority areas	ERDF amount, EUR
R&D	10 813 344,00
Innovation	34 459 569,38
Entrepreneurship	7 048 972,99
Education	51 514 201,50
Health	28 302 478,61
Transport	99 996 325,90
ICT	22 390 527,44
Environment	26 127 707,84
Tourism	1 151 419,66
Energy	1 129 145,96
Total	282 933 693,29



2.3) Share of Cohesion Fund investments contributing to priority areas of the strategy (sum of projects contributing to the strategy)

Main priority areas	CF amount, EUR
Transport	102 457 782,96
Energy	6 275 334,09
Environment	110 180 002,64
Total	218 913 119,68

