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THE SUSTAINABILITY OF LATVIA'S DEVELOPMENT PLAN

The study analyses the situation as of May 13, 2004

UDK 33 (474.3)
Br 620



This study has been prepared as part of the Centre for Public Policy PROVIDUS Public Policy Fellowship Program, which is financed by the Soros Foundation – Latvia, the Open Society Institute Justice Initiative Program (*JII*), and the Local Government and Public Service Reform Initiative (*LGI*).

The author takes full responsibility for accuracy of the data.
The study is available in Latvian and English on the Internet: www.politika.lv
or www.policy.lv

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ISBN 9984–751–65–1

EXECUTIVE SUMMARY

After joining the European Union (EU), Latvia will have access to at least 625 million EUR from EU Structural Funds. These resources are undoubtedly a huge asset to Latvia and can contribute significantly to the country's development. They inspire hope that Latvia will more quickly approach a West European standard of living. However, there are two questions that raise concern: 1) Will Latvia be able to take advantage of this financial aid? There are doubts about the professional skills and capacity of the responsible institutions and those submitting projects to ensure that these funds are received on time; 2) Will money from the Structural Funds be distributed transparently and fairly? In other words, there are suspicions about corruption and lack of transparency – nourished by the way that foreign funds were misused in Latvia's not so distant past. These are very important questions. They do not, however, negate the fact that the Structural Funds will have a positive effect on Latvia. Should the guiding principle for obtaining these resources be “faster and more”? Does an influx of huge resources automatically mean improvements for a country?

This study argues that the Structural Funds can also entail risks to sustainable development. The study will examine the potential effects of the Structural Funds on sustainable development in Latvia. It will also examine public participation in planning, implementation and monitoring of the funds, since public participation is one of the main preconditions for sustainable development.

Concerns about the possible negative impact of the Structural Funds on sustainable development arise from previous experience with use of EU Pre-Structural or Pre-Accession and Structural Funds both in the candidate countries, including Latvia, and in the EU Member States. This experience reveals three groups of problems connected with exploitation of the Structural Funds:

- Negative impact on environmental and social capital.

Experience shows that the concept of sustainable development is included in planning documents, but that it is rarely applied in practice. Implementation of the ISPA transportation and the SAPARD programs showed that the principles of environmental

protection are often disregarded. And international experience shows that a strategic assessment of the environment is carried out only in some countries.

- Poor public participation.

Lack of public participation has increased and promoted opportunities for corruption. The main reason for insufficient public participation has been the time that this requires, which is why it is considered to be an obstacle to speedy preparation of documents. Another reason is that not enough time is allowed for submitting comments. NGO participation in Monitoring Committees has also been poor.

- Weak institutional capacity for ensuring efficient and democratic use of the funds.

The responsible government institutions lack fund management skills. This problem is exacerbated by the inertia of the government apparatus. It has also become apparent that the requirements of national legislation are frequently ignored. Projects are carried out according to the principle "get as much money as possible," and cheaper alternatives are not even considered.

The study suggests a number of reasons for these problems and for why they can prove to be detrimental to the positive impact of the Structural Funds on sustainable development in Latvia:

- in the institutions responsible for Structural Fund management, bureaucratic thinking (measure → strategy) dominates over strategic thinking (strategy → measure);
- applicants are poorly informed about sustainable development, and if they are sufficiently well informed, they lack the resources to eliminate potential problems;
- relatively large sums of money must be spent in a short period of time.

After analyzing these problems and their causes, the study recommends measures that could eliminate or reduce negative effects during the current Structural Fund programming period (1999–2006) and during the next one (2007–2013):

- greater public participation must be ensured in planning, implementation and monitoring of the funds;
- a special sustainable-development working group must be set up to monitor the compliance of plans and projects with the goals of sustainable development;
- SF horizontal goals must be incorporated into the criteria for project selection;
- before projects are approved, their impact on SF horizontal goals must be assessed;
- responsible institutions and applicants must be educated and informed about sustainable development and about ways to eliminate negative consequences and risks.

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Abbreviations

CEE	Central and Eastern Europe
DP	Development Plan or Single Programming Document
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
EIA	Environmental impact assessment
EMC	Emergency medical care
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross domestic product
ICT	Information and communications technology
ISPA	Instrument for Structural Policies for Pre-Accession
NGOs	Non-governmental Organizations
PHARE	Poland and Hungary Action for the Restructuring of the Economy (later expanded to other EU candidate countries)
PS	Program Supplement
SAPARD	Special Action for Pre-Accession Measures for Agricultural and Rural Development
SD	Sustainable development
SEA	Strategic environmental assessment
SF	Structural Funds
SMEs	Small and medium enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UN	United Nations

1. INTRODUCTION

Latvia joined the European Union in May 2004. One of the main and – even more important – most tangible benefits of membership in this organization in the very near future will be the opportunity to receive money from EU Structural Funds. The basic idea of these funds is promotion of development. To this end, in the next three years Latvia may receive non-refundable aid in the amount of 625 million EUR. In order to receive money from the Structural Funds, the Latvian government has prepared a plan for exploitation of these resources (Development Plan – DP),¹ which sets out the main priorities and on the basis of which EU aid will be granted. Latvia has never before been offered such intensive non-refundable financial aid, and this will no doubt be a significant boost for the national economy. The Structural Funds are a source of optimism for development, Latvia's great chance. It seems that the only questions that arouse concern in connection with the Structural Funds and which are being debated by the government and the public are: 1) Will we manage to take advantage of all the money that we are entitled to? 2) Will the way in which this money is used be honest and transparent? At the same time, it should be kept in mind that Latvia has no experience with the exploitation of such huge resources. Therefore, it is necessary to ask a few more, less tactical questions arising from the bureaucratic labyrinths. This study maintains that Structural Fund resources can also have a negative impact on social development, can pose a threat to the welfare of Latvia's population and deplete our natural resources and diversity.

1.1. Study goals and objectives

The goal of the study is to promote sustainable development in Latvia by providing assessments and recommendations for planning and implementation of EU Structural Funds.

¹ See: Appendix B. Structural Policy.

The objectives of the study are:

- to identify the main obstacles to efficient, SD-oriented use of these funds;
- to assess the compatibility of Latvia's system for planning, implementation and monitoring of Structural Funds with the basic principles of SD;
- to assess DP impact on SD in Latvia and identify the main risks;
- to recommend ways of improving the system for planning, implementation and monitoring of DP and elimination or reduction of potential risks.

Sustainable development

Sustainable development (SD) is development that satisfies today's needs without creating risks for satisfaction of the needs of future generations. SD incorporates a balance between social equity, ecological integrity and economic development. In other words, environmental, social and economic issues are closely linked and must be resolved in conjunction with each other.

For an analysis of SD, three main forms of SD are examined: natural capital, man-made or manufactured capital, and social capital. For the purposes of this study, to better illustrate the characteristics of structural policy, human capital was added to the three main capital forms. Sustainable development exists if the Earth's total accumulation of capital (4 capital forms) remains unchanged or continues to grow. (For more information see Appendix B.)

The study will also serve as a basis for future assessment and monitoring of EU Structural Fund policy. In 2005, work will have to be started on preparation of a new Development Plan for the next programming period from 2007 to 2013. This study could serve as a basis for eliminating earlier deficiencies and problems, and for better incorporation of the principles of SD and public participation into the new plan. It could also help public organizations and all who are interested to improve their involvement in preparation and monitoring of the new plan.

The results of the study will be used to:

- promote sustainability of the Development Plan in the current programming period (2000–2006) and improve the next programming period (2007–2013);

- prepare criteria for the assessment of projects that promote sustainable development;
- ensure transparent and open project implementation and monitoring.

1.2. Experience with pre-accession funds

For at least ten years now, Latvia has been taking advantage of European Union financing for development projects from EU pre-accession or pre-structural funds (PHARE, ISPA, SAPARD, etc.). Since 1991, Latvia has been receiving financing from the PHARE program.² All in all, up to the year 2003, Latvia had received 405 million EUR from PHARE. From 2000 to 2006 Latvia will receive 346 million EUR from ISPA for environmental and transportation infrastructure projects. In the period from 2001 to 2003, Latvia has had access to approximately 22–23 million EUR each year from SAPARD for projects involving rural development, agriculture, rural tourism and agricultural production. All three are EU programs for non-refundable financial support, but they require Latvia to come up with matching grants for a certain part of the required sum. Latvia has also had the opportunity to participate in EU Community Programs, for which the participation fees were usually covered from PHARE funds, and in other EU programs.³

The money from all of these funds has been used to carry out different projects that have had many positive effects on the development of Latvia's infrastructure, restructuring of government institutions, and promotion of civil society. However, the EU pre-accession funds have also received a lot of criticism for their negative impact on the environment and social development, as well as on sustainable development in both Latvia and in the other candidate countries. For the most part, this criticism applies to financial programs that involve development of the infrastructure and economic growth.

In a report on Pre-Structural funds, "Billions for Sustainability,"⁴ that was prepared by Friends of the Earth and the BankWatch Network, the authors draw attention to a number of problems connected with the use of Pre-Structural funds in EU candidate countries, among them Latvia:

² Since 1994, for Cross-Border Cooperation Projects; since 2000, for Social and Economic Cohesion Projects.

³ Leonardo, Youth for Europe, Socrates, Research and Technological Development 5th Framework Program, Culture 2000, Life III, Media Plus, Save, Fiscalis, etc.

⁴ "Billions for Sustainability?" <http://www.foeeurope.org/activities/Enlargement/index.htm> Last accessed on October 6, 2004.

- the principles of environmental protection are frequently ignored (ISPA transportation, SAPARD);
- the concept of sustainable development is included in planning documents, but is rarely applied in practice;
- a strategic assessment of the environment was carried out in only some of the countries;
- the requirements of national legislation are frequently ignored;
- the most inexpensive scenarios are not applied to ISPA environmental projects;
- there has not been sufficient public involvement because it is seen to slow down the preparation of documents;
- not enough time has been allowed for submitting comments;
- NGO participation in ISPA Monitoring Committees is weak.

1.3. Definition of the problem

Now that Latvia has joined the EU, it will continue to receive EU aid, but now this will come from Structural and Cohesion Funds. With the help of these funds, Latvia is expected to undergo economic and social transformation that will bring it closer to the average living standards of EU Member States (measured as per capita GDP). The Structural Funds are the key instrument in this process. This transition period is the best time for introducing new, environment-friendly management methods and improving social welfare, which would ensure progress towards SD.

However, efficient use of the funds also involves a number of risks, which are not connected exclusively with management of the EU Structural Funds, but more with Latvia's public administration and overall policy priorities.

For one, these funds may encourage **corruption and political battles** over financial resources. There is a risk that money from these funds can end up in the hands of politically influential groups and is not used to reach the intended goals. We have already experienced political battles over financial resources during the privatization process.

The second risk involves our questionable **planning skills**. In the past 10 years, Latvia has to a great extent been dependent on foreign donors, which often means that the

goal of plans and projects is to get as much money as possible, but not the resolution of concrete domestic problems. As a result, these resources may be used inefficiently and to satisfy short-term needs.

Thirdly, these funds can be a **threat to the development of social and natural capital**.⁵ The negative impact of SF has already been manifested in the EU Member States. A study commissioned by the European Commission, “The Thematic Evaluation of the Contribution of the Structural Funds to Sustainable Development,”⁶ which analyzes 20 European regions that have received money from the Structural Funds, comes to the conclusion that the SF threat manifests itself in two main ways:

- economic development (man-made capital) basically occurs at the cost of natural capital;
- development of man-made and/or human capital can frequently endanger social capital.

An analysis of the risks connected with the use of EU Pre-Structural and Structural Funds reveals three main problems:

- negative impact of Structural Funds on natural and social capital;
- weak public participation in planning and monitoring of Structural Funds;
- weak institutional capacity for ensuring efficient and democratic use of these funds.

These are conclusions that have been drawn from the experience of EU candidate countries and Member States with EU aid. There is no reason to assume that structural policy in Latvia could differ, since our government strictly follows EU directives and takes over the practices of the old Member States. The World Wildlife Fund also underlines that the resources of the Structural Funds should not be used in the new Member States in the way that they have been used in Greece, Spain and Portugal. There are many examples in these countries showing that SF resources have been used to carry out costly and environment-degrading projects for which there is insufficient economic justification. European environmental organizations are warning the new

⁵ For an explanation of SD capital forms (man-made, human, natural and social) see Appendix B.

⁶ GHK, PSI, IEEP, CE & National Evaluation. The Thematic Evaluation of the Contribution of the Structural Funds to Sustainable Development. Volume 1: Synthesis Report and Volume 2: Concepts and Methods. Brussels (2002).

Member States not to use these funds for building new motorways without considering their impact on the environment and are demanding changes in common agricultural and regional development policies to minimize their negative impact on the environment and ensure improvement of social welfare.

To deal with these problems and to proceed towards SD, a transition is needed to new development, behavioral, production and consumption models in which growing revenues and employment go hand in hand with a decline in the exploitation of natural resources, preservation of biological diversity, reduced pollution and guarantees for social welfare and equality.

1.4. Methodology

This study applied an SD assessment method that has been tried and tested in many countries to evaluate the impact of policies on sustainable development. This method is based on an environmental impact assessment (EIA), which has been broadened to establish the impact of policies on other elements of SD as well, i.e., social environment, economy, and human capital. For the purposes of this study, these four SD elements will be called SD capital forms.

Sustainability assessment can be defined as an institutionalized process for determining, predicting and evaluating a potential activity (law, regulation, policy, plan, program or project) and the possible impact of alternatives on sustainable development.⁷ The final outcome of this process is a report on the results obtained from the sustainability assessment.

In this study, European structural policy in EU Member States and candidate countries and its implementation in Latvia were examined. The study carried out both an assessment of the planning process and a content analysis of the Development Plan itself.

Assessment of the process

When assessing the DP management process, the focus was on public participation and its role in DP preparation, implementation and monitoring processes, to determine their contribution to SD. The following methods were applied to carry out the

⁷ Devuyst, D. Sustainability Assessment: The Application of a Methodological Framework. Brussels (2000).

assessment: interviews with representatives of the responsible institutions and public organizations, media analyses, analysis of national and EU legislation, and an examination of the experience of EU Member States and candidate countries.

Assessment of DP impact on SD

The main task of the analysis of Development Plan content is to assess the plan's potential impact on sustainable development and its four capital forms. This was done by determining:

- the trade-offs – situations in which the resources of one capital form are used to increase another capital form. For example, a situation in which man-made capital is increased at the cost of natural capital;
- the win-win situations – investments in one capital form directly or indirectly ensure an increase of other capital forms;
- the impact of different types of projects (infrastructure, promotion of business activity, development of human resources) on SD.

To assess the potential impact of the Development Plan on SD, the SD matrix assessment method was applied, which was adapted to Latvia's circumstances and situation. The measures and activities mentioned in the DP were arranged in matrix form and their impact on the 4 SD capital forms and criteria was assessed under each capital form (see Appendix B. Sustainable development indicators). Use of the matrix method helps to take a closer look at each one of the SD aspects and assess the impact of different DP measures on SD, but it also makes it more difficult to draw general conclusions about prevailing trends in progress towards SD. Some of the criteria can be quantified; however, the true value of the study lies in the fact that it also includes qualitative criteria, which are extremely important for an assessment of SD.

Using the matrix method and SD indicators, an assessment was made of the potential impact of DP priorities and measures (positive, negative or neutral) on each one of the SD capital forms and on some of their elements. The assessment was carried out by the author with the help of three experts.

1.5. Structure of the study

The first part of the study examines the drafting process of Latvia's Development Plan and public participation at this stage. It also analyzes the planned DP implementation mechanisms and the role of the public in selection, implementation and monitoring of projects.

The second part focuses more on analysis of the plan itself and takes a look at the potential impact of the Development Plan on the 4 SD capital forms (natural, social, man-made and human). This section defines the main trade-offs and win-win situations that appear in the plan, and analyzes the impact of different types of projects on SD in Latvia.

The main conclusions about the plan's impact on SD and about the public participation process are compiled in the third part of the study.

The study includes several appendices in which EU Structural Policy, its context and implementation in Latvia are explained in more detail, and the sustainable development approach that was taken as the basis for this study is described and defined.

2. ASSESSMENT OF DP PLANNING PROCESS AND PUBLIC PARTICIPATION

Public financing (both from EU and Latvian government and local government budgets) is allocated on the basis of the Development Plan. Therefore, in order to ensure efficient use of SF and their positive contribution to sustainable development, it is extremely important to observe the principles of democracy, transparency and partnership in the DP programming, decision-making and project implementation stages. This ensures greater public involvement in these stages, guarantees public feedback and more efficient use of resources.

One of the most important principles for efficient fund management is the partnership principle. Section 8 of EU Regulation 1260/99, which sets out the general rules, principles, definitions, and process of the Structural Funds, provides that programs must be drafted and implemented on the basis of consultations or “partnerships” between the EC and the Member State, and the institutions chosen by the Member State in accordance with national legislation and local needs. The partner institutions chosen by the Member State may include regional or local institutions, economic and social partners (business representatives and trade unions), and other competent institutions (for example, environmental protection, gender equality, minority rights organizations). The EU rules provide an extremely vague definition of partnership and give Member States ample freedom to determine the extent of public participation in planning, implementation and monitoring.

Partnership is also defined in other international instruments that are binding upon Latvia. One of these is the Århus Convention. This convention says that effective public participation must have three main components: (a) access to information; (b) active information of the public; (c) public consultation. In regard to regional planning, it would be wise to add two more components: (d) direct public participation in planning (participation in management working groups and other planning working groups); (e) direct public participation in monitoring of the funds (Management and Monitoring committees).

Experience in EU Member States does show, however, that the partnership principle is given a very narrow interpretation, usually reduced to involvement of government institutions and economic and social partners. The circle of partners that are invited to participate could be much wider, and other potential partners, especially public organizations, should be involved more actively. In this section, we will take a look at how public participation is decided and applied in Latvia in regard to drafting, implementation and monitoring of the Development Plan, at the mechanisms that have been anticipated for planning and management of the funds, and at how they could affect sustainable development.

2.1. Partnerships

In the programming stage, when supplements to the Development Plan and Program and other documents that prescribe the mechanisms for planning, management, monitoring, control and assessment of the funds are drafted, public participation usually takes the form of consultations with the responsible institutions and participation in public hearings.

Public participation in DP planning is within the competence of each individual country. As a result, the public role in SF planning differs from country to country and generally depends on the government's willingness to cooperate and the public sector's readiness to defend public interests. In many of the new Member States, public organizations are not involved in drafting the DP. One positive example is the Czech Republic, where the government has tried to ensure adequate involvement of the public in the early stages.⁸

Although Latvia has a number of regulatory enactments governing the public role in policy planning (for example, the Law on the State System, which provides that the government must consult the larger public when dealing with issues of public importance; several regulatory enactments on territorial planning), there are no laws or regulations that prescribe public participation procedures for the drafting of documents such as the DP.

In Latvia, the partnership principle was defined in the Cabinet of Ministers Guidelines on the System for Management, Monitoring, Assessment and Control of EU Structural Instruments.⁹ This document said that "in order to successfully exploit the EU

⁸ Milieukontakt Oost-Europa. Partnership for Sustainable Development? Report on the Structural Funds Programming Process in Central Europe. Budapest (2004).

⁹ Adopted by the Cabinet of Ministers on March 19, 2002.

Structural Funds, it is important to have efficient cooperation between different levels of public administration (national, regional, local), as well as the understanding and support of non-governmental partners for the priorities and measures co-financed by the EU structural instruments, which is why mechanisms must be provided to ensure the involvement of partners in both planning and implementation of EU support.”

Pursuant to this interpretation of partnership, coordination of DP drafting in Latvia was organized on three levels:

- the first group of partners comprised the responsible ministries and representatives from planning regions, who participate in the DP drafting process on a daily basis and provided input within the limits of their competence;
- the second group of partners comprised the responsible ministries, planning region councils and development agencies, non-governmental organizations and other interested organizations;
- the third group was the largest – the whole of Latvia’s public.

These partnership groups, which are also described in the DP, did not really function in practice, and the institutions in the first partnership group, i.e., the responsible ministries and planning regions, actually had the biggest role in drafting the DP. These were the institutions that were represented in the working groups set up for the purpose of drafting the DP. All in all, there were eight working groups. Three of them worked on the following chapters of the DP (the working groups were headed by Ministry of Finance officials):

- Methodology working group – responsible for working out a methodology for drafting the DP and for approving the individual chapters before these are submitted to the DP Management Group for approval.
- Socio-economic working group – responsible for preparing an analysis of the socio-economic situation.
- Financial working group – responsible for drafting a financial plan.

Five more working groups were set up in addition to these three:

- European Social Fund Priorities working group headed by a Ministry of Welfare official;
- European Regional Development Fund Business and Innovation Priorities working group headed by a Ministry of Regional Development and Local Government Affairs official;

- European Regional Development Fund Balanced Development Priorities working group headed by a Ministry of Regional Development and Local Government Affairs official;
- Financial Instrument for Fisheries Guidance Priorities working group includes interested associations, and all questions connected with this priority are coordinated and reviewed by the Fisheries Advisory Council;
- European Agricultural Guidance and Guarantee Fund Priorities are the responsibility of the Ministry of Agriculture Rural Development Department in cooperation with partner institutions. To coordinate the work, a Rural Development Measures guidance working group was set up under the auspices of the Ministry of Agriculture, with participation of partner institutions.

There were no representatives of public-benefit organizations in these working groups, but there were representatives from planning regions, the Association of Local Governments, and professional associations. The question of SD was not on the agenda of any of these groups. Ideally, there should be a separate working group responsible for the incorporation of SD principles into the DP. Such a working group could provide the basis for a broader discussion between the government and the public sector.

The Ministry of Finance, the Managing Authority,¹⁰ also had a significant role in drafting the plan. The ministry is responsible for drafting and implementation of the Development Plan and the Program Supplements (PS), and for efficient Structural Fund management and use of the aid granted from these funds. This means that the way in which the partnership principle is interpreted in practice depends on the work and transparency of the Ministry of Finance – on its policy regarding access to information and opportunities for public participation.

A Development Plan Management Group¹¹ was set up to coordinate cooperation between the various participating institutions. Due to the change of government in October 2000 that was followed by changes in public administration structures (the office of Special Assignments Minister for the Reform of Public Administration was eliminated and several new ministries were established), the members of the Manage-

¹⁰ In accordance with the February 5, 2002 Cabinet of Ministers Decision No. TA-216 on the Distribution of Institutional Responsibility for Management of the European Union Structural Funds and the Cohesion Fund.

¹¹ Cabinet of Ministers Order No. 134 on the Development Plan Management Group (March 4, 2003). Initially set up pursuant to Cabinet of Ministers Order No. 134 (2000).

ment Group also changed. They now include representatives from all of the ministries, the Bank of Latvia, the State Chancellery, Regional Planning Councils, the Association of Latvian Local Governments and the Central Bureau of Statistics – altogether 24 persons. The functions of the Management Group include monitoring and guidance of work on DP and PS, and the preparation of human resources for management, monitoring, assessment and control of the EU structural instruments. Representatives of public organizations were not included in the Management Group. Nor was the SD Council, which was set up in the summer of 2002 to coordinate the implementation of Latvia's SD guidelines, informed about work on the plan or involved in its preparation. However, this is partly due to the fact that this council is simply a formal institution and does not get involved in reviewing any other issues either.

Admittedly, the Ministry of Finance had the main role in drafting the Development Plan. A significant contribution was also made by the ministries, the development agencies of planning regions, the Association of Latvian Local Governments, the Association of Latvia's Free Trade Unions, and the Latvian Employers Confederation. However, the participation of local governments, professional associations and public organizations has been minimal.

Access to information

One of the main preconditions for effective public participation and application of the partnership principle, is access to information. This can be passive information, available on demand, or active information, which is actively distributed. In Latvia's case, both forms of information distribution were applied.

Information about drafting of the DP could be obtained from the responsible institutions, and passive information was also made public through Internet websites. After beginning of the public debate on the DP in September 2002, the Regional Policy and Planning Office published the draft DP on its website. This website also contains other information, for example, the Strategic Environmental Assessment, the Ex-ante Assessment, information on EU regional and structural policies, as well as links to EC directives and guidelines. During the time of the public hearings, the draft DP was also published on the websites of other ministries. In some cases, it was possible to submit comments about the DP. Following approval of the plan by the Cabinet of Ministers in March 2003, the final version of the plan was also published on the websites of the Cabinet of Ministers and the Ministry of Finance. Up to the moment when final agreement was reached between the Latvian government and the European Commission, this was the only publicly available version of the plan. The EC's comments on the DP and Latvia's negotiation documents were not published either. As a result, the public

received information about the progress of the DP only from a few announcements in the media.

Initially, the main problem with access to information was the fact that it was difficult to find what was needed in the abundance of information sources. This problem was solved at the end of 2003, when negotiations with the EC were completed and a single Internet website www.esfondi.lv was set up. All publicly available information on the EU funds could be found here: the Cohesion Fund, the Pre-Structural and Structural Funds, legislation and planning documents connected with these funds, and the rules for submitting projects.

A number of active information distribution measures were also carried out. The Regional Policy and Planning Office (reorganized to become the Ministry of Regional Development and Local Government Affairs) together with the Regional Development Agencies organized several seminars. From March to June 2002, five such seminars were held, with the participation of local government and business representatives. Ministry representatives also took part in seminars organized by other institutions. Most important of these were the regional seminars organized by the Chamber of Trade and Industry and the meetings of the National Economy Council. A series of seminars were also organized in the summer of 2003, and especially before the September 20 referendum on accession to the EU.

The Ministry of Finance together with the National Economy Council carried out a survey in September 2002. Questionnaires were also distributed to members of the Cooperation Council of Farmers Organizations. Of the 70 questionnaires that were distributed, 49 were returned. Although the number of businesses that were questioned was very small in comparison with the total number of businesses in Latvia, the survey revealed the main problems: (a) 75% of the respondents said that the administrative process was complicated and unclear; (b) 71% of the respondents claimed a lack of information about the Structural Funds and only 7.7% found that they had sufficient information. A similar survey in November 2003, involving 101 small and medium businesses, was carried out by Hansabanka. The results of this survey show that 66% of the business persons who were questioned still felt that they had insufficient information on opportunities to take advantage of the EU Structural Funds, but 33% found that they had sufficient information. A comparison of the two surveys shows that the number of businesses having the necessary information about Structural Funds has significantly increased, but that the majority still lacks this information.

An analysis of the information (both passive and active) distributed by the responsible institutions makes it clear that the focus of attention was placed on the DP drafting process and the principal goals of the Structural Funds. The main flow of information

was intended for businesses and local governments, to inform them about opportunities to receive money from the funds. Very little information, however, was directed towards the public sector, to motivate more active public participation in debating the DP.

Public hearings

Public hearings on the Development Plan were announced for September 9 to October 1, 2002. The goal was to consult with all potential recipients of Structural Funds and other interested parties, including the non-governmental sector, about the DP before submitting the final version of the plan to the government. One month was allowed for the hearings, which can be considered sufficient time to examine the document and prepare competent comments and suggestions.

The draft DP was available on the websites of the responsible institutions, where anyone who was interested could examine it and offer comments. Seventy institutions were sent special invitations to take part in the debate. However, only 15 institutions offered comments on the DP: mainly local governments, larger companies and corporations, as well as several universities. The only comments from public organizations came from the Environmental Protection Club and the Adult Education Association. By comparison, 220 comments were received during a similar public debate in Estonia, and a large part came from public organizations. Although the public was very inactive in debating the plan (as during public hearings on the National Development Plan in 2001), the quality of the comments was fairly high. At the end of the public hearings, the DP drafting working group examined the comments and suggestions and invited all those who had contributed comments to a meeting with members of the Management Group. At this meeting, the position of the Managing Authority was presented and unclear questions discussed.

The comments that were received indicated a number of serious problems:

- there is insufficient cooperation between ministries and non-governmental organizations;
- the public distrusts public administration institutions and there is insufficient information about both the Structural Funds and the DP drafting process;
- all this leads to minimum public initiative to take part in discussing and drafting complicated government policy documents such as the DP. It must also be pointed out that public consultation only took place for the first draft of the DP, which was later significantly altered. The version that was approved by the Cabinet of Ministers in March 2003 differed significantly from the version that was debated

during the public hearings, and there was no further public debate about the DP versions that were drafted after negotiations with the EC. Consequently, the public had no opportunity to comment on the final version.

Many public organizations got involved in the debate about the DP only from 2003 onward. There are several reasons for this: (1) the issue of accession to the EU only became a matter of public interest in 2003, and (2) at the beginning of 2003, public organizations launched several projects to encourage public participation in drafting of the DP. Since it was no longer possible in 2003 to influence drafting of the DP, many public organizations were left dissatisfied with the drafting process. For example, the Cooperation Council of Farmers Organizations has a negative opinion of the DP drafting process – because it took place behind closed doors, because “the farmers’ NGO received the draft for review only when it was already completed.”¹²

2.2. Institutional and management structure of fund implementation

Fund management does not end with preparation and approval of the DP. The next step is the creation of an implementation and monitoring system. This must ensure efficient use of Structural Fund resources and progress towards the goals that have been set. It must also anticipate mechanisms to eliminate or reduce the possible negative impact that projects supported by the funds could have on any of the SD capital forms. These systems must be democratic and transparent, and they must ensure observance of the partnership principle.

In its study on the impact of EU Structural Funds on development,¹³ the World Bank comes to the conclusion that, when creating a management, monitoring and control system for the Structural Funds, the new EU Member States must decide at the very start between a decentralized and centralized approach. According to the bank’s experts, a decentralized system makes it easier to mobilize local partners and resolve local problems by efficiently redistributing and allocating resources, i.e., helps to prevent regional inequalities. A centralized approach, on the other hand, makes it easier to supervise the funds and stimulates national growth.

¹² Jemberga, S. “Nu pagaidiet, tā nevar! [Wait a minute, this won’t do!]” <http://www.politika.lv/index.php?id=104713&lang=lv> (October 15, 2002). Last accessed on October 6, 2004.

¹³ Funck, B. and Pizzati, L. (eds.). *European Integration, Regional Policy, and Growth*. The World Bank. Washington, D.C. (2003).

The Scottish example

In Scotland, the main executive institution for implementation of the Structural Funds is Strathclyde European Partnership, Ltd. (SEP). Although the Managing Authority for the funds is the Scottish Cabinet of Ministers, SEP administers the funds on a day-to-day basis: ensures partnerships, helps to receive money from the funds and prepare projects (consults applicants, receives project applications, evaluates project compliance with criteria, supervises project implementation, and popularizes positive examples).

On the basis of these conclusions, the decentralized approach would be more appropriate for Latvia because although national GDP in Latvia is growing and by some standards high, there are great inequalities between Riga and other regions (especially Latgale). Involving the poorly developed regions in preparation of the DP would help to identify the problems and their causes, and to effectively resolve these problems. A decentralized approach would also encourage more active participation by a broader spectrum of the public in drafting and supervising the plan. Nevertheless, the Latvian government has chosen a centralized approach for implementation and monitoring of the funds. The argument is that Latvia has little experience with the administration of funds and that strict control is needed to avoid digression from plans and prevent misuse of the resources.

In Latvia, the Managing Authority, is the Ministry of Finance, and it bears the main responsibility for implementation of the DP. The ministry also supervises the activities of other institutions involved in implementation and monitoring of the funds. Most important of these are the Treasury (Paying Authority), which makes all payments, and two levels of intermediate bodies. The first level includes all of the line ministries – responsible for observance of sectoral policy in implementation of the DP. There are four second-level intermediate bodies, which will be responsible for monitoring of the projects (see: Appendix A. DP implementation and monitoring).

Centralized decision making is inherent to this fund management system. The government (the Managing Authority – the Ministry of Finance, and the other ministries) has the main role in fund management, and the partners, unlike the Scottish example (see box), do not in any way participate in this process. At the same time, there is a decentralization of tasks: different fund management functions (preparation of application forms, announcement of competitions, acceptance of applications, monitoring of project implementation, etc.) are delegated to public administration institutions (second-level intermediate bodies). This widens the gap between fund recipients and

responsible institutions, and fails to ensure public understanding of how to receive and use the funds. The many institutions that are involved make fund management complicated and intransparent, and this can pose a threat to efficient and goal-oriented use of the funds. There is also no room in this structure for the integration of horizontal goals into use of the funds.

A significant role in ensuring efficiency, transparency and partnership is assumed by the Management and Monitoring Committees. In accordance with the Cabinet of Ministers regulations on fund management,¹⁴ one Monitoring Committee and four Management Committees have been planned in Latvia. NGO participation in these committees could be even more important than participation in the DP Management Group because it is precisely at this stage that the projects eligible for financing are chosen, and it is at this stage that their impact on SD is decided.

Monitoring Committee

The function of the Monitoring Committee is to supervise implementation of the DP and progress towards its goals. The functions of this committee include review and approval of the Program Supplement, monitoring of the communication strategy, approval of specific project-selection criteria, review of amendments and supplements to DP and PS, and a number of other functions. Section 35 of EU Regulation 1260/99 says that “Monitoring Committees shall be set up by the Member State, in agreement with the Managing Authority after consultation with the partners. The partners shall promote the balanced participation of women and men.”

However, not all EU Member States adhere to this principle. There is either no public participation at all in the Monitoring Committees, or it is only formal. For example, in France, the work of the Monitoring Committees is extremely unproductive because meetings take place infrequently and have extremely heavy agendas, documents are usually sent out at the last minute, and committee members do not have time to examine them thoroughly. In Spain, the Monitoring Committee has purely formal character; its main function is monitoring of technicalities of the use of funds. NGOs are not represented on these committees and they do not even have access to the minutes of the meetings. As in France, in Spain, too, the attendance of members at meetings of the Monitoring Committee has recently declined. This has occurred because of the bureaucratic nature of the questions that must be reviewed and the large

¹⁴ Cabinet of Ministers Regulations on the Management, Monitoring, Control and Assessment of EU Structural Funds (Reg. No. 500), September 2, 2003. Replaced by Cabinet of Ministers Regulation No. 200 (March 30, 2004).

number of committee members, which makes the work of the committee ineffective. In Italy, too, NGO representatives are not included in the Monitoring Committees. In Italy, the committees, which are made up of regional Structural Fund managers, meet twice a year to discuss the implementation process of the plan with European Commission officials.¹⁵

Nevertheless, there are also positive examples. For example, in Great Britain, Ireland, Northern Ireland and Germany (Hesse, Saxony and North-Rhine Westphalia¹⁶), NGO representatives are included in Structural Fund Monitoring Committees.

There are also many positive examples in the new Member States. These are comparatively more open, and in most of them NGO representatives are given the opportunity to take part in Structural Fund Monitoring Committees. For example, in the Czech Republic, there is one representative of environmental NGOs and one representative of social NGOs on the committee. In Latvia, too, representatives of non-governmental organizations are full-fledged members of the Monitoring Committee.

The selection of NGO representatives for the Monitoring Committees differs from country to country. In Ireland, the government initially chose the organizations to participate in the work of these committees, but after protests from the NGOs, this was changed. Now the organizations themselves choose their representatives. In Poland, NGO elections were held, in which the organizations nominated their representatives for the committees.

In Latvia at the end of 2003, on the initiative of public organizations, the Soros Foundation organized an open competition for representation of public organizations on the Monitoring Committee. Candidates were judged on the basis of their knowledge about EU SF, their ability to present arguments and their willingness to cooperate with other organizations. The candidates were chosen anonymously – without knowledge of the candidate's name or organization. Candidates were asked to represent one of the interest groups (environmental protection, equal opportunities and social issues, development of an information society, transparency and honesty) and, in the event that they were chosen, to ensure reciprocal links with other organizations.

Sixteen applications were received and six of the best candidates were recommended to the Ministry of Finance. Unfortunately, the ministry only partially considered these results and invited just one of the chosen NGO representatives to work on the

¹⁵ Harvey, B. *European Manual on the Management of the Structural Funds*. European Anti-Poverty Network. (1999).

¹⁶ Hessen, Sachsen, Nordrhein-Westfalen (Ger.).

Monitoring Committee – Transparency International Latvia (*Delna*), which represented the transparency and honesty sector. The Ministry of Finance asked the other government ministries to choose the remaining candidates. They were also sent the results of the NGO competition. The ministries did take these results into account, and representatives of the World Wildlife Fund, Soros Foundation – Latvia and other organizations were included in the Monitoring Committee. As a result, NGOs are relatively well represented on the Monitoring Committee.

However, experience in other EU Member States shows that government institutions responsible for environmental and gender-equality issues and public organizations have only a formal role on the Monitoring Committees. The effectiveness of NGO participation depends on the committees' decision-making process. For example, in Hungary, decisions of the Monitoring and Management Committees are made according to the consensus principle. This gives the representatives of public organizations huge leverage. Unfortunately, the Hungarian example is the exception. In the majority of countries, including Latvia, decisions are made on the basis of a majority vote.

Participation in these committees also requires a lot of resources (both time and finances), and not all NGOs have these. This, too, reduces the effectiveness of public participation, since NGO representatives are not able to prepare adequately for committee meetings. The Monitoring Committees meet infrequently, so that it is much more important to take part in working groups and Management Committees.

Management Committees

Latvia has four Management Committees – one for each fund (ERDF, ESF, EAGGF, FIFG); – according to the principle – one fund, one committee. The functions of these committees include review of project selection criteria, approval of guidelines for application forms, monitoring of the implementation of priorities and projects, and other activities.

In a number of EU Member States, for example, in the Italian regions of Calabria and Campania, special SD committees have been set up to monitor the compliance of SF implementation with SD and horizontal goals.¹⁷ These examples have proved themselves to be effective instruments for the “greening” of SF programs and the integration

¹⁷ EU horizontal goals are: information society; sustainable development and protection of the environment; equal opportunities and gender equality. They reach across the boundaries of economic strategy and link it to other areas that are important for EU development. All of these horizontal goals are based on EU directives, regulations, and Council decisions, which Latvia has promised to implement after accession to the EU.

of SD issues into management of funds and preparation and implementation of projects. In Hungary, too, public organizations have asked the government to set up such a committee. This would have to take part in:

- DP planning, with assessment of the impact of DP goals, priorities and measures on SD, and anticipation of measures to prevent or reduce the negative effects;
- drafting of project selection guidelines, application forms and criteria;
- control of project selection and implementation to ensure compliance with SD and horizontal goals;
- assessment of the contribution of the initial, intermediate and final stages of the program to SD.

To ensure efficient functioning of such a committee, a head of committee/secretary is needed to carry out day-to-day tasks, coordinate work, consult partners and applicants about SD questions, align project criteria with SD goals and principles. The establishment of such committees does not automatically guarantee results, they must also be supplied with the necessary resources. Costs can potentially be covered from technical aid resources.

Latvia has not planned to set up a separate SD committee, and the functions of the already established Management Committees are not sufficiently oriented to integration of SD and horizontal goals into project selection and monitoring.

There is also an ongoing struggle in the Management Committees over observance of the principle of partnership. Initial plans foresaw the participation of social partners (including public organizations) in the Management Committees. However, new Cabinet of Ministers regulations were adopted on March 30, 2004, and although public organizations had asked the Cabinet to allow their participation in the work of the Management Committees, they were stricken from the list of committee members. The main argument against NGO participation was concern that NGOs could retard access to the funds.

With the coming of a new government, this question was once again on the agenda. In March 2004, the Cabinet decided¹⁸ that the Ministry of Finance together with the Secretariat of the Special Assignments Minister for Integration Affairs and in cooperation with public organizations would prepare amendments to the Cabinet regulations and anticipate NGO participation in Management Committees in the status of observers.

¹⁸ Point 4 of the minutes of the March 30, 2004 Cabinet of Ministers meeting.

However, this process was extremely slow, and in the summer of 2004 NGOs were still not allowed to take part in the Management Committees. With this same Cabinet decision, an advisory group made up of social and economic partners (including NGOs) was also established. The function of this group is to explore the potential problems that recipients of Structural Fund financing might encounter and to seek acceptable solutions. The first-level intermediate bodies/line ministries were instructed to cooperate with public institutions and inform them about how ministries were performing their SF management functions, and also to find ways to consult organizations and take their suggestions and comments into consideration. Although these are positive initiatives aimed at improving partnership, they have not yet given the expected results – basically due to the passive attitudes of both public organizations and government agencies.

An institutional system is an important precondition for efficient administration of the funds, but it does not guarantee DP and SD synergy. To achieve this, a change of attitude, especially on the part of program management, is necessary, and effective information of the public about SD and its connection with SF. Many of those who are involved see SF only as an economic growth instrument. This means that an extensive public education process must take place in order to overcome this dogma. An SD committee would be a good instrument for achieving this. Unfortunately, Latvia has not planned the establishment of such a committee, so that there is reason for concern that control and assessment of the implementation of funds and projects may not devote sufficient attention to horizontal goals and SD.

2.3. Project monitoring

Latvia has only 5 years to take advantage of SF (n+2 factor¹⁹), but has little experience with use of the funds. However, there are many needs that could be satisfied with money from the funds. Consequently, the government must make sure that the rules for submitting and implementing projects are as simple as possible. At the same time, however, it must make sure that DP basic and horizontal goals are achieved and the principle of SD is observed. It must also guarantee transparency of the process and active public participation to ensure that these resources are really used for the intended purposes. To do this and to make sure that projects do not negatively affect SD, an effective system is needed for drafting, selection, implementation and monitoring of the projects.

¹⁹ The formula that is used to determine the duration of projects: N=the nominal year in which the project is approved + 2 years for implementation of the project. This means that 3 years are allowed for implementation of SF projects (nominal year + 2 years).

Getting money from SF is a complicated procedure, and even the old EU Member States, which have a good deal of experience with using SF, are frequently unable to take advantage of all of the money that has been granted. There is no reason to assume that Latvia, which has a much smaller institutional capacity and much less experience in preparing projects, will be in a better position. This can lead to a situation in which project assessment and selection are only formal procedures, and preference is given to large and well-designed projects. Such projects are not always the best way to resolve a problem, frequently pose a risk to natural and social capital, and, over a longer period of time, are not economically the most efficient. Experience with SAPARD (in 2003, SAPARD resources were overspent in Latvia) is proof of the demand for such funds and of our ability to take advantage of them. At the same time, although there are 75,000 farms registered in Latvia, as of September 15, 2003 only 191 projects²⁰ had received SAPARD financing. This indicates that the money goes to a very limited circle of recipients, those who are willing and able to apply for and take advantage of these funds.

Project preparation

Responsibility for the preparation of projects will lie with the recipients of fund resources: government and local government institutions, business enterprises, farms and public organizations. This means that it is extremely important to strengthen the capacity of these institutions to prepare good, innovative and SD-oriented projects. Know-how, information, experience with preparation and management of projects, clear rules for the preparation of projects, and knowledge about SD are required for this.

Unfortunately, at the beginning of 2004, when exploitation of the funds could have begun, Latvia had still not approved the Program Supplement, there were no clear rules for preparation of the projects (selection criteria, application forms, project assessment procedure, etc.), and the responsible institutions had not yet been accredited. This increases the risk that projects may not be innovative, aimed at resolving problems, and SD-oriented.

There is also the risk that many potential applicants may not have sufficient resources to involve experts in the preparation of projects and the assessment of risks. However, many consultation firms and banks have planned to actively participate in consulting potential recipients about use of the funds and preparation of applications, and about credit opportunities for co-financing. Such bank offers (project preparation + credit) will promote use of the funds, but since they will be aimed at supporting the economically more profitable projects and not the resolution of local problems, they will not

²⁰ Distribution of SAPARD support among sectors as of September 15, 2003, http://www.zm.gov.lv/data/losp_20030916_sapard.xls Last accessed on June 22, 2004.

serve to achieve DP goals. It can also not be expected that banks and consulting firms will consult applicants about SD issues or anticipate mechanisms for reducing or eliminating environmental and social risks.

This means that the responsible institutions must make sure that potential recipients are not only informed about opportunities to receive the money, but are also taught to prepare high-quality, SD-oriented projects. For example, Hungary has set up a Project Development Fund that provides consultations on the preparation of projects. Anyone wishing to submit a project can apply for these cost-free consultations on a competitive basis. Several ministries in Latvia are also providing consultations. For example, in the summer of 2004, the Ministry of Economy prepared a program called "Project Preparation Support Program for ERDF."²¹ Within the framework of this program, support will be provided for the preparation of 5–10 projects. Special attention should be devoted to the integration of environmental protection and equal rights requirements into the projects that are submitted. However, such training or consultations have not taken place, nor have they been anticipated. The line ministries are the ones that should assume responsibility for such issues.

Co-financing and pre-financing

One of the conditions for receiving money from the EU is co-financing and pre-financing. All projects will require government, local government and/or private co-financing because the EU covers no more than 75% of project costs. Applicants will also have to come up with project pre-financing because EU financing will be available only after a project has been successfully implemented. This raises the question of whether applicants have sufficient free assets for co-financing and pre-financing of projects.

Local governments will be among those who receive the most money, and they must anticipate co-financing and pre-financing in their budgets. However, the budget resources of local governments are limited. For one, the local governments that have the greatest need for EU money are located in the less-developed regions and receive part of their revenues from the Local Government Cohesion Fund. This means that they do not have own resources to allocate to SF projects. Secondly, local governments are subject to credit limits, which many already have been exhausted, and this will make it difficult for them to apply for SF resources. Thirdly, the budgets of the smaller local governments are too small to guarantee credits. The regional reform is also progressing very slowly and its future is still unclear. All this makes it difficult for local governments to plan in the long term and creates uncertainty.

²¹ Project Preparation Support Program for ERDF.
http://www.em.gov.lv/files/01_EM_atbalstaProgramma_08_final.doc (September 6, 2003).

Similar problems could also be encountered by businesses and other potential recipients of SF money, especially public organizations. These, at least, can apply for money from all DP priorities, but the most suitable are Promotion of Balanced Development (Priority 1) and Promotion of Human Resources Development and Employment (Priority 2). Considering the current financial situation of public organizations, only few will have sufficient free assets for pre-financing of projects, and the government has not planned co-financing and pre-financing of projects submitted by public organizations. It is also doubtful whether public organizations can receive bank credits because their projects usually do not have an economic assessment.

In his review of the DP, Uldis Osis suggests two ways of dealing with these problems:²²

- with advance payments, which are then paid off with money received from EU funds;
- with money from local funds, which are specially set up for development of small and medium businesses.

The European Commission has accommodated to the needs of the new Member States by stipulating that advance payments from EU funds will be available in the amount of 16% of the total sum,²³ not just 7% as in the case of the old Member States. Under pressure from local governments, at the end of 2003, before adopting next year's budget, the Latvian government, too, started thinking about ways to guarantee co-financing. It was decided that the co-financing system would be similar to that which is currently in effect for local government projects financed by the National Investment Program. No huge adjustments would be necessary to apply this system to the Structural Funds. All local governments are divided into five groups according to development index²⁴ figures for their territory. It is planned that the government will guarantee greater co-financing (up to 15% of project costs) for projects submitted by less-developed regions, and only 5% for projects submitted by the most developed regions. This will make it easier for the poorest regions to receive EU funds.

According to Ministry of Finance calculations, in 2004 the government will need 60 million EUR (39 million LVL) for co-financing and pre-financing of government and local government projects: 14.76 million EUR for co-financing and 45.24 million EUR for pre-financing. 30.8 million LVL have been reserved for this purpose in the

²² Osis, U. Review of the Draft Development Plan (Single Programming Document) (first draft). <http://www.politika.lv/index.php?id=104694&lang=lv> (October 14, 2002.) Last accessed on October 6, 2004.

²³ 10% in the first year, 6% in the next year (Section 23, Clause 2 of EC Regulation 1160/1999).

²⁴ Index which includes unemployment figures, economic activity figures and pro capita GDP.

2004 budget, plus 8 million LVL that is included in the budgets of a number of ministries. Although the Ministry of Finance does not have a concrete breakdown of this sum, it predicts that the amount will be sufficient, being as 2004 is the first year that Latvia will be able to receive money from EU Structural Funds and the number of projects that are submitted will, therefore, probably not be extremely high. At the same time, the Structural Funds for 2004 (161 million EUR) must be used within the next three years, and experience has shown that project costs are usually not highest in the first year.

Project assessment and selection

EU Member States apply different approaches to the selection of projects. Latvia has chosen three categories of eligible projects: national programs, grant schemes and open competitions (see: Appendix A. Structural policy). Each one of these has a different method of assessment.

Project assessment and selection is often not transparent even in the old Member States, and if it is, this does not apply to all types of projects, for example, the national programs. The situation is similar in Latvia. In regard to the national projects, there are no clear selection criteria or a justification for why specifically these have been included in the list of projects eligible for support. The study commissioned by the EC on the impact of SF on SD concludes: in the EU Member States, a fairly limited number of projects not having a negative impact on any one of the SD capital forms has been selected.²⁵ To avoid this, it is necessary to create an effective project selection and monitoring system.

The project selection scheme anticipates several institutions (first- and second-level intermediate bodies and Management Committees), which review the submitted projects and keep an eye on each other. However, these are all government institutions, and there are no plans for an independent assessment of projects, as is the case with many of the government funds; for example, the Latvian Environmental Protection Fund or the Riga Environmental Protection Fund, which have advisory councils that present their assessments of and recommendations for the submitted projects. The projects submitted by the government will be assessed by government institutions, which raises doubts about the fairness of project selection and creates a conflict of interest. There is also a risk that the selection of projects could be politicized.

²⁵ GHK, PSI, IEEP, CE & National Evaluation. *The Thematic Evaluation of the Contribution of the Structural Funds to Sustainable Development. Volume 1: Synthesis Report and Volume 2: Concepts and Methods.* Brussels (2002).

Project selection criteria are an important instrument for making sure that projects will have a positive impact on SD. If these criteria are to support the selection of SD-oriented projects, they must be based on a number of principles:

- a balance between horizontal and basic criteria;
- incorporation of social and environmental criteria into project selection criteria;
- the overall assessment of a project may not be based on only a few criteria: situations should not be permitted where a project that has received a negative assessment of its compliance with horizontal goals is nevertheless supported because it has received a positive assessment of compliance with other criteria;
- a minimum assessment threshold must be set for horizontal goals, making sure that this threshold is sufficiently high.

Latvia has planned three types of project selection criteria: administrative and general quality criteria, which are set out in the Program Supplement and determine general compliance with DP and legislation, and specific assessment criteria, which are established separately for each activity in accordance with the specific character of the activity. Initially, the ministries had been ordered to prepare the specific assessment criteria by October 1, 2003.²⁶ However, the criteria were actually approved only in the 2nd quarter of 2004.

In Latvia's case, the criteria for ensuring achievement of horizontal goals will be included in the general quality criteria, which say that a project must comply with horizontal goals. In 2003, the Ministry of Environment together with partners from Finland carried out a project to establish environmental criteria and indicators for each of the DP measures. However, the aim of this project was not to accomplish actual application of these criteria and they have, therefore, not been incorporated into the specific assessment criteria. Only a few specific criteria have been established for the majority of the measures, and there are hardly any among these that address the requirements of SD.

Since basic SD guidelines are poorly defined in Latvia and this topic is not a government priority, it is not easy to introduce SD criteria and requirements in the project selection stage. There is a similar situation in other EU Member States, especially in the southern part of Europe. A study carried out in Ireland²⁷ shows that:

²⁶ Cabinet of Ministers Order No. 573 on Tasks to be Carried out for the Implementation of a System for Management, Monitoring, Control and Assessment of EU Structural Funds (10.09.2003).

²⁷ Harvey, B. *European Manual on the Management of the Structural Funds*. European Anti-Poverty Network. (1999); Lee, R. *An Analysis of the Effects of Structural Fund Spending on the Environment for the Mid-term Evaluation and Review of Structural Fund Interventions 2000–2006*. BirdLife International European Community Office. Brussels (2003).

- most project selection criteria are economic and there are no social or environmental criteria;
- a small number of social criteria have been included in some of the programs (basically in connection with the use of ESF resources);
- gender equality is the most popular social criterion, but even this is not always applied clearly and cannot be found in a number of the major programs;
- the systems for monitoring the implementation of these indicators are extremely weak.

The situation in Latvia is similar. Although compliance with horizontal goals is mentioned among the general criteria, it is hard to say how those who assess the projects will apply it because only a few of the application forms have a section for indicating a project's impact on the environment or on gender equality. The criteria that have been established also fail to comply with the aforementioned principles of SD-oriented selection criteria. It is hard to understand the predominating view that each responsible institution should only take part in preparing the criteria for its own area of interest. This can lead to a situation in which the Ministry of Environment may prepare criteria only for those measures which are within this ministry's competence.

Special attention should be paid to quantitative assessment of a project. This is actually a political not a technical procedure. In Spain, projects are prepared and assessed at the local, provincial and national government levels. Such a system ensures flexibility and reflection of local needs, but at the same time, it also guarantees the observance of national interests.

The project selection and assessment system that has been created in Latvia comprises the "n+2" factor risk, i.e., project results and achievement of SD goals are not the main objective – the main objective is to spend as much money as possible and to precisely account for how this money is spent in order to recover the investment from the EU. Rules for project selection and implementation are relaxed. For example, for ERDF resources, where one of the main goals is the promotion of employment, project selection criteria do not include a single point that might indicate whether a project will contribute to an increase in employment.

There are similar examples in the other priorities. For example, the agriculture and fisheries funds will be used according to the principle "first come, first served," since the only specific project selection criterion is the time of submission. This could lead to a situation where only the most experienced and powerful farmers receive SF money. A geographic distribution of resources among different regions in Latvia (more-devel-

oped and less-developed regions) has also not been planned, if one disregards the fact that projects submitted by less-developed regions will be eligible for greater government co-financing. The result could be failure to achieve the planned regional cohesion goals. To reduce these risks for the responsible institutions, especially in the less-developed regions, training in the preparation and management of projects should be provided early on.

An additional risk for SD arising from the “n+2” factor is the tendency to ignore horizontal goals, especially in regard to the requirements of environmental protection. Experience in EU Member States shows that the majority of projects that have a very negative impact on the environment have not been assessed for their environmental impact (EIA), or that this has been done only after approval of the project.²⁸ To prevent this kind of practice in the future, the impact of a project on sustainable development or an EIA should be carried out before it is approved.

2.4. Development Plan assessments

EU regulations prescribe a number of assessments during the drafting and implementation stages of the DP:

- Ex-ante (initial) Assessment – compares the plan’s impact on the economic, social and natural environment and examines connections between the plan and other national and EU programs and plans. Ex-ante Assessment must also be carried out for Program Supplements. This assessment procedure is also described in *Vademecum*²⁹;
- Mid-term Assessment – is carried out in the middle stage of the programming period to determine the successes and failures of the program’s implementation;
- Ex-post (final) Assessment.

Since Latvia started implementation of the Development Plan in the middle of the programming period, it is not expected to carry out a Mid-term Assessment, but only the Ex-ante and Ex-post Assessments. In addition to these assessments, DP can also undergo other assessments. For example, the Strategic Environmental Assessment, the impact on SD and gender equality assessment, and others.

²⁸ EU Funds in CEE States: A Guide on how to Avoid Throwing Good Money after Bad. Friends of the Earth, CEE Bankwatch Network (2004).

²⁹ The Commission’s guidelines (DG XVI. 1999) for preparing plans and programs, also known as Working Paper 1.

Ex-ante Assessment

EU Regulation 1264/1999 on Structural Funds says that the principle of partnership applies to all programming and implementation stages of a plan, i.e., to the Ex-ante Assessment procedure and to the assessment itself, which must be made available to the public. For example, in the Czech Republic, NGO representatives met with Ex-ante assessors to discuss the main aspects of the plan.

The Ex-ante Assessment of Latvia's DP was carried out by the Greek consultation firm Synthesis. This firm was engaged to carry out the job in December 2002, when work on the DP was already in full swing. Unfortunately, the Ex-ante Assessment was carried out in considerable secrecy, and the assessment was published only after approval of the plan by the Cabinet of Ministers in March 2003. The reasons for choosing the Greek consultation firm are questionable since this firm took part in the actual preparation of the plan, an independent assessment was not possible. Synthesis also participated in the work of the Management Group, helped to prepare the SWOT analysis, the strategy and indicator parts. By comparison, in Estonia the Ex-ante Assessment was carried out by Tartu and later also by Tallinn university experts. This made the assessment procedure itself more public and accessible to a larger part of society.

In accordance with the aforementioned guidelines (Working Paper 1) and Section 41 of EU Regulation 1260/1999, the Ex-ante Assessment must include:

- assessment of the socio-economic situation;
- assessment of the environmental situation in the respective region, especially in regard to those environmental aspects which will possibly be significantly affected by financial aid;
- assessment of equal opportunities for females and males.

The Ex-ante Assessment of Latvia's DP does not deal in detail with the above points, but it does mention that DP will promote SD, environmental protection, equal opportunities and development of an information society. But no arguments are provided to support this. The Ex-ante Assessment also includes an assessment of DP compliance with horizontal goals, but this is extremely brief and incomplete, since it examines only three (environment, information society and equal rights) of the nine horizontal goals mentioned in the plan. The focus of the assessment is on the development of man-made capital and its impact on human capital, and on the plan's management system.

Strategic Environmental Assessment

In addition to the Ex-ante Assessment, a Strategic Environmental Assessment (SEA) was also carried out. This assessed the impact of DP priorities and measures on the environment and recommended ways of cushioning the impact. It is important that such assessments are carried out as early on as possible in the preparation stage of the plan and that the conclusions are incorporated into the plan itself. This reduces the DP risks for the environment and draw attention to possible problems in due time. Similar assessments were carried out in other countries as well, this being prescribed by the EU SEA Directive. Since Latvia had not yet joined the EU at the time when the plan was being drafted, and the law on SEA had not yet taken effect, this assessment was not a mandatory requirement.

SEA was carried out as part of the Latvian-Finnish Cooperation Project and was supervised on the Latvian side by the Ministry of Environmental Protection and Regional Development (now the Ministry of the Environment). Representatives of the line ministries, the regional planning offices, and one representative from the Environmental Protection Club took part. Since this was a pilot project, one of the main objectives in addition to assessment of the plan was to train the persons involved in the working group in SEA procedure.

Due to the limited amount of time, SEA was carried out only for the second-last draft of the DP, which differed substantially from the final document. At the time when the assessment was prepared, the final version of the Program Supplement was also not available. Consequently, this assessment cannot be fully applied to the current Development Plan, since this has undergone significant changes.

Elsewhere in the EU, for example, in Scotland, SEA is carried out in two stages. The initial assessment is made of the strategy adopted on the basis of SWOT,³⁰ which does not yet anticipate concrete activities, but sets out strategic goals, tasks and priorities, and indicates the geographic contribution of the funds. Then, conclusions from this assessment are incorporated into the strategy, and a new version of the strategy is prepared, which now includes concrete measures and activities. And, then, SEA is carried out for this version of the plan.

In Latvia, this was the first SEA, and the project was therefore seen more as a training exercise than a practical contribution to work on the DP. Although SEA was submitted to the DP Management Group, there is little indication that the comments and recommendations of the assessment regarding curbing of environmental impact and coordination of priorities and goals were incorporated into the DP.

³⁰ Strengths, Weaknesses, Opportunities and Threats (SWOT) Assessment method to systematically compile, analyse and assess information and define strategic goals and activities.

3. ASSESSMENT OF DP CONTENT AND IMPACT

Resources obtained from the Structural Funds can be used to improve Latvia's overall development and to advance the country towards SD. The DP is a political document, which anticipates a series of activities that are basically oriented towards development of man-made and human capital. If the resources that have been allocated for this purpose are used correctly, they should ensure development of these areas and resolution of the problems set out in the DP. At the same time, however, it is important to make sure that these activities do not have negative consequences for other SD capital forms.

In this section, we will take a look at the potential impact (negative, positive) of the goals, priorities, measures and activities mentioned in the DP on the four SD capital forms: man-made capital or economic development, social capital, human capital and natural or environment capital. We will also define the main trade-offs that will have to be taken into account, and the main win-win situations that may occur during implementation of the DP.

3.1. Development Plan strategy and priorities

To guarantee that the DP meets local needs, it is important to have a clear development vision and to define the goals and priorities that will lead us to fulfilment of this vision. DP strategies, goals, priorities and measures must be aimed at the achievement of EU Structural Policy goals, this being the framework of these funds, and at the resolution of national problems within this context. At the same time, the DP cannot be in contradiction with EU and Latvian legislation, including legislation governing environmental protection, and it must promote the achievement of horizontal goals. This means that, on the one hand, the DP defends EU Structural Policy issues and principles, but on the other hand, it is directly oriented towards the resolution of national and local problems.

If the DP is to be an effective instrument for the resolution of national problems, it must be based on the national development vision. Unfortunately, Latvia does not have

a single development vision. The development orientation most often mentioned in national policy documents is the development of a competitive, knowledge-based economy. But, here, it is more of a long-term goal than a vision and deals only with economic development.

There are a number of national development plans and strategies – according to the Ministry of Finance, approximately 170.³¹ However, many of them serve contradictory priorities and goals. For example, the development of small hydro-electric power stations is promoted, although this contravenes the environmental protection plan on preservation of biological diversity. Such uncoordinated activities at the national level can lead to inefficient use of resources and threaten the country's sustainable development. It can also raise doubts about the validity of the DP goals.

To prepare an effective DP, it is necessary to understand the situation in which we currently find ourselves and to determine the direction that we must take to fulfil our vision. Since Latvia does not have this vision, the DP carries out a situation analysis. Goals and priorities are set on the basis of this analysis. The situation analysis examines all four SD capital forms, but the focus is on man-made and human capital, with special focus on development of the national economy and the social and economic infrastructure. However, in many places, the description of the current situation lacks in-depth analysis and supporting data. This was also the conclusion of the European Commission in its assessment of the DP,³² and this situation can have a negative effect on the quality of DP strategy. The situation analysis that is found in the final version of the plan is a considerable improvement over the previous version. It has been supplemented with quantitative and qualitative data on main trends in the country's economic development in different branches of the national economy and in regional sectors, and a section has been added on experience with Pre-Structural Funds, but it still lacks a description of the natural capital situation in Latvia. Although the development of natural capital is not the main objective of EU Structural Funds, EC guidelines on the preparation of DP³³ say that it must be addressed in the situation analysis.

Further, based on the situation analysis, the country's strengths and weaknesses are formulated and the opportunities and threats are defined. These are set out in the SWOT

³¹ Jemberga, S. "Nu pagaidiet, tā nevar! [Wait a minute, this won't do!]" (October 15, 2002). <http://www.politika.lv/index.php?id=104713&clang=lv> Last accessed on October 6, 2004.

³² EC. Latvia, Single Programming Document Objective 1. Position adopted by the European Commission with regard to the Single Programming Document for Latvia, submitted by the Latvian government.

³³ European Commission. Vademecum for Structural Funds Plans and Programming Documents (Working Paper 1). European Commission. Brussels (1999).

analysis. SWOT helps to formulate the main development problems, and the quality of this assessment also determines the quality of the strategies, goals and priorities. The SWOT analysis in Latvia was carried out in three areas: the economy, human resources and infrastructure.

As the SWOT analysis shows, Latvia's strengths are financial stability and rapid economic growth, which should be translated into higher employment and balanced territorial distribution of socio-economic activity. Among the positive factors that are mentioned are good geographic location, transportation infrastructure, human and natural resources. It must be noted, however, that roads are in poor condition, which has a negative effect on transportation infrastructure and exploitation of the geographic location, that education does not meet current market demands which means that education opportunities for adults must be improved.

DP long-term and intermediate-term goals (see Table 1) have been set on the basis of the SWOT analysis. A look at these goals leads to the conclusion that they are basically oriented towards development of economic (man-made) and human capital, and do not address social or natural capital.

Table 1. DP long-term and intermediate-term goals

Long-term goals	Intermediate-term goals
<ul style="list-style-type: none"> ▪ Attainment of average EU per capita GDP ▪ Balanced development of the country's territory ▪ Transformation of Latvia's national economy into a knowledge-based economy 	<ul style="list-style-type: none"> ▪ Promotion of competitiveness and employment ▪ Development of human capital ▪ Development of infrastructure

One of the main indicators used for the assessment of goal achievement is per capita GDP. The allocation of Structural Funds to Objective 1 countries is also based on this indicator, and it is widely used in the whole world to evaluate the development of a country. However, using this indicator as one of the main development indicators can pose a threat to SD because this indicator blindly reflects consumption volumes and completely ignores the situation in other SD capital forms. It was acknowledged at the UN Sustainable Development Summit in Johannesburg that the current unsustainable production and consumption models are one of the main obstacles to SD. They are manifested primarily in a constant increase in consumption, and, with every day that passes, this increases the man-made strain on natural capital and contributes to an

increase in social inequality and poverty. Unless all social and environmental costs are included in the price of consumer goods and services, GDP cannot be used to determine a country's development.

DP compliance with broader national and regional policies is a major precondition for sustainability of the plan. As acknowledged at the study on SF impact on SD that was commissioned by the EC:³⁴ "If SF programme objectives and the associated policy outcomes are defined within a broader regional policy framework that is defined as supporting SD, then the SF programs should be consistent with, and supportive of, SD. If the SF program is set up outside such a framework, or within a framework that is essentially concerned only with economic development, then the contribution of the program to SD will be less." Admittedly, Latvia's DP belongs in the second category, being based mainly on economic interests. Latvia's DP was prepared in accordance with Latvia's long-term economic strategy, and government guidelines on development of an information society, improvement of public health, balanced territorial development and other issues. However, the focus is primarily on economic growth and, subsequently, on the development of human capital and infrastructure.

Latvia's most important SD-defining document is Latvia's Sustainable Development Guidelines.³⁵ Unfortunately, this document is not mentioned anywhere in the DP, although its goals³⁶ coincide with the priorities set out in the DP. However, Latvia's SD guidelines have been hastily prepared and have no practical purpose. The institution responsible for implementation of these guidelines has not yet really started working. Latvia's SD guidelines, like other government strategies and plans, do not pay adequate attention to the trade-offs that are permitted by the guidelines and do not provide an overview of possible solutions for elimination of the negative effects of such trade-offs.

The main priorities and the activities that must be carried out to achieve these goals were determined on the basis of the intermediate- and long-term goals, the situation analysis and the sectoral strategies (see Table 2). These priorities, too, reflect the tendency of the whole DP to promote the development of man-made and human capital. However, a number of activities are also aimed at development of natural and social capital.

³⁴ GHK, PSI, IEEP, CE & National Evaluation. *The Thematic Evaluation on the Contribution of the Structural Funds to Sustainable Development. Volume 1: Synthesis Report and Volume 2: Concepts and Methods.* Brussels (2002).

³⁵ Approved by the Cabinet of Ministers, August 13, 2002.

³⁶ Integration into NATO and the EU; high levels of public education; coordination of decisions with Latvia's long-term goals; economic and social cohesion; development of a civil society and a state governed by the rule of law; active involvement in regional and global economic activities.

Table 2. Financing of DP priorities

Priority	Name	Financing in million EUR		Structural Fund
		ES	Total	
1	Promotion of balanced development	203.81	270.47	ERDF – 32.57%
2	Promotion of business and innovation	156.39	208.52	ERDF – 25%
3	Promotion of human resources development and employment	132.75	174.89	ESF – 21.22%
4	Promotion of rural development and fisheries			
4.1.	Rural development	91.33	138.39	EAGGF – 14.6%
4.2.	Sustainable fisheries development	24.34	32.19	FIFG – 3.89%
5	Technical aid	16.95	22.60	ERDF, ESF, EAGGF – 2.71%
TOTAL:		625.57	847.08	100%

The Latvian government has not been able to fully justify the need for or the importance of the DP **priorities**, being as the plan lacks all supporting data upon which the goals and priorities are based. This is also mentioned by the EC in its evaluation of the DP.³⁷ It will therefore be difficult to establish whether the goals that were set are fully achieved. It will also be difficult to assess implementation of the DP. This will be made even more difficult by the fact that the programming period is so short (three years), making it hard to determine the dynamics of development.

3.2. Assessment of DP priorities

In this section we will take a look at the four priorities mentioned in the DP,³⁸ their measures and activities. The potential impact of each measure on SD in Latvia, i.e., on each of the 4 SD capital forms, will be assessed. To make it easier for the reader to understand, each subsection will start with a short description of the activities that have

³⁷ EC. Latvia, Single Programming Document Objective 1. Position adopted by the European Commission with regard to the Single Programming Document for Latvia submitted by the Latvian government.

³⁸ The technical aid priority will not be examined because it pertains only to fund management and monitoring, and does not affect their impact on SD.

been planned. This assessment takes into account the conclusions of experts, who applied SD indicators to each of the measures.

1. Promotion of balanced development

The goal of this priority is to improve living standards, promote regional attraction and ensure balanced development in the whole territory of the country. Within the framework of this priority is the development of an infrastructure (environment, healthcare and education, employment and social welfare) that serves to improve the quality of life, and the accessibility of this infrastructure throughout the country (transportation, information and communication technologies). The measures included in this priority will be financed from the European Regional Development Fund (ERDF). There are four such measures:

1.1. Improvement of the environmental infrastructure and development of tourism (29% of total priority financing). Anticipated activities:

- development of water services in agglomerations with a population equivalent below 2000;
- establishment of waste separation and collection points;
- closure and re-cultivation of small and medium-size non-compliant waste disposal sites;
- upgrading of district heating networks to comply with environmental requirements, and increasing of energy efficiency both in the production and distribution system of district heating and on the public final consumer side;
- creation and development of tourism products based on historical and cultural heritage as well as development or up-grading of a public tourism infrastructure, while preserving and increasing the economic potential of the cultural heritage;
- development of eco-tourism in potential NATURA 2000 areas.

This measure is targeted at the development of natural capital, since it will promote the quality of drinking water, reduce pollution (purification of sewage, closing of dumps, reduction of exhausts, etc.), improvement of the energy efficiency of heating systems, more efficient use and recycling of resources (water, energy, etc.), preservation of the natural and cultural heritage. Since the infrastructure that is required for development of business will be created, the implementation of this measure may also increase the volume of man-made capital. However, infrastructure projects, especially while under construction, can have a short-term negative impact on the environment, affect the landscape and increase the volume of transportation. This impact depends on the location of the object and on the materials and technologies used in construction. Since the

majority of the anticipated activities are a battle with effects and not causes, it would be important to educate the public, especially in regard to the sorting of household waste and to observance of the principle that “the polluter pays.”

1.2. Development of accessibility and the transportation system (46%):

- reconstruction of the infrastructure of A-category roadways to connect the main centers of economic development with each other and with the TEN-T network:
 - gravel for paving roads;
 - increasing load capacity of paved roads to 11.5 tons and improvement of traffic safety on A-roads and city thoroughfares;
 - reconstruction of bridges and increasing the load capacity of bridges to comply with EU standards;
- improvement of the efficiency of urban transportation systems (for example, by improving traffic management and traffic safety in Riga's focal traffic points, by making public transportation more attractive, by improving connections between urban transportation systems and the TEN-T network³⁹);
- improvement of seaports' infrastructure and sea access;
- renewal of Riga's shuttle trains.

Improvement of the transportation infrastructure will improve access (social capital) and guarantee better conditions for regional development. However, these measures create an additional strain on natural capital (exploitation of land, road safety, exhausts, quality of water and air, etc.). The development or expansion of ports could have a negative effect on biological diversity. Improvement of the quality of the public transportation system is positive. It significantly increases the accessibility of services and reduces the negative impact of (private) transportation on natural capital, since a reduction of motor vehicle exhaust fumes can be expected as a result of better traffic organization. A better public transportation system could indirectly promote regional economic development and employment.

1.3. Development of information and communications technologies (ICT) (10%):

- support for overall development of the public information system (for example, the information systems of local governments, educational establishments, libraries, archives and museums), including digitalization, to improve the quality of public services;

³⁹ Trans-European Transportation Network.

- support for the development of public Internet access points (for example, public libraries, local governments, educational establishments);
- support for the development of information and communications in peripheral territories by expanding the high-quality broadband network.

The activities planned within the framework of this measure are aimed at an increase in social capital, being as they will improve access to services and provide better communication and correspondence education opportunities. They can also promote regional development and the transition to a knowledge-based economy (more innovations), which, in turn, would promote development of man-made capital. This measure can lead to a decline in the demand for transportation services, which would reduce the strain on natural capital. Access to information can improve human capital, but access alone will not guarantee this. This activity can also have a positive impact on natural capital because it improves access to information about the environment and raises public awareness.

1.4. Development of education, healthcare and social infrastructure (15%):

- improvement of the primary healthcare infrastructure, facilities and equipment (for example, medical equipment, buildings, ICT infrastructure);
- improvement of the emergency medical care (EMC) infrastructure, buildings and equipment (for example, EMC management and dispatcher headquarters, facilities and ICT infrastructure, EMC facilities in healthcare institutions, EMC mobile unit infrastructure);
- creation of a standard blood-transfusion safety and information system;
- renovation of primary vocational education institutions (including, adaptation to disabled persons) and outfitting with modern, practical teaching facilities and technology;
- outfitting of higher education establishments with modern teaching facilities, technology and high-powered computer networks, and renovation of buildings;
- improvement of social infrastructure and development of social services;
- provision of ICT in the administrative institutions of the social services system;
- improvement of the job market (for example, ICT, infrastructure, equipment).

Within the framework of this measure, there are plans to improve social capital by improving access to healthcare (also for persons with special needs), and human capital by providing better education and training opportunities (it is important that these activities ensure the involvement of socially disadvantaged groups). However, reform of the healthcare system, with closure and reorganization of the small hospitals, could

also reduce employment and thus have a negative impact on social capital. The construction of new educational and healthcare establishments does not have a significantly negative impact on the environment, especially if this is not done at the cost of the green belt. This measure can also stimulate an increase in natural capital, provided that the projects encourage eco-efficiency, limit the use of environment-unfriendly materials and promote utilization of medical waste products. To avoid a possible increase in transportation when building new public facilities, it is necessary to create an efficient public transportation system and to try to exploit and adapt existing buildings.

Conclusions

The majority of the measures included in this priority are aimed at development of the infrastructure, and in this way they promote the development of social and man-made capital. Another significant improvement can be expected in the development of human capital because the priority also anticipates qualification-improvement measures. However, there are also a number of trade-offs that decision-makers will have to face. The most negative impact on natural capital can result from measure 2, which is aimed at improvement of accessibility and the transportation system.

2. Promotion of business and innovation

The goals of this priority are to promote the establishment of new companies and improve the competitiveness of existing companies by providing the necessary conditions for a transition to knowledge-intensive production, which has been defined as one of the main goals of Latvia's long-term economic development. This priority, like the previous one, is financed by ERDF. It includes the following measures:

2.1. Support for innovation (13% of total financing for this priority):

This measure complements the other measures of the priority by supporting new and existing enterprises in the development of new products for the market and the introduction of new business processes through:

- support for the assessment of technical and economic feasibility;
- assistance for the development of prototypes and pilot models.

This measure is basically aimed at the development of man-made capital by promoting development of new and innovative products, but this can also promote development of natural capital provided that new, environment-friendly technologies are used in production and environment management systems (ISO 14,000 and EMAS) are introduced at the company management level. It can be expected that this measure will have a positive impact on labor productivity. This could improve companies' eco-efficiency

and reduce consumption of natural resources (renewable and non-renewable) and pollution. The measure will also promote development of scientific potential and, consequently, human capital.

2.2. Development of business-promoting infrastructures (35%):

- support for the investments of private infrastructures in the modernization of production processes and products to meet market standards and requirements in regard to environmental protection, job safety and protection of consumer rights (including purchase of necessary equipment, and construction and reconstruction of buildings);
- support for the investments of private infrastructures in communal-use facilities (testing and certification laboratories, etc.);
- support for the investments of private infrastructures in providing access to public-use networks (roads, power, water).

This priority is expected to raise the competitiveness of companies and thereby increase man-made capital. Although an increase in man-made capital increases the strain on natural capital, the activities planned within the framework of this measure could lessen this, since use of ICT in business will be stimulated, as well as more efficient exploitation of resources and observance of environmental requirements. Improvements at places of work can improve job safety, which promotes development of human capital. On the other hand, the risk remains that improvements to the infrastructure will be carried out by fairly developed companies, with good economic and financial indicators (the most competitive companies), the majority of which are located in the country's developed regions. This could therefore indirectly promote an increase in regional disproportions. Moreover, a broadened infrastructural base could promote a decrease in natural capital resulting from, for example, an increase in the volume of transportation.

2.3. Support for small and medium enterprises (15%):

- financial support for use of consultation services by SMEs and for exchange of experience will be granted for the following measures:
 - market studies;
 - marketing;
 - preparation of business plans;
 - financial management;
 - quality demands;
- support for participation in international trade fairs and events.

2.4. Improving accessibility of financing for SMEs (25%):

- loans (including micro-credits) for launching business operations;
- improvement of the credit guarantee system;
- financing of risk capital;
- interest rate subsidies.

These priorities are directly aimed at development of man-made capital, with special focus on small and medium enterprises. More knowledge and more financial resources can increase eco-efficiency. Access to additional financing can theoretically free financial resources, which companies can use for environmental investments. This is possible only if the government takes measures to motivate companies to do so.

2.5. Promotion of scientific research (12%):

- financial support for practical research projects in the following areas:
 - information technology;
 - biotechnology, biomedicine, pharmaceutical organic synthesis;
 - material technologies and engineering;
 - forestry and forestry technology;
- modern research facilities and infrastructure for national scientific research institutions. In order to receive financing for infrastructure projects, studies must be internationally acknowledged (appraised and acknowledged in Europe) and they must be in keeping with the priorities of economic development and the research capacity of the institution.

This measure, too, is aimed at the development of man-made capital, with emphasis on development of scientific potential and innovative solutions, as well as efficient use of natural resources. Redirecting scientific activity towards studies on the efficient use of resources and improvement of eco-efficiency can lead to a significant increase in natural capital; however, technologies (for example, gene engineering, nuclear energy) can also threaten the development of other SD capital forms. This is why it is important to carry out a complete risk assessment for these technologies and to apply the principle of caution in regard to the environment and human health.

Conclusions

The main goal of all of the measures mentioned in this priority is the development of man-made capital. However, if these resources are diverted to measures that promote the introduction of new, environment-friendly technologies and products, natural capital could also be increased.

3. Promotion of human resources development and employment

Financing from the European Social Fund will be available for this measure. This money is intended for projects that seek to develop human resources and improve the conditions of the job market. Anticipated activities are promotion of employment, development of education and further education, and lessening of social segregation.

3.1. Promotion of employment (44% of resources allocated to this priority):

- retraining of employed persons and improvement of qualifications;
- active promotion of employment measures for the unemployed;
- training for entrepreneurs and entrepreneurial beginners;
- improvement of the capacity of institutions responsible for development and implementation of job-market and equal-opportunity policies, and of other institutions and organizations (including non-governmental organizations) engaged in the implementation of projects;
- support for job market studies, including studies on the situation of ethnic minorities and gender equality in the job market.

These activities will contribute primarily to human and man-made capital (for example, increase in labor productivity). Solving unemployment problems can also help to develop social capital by reducing social inequalities. This measure can have a positive impact on natural capital if environmental education is provided. Likewise, finding new, alternative employment opportunities in rural areas can curb such activities as deforestation and excessive exploitation of other forms of natural capital. An increase in production can also produce additional strain on natural capital, for example, through an increase in industrial pollution. On the one hand, higher incomes can help development of human capital because more money is left over for healthcare and education, but on the other hand, they can increase consumption, which can produce a greater strain on natural resources and growing amounts of waste.

3.2. Development of education and further education (38%):

- improvement of education programs for primary vocational education and practical training in economically important sectors;
- improvement of teaching quality in science and technology subjects and mathematics at secondary education schools;
- improvement of higher-education study programs for science and technology;

- promotion of a life-long education network, development and implementation of further-education courses for a broad spectrum of society, development of an adult training and life-long education strategy and implementation mechanism;
- support for theoretical and practical training for educators and teachers to improve qualifications;
- promotion of cooperation between social partners and educational establishments to improve the quality of education and practical training;
- support for vocational guidance and counselling measures and activities in educational institutions.

The goal of investments in education and further education is a qualified and competitive work force as a means of promoting economic growth and welfare. Consequently, the main contribution of this measure will be to development of human capital, but indirectly it will also promote development of man-made capital (higher employment and labor productivity). Knowledge of ICT will increase, which could potentially reduce the strain on natural capital and improve social capital. If funds are diverted to less-developed regions, this could be an additional plus for social capital since it would reduce regional inequalities and with new, alternative employment opportunities in rural areas, it could also reduce the strain on natural capital. And if the money is allocated to projects that promote learning about environmental protection and sustainable development, natural capital could benefit.

3.3. Lessening of social segregation (18%):

- education opportunities, including ICT support, for disabled persons;
- subsidized jobs;
- business and self-employment opportunities, including ICT support for disabled persons;
- training of social workers;
- broader spectrum of social rehabilitation programs, including ICT support for disabled persons;
- development and implementation of pedagogical correction or rehabilitation programs and courses;
- integration of young people with special needs into the elementary education system.

The target groups for the above activities are disabled persons, the longtime unemployed, persons released from prison, pre-pension-aged unemployed persons and other socially discriminated groups in Latvia. According to the Ministry of Welfare, if Latvia

puts these resources to good use, already in 2004 as many as 9,938 persons could be retrained, 800 jobs subsidized, eight market studies carried out, and 220 social rehabilitation measures implemented. This measure also anticipates improvements to the work of 16 institutions (National Employment Service, Agency for Vocational Education Development Programmes, etc.).

Thus, the main contribution will be to development of social and human capital. The human capital of the social risk groups will be increased and social capital will be developed, since crime will be reduced, income levels approximated, and social segregation lessened. However, this could result in an increased demand for services and consumer goods, which could create additional strain on natural capital.

Conclusions

This priority is basically aimed at development of man-made (employment, labor productivity) and human capital. However, it can also have a positive impact on social capital since it anticipates lessening of social segregation and better access to training and education. This measure does have any significant impact on natural capital.

4. Promotion of rural development and fisheries

Priority 4 will be financed from the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG). For this reason, the priority is divided into two sub-priorities:

- promotion of farming and rural development;
- promotion of sustainable fisheries development.

4.1. Promotion of farming and rural development

The goal of Sub-priority 4.1, promotion of farming and rural development, is to eliminate structural problems connected with farming and to ensure sustainable development of agriculture and forestry. Several measures have been planned:

4.1.1. Investments in farming enterprises (29% of financing allocated to this priority):

- investment in new machinery and equipment, information technologies and software intended for the production of agricultural products (incl. packaging, utilisation of production waste, farmland drainage);
- investment in zootechnology to improve the genetic quality of animals when existing herds are replaced with new animals;
- investment in new plants and plant breeding for plantations (for example, fruit trees);

Investments in agricultural infrastructure (water supply, buildings, drainage systems, waste management) will improve the contribution of agricultural enterprises to the environment by reducing environmental damage. However, growing investments could promote intensification of the farming industry, increase the use of agricultural chemicals and thereby increase the negative impact on biological diversity, the pollution of water, air and soil, and the exploitation of natural resources. Erosion and degradation of soil, eutrophication of water and disappearance of natural meadows can also be expected. This would place an additional strain on natural capital. To prevent or reduce the negative consequences and preserve the traditional landscape, special attention must be paid to observance of the principles of good farming practice and to the establishment of protection zones between cultivated fields and water bodies. These activities would also contribute to an increase in man-made capital and to stable social capital, since they would ensure preservation of the traditional rural lifestyle, which would, at the same time, help to reduce regional economic disparities.

4.1.2. Support for young farmers (3%):

- Support is intended for farmers setting up their first farming enterprise. This support will be in the form of one-off compensation and/or subsidized credit rates to cover the costs of setting up the enterprise.

The involvement of young people in farming could promote regional development and development of social capital, since it would give those living in rural areas additional opportunities to stay there and engage in farming. But this measure, like the previous one, could also have a very negative impact on natural capital if it promotes intensification of farming. At the same time, this measure would help to preserve forest resources, which are often seen as the only means of making a living in rural areas. Better know-how and flexible thinking can have a positive impact on natural capital, provided that environment-friendly farming methods are applied. Support for young farmers can also promote development of man-made and human capital.

4.1.3. Improvement of processing and marketing of agricultural products (24%):

- investments in new production technologies and equipment, information technologies and software;
- building construction, reconstruction and renovation, and procurement of building materials for the construction of processing plants for agricultural products;
- support also possible for activities connected with the general costs of the aforementioned activities (for example, architects', engineers' and consultants' fees, patent and license fees) in an amount of no more than 12% of the total investment.

Improvement of processing technologies could also improve natural capital if environment-friendly technologies are introduced, which are more energy- and eco-efficient.

Technological improvements will also lead to an improvement of product quality and this, in turn, could improve human capital, since public health will improve. Gene engineering cannot be employed as a transition to new agricultural technologies.

The impact of investments in the packing sector on natural capital is not quite clear: on the one hand, packaging volumes could increase, but on the other hand, there would be opportunities to use packaging made of recycled materials and to ensure processing of packaging materials. As far as marketing is concerned, it is important to make sure that this is ethical and not misleading to the consumer. Successful marketing can also increase the demand for agricultural products, which can place an additional strain on natural capital, including a negative impact on biological diversity if farming is intensified. One of the marketing measures that should be supported is certification and popularization of organic products.

4.1.4. Adjustment and development of rural areas (36%):

- planning, building, reconstruction and renovation of national and communal-use drainage systems;
- first chalking of acid soil to improve land that has been unused for a longer period of time in areas where pH levels are critically low (i.e., this activity does not anticipate regular chalking in accordance with standard agricultural practice);
- agro-chemical analyses of the soil connected with the first chalking of acid soil;
- diversification of farming activities and activities closely connected with farming (production and processing of the agricultural products not included in measure 4.1.1 and measure 4.1.3; adjustment of farms, farm building, lands and other facilities to meet the needs of non-farming activities);
- provision of basic services for the rural economy and population;
- development of crafts;
- development of rural tourism;
- clearing of abandoned arable land from brush and invasive weeds (i.e., hogweed);
- development of consultation agencies for farmers;
- consultations on farm and business expansion for farmers and foresters.

These measures will reduce the acreage of abandoned farmland and promote alternative farming methods. Reduction of moisture and acidity will increase soil fertility, which, in turn, will promote development of man-made capital through an increase in productivity and competitiveness. However, this can also promote more intensive exploitation of farmland and thereby endanger natural capital. The improvement of

soil fertility can also reduce water quality, which would have a negative impact on fauna. Development of social capital will be promoted by reducing poverty among the rural population and providing people with alternative ways of making a living. Development of crafts and rural tourism will promote preservation of historical landscapes and the natural environment. Such activities can promote development of local economies and social capital, but they can also place an additional strain on natural capital (for example, the increase in transportation volumes resulting from local and international tourism). Certification of “green tourism” and stimulation of “green market” initiatives should be seen as positive developments.

4.1.5. Development of forestry (6%):

- afforestation (including the preparation of individual forestation plans) of unfarmed land (i.e., land that does not meet the requirements of Section 31 of Regulation 1257/1999);
- investments in forest development to raise their economic, ecological and social value (support will be provided for investments aimed at improving the infrastructure of privately-owned forests, i.e., access to forest trails, leisure and hunting facilities, improvement of forest undergrowth and biological diversity in low-quality woodlands; support will not be provided for regular forestry needs);
- establishment of forest owners' associations (support for founding of foresters' associations to help members develop sustainable and efficient forest management);
- investment in improvement and rationalisation of harvesting, processing and marketing of forestry products;
- support for replacement of low-value forest stands and tree species, aimed at increasing biological diversity and ecological value;
- restoring of forestry production potential damaged by fire and introduction of appropriate prevention instruments.

This measure is closely linked to development of the forestry industry. Activities such as afforestation and reforestation with high-quality species of trees could be a positive contribution to man-made and natural capital, since they will increase woodland productivity and CO levels. At the same time, the base and potential of renewable energy will be increased. Biological diversity will be maintained with the help of compensation mechanisms that will place restrictions on business activities in order to preserve natural reserves. These activities will also increase employment and thereby develop human and social capital. However, attention must be paid to the preservation of biological diversity in forests, which could be endangered by an increase in revenue-generating activities.

4.1.6. *Development of local capacity (a LEADER+⁴⁰-type measure) (1%):*

- In keeping with the experimental character of implementation of the local-level rural development strategy, incorporation of this LEADER+-type measure into the current program will be concentrated on adoption of the Acquisition of Skills and Integrated Territorial Rural Development strategies.
- The purpose of Acquisition of Skills is to prepare rural communities for drafting and implementation of local rural development strategies. This support will be available in the whole country, but will be concentrated on specific territories. Support will be provided for these subordinate activities:
 - information and education of the population to promote active participation in the development process;
 - setting up representative local action groups, improving the skills of community leaders, local action group members and consultants;
 - technical support for exploration of the local territory and assessment of the territory, with consideration for the wishes expressed by the interested part of the local population;
 - drafting of integrated development strategies, including drafting of territorially integrated development test strategies;
 - financing of studies and preparation of supporting documents, consultations and recommendations for future strategy on implementation of rural development, applying the “bottom to top” approach;
 - preparation and distribution of methodological material, including other forms of administrative preparation for this LEADER+-type measure;
 - assessment of integrated development strategies, and implementation of monitoring and assessment measures.
- Integrated rural development test strategies. The following subordinate activities will be supported:
 - implementation of integrated territorial rural development test strategies, which have been prepared by local action groups;
 - participation in interterritorial and international cooperation projects, i.e., monitoring of the cooperation activities of local action groups and of strategy implementation.

This is a multi-sectoral and integrated initiative that establishes links between local sectors (particularly food production and tourism) in order to maximize their added value

⁴⁰ LEADER+ is the only EU community initiative that will be applied in the first programming period in Latvia.

and develop the market. Thus, this measure can be considered a very positive measure, especially in regard to development of social capital and the local economy. The initiative will also raise the living standards of the rural population. Ireland has had particularly positive experience with the LEADER initiative – in raising employment rates, developing new products and increasing the turnover of small enterprises.

4.1.7. Training (1%):

- This measure anticipates support for raising the professional qualifications of farmers, foresters and other persons connected with the activities of these two sectors (no support for covering the costs of regular courses for service providers, which are part of the general agricultural or forestry secondary- or higher-education program or system).

This measure is primarily oriented towards the development of human capital (professional education); however, significant attention is also devoted to development of natural capital. This measure will contribute to improving knowledge about compliance with quality requirements for forest and farming products and the requirements of environmental protection and animal welfare by creating the preconditions for production of competitive and user- and environment-friendly products. With this measure, it is important to provide training in the application of non-depletive and sustainable farming methods. Implementation of this measure will have a positive impact on regional inequalities.

Conclusions

The activities financed by the Agricultural Guidance Fund are basically aimed at development of the agriculture and forestry sectors, increased productivity, and regional development (increase in man-made capital). Development of social and human capital (cohesion of the incomes of urban/rural inhabitants, promotion of innovation, initiatives, training, etc.) can also be expected. An important role is also assigned to development of natural capital; however, intensification of farming can result in an additional strain on natural capital.

4.2. Promotion of sustainable fisheries development

The Financial Instrument for Fisheries Guidance, which is financing this priority, was established to help achieve the goals of the EU Common Fisheries Policy,⁴¹ to support

⁴¹ The main goals of the Common Fisheries Policy: (1) balanced fishing and production of fish products in accordance with accessible resources. Overfishing poses a threat to fish stocks, reduces the size of catches and the incomes of those working in the industry; (2) greater competitiveness of fishery enterprises in increasingly global and competitive fish product market conditions.

restructuring of the industry and strengthen EU economic and social cohesion. The goal of this sub-priority is to ensure sustainable exploitation of Latvia's fish resources in the sea or in inland waters in order to produce fish products with high added value, which can compete on domestic and global markets, and to provide opportunities for exploring new markets. In the first programming period, four fisheries promotion measures will be eligible for support:

4.2.1. *Balancing of the fishing effort (22% of resources allocated to this priority):*

- The main objective of this measure is the withdrawal of vessels from fishing activities and their permanent adjustment to non-profit undertakings unrelated to fishery (for example, training exercises or scientific research, etc.).

Due to the depletion of fish stocks in the Baltic Sea and in order to ensure the natural renewal of these resources, catches must be balanced against the existing amount of fish. Subsequently, one of the main tasks of this priority is to develop natural capital (preservation of exploitable fish stocks) without endangering social capital (by reimbursing the losses incurred by vessel owners and crews). Since many of the inshore fishing vessels are old, their exploitation is connected with the risk of water pollution, which would be averted by this measure. According to the newspaper *Diena*, "of 228 fishing vessels whose average age is 26 years, almost one quarter have been volunteered by their owners for scrapping."⁴² According to the National Fisheries Office, the resources allocated to this measure would suffice to scrap 30 vessels or compensate for their adjustment to other forms of exploitation. The measure can have a negative impact on employment and on the incomes of the inhabitants of coastal villages.

4.2.2 *Renewal and modernization of the fishing fleet (21%):*

- This measure anticipates support for the modernization of fishing vessels, with special attention paid to measures that will not increase the overall fishing capacity of a vessel (engines, tonnage) or change its structure. Support is intended for improvement of job safety and sanitary conditions and the quality of catches.

This measure is aimed at improving the competitiveness of the fishing industry and basically promotes the development of man-made capital. Decrease of by-catches, made possible with better fishing equipment, will ensure the preservation of biological diversity (development of natural capital). Investments in the fleet, renewal and modernization can reduce the water and air pollution caused by fishing vessels, but can also increase the size of catches, which can endanger the stocks of certain fish species.

⁴² Trops, J. "Zvejas flote dzelzsgriezēja gaidās [Fishing fleet waiting to be scrapped]." *Diena*, September 13, 2003.

4.2.3. Improvement of processing and marketing of fishery and aquaculture products, fishing port facilities and aquaculture (44%):

- support for fish processing enterprises is anticipated for activities aimed at improving sanitary conditions, introduction of the hazard analysis and critical control points (HACCP) system and new technologies, including environment-friendly technologies. Special attention will be paid to the production of products with high added value to achieve as great a positive effect as possible in regard to the industry's economic efficiency and employment;
- the measure anticipates support for activities that guarantee development of safe, modern and well-equipped seaport infrastructures for fishery needs. The measure is aimed at development of the necessary services and infrastructure for the activities of the fishing fleet in seaport territories (for example, ice-making, freezing and cooling facilities, and other equipment);
- measures will be supported that promote modernization of aquaculture enterprises and their adjustment to environmental requirements.

The activities of this measure are aimed mainly at the development of man-made capital. However, better fish processing and marketing could reduce the demand for more intensively exploitable fish, since it would be possible to step up marketing of less exploitable fish, which, in turn, could endanger the stocks of these species. The introduction of new water-supply and environment-friendly technologies could also significantly reduce the strain on the environment caused by the fishing industry.

Improvement of fishing port facilities will basically promote development of man-made capital because it will improve competitiveness and ensure that ports fulfil EU criteria. Investments in ports will help to improve and preserve forms of employment connected with fishing; however, when new projects are prepared, they should first be assessed for their impact on the environment, with special attention devoted to bird sanctuaries and cultural heritage.

Due to the huge demand for seafood and the resulting rapid depletion of fish stocks in global waters, including the Baltic Sea, aquaculture is becoming increasingly popular. On the one hand, it can reduce the demand for wild fish species, but it can also have a very negative impact on natural capital and the natural landscape. The main problems connected with aquaculture are:

- wild fish stocks: farmed fish are usually fed with fish meat or fish-oil extracts. It is estimated that 4 kg of fish are needed to raise 1 kg of farmed fish. This increases the pressure on wild species by interrupting the natural food chain;

- life conditions: fish are usually grown in huge numbers (as many as 1,000) in fairly small territories. This overpopulation leads to a decrease in the amount of oxygen and increases the possibility of diseases. The fish are usually often moved from one tank to another, and such conditions subject the fish to psychological and physical traumas – damaged tails and fins. A diet of fish oil can cause fish liver diseases;
- degradation of the environment: if no water-treatment systems have been installed, waste and uneaten fish food enter natural bodies of water and increase eutrophication;
- consumers: to prevent fish diseases, fish are often given antibiotics and vaccinated. Fish food also contains PCBs⁴³ and toxins, and all of these substances eventually accumulate in human and animal organisms.⁴⁴

4.2.4. Development of inshore fishing, socio-economic measures, support for the exploration of new markets and for producers' organizations (13%):

- this measure anticipates support for groups of fishing vessel owners and fishermen (at least 3) whose vessels fish in coastal waters. This support will help to improve safety, sanitary and work conditions, introduce more selective fishing methods, develop the market for fresh fish, and increase the added value of fishery products;
- the measure includes fishermen's support schemes for those who have been forced to cease fishing activities, i.e., their vessels have been withdrawn from active fishing (for example, they have been scrapped or adjusted to other forms of exploitation such as training exercises or scientific research, etc.), under measure 4.2.1 or in cases where the European Commission or a local public administration agency has implemented extraordinary measures that lead to a temporary halt of fishing activities;
- Latvia's accession to the European Union has opened many new opportunities to develop the market for fishery products. This measure supports projects that stimulate the production of market-oriented fish products in order to increase Latvia's competitiveness in the global market (for example, advertising campaigns, organization of and participation in trade fairs);
- the measure also anticipates support for the establishment of producers' organizations and popularization of their activities during implementation in Latvia of the main intervention mechanisms of the common fisheries policy.

⁴³ Polychlorinated biphenyl.

⁴⁴ "Farmed Cod." *The Ecologist*, September 2003.

Development of inshore fishing and preservation of the traditional lifestyle of coastal fishermen is basically aimed at the development of social capital. This measure could also reduce strain on social capital, which could occur after reduction of the fleet.

Conclusions

This measure is basically aimed at sustainable fisheries (balancing of natural, social and man-made capital) with renewal of fish resources (development of natural capital), anticipating financing for retraining and improving the efficiency of fishery enterprises (labor productivity and efficient use of production resources).

3.3. Impact of various types of projects on SD

As indicated in the DP strategy, the DP long-term goals are development of business (employment and competitiveness), human resources (education and training), and infrastructure. Projects financed in accordance with the DP can therefore be divided into three main categories: infrastructure, human resources and business development.

These three project categories have been granted the majority of the financial resources in almost equal parts. However, the largest part of the resources has been allocated to development of the infrastructure (transportation, communications, energy supply, environmental protection, healthcare and education). Almost equal amounts of resources have been allocated to development of human resources (education, training, research and science) and entrepreneurial activities (farming, forestry, fisheries, tourism, small and medium enterprises). DP financing has also been planned for other projects (for example, technical aid); however, financing for these activities is relatively small and so is its impact on SD.

Infrastructure projects

These projects would have been carried out even without the support of SF, but over a longer period of time and possibly on a smaller scale. The priority analysis permits the conclusion that the biggest threat to SD and especially to natural capital can come from infrastructure projects. Their impact on natural capital is determined by the nature of these projects:

- road construction projects significantly increase exhaust fumes and traffic congestions (due to an increase in traffic volumes), but development of the railroad infrastructure has the opposite effect;
- water-efficiency and management projects usually have a positive impact on natural capital, despite the short-term negative effects of the construction process;

- energy-supply projects have a short-term positive impact if more efficient and environment-friendly technologies are introduced, but they can also have long-term negative consequences, since demand for energy increases and so do emissions.

Infrastructure projects usually have a neutral impact on social capital. This is basically because it is hard to determine the connection between an increase in man-made and social capital. However, there are several clearly obvious trends. For one, infrastructure projects that are aimed at development of public transportation, railroads and motorways have a positive impact on social capital, since they promote the development of social networks and improve access to services. Secondly, water-management and energy-supply projects also have a positive impact on the development of social capital, since they improve the quality of water, which has a positive impact on public health. Furthermore, a developed infrastructure is a positive factor in attracting investments, which, in turn, can have a positive impact on social capital.

Investments in the infrastructure can be expected to yield high returns (increase of man-made capital) in the future, but the question in which sectors the infrastructure should be developed in order to guarantee the necessary increase in economic efficiency must be given careful consideration. Experience in other EU Member States shows that projects which would be impossible to carry out without public resources and which guarantee overall benefits in the private sector (for more market players) tend to be more effective.

Business development projects

SF-financed business development projects are usually implemented in territories with the lowest production and farming activity in order to stimulate development of these territories. However, no geographical restrictions have been imposed on the allocation of financial resources in Latvia, so that projects from different regions will have to compete with each other. This will certainly raise the quality of the projects, but it will not stimulate regional development.

The business development projects are aimed at development of technologies and competitive capacity, and at diversification of business ventures. The target group of this measure are small and medium enterprises, often operating in the modern technologies, tourism and environmental sectors. Although business development and human capital development are usually separated from each other, they have a common goal – economic development; and there is frequently a common target group.

The biggest contribution of the business development projects is to man-made and human capital. However, depending on the type of project, some of them can also have a positive impact on social and natural capital:

- the projects that can have a long-term positive impact on SD are those that develop social capital and promote cooperation between participants at the local level: for example, scientists and entrepreneurs who improve the performance of businesses by raising innovation levels;
- the inability to adequately incorporate business development projects into territorial planning can reduce the contribution of these projects to SD. For example: in the case of social capital – the inability to develop and promote the accessibility of local products and services, and cooperation between local businesses; in the case of natural capital – the inability to resolve local environmental problems;
- greater industrialization can also place greater strain on natural capital. An increase in business activities or a change in the form of these activities must be closely coordinated with local environmental conditions and possibilities;
- if business ventures are territorially balanced, business development measures can increase their contribution to SD: for example, by resolving environmental problems that have resulted from an overheating of the local economy or by acting as a catalyst to stimulate investments in less-developed regions.

Human resources development projects

Investments in human resources usually have a neutral or positive impact on SD. On the whole, these investments can be considered positive, especially in cases where they help to eliminate poverty and disproportion of incomes, and promote gender equality. Measures that are aimed at providing better access to jobs make a bigger contribution to social capital than those aimed at training.

The biggest contribution to man-made capital is made through investments aimed at improving the skills of poorly qualified human resources. They increase labor productivity and the employment of women, and they reduce unemployment, which takes pressure off the national budget.

It is much harder to assess the impact of human resources development projects on natural capital. The conclusion is that a negative impact of such projects on natural capital cannot be observed and that investments in human resources can lead to a more economical use of resources, which improves natural capital.

3.4. Impact of DP on 4 SD capital forms

Analysis of the priorities, measures and supportable activities mentioned in the DP leads to the conclusion that they are basically aimed at development of man-made and human capital. However, the impact on social and natural capital is unclear or negative. The results obtained during the course of the study are shown in the following table.

Table 3. Assessment of Structural Fund contribution to sustainable development

Priority	Sustainable development				Overall assessment
	Man-made capital	Human capital	Social capital	Natural capital	
1. Promotion of balanced development	Positive	Positive	Positive	Negative	Unclear
2. Promotion of business and innovation	Positive	Positive	Unclear	Negative	Unclear
3. Promotion of human resources development and employment	Positive	Positive	Positive	Positive	Positive
4.1. Promotion of rural development	Positive	Positive	Unclear	Negative	Unclear
4.2. Promotion of sustainable fisheries	Positive	Unclear	Negative	Positive	Unclear
Overall assessment	Positive	Positive	Unclear	Unclear	Unclear

In the case of social capital, there is uncertainty about the direct or indirect impact of SF because the impact is hard to predict. However, experience in other countries shows that cutbacks in some areas of social capital can result in poorer social services (for example, can make access to education more difficult, reduce the number of clients and cause a number of other problems), and poor social services can be the cause and not the effect of a reduction in social capital. For example, the poor public transportation system in Latvia is the cause and not the effect of the country's overall reduction of social capital.

In the case of natural capital, these connections are much more pronounced, especially in the infrastructure development sector, which nearly always causes a reduction of natural capital. In the majority of countries, lawmakers are fully aware of this and accept the situation as an inevitable sacrifice that must be made for the sake of better public welfare. It should be noted that public welfare is usually judged using the conventional development indicators: GDP growth, employment and incomes, which do not fully reflect the actual level of public welfare.

Man-made capital

Structural Funds do not automatically mean an increase in welfare. Economic studies do not provide concrete proof of a direct connection between Structural Fund resources and economic growth. This is also evidenced by the experience of EU Member States.

Ireland, which is one of the biggest recipients of EU funds, has experienced rapid economic growth in the last decade. Greece, however, which also receives a large part of SF, is still trying to cope with old problems and has not shown significant progress in this area. Economic development is largely determined by macroeconomic stability, which stimulates investments; a flexible supply policy, which increases the economy's capacity to adjust to changes; an educated and skilled work force; and an adequate institutional base. A precondition for economic development is also a well-coordinated government support mechanism: for example, support for horizontal priorities that do not conflict with EU competition policy. This means that the effectiveness of SF implementation should be assessed in the context of national economic development.

In Latvia, all of these elements function more or less successfully. Therefore, if these resources are appropriately used and are part of a single national development policy, they can stimulate economic growth. This is also confirmed by the experts who were interviewed by *Diena*⁴⁵: "The financial resources from EU funds will most likely only stabilize the situation in the national economy and make it possible to maintain the growth rates of recent years."

It can be expected that the biggest contribution to man-made capital will come from Priority 2 (Promotion of business and innovation). Priority 4.2. (Promotion of sustainable fisheries), on the other hand, will make the smallest contribution to man-made capital. The DP anticipates large investments in development of the infrastructure, but it can be expected that the DP will primarily promote investment volumes and employment. Almost all of the activities will also have a positive impact on GDP growth. The DP could also promote structural changes in the national economy: a decline in the proportion of industrial production and an increase in the role of the services industry.

However, economic growth or the increase in man-made capital is only one of the four capital forms of sustainable development, and experience in many EU Member States shows that the Structural Funds can have a negative impact on other SD capital forms, especially the environment and social welfare.

Human capital

Investments in human capital are basically intended to promote an increase in man-made capital. However, being long-term investments, they cannot be expected to give immediate results. This was also confirmed by the head of the Delegation of the European Commission in Latvia, Andrew Rasbash: "The benefits from a significant improvement in the educational level in Latvia, which is necessary for faster economic

⁴⁵ Pelāne, A. "ES nauda – pamats Latvijas attīstībai [EU money – the basis for Latvia's development]." *Diena*, January 3, 2004.

growth, will be enjoyed only by the third – next generation.”⁴⁶ According to Rasbash, these people will then live in a Latvia that is equivalent to other EU countries.

Activities in this area must be carefully planned and balanced. If the quality of education is raised, but new job opportunities are not provided, there is a risk that the new professionals will seek jobs in other EU countries.

Improvements in the job market and in the education and training systems stimulate growth. However, if investments in human capital are to promote economic development, they must be diverted to sectors with high added value, for example, information technology. The DP could also promote equal job and development opportunities and the capacity of employers and employees to adjust to new job market conditions.

In Portugal and Ireland, the lack of skilled workers was considered to be the main obstacle to development. In the last 20 years, both of these countries have made a great effort to develop human capital with the goal of securing national and regional development. Although the results have been positive, there are still a number of regions, especially in Portugal with high unemployment rates.

It is hard to make out a common denominator for DP impact on migration in Latvia. Neither does experience with Structural Funds in other EU Member States show a clear pattern. For example, the best-educated people from Northwich (Great Britain) and East Germany migrate to other regions and countries. This has had a direct negative impact on social and human capital and an indirect negative impact on man-made capital. However, in Andalusia there is the opposite trend, since there is a lack of manpower in this region and a significant influx of workers from other regions. This is an important question in many regions of Europe.

Social capital

Analysis of DP priorities and measures reveals that a number of them can significantly increase social capital (for example, Priority 3, Promotion of human resources development and employment), especially if education and training are improved. At the same time, there are several activities that can be expected to have a negative impact on social capital (for example, agriculture and fisheries measures), especially if they endanger local culture and identity.

⁴⁶ 7th International Conference, Information Technologies and Telecommunications in the Baltic Sea and Central and Eastern European Region. April 2, 2003.

Similar conclusions can be drawn after an analysis of EU Member State experience with SF. There are several positive signs of community development and cooperation, but in many places Structural Funds have contributed to an increase in social segregation and a decrease in social cohesion, greater income-level disproportion, and in some cases crime.

In the 90s in Campania, there was a rapid decline in social capital. In the regional capital Naples, the economy was stagnating and it became harder for the less well-to-do to gain access to healthcare and education. As a result, the region still suffers from a high poverty level, high unemployment and social segregation. Although cooperation among people increased with the appearance of informal networks, this increase could not compensate for the decline in other social sectors.

Natural capital

As in the case of social capital, a number of the activities mentioned in the DP can also cause a decline in natural capital. The main reason for this is a decline in biological diversity and an increase in emissions (caused by agriculture and transportation). Priorities 1.2 (Development of accessibility and the transportation system) and 2.2 (Development of business-promoting infrastructures) have the greatest negative impact on natural capital. However, a number of the measures can also promote development of natural capital, basically by improving eco-efficiency and reducing waste.

Natural capital can also be positively affected by an increase in social and human capital. Better education and greater employment opportunities can be expected to reduce strain on the environment.

In the EU, trends differ greatly from country to country. Improvements can be observed in some regions, resulting from collapse of the heavy industry or greater investments in the environmental infrastructure and renewal of soil fertility. In other regions, there has been a significant increase in the consumption of water resources (mainly in Spain).

The consumption of water resources has significantly increased in recent years in Andalusia. Seasonally unbalanced water consumption, resulting mainly from growing tourism and intensification of farming, has made water a strategic resource. Since water resources are extremely important for the eco-system and a factor that ensures natural diversity, depletion of these resources cannot be considered sustainable regional development.

3.5. Trade-offs

The main trade-offs connected with implementation of the DP can be divided into two groups: 1) an increase in man-made capital, which causes a decrease in natural capital, and 2) an increase in man-made and human capital, which causes a decrease in social capital. In the first case, the connection is quite clear: an increase in production creates an additional strain on the environment through an increase in consumption of resources and pollution. In the second case, however, the connection is not as clear and harder to explain.

Such trade-offs in structural policy do not always occur as a result of the conscious actions of local decision-makers, but are in many cases the result of regional socio-political circumstances or simply coincidences, without particular political intent. The degree to which trade-offs impose restrictions on sustainable development depends on two factors. 1) Can a decrease in one of the capital forms mean the disappearance of any critical values (crossing the critical threshold), which cannot be replaced or compensated by values from another capital form? 2) Can the decrease be partially or fully compensated by an increase in another capital form?

Analysis of Latvia's DP shows that a number of the most typical trade-offs can be identified in both of these categories:

(a) increase in man-made capital and decrease in natural capital:

- investments in the infrastructure, especially in road construction, and economic growth, with the accompanying increase in income levels and consumption, create an additional strain on natural capital (land use, road safety, emissions, air quality, etc.);
- growing tourism has a negative impact on the environment, especially due to growing transportation volumes and impact on sensitive eco-systems;
- increased agricultural production has a negative impact on natural capital, due to increased consumption of water and use of agricultural chemicals, and to emissions connected with agriculture;
- growing man-made capital can also cause fragmentation or disappearance of the green belt and increase transportation, which causes air and noise pollution and has a negative effect on health;
- development of human capital by attracting investments, especially in regions with high unemployment rates, can have a negative impact on natural capital (environmental standards and legislation may be disregarded in the competition for investments);

- a growing economy means greater consumption of energy and power, which causes an increase in the emission of greenhouse gasses.

All of these trade-offs are seen in Latvia as the unavoidable consequences of development. To reduce the negative effects, it is necessary to be aware of them and to anticipate the necessary measures to cushion these effects. These measures can be considered during the planning and implementation stages of projects. But the fact that decision-makers are aware of these problems does not automatically mean that they take action to eliminate them. Possible ways of reducing the negative consequences of trade-offs could be: preparation of a bio-effective strategy for each sector, application of environmental impact assessments, application of natural capital criteria in the selection of projects, and efforts to separate economic growth from an increase in the consumption of natural resources and pollution.

(b) increase in man-made and human capital and decrease in social capital:

- growing welfare as the result of unevenly distributed employment, which causes growing differences in income levels and social discrimination;
- unevenly distributed regional economic growth, which, due to the incapacity of the market to meet local needs, causes social and territorial inequalities and social discrimination;
- growing immigration can reduce social cohesion. Although migration to less-developed regions is seen as a positive trend that increases local human capital, if adequate integration of the newcomers is not ensured, this can pose a threat to local social cohesion;
- growing investments in new companies can increase the number of bankruptcies (due to growing competition), which leads to an unstable job market and reduces social cohesion;
- economic growth can increase prosperity, but also social inequality;
- the increase in man-made capital that is connected with the development of modern technologies can create a special group of disadvantaged persons (computer illiterates).

In this case, the connections are harder to identify. However, one thing is clear – traditional economic growth and higher employment rates do not automatically mean social cohesion or less discrimination. These problems can only be resolved through political action that is oriented towards strengthening the social net and local cooperation.

Many politicians both in Latvia and in the other EU Member States still find it acceptable to achieve economic growth (increase in man-made capital) at the expense of

natural capital. However, an increasingly large number of national and local decision-makers feel that a further decrease in social capital is unacceptable. Although Latvia has several programs for reducing social inequalities, problems such as the population's lack of faith in public administration institutions, growing crime rates, corruption and lack of political activity are considered to be unsolvable. The reduction in some parts of social capital is not due to a low assessment of their importance, but because decision-makers do not see a direct connection between regional development and the development of social capital. As a result, there are not enough measures oriented towards less-developed regions and families, with the aim of resolving their social problems.

3.6. Win-win situations

If the DP is implemented without trade-offs, a number of win-win situations are possible, where development of one SD capital form promotes development of others. For example:

- investments in former, now abandoned industrial territories (brown zones) have a positive impact on natural capital, due to improvement of the environmental situation in these territories, and on man-made capital, due to increased productivity. Depending on what these territories are used for in the future, there can also be a benefit to social and human capital. For example, by improving business opportunities and creating additional training opportunities;
- investments in diversification of the rural economy, eco-tourism, and organic farming infrastructure and training make a positive contribution to man-made and human capital, and also create the necessary conditions for an increase in natural and social capital;

In Andalusia, the development of eco-tourism takes the pressure off coastal tourism and thereby reduces negative effects on the environment, helps to resolve the problem of rural unemployment and diversifies tourism.

- investments in human capital increase innovation, productivity and business activity, which are followed by economic development, and also make a positive contribution to social capital through lessening of social discrimination and to natural capital through increased knowledge and skills in environmental management;
- growing investments in public transportation and ICT provide better access to services and diversify the economy. They also reduce the need for mobility, improve communication, reduce traffic congestions, etc;

- growing investments in environmental infrastructure increase natural capital and man-made capital. This can help to improve local tourism and accumulate social capital since access to natural resources and public health are improved;
- investments in public transportation upgrade the urban environment and improve social capital through modification of regional inequalities and better access to services. Man-made capital is improved through a better transportation infrastructure;
- development of the social infrastructure provides better access to services and lessens regional inequalities;
- improvement of sanitary conditions promotes development of social capital and eases strain on the environment by improving living standards;
- transition to use of natural gas and renewable natural resources for heating takes pressure off natural capital and ensures development of man-made capital;
- an increase in man-made capital can promote development of social capital because it reduces crime and social discrimination and promotes equal access to social services;
- growing investments in tourism create jobs and increase incomes, and can also promote regional development;
- investments in human capital can improve natural capital through improved environmental awareness. They encourage more environment-friendly lifestyles and in this way take strain off the environment;
- growing human capital has a positive impact on man-made capital through the development of high-value-added sectors. These structural changes can also help to separate economic growth from growing pollution and exploitation of natural resources;
- an increase in natural capital can contribute to development of human capital by promoting the creation of new jobs;
- in the long term, growing natural capital improves the productivity of land exploited for forestry and agriculture, and contributes to development of man-made capital.

These win-win situations are characteristic for the majority of the EU Member States and to some extent help to resolve the problem of the aforementioned trade-offs, especially in regard to efficiency of the exploitation of natural resources and also in regard to social capital, by improving access to services, improving the job market and addressing local environmental problems.

4. CONCLUSIONS

Now that Latvia has joined the EU, it will have to work hard to obtain the available EU resources. But it will have to work even harder to make sure that all of these resources are used for the intended purpose and make a positive contribution to sustainable development. The EU Structural Funds will represent only a small part of Latvia's economic activities and cannot be considered the main threat or the driving force behind pursuit of sustainable development. However, if these resources are used correctly and efficiently, they could make it possible to break with the current non-sustainable development models and pave the way to sustainability.

Latvia's experience with EU pre-accession funds and the drafting process of the Development Plan does not provide any proof that the current DP will guarantee Latvia's progress towards SD. The experience of the "old" Member States with European structural policy also shows that these resources can be used to support non-sustainable projects and can have an adverse effect on pursuit of SD.

One of the main preconditions for a positive contribution of Structural Funds to SD is the creation of a planning, management and monitoring system that guarantees transparency and respects the basic principles of partnership and SD. In Latvia, this system is centralized and complicated, and therefore does not encourage public participation. Moreover, the principle of partnership has not been clearly defined, so that public participation in drafting of the DP has been extremely poor. There has been only one DP public hearing, with participation of only a few public organizations. NGOs have also not participated in the DP working groups, and the main role in preparation of the DP was played by the Ministry of Finance and the ministries responsible for the sectors addressed in the plan. Although both active and passive **distribution of information** was carried out during the planning process, the greater part of the population has no clear understanding of the DP and of the priorities to be financed within the framework of the plan. Mobilization of the public to take part in the debate about DP goals and priorities was also inadequate.

Another obstacle to a positive SF impact on SD in Latvia is **poor knowledge about SD issues** on part of the responsible institutions, partners and potential recipients. As a result, these questions are inadequately addressed in the DP. If the involved parties are not actively informed and educated about SF impact on SD and prevention of the potentially negative consequences, the supported projects are not likely to be aimed at achieving SD goals.

The financial resources of the EU Structural Funds must be treated in the same way as national budget resources. They should not be used for projects that do not produce added value and do not comply with EU SF policy, DP and SD goals. But in Latvia, at all levels, the main priority is seen to be spending the resources of the funds and not achievement of DP and SD goals. However, spent money does not automatically mean development, and experience in other countries shows that this kind of an approach can produce many negative side effects. To make sure that the funds are used in accordance with DP goals and SD principles, there must be an effective control and monitoring system. Although public organizations are included in the DP Monitoring Committee, the role of these organizations in these committees is insignificant. This is due to the poor capacity of the organizations and to the dominating presence of the ministries. Public organizations are also not involved in the DP Management Committees, which restricts the monitoring of selection and implementation of independent projects.

In the selection of projects, insufficient attention has been devoted to compliance with horizontal goals. For example, horizontal goals are unclearly defined in project selection criteria and the application forms will not have a separate section on the impact of a project on SD or its environmental and social impact, which would help applicants to evaluate potential risks and give those assessing the projects the needed information about project impact.

The DP is basically aimed at economic development (man-made capital), and development of the other SD capital forms (social, human and natural capital) is seen, in the spirit of liberal economic development, only as an instrument for developing man-made capital. This is substantiated by the assessment of DP priorities, measures and activities, which shows man-made and human capital as the only ones with a clearly positive development trend, but DP contribution to development of natural and social capital as unclear or even negative (see table).

Priority	Sustainable development				Overall assessment
	Man-made capital	Human capital	Social capital	Natural capital	
1. Promotion of balanced development	Positive	Positive	Positive	Negative	Unclear
2. Promotion of business and innovation	Positive	Positive	Unclear	Negative	Unclear
3. Promotion of human resources development and employment	Positive	Positive	Positive	Positive	Positive
4.1. Promotion of rural development	Positive	Positive	Unclear	Negative	Unclear
4.2. Promotion of sustainable fisheries	Positive	Unclear	Negative	Positive	Unclear
Overall assessment	Positive	Positive	Unclear	Unclear	Unclear

A number of win-win situations, where all SD capital forms are developed as the result of a specific measure, can be identified in the DP. However, there are also a number of trade-offs that can be divided into two main groups:

- increase in man-made capital, which causes a decrease in natural capital,
- increase in man-made and human capital, which causes a decrease in social capital.

In the first case, the connection is quite clear: an increase in production creates an additional strain on the environment through an increase in consumption of resources and pollution. In the second case, however, the connection is not as clear and harder to explain. Many of the problems created by these trade-offs can be averted in the DP drafting stage by means of an environmental impact assessment, a gender equality assessment and similar measures. But this was not done in Latvia.

5. RECOMMENDATIONS

To prevent the potentially negative effects of the DP on SD and to improve public participation and transparency in planning and implementation of the DP, there are a number of recommendations that public administration institutions should consider when implementing the current DP and drafting the plan for the next programming period from 2007 to 2013.

5.1. Strategic EIA

A strategic EIA must be carried out during drafting of the Development Plan. This can be financed from technical aid resources. The conclusions of the assessment must be taken into account when drafting the DP and applied to prevent possible trade-offs. The DP should address the results of the strategic EIA – the potential impact of each priority and measure on horizontal goals and SD (currently anticipated in the Ex-ante Assessment).

5.2. Partnership principle

The possible negative effects of these funds on the environment and inexpedient exploitation of the financial resources can be prevented by promoting public participation during the whole fund management cycle. This will guarantee public control of DP preparation and ensure independent review and monitoring of the projects.

It is necessary to separate socio-economic partners and public organizations and to define the roles and differences of each of these groups. Clear mechanisms must be provided for public participation in DP planning. Timely and adequate consultations with all partners (including environmental and social NGOs) must be ensured through their involvement in DP working groups.

Negotiations between the government and the European Commission on the DP drafting process must be made more transparent through the involvement of other partners.

5.3. SD working group

An **SD working group must be set up** to ensure the coordination of DP planning, monitoring and implementation with SD goals and principles. This group should take part in:

- DP planning, assessment of the impact of DP goals, priorities and measures on SD, anticipating measures to prevent or cushion the negative consequences;
- preparation of project-selection guidelines, application forms, and criteria.

The group should also:

- control project selection and implementation to ensure compliance with SD and horizontal goals;
- carry out an initial, intermediate and final assessment of the program's contribution to SD.

This working group should maintain contacts with other involved parties to prevent problems that are caused by poor exchange of information. To ensure effective work of the group, a secretary should be appointed and the necessary financial resources allocated (possibly from technical aid resources). This working group must include government and local government institutions responsible for SD issues, socio-economic partners and public organizations.

5.4. Preparation of projects

Applicants must be provided with information and training on how to prepare projects, on SD issues and on assessment of environmental impact. Such information must be published on the program's website to ensure overall public access. The website should also include: DP, SP and short descriptions of the measures; information on public administration structures and responsible institutions; the names of the members of all committees and sub-committees; meeting agendas and minutes; project selection criteria and descriptions of the approved projects.

Information about the implementation of environment-friendly and SD-oriented projects in Latvia and in other countries must be actively propagated. Those who have successfully implemented projects (especially recipients of resources from the SAPARD program) should be encouraged to share their experience.

5.5. Project selection criteria

The responsible institution must prepare clear project selection criteria that include horizontal goals. The criteria must be freely accessible and they must observe the following principles:

- a balance between horizontal and basic criteria;
- incorporation of social and environmental criteria into project selection criteria;
- the overall assessment of the project cannot be based on only a few criteria: situations should not be permitted where a project that has received a negative assessment of its compliance with horizontal goals is nevertheless supported because it has received a positive assessment of compliance with other criteria;
- a minimum assessment threshold must be set for horizontal goals, making sure that the threshold is sufficiently high.

5.6. Environmental impact assessment (EIA)

Before projects are approved, they must undergo an assessment of impact on sustainable development or EIA, and application forms must have a special section for description of the project's potential impact on horizontal goals and SD, the possible negative consequences and planned measures to prevent or cushion these consequences. On the basis of the impact assessment, the Law on Environmental Impact Assessment and Section 6 of the Habitat Directive (92/43/EEC), the responsible institutions must decide whether a project must undergo EIA. Grant contracts must anticipate activities that the author of a project must carry out to reduce the project's negative impact on SD. When assessing projects, the responsible institutions must also consider the cumulative effects that could be caused by the implementation of several projects or stages of projects, or by transnational projects such as the construction of ViaBaltica. Environmental protection institutions and public organizations must also be involved in the assessment of projects. During the project preparation and implementation stages, the responsible institutions (for example, the SD working group) must consult the applicants on how to reduce the negative effects of the project and render it more sustainable.

Projects must be monitored to make sure that they do not adversely affect SD. In the event of adverse effects, there must be mechanisms to make those implementing the project reduce or eliminate these effects.

APPENDICES

Appendix A

Structural policy

EU Structural Policy

EU Structural Policy is closely linked to EU Regional Policy, but is somewhat broader since it includes measures to achieve social and economic cohesion not only within the framework of EU Regional Policy, but other policies as well (environment, agriculture, fisheries, etc.). Its goal is to eliminate regional and social inequalities between EU Members States and their regions, and improve economic and social cohesion. This policy is implemented with the help of financial instruments (funds). The budget of these funds constitutes one-third of the total EU budget (in the period from 2000 to 2006 – 213 billion EUR).

The budget of the Cohesion Fund, which is intended for environmental and transportation infrastructure projects, is 18 billion EUR for the period 2004–2006.⁴⁷ By comparison, the Structural Fund budget for the same period is 195 billion EUR.⁴⁸ In the next three years, the 10 new EU Member States, which have already benefited from the EU pre-accession funds (PHARE, SAPARD, ISPA) whose purpose was to prepare these countries for membership in the EU and give them experience in working with the financial instruments of regional policy, will receive 22 billion EUR from the Structural Funds. Currently, the EU has four such funds and a number of Community Initiatives:

- European Regional Development Fund (ERDF) – finances development of the infrastructure (transportation, telecommunications and power networks) and supports investments in healthcare and education, in the tourism and services industries to promote development. The fund's goal is the creation and preservation of

⁴⁷ 31994 R 1164: European Commission Regulation 1164/94, Section 4, Paragraph 3.

⁴⁸ 31999 R 1260: European Commission Regulation 1260/1999, Section 7, Clause 1.

jobs and introduction of measures that promote and support local development and employment initiatives and small and medium businesses;

- European Social Fund (ESF) – supports the efforts of Member States to develop the job market and improve human resources by financing measures to reduce unemployment and stimulate the development of problem regions. The fund also supports training programs and job market measures that promote the return of unemployed and socially discriminated members of society to the job market;
- European Agricultural Guidance and Guarantee Fund (EAGGF) – promotes and ensures balanced and sustainable rural development by reducing socio-economic inequalities between rural areas and cities, preserving the diversity of rural communities and increasing the effectiveness and competitiveness of rural production;
- Financial Instrument for Fisheries Guidance (FIFG) – supports the fisheries and aquaculture sectors, with the goal of developing and modernizing the EU fishing industry and preserving fish resources;
 - Community Initiatives – specific Structural Policy financial instruments that are proposed by the European Commission on its own initiative with the aim of supporting projects that resolve problems at the European level. The Community Initiatives are actually Structural Fund target programs that receive 9% of the total SF budget;
 - INTERREG – international, cross-border and interregional cooperation that stimulates the economic development of regions and promotes harmonic and balanced regional planning;
 - EQUAL – international cooperation on issues that involve the prevention of any form of discrimination or inequality in the job market.

The EU has set three objectives for distribution of the Structural Funds. Objectives 1 and 2 are narrower and concentrated on specific territories, but Objective 3 applies to the whole territory of the EU. Objective 1 is aimed at promoting development and structural changes in regions with the lowest development indicators. This objective allows territories with an average per capita GDP under 75% of the EU average to receive support. This objective targets regions at the NUTS II level.⁴⁹ Objective 2 supports economic and social conversion measures in regions threatened by structural problems (industrial and/or agricultural depression). Objective 3 is aimed at fighting

⁴⁹ Nomenclature des Unites Territoriales Statistiques (NUTS I, II, III, IV, V) – the Community's Territorial Units Statistics System. According to this system, all of Latvia's territory is NUTS II level, while France is NUTS I.

long-term unemployment and finding jobs for young people and those who have been excluded from the job market. This objective finances activities that seek to modernize the training system and increase employment outside of Objective 1 regions.

Structural Funds in Latvia

Since Latvia's per capita GDP is only 33% of the EU average,⁵⁰ the whole of Latvia's territory is included in the Objective 1 group of countries (NUTS II). This means that in the next three years following accession to the EU, Latvia will be given the opportunity to receive money from the EU Structural Funds. Planned financing for this period is 625 million EUR or 400 million LVL. Together with Latvia's co-financing, this will total 850 million EUR.

In order to be eligible for these funds, Latvia's government must prepare a plan for their use, on the basis of which Latvia will then be granted EU support. To this end, in 1999 Latvia started work on a National Development Plan, which was supposed to define overall national development and investment priorities. However, this plan fell flat and in February 2002 work was started on a new Development Plan. The plan that has now been prepared is the draft for a Single Programming Document (SPD) or Agreement with the EU on Receiving and Using the Financial Resources of the Structural Funds. This voluminous document has two parts:

- **Development Plan (DP)** – this is a programming document for receiving money from the EU Structural Funds. It defines the strategy and concrete priorities of Latvia's government for the period from 2004 to 2006, aimed at promoting social and economic balance in all of Latvia's territory.
- **Program Supplement (PS)** – this provides detailed information about the priorities and projects of the DP, along with implementation mechanisms.

Initially, the Development Plan was supposed to be approved by the government in October 2002 and submitted to the European Commission in December. The Program Supplement was supposed to be submitted to the European Commission by 2003 (the Commission does not approve this document). However, this did not happen, and the DP was approved by the Cabinet only on March 18, 2003 and sent to the European Commission on the next day to begin the negotiation process. Throughout 2003, negotiations took place between the Latvian government and the European Commission to clarify the priorities of the plan and prepare a document that would be acceptable to

⁵⁰ Eurostat data.

both sides. At the same time, work went on on the Program Supplement and the Communication Strategy, as well as the Cabinet regulations on Structural Fund management, which determine the role of the responsible institutions in reviewing projects, allocating funds and monitoring their use.

The use of EU funds in Latvia must be unilaterally approved by the European Commission. It is expected that in 2004 Latvia could receive 10% of the granted funds.

The main restriction on DP content and accents, is the goal – to attract EU funds and provide a justification for their need and use. For this reason, the Development Plan comprises only those sectors that are within the competence of EU regional policy and for which it is possible to receive EU financial support. The plan is in fact a bureaucratic document, a kind of government “business plan.”

The DP goal, in accordance with the EU Lisbon Strategy⁵¹ and Latvia's long-term economic strategy, is transition to a competitive, knowledge-based economy. To reach this goal, in the first programming period (2004–2006), Latvia, taking advantage of EU Structural Fund support, will lay the foundations for transition to a knowledge-based economy by investing in the development of human resources and also by improving the conditions and infrastructure necessary for the development of science, research and business. To this end, three main strategic directions have been defined, which correspond to the intervention sectors of the EU Structural Funds: promotion of employment and competitiveness, as well as development of human resources and infrastructure.

When defining DP priorities, the European Commission's recommendation to apply a monofund approach was kept in mind: one priority is financed from one fund, and one ministry is responsible for each fund. The exceptions are the European Regional Development Fund, which is used to finance two priorities, and Priority 4, which draws on two (agriculture and fisheries) funds. This approach facilitates use and monitoring of Structural Fund resources, and this is extremely important in the first programming period. The Development Plan has five priorities:

- regional development (ERDF);
- economic development (ERDF);
- human resources and employment (ESF);
- agriculture and rural development (EAGGF) and sustainable fisheries development (FIFG);
- technical aid.

⁵¹ Under this strategy, the goal of the European Union is to become the world's most competitive, knowledge-based economy within the next decade.

Different EU countries apply different approaches to DP planning. Since Latvia is a single planning region, Latvia has only one DP. Poland, for example, which has a much larger territory, is divided into several planning regions and consequently has several plans – one for each region.

DP implementation and monitoring

Each EU Member State is fairly free to develop its own institutional system for implementation and monitoring of the funds and to choose the level of centralization or decentralization. However, the basic requirements are set out in EU Regulation 1260/1999. In Latvia this system is elaborated in the September 2, 2003 Cabinet of Ministers Regulation No. 500⁵² and is organized on various levels:

- the Ministry of Finance is the Managing Authority⁵³ that ensures preparation of DP and SP, prepares communication strategy guidelines, defines the basic principles for agreements with other institutions, project application forms and procurement procedures, administers technical aid (Priority 5), and carries out other functions. For this purpose, an EU Funds Department was set up under the auspices of the Ministry of Finance;
- the Treasury is the Paying Authority, which is responsible for financial management of the Structural Funds, i.e., it puts together and submits applications for payments and receives payments from the EC;
- Intermediate bodies are public institutions that operate under the Managing Authority and are the intermediate link between the Managing Authority, the Paying Authority and the end receiver. Intermediate bodies supervise project implementation, i.e., carry out information and publicity campaigns, prepare project application forms, define the rules for evaluation of projects, announce competitions, and conclude agreements with the recipients of financial resources. There are two levels of intermediate bodies.

The first-level intermediate bodies are responsible for making sure that activities financed by the Structural Funds comply with sectoral policies and DP priorities. The first-level intermediate bodies are:

- Ministry of Economics;
- Ministry of Education and Science;

⁵² Replaced by Cabinet of Ministers Regulation No. 200 (March 30, 2004), which maintains the previous organizational structure.

⁵³ Pursuant to the Cabinet of Ministers February 5, 2002 decision.

- Ministry of Culture;
- Ministry of Welfare;
- Ministry of Regional Development and Local Government Affairs;
- Ministry of Transport;
- State Chancellery;
- Ministry of Health;
- Ministry of the Environment;
- Ministry of Agriculture.

The second-level intermediate bodies are responsible for monitoring the projects financed by a specific fund. Each DP sector has one responsible intermediate body:

- for the European Regional Development Fund: the Central Finance and Contracting Agency;
- for the European Social Fund: the National Employment Agency (promotion of employment and elimination of social discrimination) and the Agency for Vocational Education Development Programs (educational development);
- for the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance: the Rural Support Service.

There are three schemes for the selection of projects for Structural Fund support⁵⁴:

- National Projects – financing is granted in accordance with sectoral priorities and the approved national program, i.e., the ministries prepare a national program, which is approved by the Management Committee. The ministries then approve national program projects. The recipients of support are basically government and local government institutions;
- Grants – financing is granted within the framework of an approved grants scheme based on project competitions, i.e., the recipient is a specific institution, for example, the Latvian Development Agency, which grants financing to the direct recipient, for example, an entrepreneur. The administrators of the scheme prepare the project application forms, guidelines, project selection criteria, announce project competitions, and check to make sure that the projects that are submitted comply with regulations. The Project Assessment Committee (set up by the ministry) assesses

⁵⁴ Cabinet of Ministers Regulations on the Institutional System for Management, Monitoring, Control and Assessment of EU Structural Funds, Reg. No. 500. Replaced by Cabinet of Ministers Regulation No. 200 (March 30, 2004).

the quality of a project and makes its assessment known to the administrator of the scheme who, then, approves the chosen projects;

- Open Competition Projects – financing is granted on the basis of open competitions, i.e., the responsible ministry prepares project application forms, guidelines, and project selection criteria for the competition. These documents are submitted to the Management Committee, which approves them and submits them to the Monitoring Committee, which reviews and approves them. The second-level intermediate body announces a project competition and checks to make sure that the projects that are submitted comply with regulations. The first-level intermediate body assesses the quality of the projects, makes its assessment known to the Management Committee, and the ministry approves the projects.

All three schemes will be applied to ESF and ERDF. The Open Competition Projects scheme will be applied to EAGGF and FIFG.

Appendix B

Sustainable development

Sustainable Development (SD) is a concept that was first defined in the final report, "Our Common Future" (1987), of UN Committee for Environment and Development chaired by Gro Harlem Brundtland. In this report, SD is defined as "development that satisfies today's needs without creating risks for satisfaction of the needs of future generations."

SD theory is fairly ambitious, and it is therefore important to ensure that it is constructively applied in order to prevent its degradation. Admittedly, this term is already being used rather broadly, and its true meaning is frequently misunderstood. Despite the lack of precision and the misunderstandings, there is general consensus that SD incorporates a balance between social equity, ecological integrity and economic development. In other words, it could be seen as the principle that environmental, social and economic issues are closely linked and must be resolved in conjunction with each other. Sustainable Development is based on a number of key principles (see box), which basically anticipate life in harmony with the laws of nature and equitable distribution of resources among the members of society. These principles also underline that nature and the environment are the very basis of human welfare, and that their management in fulfilling human goals is the main task of national governments and the international community.

This study applies the 4 SD capital approach, which essentially says that sustainable development exists if the Earth's total accumulation of capital remains unchanged or continues to grow. In this case, the Earth's accumulation of capital is understood to incorporate 4 main forms of capital:

- **man-made capital** – capital that we traditionally understand as capital, i.e., facilities, technical equipment, buildings and infrastructure that are used to produce goods and services;
- **natural capital** – all ecological systems and natural resources (renewable and non-renewable). In addition to the traditional natural resources (forests, water, energy, minerals, etc.), natural capital also includes natural values that are hard to express in monetary units, such as: biological diversity, endangered species and ecological systems that ensure ecological services (for example, air and water purification). Natural capital is understood to be the aggregation of natural components that directly or indirectly may be connected with human welfare;
- **human capital** – combined human productivity capital that is based on people's mental and physical health, education, motivation, talent, know-how and skills.

These elements not only ensure happy and healthy individuals, but also contribute to economic development through an increase in productivity of the labor force;

- **social capital** – this form of capital, like human capital, is connected with human welfare, but more on a social than an on individual level. It comprises social standards as well as formal and informal structures that provide access to resources, help to resolve common problems and promote social cohesion: for example, communities, public organizations and cooperatives, as well as political and judicial structures that promote political stability, democracy, effective administration and social justice. It is hard to set critical thresholds for social capital: for example, the acceptable level of crime. But trends are a good indicator.

The principles of Sustainable Development

SD principles are addressed in the Rio Declaration on Environment and Development (1992) and other international conventions and national legislation.

Integrity – relations between man and the environment shall be shaped in a way that preserves the unity of the ecological system and maintains the life-sustaining systems upon which human welfare is based.

Adequacy and opportunities – a guarantee that each individual has a befitting life and opportunities to improve it in ways that do not endanger the opportunities and the quality of life of future generations.

Precautionary principle – where there are threats that an activity or the failure to act could have serious or irreversible consequences for the environment, the absence of scientific studies shall not be a reason for postponing measures that are necessary to prevent degradation of the environment.

The polluter pays – those who produce pollution or waste shall bear the costs associated with assessment, reduction or elimination of such pollution.

The user pays – the users of products and services shall bear all costs ensuing from the full life-cycle of a product, including the externalities connected with the use of non-marketable natural resources (for example, the air, the ozone layer) and with the waste that is produced.

Inter-generational equity – the current generation shall preserve or increase the accumulated social, natural and man-made capital, and give future generations opportunities for development.

Intra-generational equity – elimination of inequalities within the current generation.

Effectiveness – effective use of human and natural capital for economic development which ensures that human, cultural, historical and natural resources are used and managed efficiently and for the greater good of the community.

Democracy – building our capacity, introducing SD principles with the help of better-educated and integrated administrative, market and personal-choice practices.

Immediate- and long-term integration – simultaneous application of all SD principles, seeking to achieve mutually supportive benefits.

The SD approach is anthropocentric because its goal is to satisfy human needs today and in the distant future, and to improve the quality of life. This means that it is necessary to continually develop and preserve all of the aforementioned forms of capital, because our existence both today and in the future depends on them. Since the Earth's capital consists of these 4 forms, it is possible to have a situation in which the total accumulation of capital can increase although one of the capital forms decreases, but another increases: for example, if natural capital is destroyed, but economic growth is sufficient to produce an increase in total capital.

This leads to the question of whether it is possible to replace one form of capital with another (for example, crude oil with wind energy). Are different forms of capital interchangeable? Or is it impossible to replace the components of some forms of capital with others? There are two approaches to seeking answers to these questions:

- **Strong sustainability** is ensured if none of the aforementioned forms of SD capital are reduced. Strong sustainability is not based on the replacement principle and does not allow trade-offs with “critical natural capital.”⁵⁵ The application of this approach creates problems when it comes to determining the boundaries of critical natural capital. Furthermore, if the interchangeability of capital is ruled out, a situation is created in which some forms of capital are granted an absolute value greater than any other task or consideration. Strong sustainability is based on quantitatively measurable activities, the goal of which is to at least protect the natural

⁵⁵ “Critical natural capital” is considered to be, among other things, natural reservoirs or other territories with great biological diversity, wetlands and other ecological systems with life-sustaining functions.

capital that still remains. It prescribes a radical growth of natural capital in development countries.

- **Weak sustainability** is based on the assumption that welfare and sustainability do not depend on a specific form of capital, but are guaranteed if the Earth's total accumulation of capital increases. Therefore, this approach allows the interchangeability of different forms of capital. Application of this approach would, for example, allow the deforestation of Brazil's primeval forests to make possible the production of organic produce in this territory, or to invest the revenue in, for example, the development of human capital. In this case, the problem arises from the attempt to compare two different things (forests with humans) and to determine their value and degree of interchangeability. Weak sustainability is based on an analysis of benefits and costs, where interchangeability is acceptable.

In regard to natural capital, interchangeability can produce unforeseen consequences, and the effects are difficult to predict. There is also reason for concern about the possibility that natural resources (energy, forests, etc.) and the capacity of nature to carry out life-sustaining functions could be degraded to the point where the existence of other forms of capital is no longer possible, and all living matter ceases to exist. Interchanging forms of capital can lead to a situation where total accumulated capital declines and this, in turn, leads to non-sustainable development. Such possibilities lie hidden in the trade-offs made by decision-makers when exchanging one form of capital for another. The question, then, is whether the critical thresholds of one form of capital are overstepped and whether the reduction of one form of capital is sufficiently compensated by an increase in another.

Government policy in regard to sustainable development depends on whether weak or strong sustainability is chosen. One thing is clear, however: the main goal of sustainable development is development of the combined capital of the Earth or of a territory, and for this there must be separate but interrelated strategies for each of the capital forms.

Sustainable development indicators

The indicators of DP impact on SD were chosen to best illustrate Latvia's situation and structural policy issues, and also the main characteristics of SD. By contrast with the overview of Latvia's SD indicators, the study applied a four-indicator instead of a three-indicator approach (man-made, social, human and natural capital). This approach is more suitable for analyzing the impact of Structural Funds on SD because particular emphasis is placed on human capital, the development of which is one of the principal goals of EU Structural Policy.

The indicators that were applied can be categorized by SD capital form:

Man-made capital: GDP is usually seen as one of the main indicators for economic growth. However, the study also applied other quantitative economic indicators (per capita investment, employment, regional differences). In addition to these, the study used infrastructure (transportation, communications, social and environmental infrastructure) and efficiency (energy and material efficiency, labor productivity) indicators, as well as changes in research and innovation.

Human capital: The main indicators chosen for development of human capital were: the level of education and training and the labor force (income, employment). Also used were indicators such as public health, innovation and entrepreneurship, labor productivity and motivation.

Social capital: This group of indicators is very broad, starting with crime and safety and ending with social nets, cooperation and administration, which can be divided into the following groups:

- health: nutrition, isolation of senior citizens and disabled persons, drug and alcohol addiction;
- equality: gender and regional equality;
- education and training: accessibility of education, training and information for various target groups;
- housing: homeless persons, housing management;
- local culture and identity: local values, cultural identity and diversity, crime.

Natural capital: Indicators were divided into two main groups: pollution (air, water, waste, greenhouse gases) and consumption of resources (flora, fauna, water, waste, energy, biological diversity), as well as additional indicators for environmental investments.

Appendix C

Policy context

The policy context of this study goes back to 1992, when sustainable development became the main topic at the UN world leaders' conference "The Environment and Development" in Rio de Janeiro in Brazil. At this conference, several important documents were prepared, which had a direct impact on further global development. The most important ones were the Rio Declaration on Environment and Development and the action program for the 21st century, Agenda 21. Both of these documents defined global SD policy.

In 2002, ten years had passed since the Rio conference. Studies show, however, that despite government vows to proceed towards SD, degradation of the world's environment has continued and social inequality has increased even after the Rio conference. For this reason, a second UN Global Conference on Environment and Development took place in Johannesburg, South Africa, in September 2002.⁵⁶ The purpose of this conference was to review the progress of the past ten years and decide on the next steps to be taken towards sustainable development. Before the Johannesburg conference, governments prepared Sustainable Development Reports on their achievements in the previous years. A new political declaration on efforts to achieve SD was signed in Johannesburg and an SD Implementation Plan was adopted.

Much has also been done at the EU level to promote SD. The Maastricht Treaty was adopted in 1992, which broadened the Community Goals set out in the Treaty of Rome to include environmental protection and specified that "for the Community, one of its goals must be [...] harmonic and balanced development of economic activities, sustainable and growing development that respects the surrounding environment..." (Article 2). During the EU summit in Gothenburg in July 2001, the EU Sustainable Development Strategy was signed. This calls for assessment of the social and economic aspects of impact on the environment when drafting future policy documents. Also adopted in Gothenburg was the 6th Environmental Protection Program, which detailed the environmental protection measures that must be carried out in the next 10 years.

In 2001, the European Commission adopted the Communication on Structural Indicators that will be applied to evaluate progress towards the social and economic cohesion goals that were set at the Lisbon Summit in 2000. The main new aspect of

⁵⁶ <http://www.johannesburgsummit.org> Last accessed on June 22, 2004.

these indicators is the chapter on environmental and SD indicators. These are: climatic changes, sustainable transportation, threats to public health, and management of natural resources.

Based on these UN initiatives, in 2002 the Latvian government drafted and approved Latvia's Sustainable Development Guidelines, which laid the foundations for SD policy in Latvia. At the same time, a National Sustainable Development Council was also set up. This is an advisory and coordinating institution whose goal is to promote the integration of sustainable development principles into the environmental, social and economic sectors, and to coordinate the sustainable development process in this country. Since Latvia joined the EU in May 2004, it is now bound by all EU regulations, including those that cover the implementation of SD.

The SD Structural Funds are also closely linked to EU sustainable development policy. The Agenda 2000⁵⁷ and the Regulation on Structural Funds⁵⁸ that was adopted in 1999 anticipate inclusion of environmental sustainability and gender equality in the 2000–2006 EU Structural Fund policy. This means that SD has already been defined as an SF horizontal priority. The Structural Funds Regulation 1260/1999 provides that “... the Community ... seeks to promote the harmonious, balanced and sustainable development of economic activities, a high level of employment, equality between men and women and a high level of protection and improvement of the environment; whereas those efforts should in particular integrate the requirements of environmental protection into the design and implementation of the operations of the Structural Funds and help to eliminate inequalities and promote equality between men and women; whereas the Funds' operations may also make it possible to combat any discrimination on the grounds of race, ethnic origin, disability or age by means in particular of an evaluation of needs, financial incentives and an enlarged partnership.”

The aforementioned regulation anticipates the integration of environmental protection issues into all stages of structural policy: programming, monitoring, assessment and information. Vademecum and other Commission Working Papers and technical documents also deal with the integration of environmental and SD aspects and offer methods for carrying this out.

In the last programming period, other requirements have been added, which are aimed at the integration of SD issues into EU Structural Policy. One of these is strengthening of the partnership principle, which prescribes participation of a broad spectrum of

⁵⁷ EU document published in 1997, which, among other things, anticipates a reform of EU Structural Policy starting 2000. Sets out EU Structural Policy goals and initiatives for the years 2000–2006.

⁵⁸ 31999 R 1260: EC Regulation 1260/1999.

economic, social and environmental partners in all stages of structural policy. Another instrument that has been officially anchored in the directive is the environmental impact assessment, which must be carried out for large infrastructure projects. In the near future, there are also plans to introduce a mandatory Strategic Environmental Assessment, which would have to be carried out for all policy documents, including national development plans.

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